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ČESKÁ EXPORTNÍ BANKA
ANNUAL FINANCIAL REPORT 2023

This version of the annual report has not been prepared in the European Single Reporting Format ("ESEF") and is an unofficial version of the official annual report published in accordance with ESEF in the XHTML format. The Company has taken all steps to ensure that this version corresponds to the original. In the event of any discrepancy in the information, opinions or interpretations, the official version of the annual report shall take precedence over this version.

The official annual report prepared in the ESEF format is available at:
https://www.ceb.cz/informace/povinne-zverejnovane-informace1/vz-html/

ČESKÁ EXPORTNÍ BANKA
CZECH EXPORT BANK

introduction of new products to support export-oriented companies

a 37 % increase in the volume of provided products to CZK 6.8 billion

2023 – the most commercially successful year in the last 9 years

CZK 974 million – CEB‘s highest profit before tax since its foundation in 1995

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significant support to strategic segments of economy

reduction in non-performing receivables to 1% of the volume of loan principles

successful cooperation with the commercial banking sector

Introduction by the Chairman of the Board of Directors

Dear shareholders, dear business partners,

despite the many challenges it brought, 2023 was one of the most successful years for Česká exportní banka, a.s. (CEB) in its nearly 30-year history in many aspects. In the past year, CEB continued in the process of transforming itself into a modern and active financial institution, offering solutions and value to its clients and partners.

The continuously deteriorating international security situation, weak growth in international trade, price volatility of inputs and raw materials, falling demand, and persistent inflationary pressures created an environment that negatively influenced Czech export suppliers and exporters in 2023.

Despite the above limitations, CEB managed to meet its strategic goals in 2023. In connection with the amendment to Act No. 58/1995 Coll. on Insurance and Financing of Exports with State Support, the Bank introduced completely new products supporting the increase of international competitiveness of Czech export-oriented companies in the first quarter of 2023. Thus, CEB is now able to support Czech companies whose exports comprise at least a quarter of their annual sales and which want to reinforce their international competitiveness. In 2023, the newly introduced products comprised almost 40% of granted loans. The CEB's product offer is thus similar to that of foreign export banks and agencies that support exports in competing economies.

Overall, in 2023 CEB provided supported financing products totalling CZK 6.8 billion to support Czech export-oriented companies, Czech exporters, and Czech investors expanding abroad, which is 37% more year-on-year. In terms of the financial volume of signed contracts, this is the best result in the last nine years. Furthermore, the Bank succeeded in reducing the volume of non-performing receivables to only 1% of the total amount of credit portfolio principals at the end of 2023. The increase in the volume of deals connected with the development of market interest rates and a responsible approach to the Bank's operating costs were reflected in improved return ratios and profit exceeding our expectations for 2023 and amounting to nearly CZK 1 billion before tax, historically CEB's highest profit before tax since its foundation in 1995.

The strategic direction of CEB is fully in line with the premises of the newly approved export strategy of the Czech Republic for 2023–2033. This includes support for strategic sectors of the economy, ESG transition, growth segments of the economy with high added value and, finally, companies reinforcing their international competitiveness through investments abroad. Close cooperation between CEB and the commercial banking sector, especially in the area of club and syndicated financing, remains an important aspect in meeting the needs of Czech export-oriented companies.

2023 was also crucial for CEB's future. In November 2023, the Government of the Czech Republic decided to start the integration process between CEB and the National Development Bank (NDB). The aim of this process is to create a group with strong capital to provide support for small and medium-sized enterprises, export, and infrastructure project financing as well as to significantly increase the lending and guarantee capacity of the NDB by tens of billions of crowns without additional costs for the state budget. CEB, as a wholly owned subsidiary of NDB, will continue to operate as a regulated bank and export credit agency (ECA) specialising in export financing. This is good news for the Czech economy on its journey of transformation into an economy built on innovation, added value, final products, and environmental responsibility.

Dear shareholders, dear business partners, I would like to thank you for your cooperation in 2023. At the same time, I would like to thank the employees of Česká exportní banka, a.s. for their work, effort, and determination to continue transforming CEB into a modern financial institution.

Ing. Daniel Krumpolc
Chairman of the Board of Directors and CEO

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This document is an unsigned English translation of the Czech independent auditor's report that we issued on 26 March 2024 on the statutory financial statements included in the annual financial report of Česká exportní banka, a.s., prepared in accordance with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("the ESEF Regulation"), related to the financial statements. The accompanying annual financial report has not been prepared in accordance with the ESEF Regulation and therefore does not represent a statutory annual financial report. Consequently, neither it nor this copy of the auditor's report is a legally binding document. We did not audit the consistency of the accompanying annual financial report with the statutory and legally binding annual financial report under the ESEF Regulation in Czech, and therefore we do not provide an opinion on the accompanying annual financial report.

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Česká exportní banka, a.s ("the Company"), prepared in accordance with IFRS Accounting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2023, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, comprising material accounting policies and other explanatory information. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs), which may be supplemented and amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment allowances for loans to customers and provisions for guarantees provided to customers

As at 31 December 2023, gross loans and advances to customers amount to CZK 19,429 million and related impairment allowance amounts to CZK 243 million; financial guarantees issued amount to CZK 2,418 million and related impairment provision amounts to CZK 52 million (as at 31 December 2022, loans and advances to customers amount to CZK 16,013 million and related impairment allowance amounts to CZK 211 million; financial guarantees issued amount to CZK 1,814 million and related impairment provision amounts to CZK 33 million).

Refer to the following notes to the financial statements: 2 (Accounting policies), 3 (Risk management), 10 (Loss from impairment of financial instruments), 13 (Loans and receivable at amortized costs) and 20 (Provisions).

The key audit matter

The Company's management makes significant judgments and complex assumptions when estimating expected credit losses ("the Expected Credit Losses", "ECLs") in respect of loans and advances to customers (together "Loans", "exposures") and financial guarantees issued („Guarantees").

For the purposes of estimating the Expected Credit Losses, the Loans and Guarantees are assigned to one of three stages in line with the requirements of IFRS 9 Financial instruments. Stage 1 and Stage 2 comprise performing exposures, with Stage 2 being exposures with a significant increase in credit risk since origination. Stage 3 are exposures in default. The assessment of whether a loan experienced a significant increase in credit risk or is in default requires use of quantitative criteria (such as internal rating), qualitative criteria and judgment.

Once the exposures are allocated to Stages, key judgements and assumptions relevant to the measurement of ECLs for Stage 1 Loans and Guarantees comprise:

- Exposure at default (EAD), determined as gross carrying amount decreased by the value of any underlying collateral (primarily created by insurance contracts, bank guarantees or cash);
- Expected loss ratio, estimated using a statistical model relying on historical internal data about defaults of loans and related losses;
- Upscale factor reflecting forward-looking information (FLI), determined by means of a statistical model based on selected macroeconomic indicators.

ECLs for Stage 2 and Stage 3 Loans and Guarantees are determined on an individual basis by discounting the probability-weighted projections of estimated future cash flows. The key judgments and assumptions therein comprise:

- Probabilities assigned to cash flow projections;
- Estimated amounts and timing of future cash repayments, including cash flows from any underlying collateral.

Due to the above complexities, coupled with the need to consider the effects of the current volatile economic conditions (such as the inflation, energy cost and economic recession), on the measurement of ECLs, the area required our increased attention in the audit and as such was determined to be a key audit matter.

How the matter was addressed in our audit

Our procedures, performed, where applicable, with the assistance from our own credit risk and information technology (IT) audit specialists, included, among others:

We critically assessed the Company's loan impairment policies, methods and models, and the processes related to estimating ECLs. As part of the procedure, we assessed the process of determination of internal ratings of borrowers and identifying indicators of default and significant increase in credit risk, and allocating of Loans and Guarantees to Stages. We also inspected and assessed the development and validation documentation for internal rating and ECL models, including the Company's retrospective testing of major model inputs.

We tested the design, implementation and operating effectiveness of selected IT-based and manual controls over the disbursement of loans and the receipt of borrowers' repayments and their matching to scheduled loan instalments. We also tested design and implementation of selected controls over the ECL measurement.

We assessed whether the definition of default and staging criteria were applied consistently and in line with the requirements of the financial reporting standards.

For a sample of exposures, we critically assessed, by reference to the underlying loan files and inquires of loan officers and credit risk personnel, the existence of any triggers for classification to Stage 2 or Stage 3.

For a sample of Stage 1 secured exposures, we challenged the realizable value of collateral, by reference to the underlying collateral agreements (for non-cash collateral) or evidence supporting balances of cash serving as collateral. For a sample of Stage 1 unsecured exposures, we challenged the EAD parameter, the expected loss ratio and upscale factor assigned to these exposures, also considering the FLI, which we independently evaluated.

For impairment allowances calculated individually (Stage 2 and Stage 3), for a risk-based sample of loans, we challenged the Company's cash flow projections and key assumptions used therein, by reference to the respective loan files and inquiries of the Company's credit risk personnel. We also evaluated the collateral values by reference to underlying terms of collateral agreements or evidence supporting balances of cash collateral.

We evaluated whether in its ECL measurement the Company appropriately considered the effects of the market disruption resulting from the actual economic conditions.

We examined whether the Company's loan impairment and credit risk-related disclosures in the financial statements appropriately address the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual financial report ("the annual report") other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Financial Statements

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process. The Audit Committee is responsible for monitoring the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If

we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 29 April 2021 and our uninterrupted engagement has lasted for 3 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 25 March 2024 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

Report on Compliance with the ESEF Regulation

We have undertaken a reasonable assurance engagement on the compliance of financial statements included in the annual report with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("the ESEF Regulation"), related to the financial statements.

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Responsibilities of the Statutory Body

The Company's statutory body is responsible for the preparation of financial statements that comply with the ESEF Regulation. This responsibility includes:

- the design, implementation and maintenance of internal control relevant to the application of the ESEF Regulation;
- the preparation of financial statements included in the annual report in the applicable XHTML format.

Auditor's Responsibilities

Our responsibility is to express an opinion on whether the financial statements included in the annual report comply, in all material respects, with the ESEF Regulation based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000").

The nature, timing and extent of procedures selected depend on the auditor's judgment. Reasonable assurance is a high level of assurance, but is not a guarantee that an assurance engagement conducted in accordance with the above standard will always detect any existing material non-compliance with the ESEF Regulation.

Our selected procedures included:

- obtaining an understanding of the requirements of the ESEF Regulation;
- obtaining an understanding of the Company's internal control relevant to the application of the ESEF Regulation;
- identifying and assessing the risks of material non-compliance with the ESEF Regulation, whether due to fraud or error; and
- based on the above, designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The objective of our procedures was to evaluate whether the financial statements included in the annual report were prepared in the applicable XHTML format.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Company's financial statements for the year ended 31 December 2023 included in the annual report are, in all material respects, in compliance with the ESEF Regulation.

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of Česká exportní banka, a.s. as at 31 December 2023, based on which this independent auditor's report has been prepared.

Prague
26 March 2024

KPMG Česká republika Audit, s.r.o.
Registration number 71

Signed by

Jindřich Vašina
Partner
Registration number 2059

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Contents

Key indicators

	unit	2023	2022
Financial results [1]			
Net interest income	CZK million	1 112	650
Net fee and commission income	CZK million	31	37
Operating income	CZK million	3	(4)
Impairment of assets	CZK million	133	45
Total operating costs	CZK million	(306)	(303)
Income tax	CZK million	(174)	110
Net profit	CZK million	800	640
Balance sheet			
Total assets	CZK million	33 856	32 473
Receivables from parties other than credit institutions at amortised cost	CZK million	19 186	15 802
Receivables from credit institutions at amortised cost	CZK million	10 846	9 773
Total financial liabilities to other customers at amortised cost	CZK million	2 407	2 442
Total financial liabilities to credit institutions at amortised cost	CZK million	5 508	5 435
Financial liabilities from issued bonds	CZK million	15 913	15 516
Total equity	CZK million	9 096	8 285
Ratios [2]			
Return on average assets (ROAA)	%	2,49	1,84
Return on average equity (ROAE)	%	9,88	8,44
Total capital ratio	%	78,82	131,92
Assets per employee	CZK million	305,01	292,55
Administrative expenses per employee	CZK million	(2,31)	(2,21)
Net profit per employee	CZK million	7,21	5,77
Other information			
Average headcount	employees	110	113
Headcount (as at 31 December)	employees	111	111
Guarantees issued	CZK million	2 418	1 814
Loan commitments	CZK million	2 843	3 944
Rating – long-term payables			
Standard & Poor' s	-	AA-	AA-

1) Categories including the comparable period are disclosed in accordance with the definitions of the Financial Reporting Standards (FINREP) and are also in compliance with IFRS.

2) Ratios are published on a quarterly basis on the Bank's web pages and are calculated according to the below definitions:

Return on average assets (ROAA)

Net profit for the reporting period divided by average total assets.

Average total assets: sum total of monthly amounts of total assets at year-end X-1 to year-end X divided by 13.

Return on average equity (ROAE)

Net profit for the reporting period divided by average Tier 1 capital.

Average Tier 1 capital: sum total of monthly amounts of Tier 1 capital at year-end X-1 to year-end X divided by 13.

Total capital ratio

Capital at year-end divided by total risk exposures at year-end.

Assets per employee

Total assets for the reporting period divided by average headcount.

Administrative expenses per employee

Administrative expenses for the reporting period divided by average headcount.

Net profit per employee

Net profit for the reporting period divided by average headcount.

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Profile of Česká exportní banka, a.s.

1 Profile of Česká exportní banka, a.s.

1.1 History and Development of Česká exportní banka, a.s.

Česká exportní banka, a.s. ("CEB") is recorded in the Commercial Register maintained by the Municipal Court in Prague, file No. B 3042. Its primary objective is to support Czech exports and export-oriented companies as stipulated by Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, as amended. The nature of the support has developed since 1995 from the provision of basic concessional financing to today's comprehensive services of supported financing. CEB's export support is implemented through banking services and transactions within the scope of the banking licence.

Based on a banking licence[1] issued by the Czech National Bank under Ref. No. 2003/3966/520 dated 19. September 2003, amended by the decision of the Czech National Bank under Ref. No. 2003/4067/520 dated 30 September 2003, under Ref. No. 2005/3982/530 dated 16 December 2005, under Ref. No. 2011/141/570 dated 6 January 2011 and under Ref. No. 2013/6197/570 dated 27 May 2013, the principal business activities of CEB are defined as follows:

i. Pursuant to Section 1 (1) of Act No. 21/1992 Coll., on Banks
   a) Acceptance of deposits made by general public
   b) Provision of loans.
ii. Pursuant to Pursuant to Section 1 (3) of Act No. 21/1992 Coll., on Banks
   a) Investing in securities on the Bank's own account, in the following scope:
      - Investing in negotiable securities issued by the Czech Republic, the Czech National Bank and foreign governments
      - Investing in foreign bonds and mortgage bonds
      - Investing in securities issued by legal entities with registered offices in the territory of the Czech Republic.
   c) Payment systems and clearing
   e) Provision of guarantees
   f) Opening of letters of credit
   g) Collection services
   h) Investment services under special regulation[2] comprising:
      - Major investment services
        — Pursuant to Section 4 (2) (a) of the Act on Capital Market Undertakings – receiving and giving instructions on investment instruments, specifically investment instruments pursuant to Section 3 (1) (d) of this Act
        — Pursuant to Section 4 (2) (b) of the Act on Capital Market Undertakings – implementation of instructions related to investment instruments on the account of clients, specifically investment instruments pursuant to Section 3 (1) (d) of this Act
        — Pursuant to Section 4 (2) (a) of the Act on Capital Market Undertakings – trading of investment instruments, on the Bank's account, specifically investment instruments pursuant to Section 3 (1) (a) of this Act, with the exception of shares and other securities representing an equity investment in a company or another legal entity, specifically investment instruments pursuant to Section 3 (1) (c) and (d) of the Act on Capital Market Undertakings
        — Pursuant to Section 4 (2) (e) of the Act on Capital Market Undertakings – investment advisory on investment instruments, specifically instruments pursuant to Section 3 (1) (d) of this Act.

1 The banking licence replaced the permit issued by the Czech National Bank to Česká exportní banka, a.s., based on which CEB was allowed to operate as a bank; the permit was issued on 6 February 1995 and changes to it were made on 27 June 1996.

2 Act No. 256/2004 Coll., on Capital Market Undertakings

- Additional investment services
  - Pursuant to Section 4 (3) (a) of the Act on Capital Market Undertakings – escrow and administration of investment instruments including the relating services, specifically investment instruments pursuant to Section 3 (1) (a), (c) and (d) of this Act
  - Pursuant to Section 4 (3) (c) of the Act on Capital Market Undertakings – advisory on the capital structure, industrial strategies and related issues, advisory and services on company transformations and company transfers.

l) Provision of banking information

m) Trading on the Bank's own account or on the client's account in foreign currencies that are not investment instruments and in gold to the extent of the following:

- Trading on the Bank's own account in foreign bonds
- Trading on the Bank's own account in funds denominated in foreign currencies
- Trading on the Bank's own account or on its clients' account in negotiable securities issued by foreign governments
- Trading on the Bank's own account or on its clients' account in monetary rights and obligations derived from the above-mentioned foreign currencies
- Trading on its clients' account in funds denominated in foreign currencies; and

p) Activities directly related to the activities mentioned in Česká exportní banka, a.s.'s banking licence.

Summary of activities the performance or provision of which was limited or eliminated by the Czech National Bank during 2023: No activities have been limited or eliminated.

1.2 The issuer's registered office and legal status, legal regulations governing the issuer's activities

Registered office:	Praha 1, Vodičkova 701/34, post code 111 21
Legal form:	joint stock company
Corporate ID:	63078333
Telephone:	+420222841100
Fax:	+420224211266
E-mail:	ceb@ceb.cz
internet:	www.ceb.cz

The principal EU and Czech legal regulations under which CEB performed its activities in 2023:

Act No. 110/2019 Coll.	on Personal Data Protection;
Act No. 250/2016 Coll.	on Liability for Administrative Offences and Related Procedures;
Act No. 370/2017 Coll.	on System of Payments;
Act No. 21/1992 Coll.	on Banks;
Act No. 280/2009 Coll.	on the Tax Procedure Code;
Act No. 190/2004 Coll.	on Bonds ;
Act No. 235/2004 Coll.	on Value Added Tax;
Act No. 253/2008 Coll.	on Certain Measures against Money Laundering and Terrorism Financing;

Act No. 69/2006 Coll.	on the Implementation of International Sanctions;
Act No. 256/2004 Coll.	on Capital Market Undertakings;
Act No.499/2004 Coll.	on Archiving and Record Management;
Act No. 563/1991 Coll.	on Accounting;
Act No. 89/2012 Coll.	Civil Code;
Act No. 90/2012 Coll.	on Business Corporations and Cooperatives (Act on Business Corporations);
Act No. 58/1995 Coll.	on Insurance and Financing of Exports with State Support;
Act No. 229/2002 Coll.	on the Financial Arbiter;
Act No. 586/1992 Coll.	on Income Taxation;
Act No. 589/1992 Coll.	on Social Security Contributions and Contributions to the State Employment Policy;
Act No. 592/1992 Coll.	on Public Health Insurance;
Act No. 93/2009 Coll.	on Auditors;
Act No. 304/2013 Coll.	on Public Registers of Legal Entities and Natural Persons;
Act No. 408/2010 Coll.	on Financial Collateral;
Regulation (EU) No. 2016/679	General Data Protection Regulation (GDPR) Regulation (EU) No. 596/2014 on Market Abuse;
Regulation (EU) No. 575/2013	on prudential requirements for credit institutions and investment firms and related implementing regulations of the European Commission;
Regulation (EU) No. 648/2012	on OTC derivatives, central counterparties and trade repositories (EMIR); and
Regulation (EU) No. 1233/2011	of the European Parliament and of the Council on the application of certain guidelines in the field of officially supported export credits.

These regulations represent the primary legislative framework for CEB's activities. In addition to the aforementioned regulations, CEB's activities have to comply with various other decrees, government regulations or implementing regulations, guidelines and other documents issued by EU bodies.

1.3 Disclosed documents

CEB's Articles of Association in Czech are publicly available, and the hard-copy version thereof can be inspected in the Bank's registered office. The electronic version of the Bank's Articles of Association in Czech is publicly available in the Collection of Deeds of the Commercial Register file No. B 3042/SL 186/MSPH of the Municipal Court in Prague.

On the website of the Commercial Register and Collection of Deeds, the updated version of CEB's Articles of Association is available under the following address: https://or.justice.cz/.

In addition, CEB's website (www.ceb.cz) makes publicly available all documents and information on its activities, through which it meets its informational obligation arising from the relevant legal regulations that the Bank is to follow in performing its business.

1.4 Information on environmental, social, and corporate governance, employment relations and other information about Česká exportní banka, a.s.

1.4.1 General aspects and international regulation

CEB is not a member of any group and has no organisational branch abroad.

Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, authorised the Bank to finance exports with state support in line with international rules of public support applied in financing state-supported export loans with a maturity period of at least two years (predominantly with the OECD Consensus and WTO).

Under Section 8 (1) (c) of Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, the state is held liable for the obligations of CEB arising from payments of funds received by CEB and for obligations arising from other CEB's operations on the financial markets.

No specific event that could have a material impact on the evaluation of CEB's solvency has occurred since the last publication of the Annual Report of CEB as an issuer of securities.

When providing export loans with a maturity period of at least two years, CEB complies with the procedures set out in OECD Council Recommendation on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (2016) providing guidance on the application of some rules in state-supported export credits. In accordance with these rules, CEB requires all financed projects to be assessed by an independent external expert, an ESIA opinion (Environmental and Social Impact Assessment) to be prepared and the relevant conditions resulting from this opinion, if any, to be included into the contractual documentation concluded with the client.

CEB continues to fully respect the obligations arising for the Czech Republic from the OECD guidelines to combat bribery of foreign public officials in international business transactions, specifically the "OECD Council Recommendation on Bribery and Officially Supported Export Credits" (2019). CEB uses this document as its primary basis when formulating requirements for exporters and evaluating compliance with the conditions of fight against corruption in specific export transactions.

1.4.2 Environmental, social, and corporate governance (ESG)

CEB has the potential to positively influence environmental, social, and corporate governance (ESG) in two ways:

1) first by deciding to whom it will provide financing and for what projects; and

2) second by the way it manages its business, how it deals with its clients, employees, and other stakeholders.

From risk analyses and the existing approach, a new ESG framework strategy for CEB has emerged, comprising both a general and risk management strategy. The general strategy, approved by the general meeting, obliges CEB to:

1) meet the ESG concept in its own operational activities;

2) emphasise in its business strategy companies gradually implementing the sustainability concept or responsible behaviour in relation to ESG in their activities, including decarbonisation, greening and reduction of energy intensity (i.e., support ESG transition). A definition of ESG risk and the basic manner of managing it has been added to the risk management strategy.

To better assess the environmental impacts of CEB's operations and where improvements could be made, an independent company, CI3, s.r.o., was asked to calculate CEB's carbon footprint. All direct emission sources were included in the calculation in accordance with the GHG Protocol, namely natural gas, fuel, refrigerants (Scope 1), and indirect emissions from consumption of electrical energy (Scope 2). In addition, selected items from Scope 3 were included. The calculation of full Scope 3, i.e., on CEB's client portfolio, will only be possible in the coming years once the relevant input data has been obtained.

Further, targets until 2030 have been set in all three ESG areas, specifically aiming at carbon footprint reduction, a responsible approach to employees, attracting talent, engaging with volunteering activities and the effective use of membership in ESG- and sustainability-related associations. The set internal ESG targets are also reflected in the approved CEB Strategy for the period from 2024 to 2026, which incorporates them into the updated section on human resource management.

Non-financial reporting obligations arising from European regulations, in particular the Corporate Sustainability Reporting Directive (CSRD) and the regulation on prudential requirements for credit institutions (CRR), which CEB is preparing to comply with, were also analysed in detail.

In relation to clients, the client approach to ESG issues has also been added to the approval procedure for new business cases. On a voluntary basis, CEB has joined parts of the "Synesgy" initiative created by an external company to collect ESG information from clients so that it is uniform, comparable, and provided only once for all participating banks.

Beyond the above, CEB's further strategy to implement ESG targets in 2024 will comprise:

- collaboration with Exportní garanční a pojišťovací společnost, a.s. ("EGAP") to organise joint ESG events and activities leading to energy savings at the headquarters of both companies – reducing the carbon footprint;
- further analyses and implementation of regulatory and reporting requirements;
- more detailed settings for assessing the risk profile of clients from an ESG perspective;
- the progressive implementation of activities leading to the fulfilment of defined objectives, especially in the field of human resource management;
- publishing more information on CEB's approach to ESG issues.

The Supervisory Board and the Audit Committee of CEB were informed in detail about all CEB ESG activities implemented in 2023 and planned for 2024 and beyond.

1.4.3 Employment relations

CEB's employment relations are concluded in line with Act No. 262/2006 Coll., the Labour Code, as amended. They include employment contracts, agreements to complete a job and agreements to perform work.

Members of the Board of Directors, the Supervisory Board and the Audit Committee perform their functions based on contracts on holding the office concluded in line with Section 59 et seq. of Act No. 90/2012 Coll., on Business Corporations and Cooperatives (Act on Business Corporations). CEB's regulations specify further provisions on specific areas concerning employment relations and executive functions in its internal policies (statutory standards, guidelines, internal policies, codes, strategies). These include in particular the following internal policies: CEB's Articles of Association, Work Rules, Employee's Code of Ethics, Organisation Code, Occupational Health and Safety and Fire Protection, Remuneration and Work Performance Management, Business Trips and Travel Compensation, Hiring and Selecting Employees, Employee Education Process, Principles of Remuneration of Members of Corporate Bodies, Summary Principles of Remuneration of CEB Employees ('Risk Takers'), Human Resource Management Principles.

1.4.4 Other

CEB does not make any research and development investments on its own account. As part of the permitted version of the Loan to Finance Export Manufacturing product, CEB offers Czech manufacturers the option of financing the implementation of new results of research and development into production, i.e., commercialisation of tangible results of research and development in connection with exports. In 2023, this version of the Loan to Finance Export Manufacturing product was not provided. Historically, CEB records three loans provided under this version of the product in the aggregate nominal value of the principal of CZK 1,088 million.

In compliance with Section 41 (a) of Act No. 21/1992 Coll., on Banks, CEB contributes to the system of insurance of receivables from deposits and contributes to the Deposit Insurance Fund in the scope defined by law. The contributions to the system amounted to CZK 16,615 in 2023.

CEB, as a securities trader, is obliged to contribute to the Deposit Guarantee Fund of the Securities Traders in compliance with Act No. 265/2004 Coll., on Capital Market Undertakings. In compliance with Section 129 (2) of the Act, the contribution of CEB amounted to CZK 10,000 in 2023.

Since 2016, CEB has been obliged to contribute to the Crisis Resolution Fund in compliance with the relevant provisions of the Act on Recovery and Resolution in the Financial Market (predominantly Sections 209 and 214). The contribution for 2023 as stipulated by the Czech National Bank amounted to CZK 8,177,897.

1.5 Administrative, management and supervisory bodies of CEB and their committees

General Meeting – the supreme body of CEB that decides by the majority of present shareholders on the issues that are entrusted to its authority by Act No. 90/2012 Coll., and the Bank's Articles of Association.

Supervisory Board – supervises the performance of the Board of Directors' activities and the performance of CEBs business activities and presents its opinions to the General Meeting.

Supervisory Board as at 31 December 2023

Chairman

Ing. Petr Knapp	Substitute member and Chairman from 18 November 2021 to 21 December 2021, Member and Chairman since 21 December 2021

Vice-Chairman

prof. PhDr. Petr Teplý, Ph.D	Member from 23 June 2014 to 23 June 2019, re-elected as member since 24 June 2019, Vice-Chairman since 24 August 2021

Members

Ing. Miroslav Zámečník	Member from 24 April 2017 to 24 April 2022, Substitute member from 24 November 2022 to 22 December 2022, Member since 22 December 2022
Ing. Ivan Duda	Member since 24 June 2021
Ing. Dušan Hradil	Member since 1 August 2021

Nomination Committee – an advisory committee of the CEB Supervisory Board established by a decision of the Board of Directors dated 8 June 2022 with effect from 9 June 2022. The status of the Nomination Committee is regulated by the Rules of Procedure of the Nomination Committee – SN 21.

Chairman

Ing. Petr Knapp	Chairman since 9 June 2022

Members

Prof. PhDr. Petr Teplý, Ph.D.	Member since 23 June 2022
Ing. Ivan Duda	Member since 23 June 2022
Mgr. Veronika Peřinová	Member since 7 July 2022
Ing. Daniel Krumpolc	Member since 9 June 2022
Mgr. Ondřej Zemina	Member since 9 June 2022

Board of Directors – the Bank's statutory body, manages the operations of the Bank, acts on its behalf, ensures the business management including accounting, and takes decisions related to all bank issues unless otherwise stipulated by law or by Articles of Association defined as competences of the General Meeting or the Supervisory Board. The Board of Directors makes decisions that may be subject to the Supervisory Board's additional approval in accordance with the Bank's Articles of Association.

Board of Directors as at 31 December 2023

Chairman

Ing. Daniel Krumpolc Chairman of the Board of Directors/Chief Executive Officer in charge of the Export Financing Division	Member, Chairman and Chief Executive Officer from 1 March 2022

Vice-Chairman

Ing. Emil Holan Vice-Chairman of the Board of Directors in charge of the Risk Management Division	Member from 1 August 2018 to 1 August 2023, Vice-Chairman from 2 July 2020 to 1 August 2023, Substitute member and Vice-Chairman since 2 August 2023, Member and Vice-Chairman since 31 October 2023

Members

Ing. Jiří Schneller Member of the Board of Directors, in charge of the Finance and Operations Division /position vacant from 11 March 2023 to 31 May 2023/	Member from 21 December 2020 to 10 March 2023
Ing. Petr Hejduk Member of the Board of Directors, in charge of the Finance and Operations Division	Substitute member from 1 June 2023 to 31 October 2023, Member since 31 October 2023

Audit Committee – set up by a decision of the General Meeting of Česká exportní banka, a.s., held on 10 December 2009 and effective as of 4 January 2010. The Audit Committee focuses mostly on the process of preparing the Bank's financial statements, evaluates the effectiveness of the internal controls of the Bank, the internal audit and/or risk management systems. It monitors the procedure of obligatory audit of the financial statements and recommends the statutory auditor.

Audit Committee as at 31 December 2023

Chairman

Ing. Petr Kříž, FCCA	Member since 22 December 2022, Chairman since 21 February 2023

Members

Ing. Radovan Odstrčil	Member since 29 April 2020
Ing. Stanislav Staněk	Member from 29 April 2019 to 29 April 2023 re-elected on 30 April 2023

Other Decision-Making Bodies of CEB

Within the scope of its activities, the Board of Directors set up the following decision-making bodies:

Credit Committee – a permanent decision-making and advisory body of the Board of Directors for deciding on and evaluating all issues related to selected transactions and credit risk management, and the advisory body of the leading employees of CEB. The Credit Committee is part of the management and control system of the Bank. Since 1 July 2018, this decision-making body has assumed certain competencies of the Board of Directors, such as negotiating and approving business cases.

The composition of the Credit Committee in 2023 was as follows:

Chairman

Ing. Emil Holan
Vice-Chairman of the Board of Directors in charge
of the Risk Management Division

Vice-Chairman

Ing. Daniel Krumpolc
Chairman of the Board of Directors/Chief Executive Officer
in charge of the Export Financing Division

Members

Ing. Jiří Schneller Member of the Board of Directors, in charge of the Finance and Operations Division /position vacant since 1 June 2023/	Until 10 March 2023
Ing. Petr Hejduk Member of the Board of Directors, in charge of the Finance and Operations Division	Since 1 June 2023

Members on behalf of Risk Management Division

PhDr. Václav Fišer
Director of the Credit Risk Management and Loan Analysis Section since 30 September 2023
Risk Manager Senior

Ing. Jiří Jeřábek
Risk Manager Senior

Members on behalf of Export Financing

Ing. Miloš Welser
Senior Manager of Export Financing Development and Strategy

Ing. Miroslav Stříbrný
Director of the Export Financing Division

Assets and Liabilities Management Committee (ALCO) – permanent decision-making and advisory body of the Board of Directors for deciding on and evaluating all issues related to the management of assets and liabilities, minimisation of market risks related to banking transactions and operations of Česká exportní banka, a.s. on financial markets, and as an advisory body for CEB's managers. ALCO is a part of the management and control system of CEB.

The composition of ALCO in 2023 was as follows:

Chairman

Ing. Daniel Krumpolc
Chairman of the Board of Directors/Chief Executive Officer in charge of the Export Financing Division

Vice-Chairman

Ing. Emil Holan
Vice-Chairman of the Board of Directors
in charge of the Risk Management Division

Members

Ing. Jiří Schneller — Until 10 March 2023
Member of the Board of Directors,
in charge of the Finance and Operations Division
/position vacant since 1 June 2023/

Ing. Petr Hejduk — Since 1 June 2023
Member of the Board of Directors,
in charge of the Finance and Operations Division

Ing. Miloš Welser
Senior Manager of Export Financing Development and Strategy

Ing. David Franta, MBA
Director of Treasury

continued on next page

Ing. Roman Somol, MBA
Head of the Enterprise Risk Management department

Ing. František Jakub, Ph.D.
Director of the Finance and Accounting Section

The Information Technologies Development Committee (ITDC) – permanent decision-making and advisory body of the Board of Directors of CEB dealing with issues in relation to ICT management. ITDC is part of the management and control system of the Bank.

The composition of ITDC in 2023 was as follows:

Chairman

Ing. Jiří Schneller Member of the Board of Directors, in charge of the Finance and Operations Division /position vacant since 1 June 2023/	Until 10 March 2023
Ing. Petr Hejduk Member of the Board of Directors, in charge of the Finance and Operations Division	Since 1 June 2023

Vice-Chairman

Ing. Emil Holan
Vice-Chairman of the Board of Directors
in charge of the Risk Management Division

Members

Ing. Jan Bukovský
ICT Security Inspector

Ing. Hana Vondráčková
Credit Methodologist

Ing. Petr Jindrák
Director of the Banking IS Development Section

Ing. Dagmar Zelisková
Statistics Analyst

Bc. Miloslav Svoboda
Director of the Banking IS Operations Section

Operational Risk Management Committee (ORCO) – The Operational Risk Management Committee is a permanent decision-making and advisory body of the Board of Directors for all decision-making procedures and assessment of operational risks and an advisory body of Česká exportní banka, a.s.'s managers. ORCO is part of the management and control system of CEB.

The composition of ORCO in 2023 was as follows:

Chairman

Ing. Emil Holan
Vice-Chairman of the Board of Directors
in charge of the Risk Management Division

Vice-Chairman

Ing. Jiří Schneller Member of the Board of Directors, in charge of the Finance and Operations Division /position vacant since 1 June 2023/	Until 10 March 2023
Ing. Petr Hejduk Member of the Board of Directors, in charge of the Finance and Operations Division	Since 1 June 2023

Members

Ing. Roman Somol, MBA
Head of the Enterprise Risk Management department

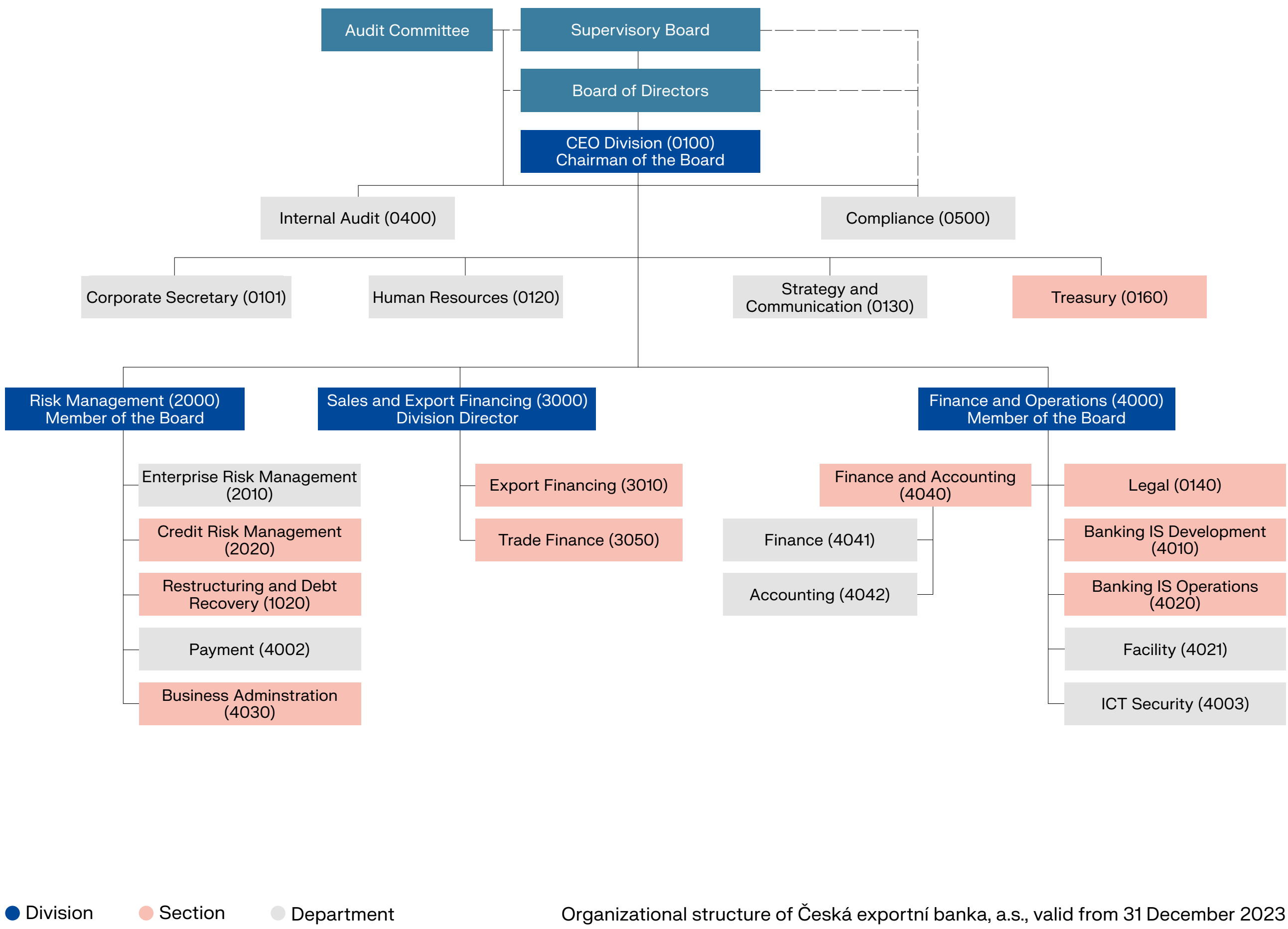
Ing. Miloš Welser
Senior Manager of Export Financing Development and Strategy

Ing. František Jakub, Ph.D.
Director of the Finance and Accounting Section

Mgr. Ondřej Zemina
Head of the Compliance department

Bc. Miloslav Svoboda
Director of the Banking IS Operations section

1.6 Organisational scheme of Česká exportní banka, a.s.



Organizational structure of Česká exportní banka, a.s., valid from 31 December 2023

1.7 Declaration of conflicts of interest

The members of the Bank's bodies, committees and councils declare that:

(a) They have not abused their position in the Bank or the information that they had in place to gain profit that could not otherwise have been gained, either for themselves or for other persons;

(b) They have not concluded any transactions using the investment instruments of the Bank's clients on their own account or on the account of a person closely related to them;

(c) They have not provided instructions or recommendations to other persons related to the transactions with investment instruments of the Bank's clients that could be used by the persons in trading with the investment instruments on their own account; and

(d) They have avoided all activities that may potentially expose them to a conflict of interest.

02

Annual report

We managed to continue in the process of transforming CEB into a modern and active financial institution, offering solutions and value to its clients. CEB's product offer is now similar to that of foreign export banks and agencies that support exports in competing economies. In 2023, new products for export-oriented companies comprised nearly 40 per cent of newly closed contracts. Partially thanks to this, we recorded the best business result for the last nine years and generated the highest profit since the foundation of the Bank.

Ing. Daniel Krumpolc
Chairman of the Board of Directors and Chief Executive Officer
of Česká exportní banka, a.s.

2 Annual report

2.1 Business activities of Česká exportní banka, a.s.

2.1.1 Export financing

Complying with the Czech Republic's national economic strategic objectives in export support, CEB's principal business activity is export financing realised through products included in CEB's product portfolio in accordance with the definitions stipulated in Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support ("Act No. 58/1995 Coll."). A significant change was introduced by the Amendment to Act No. 58/1995 Coll., as amended by Act No. 363/2022 Coll., effective from 1 December 2022, which extended the export support concept to include support for increasing the international competitiveness of Czech export-oriented companies, and the subsequent introduction of related products in CEB's product offer at the beginning of March 2023.

CEB's long-term strategy is to use its supported financing products and products to increase the international competitiveness to fill the market gap in export financing identified by Czech companies as applicants for supported financing in their roles of manufacturers for export, exporters, export-oriented companies, or foreign investors. The nature of the Czech export companies' demand in 2023 reflected their specific needs when realising export contracts, reinforcing their international competitiveness, or entering foreign markets via foreign investments.

In 2023, growth in international trade remained low and its volume was reduced due to a decline in global demand and the redirection of some trade flows. The factors behind this outcome were due to lower international trade intensity given the higher share of consumption in domestic demand, but also to the stabilisation of some factors related to the waning impact of the COVID-19 pandemic that contributed to the growth in international trade in 2022. Companies continued to reduce their inventories of finished goods and raw materials, partly due to weakening demand and partly due to the declining risk of supply disruptions.

These external influences naturally also had an impact on Czech exports, which were reduced in 2023. Czech exports were affected by the stagnation of the eurozone economy as a whole in 2023; export-oriented industrial production was particularly affected, with businesses facing a decline in new orders due to the slowdown in global demand growth, inflationary pressures, and tighter financial conditions. For Czech exports, the effects were particularly noticeable in the volume of exports of Czech intermediate products to Germany, one of their key target markets.

Industrial production in the advanced countries stagnated at its pre-COVID-19 levels, and the manufacturing industry saw a continued decline in its output. The Czech Republic failed to return to its 2019 pre-COVID-19 level. The domestic economy experienced a mild recession in 2023 and economic activity did not meet our expectations, with one important export sector – the production of machinery and equipment – changing from a steadily growing sector to a sector with the highest negative contribution during the second half of 2023. The sector was still impacted by exports of assembled products that had to be stored or were unfinished in the previous period.

During 2023, Czech export-oriented companies were exposed to inflationary pressures and price shocks due to negative developments in the international security situation, particularly in the case of the oil price reacting to the Hamas attack on Israel. The increase in the price of natural gas in Europe compared to other parts of the world had a negative impact, which further negatively impacted the competitiveness of especially the energy-intensive Czech industry. The continued Russian aggression against Ukraine had a persistent negative impact on several Czech export-oriented companies for which these two export territories had been important in prior periods.

Growth in external demand and a return of export dynamics to long-term balanced levels are forecast for 2024. While the future development of Czech exporters of intermediate goods will be strongly correlated with the demand of their long-term foreign customers, those Czech exporters who export final goods will benefit significantly from the already existing diversification and the possibility of changing export destinations according to the development of the economic situation in the export destination countries.

The new "Export Strategy of the Czech Republic for 2023–2033" approved by the Government of the Czech Republic in July 2023 is crucial for the further direction of CEB's activities as one of the instruments of the Czech Republic's national economic policy. This strategy emphasises both the concept of supporting export-oriented companies and reinforcing the ambitions of Czech exporters, including improving their positions in supply chains, and the need to offer products and services to Czech investors expanding abroad.

For 2024, international efforts to build a greener global economy can be expected to continue to stimulate demand for environmentally sustainable products, while at the same time providing an impetus to reduce demand for high carbon footprint goods and fossil fuels. Here, new opportunities should arise for both Czech exporters and CEB to export innovative products and solutions. Between 2024 and 2026, CEB in cooperation with other institutions in the system of state support for export and business and the commercial banking sector, and in line with its medium-term strategy, will focus on supporting the increase of the added value of the export-oriented sectors of the economy, the international competitiveness of Czech exports and the international expansion of Czech investors in foreign markets, with an emphasis on supporting companies in their transition to meeting the EU taxonomy and ESG objectives, thereby ensuring their future competitiveness and attractiveness.

Evaluation of CEB's results for 2023

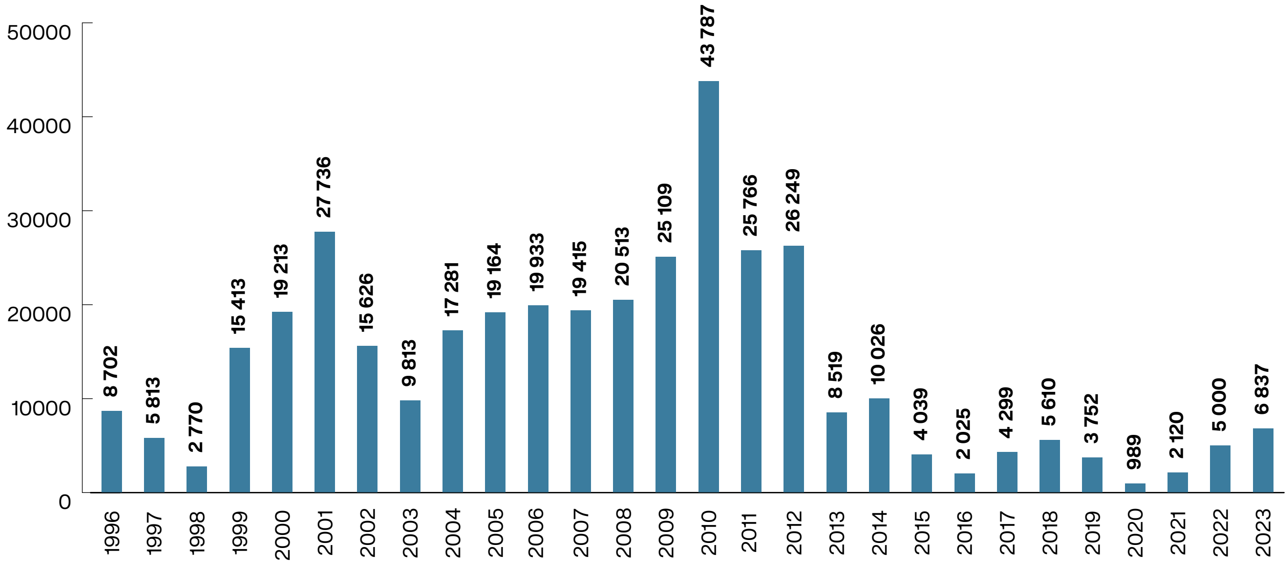
As mentioned in the previous section, in insurance and export financing with state support, the possibilities of export support have been expanded to include support for increasing the international competitiveness of Czech export-oriented companies. The role of CEB in 2023 thus consisted not only in supporting Czech exporters, export producers, and investors abroad with guarantee and credit products linked to the existence of a specific export contract or a specific investment abroad, but also in supporting Czech export-oriented companies with products to reinforce their international competitiveness. Although the macroeconomic situation affecting Czech exports was not positive, CEB recorded an increase in the satisfied demand for its products, while respecting CEB's conservative requirements for an acceptable risk profile of transactions. For the Czech export sector, CEB strives to be a partner in both good and more difficult times, responding flexibly to its needs in various aspects of the business and the life cycle of business entities in the following areas:

- reinforcement of international competitiveness in the investment and operational area;
- realisation of foreign business cases of Czech investors and credit financing of the needs of their companies based abroad that meet the criteria defined in Act No. 58/1995 Coll.;
- acquisition of foreign contracts (non-payment guarantee as a necessary condition for the conclusion of an export contract);
- financing of the implementation of export contracts by loans for Czech manufacturers of goods intended for export or exporters;
- acceleration of collections through purchases of receivables or loans provided to foreign customers.

In providing its products, CEB applies a non-discriminatory and non-preferential policy in relation to Czech applicants for supported financing, in combination with a conservative policy of assessing the creditworthiness of the entities and the risks of transactions, industries and territories as well as their limits.

In 2023, CEB continued its growth trajectory started in 2021. During 2023, CEB's volume of supported financing to Czech producers of goods intended for export, exporters, export-oriented companies, and investors investing abroad reached a total volume of CZK 6,837 million (Figure 1), which represents a year-on-year increase of 36.74 % compared to the result of 2022, a year of significant growth. In terms of numbers, CEB provided a total of 503 products in 2023 to support 19 Czech exporters, Czech producers of goods intended for export, export-oriented companies, and Czech investors investing abroad.

Volume of signed contracts between 1996 and 2023 (CZK million) – Figure 1



Source: CEB

Apart from the volumes reported, CEB also initiated / processed 16 export letters of credit in the total volume of approximately CZK 5,262.59 milion, based on the requirements of 10 Czech exporters and their foreign customers.

In 2023, the Bank's transactions comprising insurance from EGAP represented approximately 8.21% of the volume of CEB's new products and 0.99% of the number of newly concluded contracts.

The Czech crown equivalent of the total volume drawn from loan contracts and purchased receivables amounted to CZK 6,505 million in 2023.

From a territorial point of view, CEB's support provided to Czech exporters and investors investing abroad for the purpose of a successful realisation of their export contracts and investments abroad that they were able to obtain and carry out in 2023 resulted in a relatively wide range of export target countries according to the share of volumes of provided products. Given the nature of the product for the support of the international competitiveness of export-oriented companies, where the parameter is not the identification of export territory, but the share of export sales in total sales, the Czech Republic has newly been recorded in the summary of countries as the registered office of export-oriented companies exporting to a number of territories (Table 1).

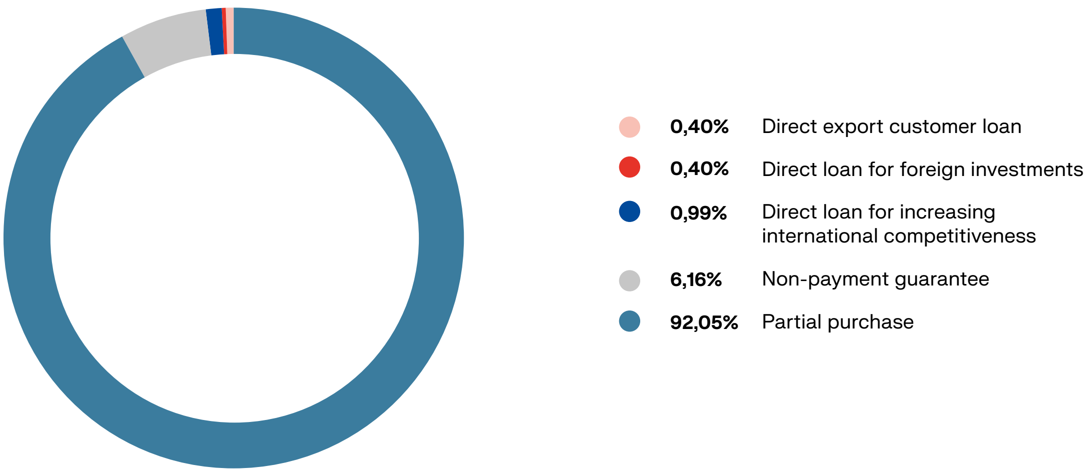
Share of export target countries by volume of new contracts concluded in 2023 – Table 1

Czech Republic	34,23 %
Italy	19,42 %
Germany	13,03 %
Indonesia	9,61 %
Republic of Kosovo	7,27 %
Senegal	6,65 %
Bulgaria	6,17 %
Mauritius	1,49 %
Algeria	0,81 %
Hungary	0,44 %
Cyprus	0,38 %
Rwanda	0,19 %
Egypt	0,17 %
Kazakhstan	0,08 %
Nigeria	0,04 %
Vietnam	0,01 %
India	0,01 %

Source: CEB

In terms of the number of contracts, the structure of the products provided (Figure 2) shows a substantial proportion of products supporting accelerated collection from completed supplies, thanks to which the dominant product in terms of frequency is the purchase of receivables, accounting for 92.05%, followed by the non-payment guarantee with a share of 6.16%.

Share of the supported financing products in the number of products provided in 2023 – Figure 2



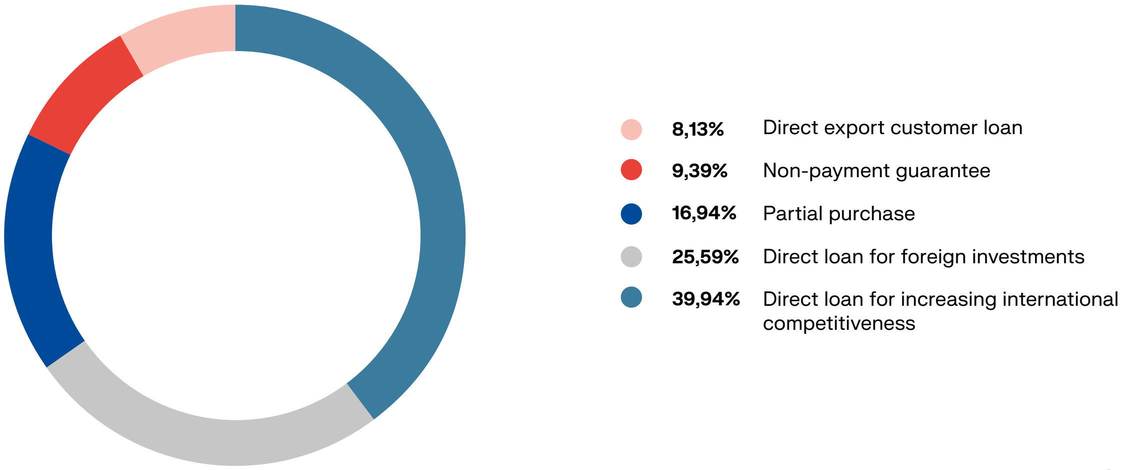
Source: CEB

In terms of the volume of provided products (Figure 3), the newly launched product, the Direct Loan for Increasing the International Competitiveness of Export-Oriented Companies, holds a dominant position in CEB's results for 2023; the total volume of these loans was CZK 2,730.89 million (corresponding to 39.94% of the total volume of newly concluded contracts). The Direct Loan for Foreign Investments product for two significant Czech groups operating on an international scale placed second with a share of 25.59% and a volume of CZK 1,749.76 million. This trend towards reinforcing the positions of Czech investments abroad in the form of direct loans for foreign investments fully complies with the conclusions formulated in the export strategy of the Czech Republic and the strategy of support for export and the internationalisation of companies for the 2023 to 2033 period.

The remaining 34.46% of the volume of provided products comprises:

- products relating to the acceleration of collections, specifically purchases of receivables and direct export customer loans totalling CZK 1,714.21 million;
- products relating to the acquisition and implementation of export contracts of the non-payment guarantee type totalling CZK 642 million.

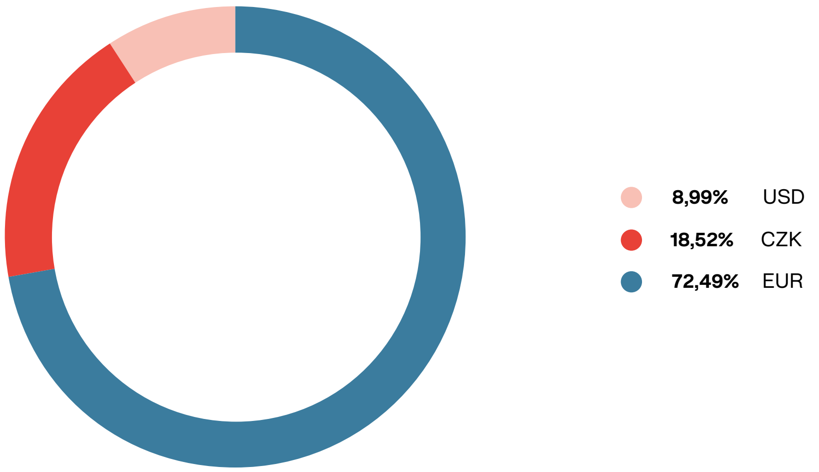
Share of the supported financing products in the volume of products (in CZK) provided in 2023 – Figure 3



Source: CEB

In terms of currency structure (Figure 4), the dominant currency in 2023 was again the euro with a share of 72.49 %, followed by the Czech crown with a share of 18.52% thanks to the interest of Czech companies in financing in CZK. The US dollar placed third with a share of 8.99%.

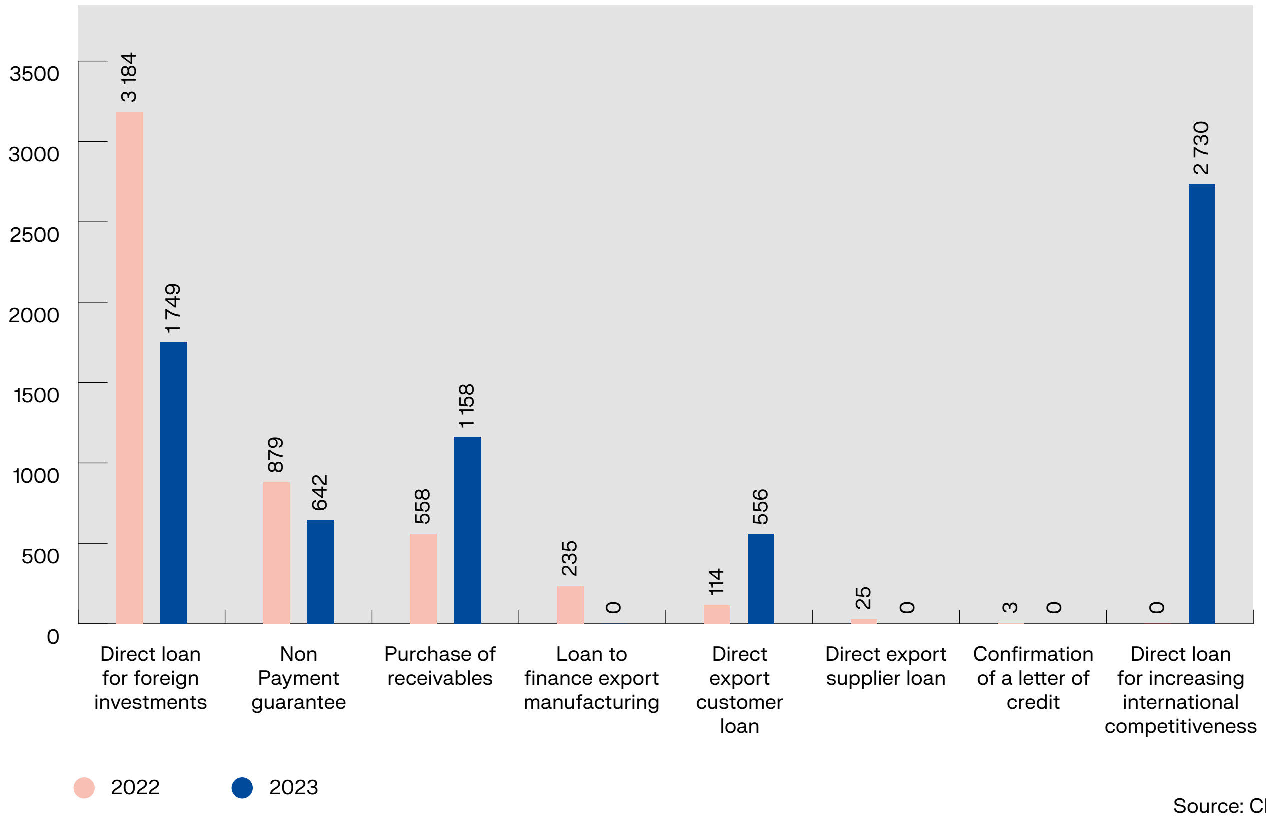
Currency structure of new transactions volume in 2023 – Figure 4



Source: CEB

In a year-on-year comparison (Figure 5), we can clearly see the success of products for financing the international competitiveness of export-oriented companies, which since their launch in March 2023 went from zero to a volume of over CZK 2,730.89 million. Significant growth was also recorded in the purchases of receivables, whose volume more than doubled year-on-year, which shows their contribution to the acceleration of collection of Czech export companies. Although the volume of loans for foreign investments for 2023 recorded a decline of approximately 45%, it is still a significant achievement continuing from 2022. Given the trends of prior years, the increase in the volume of export customer loans was a success.

Year-on-year comparison of the development of the volume of new products (CZK million) – Figure 5

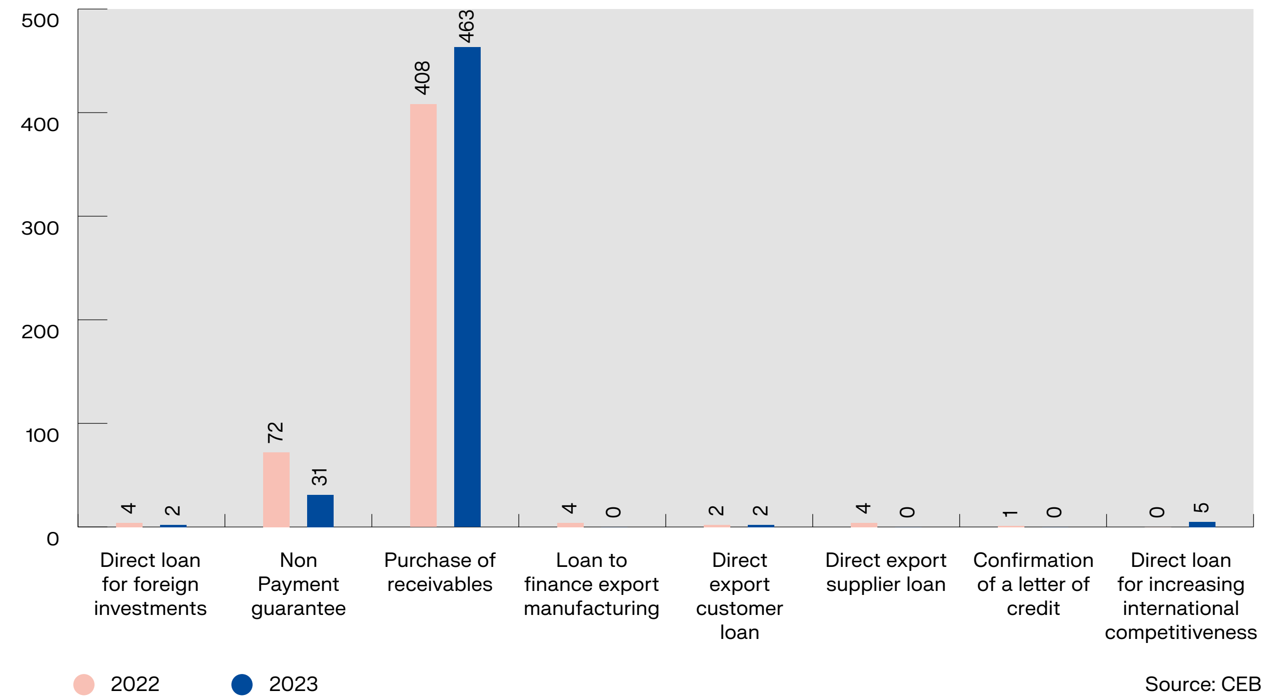


Source: CEB

In terms of the number of products, in a year-on-year comparison (Figure 6) the most significant continued increase is in the number of purchases of receivables, partly due to a wider use of framework agreements for purchases of receivables, which has considerably boosted the flexibility in providing this product and significantly accelerated services provided to Czech exporters.

Another important product in terms of the number of concluded contracts was the non-payment guarantee, which helps Czech exporters gain export contracts and is of key importance for their success in international trade.

Year-on-year comparison of the development of the number of new products (pcs) – Figure 6



Source: CEB

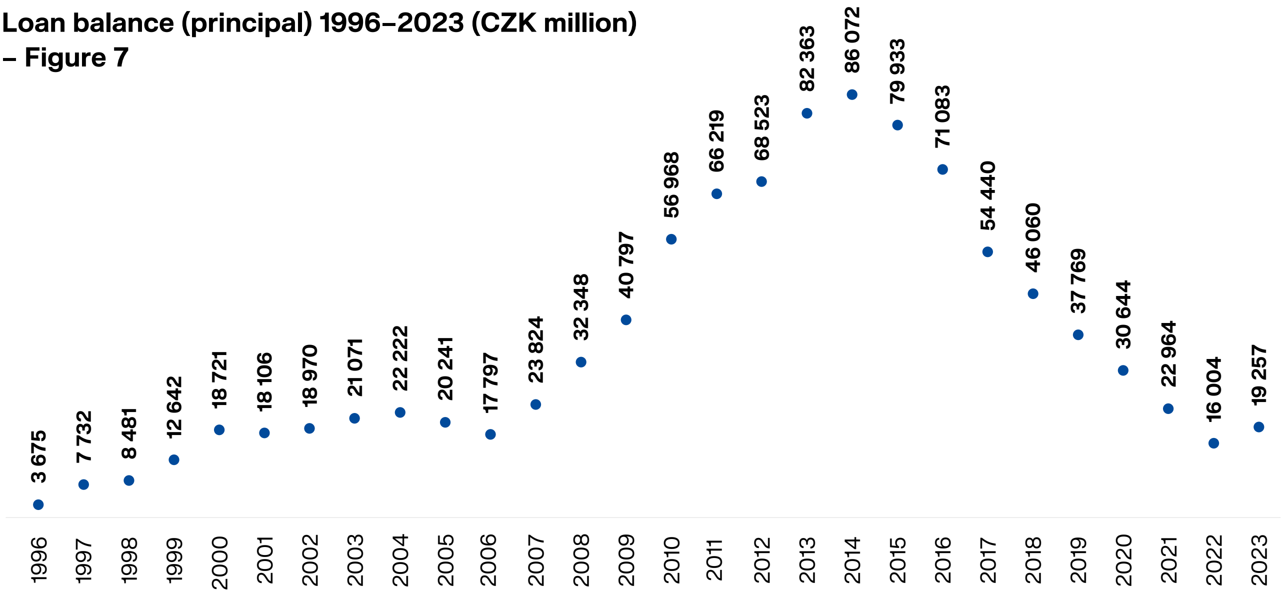
2.1.2 Development in the credit portfolio balance and structure

The total principal amount of provided loans and purchased receivables increased year-on-year by CZK 3,253 million to CZK 19,257 million, i.e., by 20.3% as at 31 December 2023 (Figure 7).

The main factors for this development are higher volumes of new contracts concluded in 2022 and 2023, a significantly higher use of loans of CZK 6,505 million in 2023, and partly also a mild weakening of the exchange rate of the Czech crown to the euro.

As at 31 December 2023, the total principal amount of provided loans and purchased receivables represented 57% of total assets.

Loan balance (principal) 1996–2023 (CZK million) – Figure 7

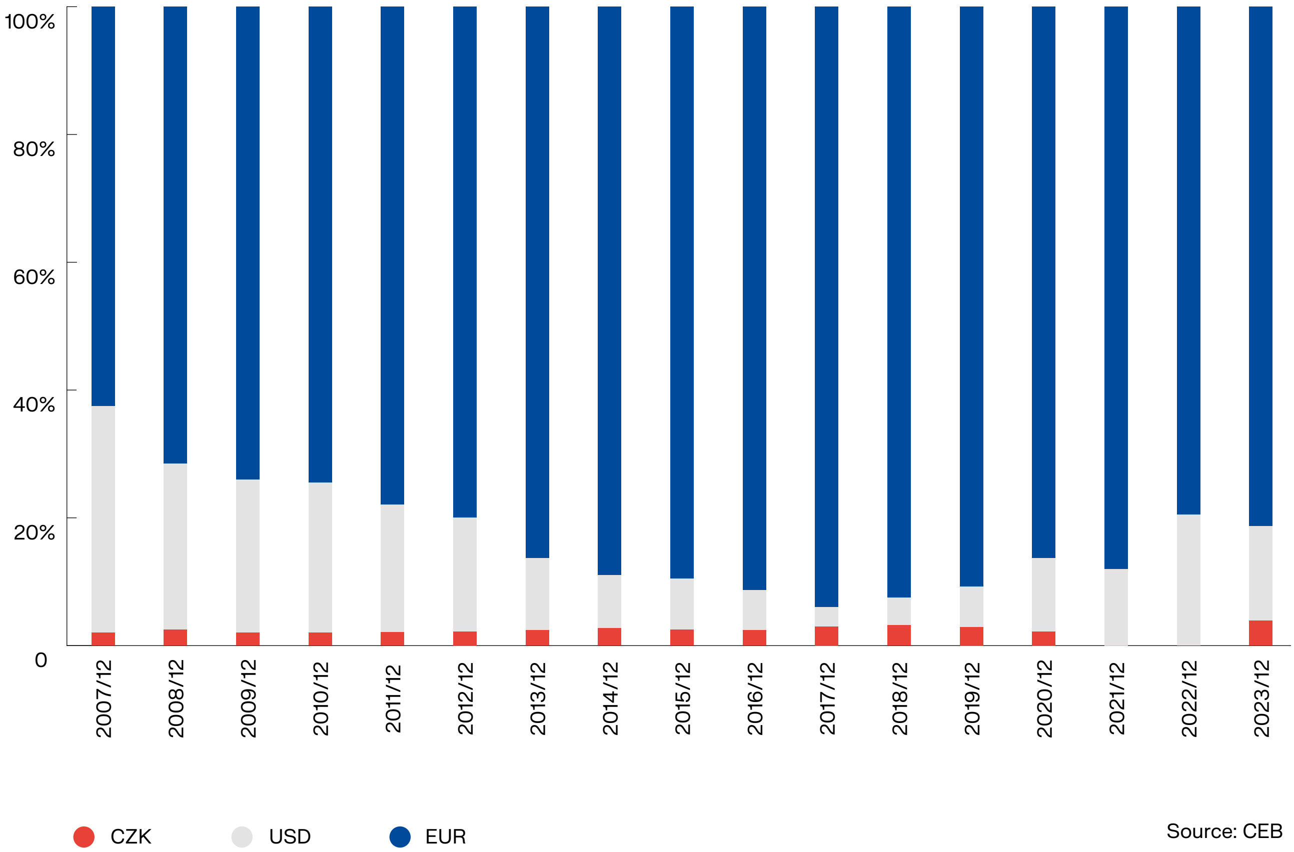


Source: CEB

In terms of the currency structure of the principal amount of provided loans, based on a translation to CZK, the dominant currency as in previous years was the euro (Figure 8). The share of loans denominated in EUR was 81.59% as at 31 December 2023, and their share increased by 23.90% year-on-year due to the significantly positive balance between the volume of drawing and paying the loans.

The share of loans denominated in USD of the total principal amount of provided loans equals 14.85%, which is a 13.96% decrease year-on-year due to negative balance between the volume of drawing and paying the loans. CZK appears again in the currency structure of the principal amount of provided loans after two years with a share of 3.56% as a result of the realised purchases of receivables denominated in CZK.

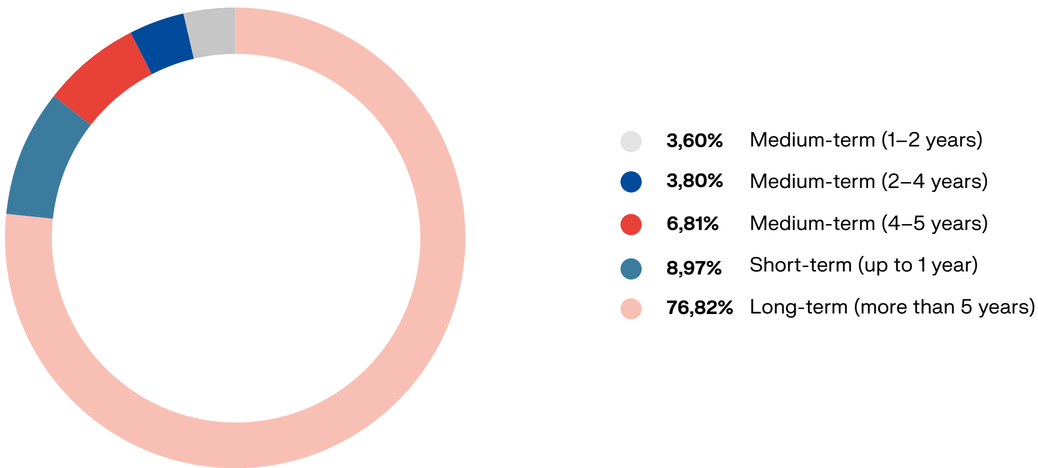
Loan portfolio – currency structure – development of shares over the years – Figure 8



Source: CEB

Looking at the structure of the principal of provided loans by the contractual maturity of loans (Figure 9), the share of short-term loans increased by 38.15% year-on-year and reached 8.97%, which is related to the newly provided loans to reinforce international competitiveness of export-oriented companies with a 12-month maturity and with the increase in the volume of purchased short-term receivables. From a year-on-year perspective, the structure remained without any significant changes in other categories. Long-term loan products provided in previous periods continue to dominate significantly.

Loan portfolio – broken down by contractual maturity as at 31 December 2023 – Figure 9



Source: CEB

2.1.3 Newly introduced products and activities

In compliance with the objectives of the economic policy of the Czech Republic and the newly approved export strategy of the Czech Republic 2023–2033, CEB's mission as a specialised banking institution is to support increases in the added value of export-oriented economy sectors, the international competitiveness of the Czech export, and the international expansion of Czech investors in foreign markets. As the domestic Export Credit Agency (ECA), CEB offers products and services to Czech producers and exporters that allow them to be part of the competition for specific contracts on the international market under conditions comparable to those of foreign competitors from OECD countries. The Bank offers products and services to Czech foreign investors that allow for the internationalisation of their business activities through investments on international markets.

CEB's product offer is derived primarily from the provisions of Act No. 58/1995 Coll. on Insurance and Financing of Exports with State Support. The core supported financing products provided by CEB mainly include short-term and long-term export loans, loans for the funding export production, loans for foreign investments, and bank guarantees, and purchase of receivables. These products mainly focus on the "life cycle" of the export transactions, i.e., on the activities connected with the existence of a specific export contract (with the exception of loans for foreign investments and guarantees for a bid).

One of CEB's long-term strategic objectives is to further develop its product portfolio and adjust its product range to be comparable with developed foreign Export Credit Agencies (ECAs), which must be considered CEB's main competitors. In this context, the past two years can be described as breakthrough years. Thanks to intensive cooperation of the Ministry of Industry and Trade, the Ministry of Finance, professional associations, chambers, and associations representing the interests of export-oriented companies, CEB, and EGAP, an amendment to Act No. 58/1995 Coll., as amendment by Act No. 363/2022 Coll., was prepared and approved. It came into effect on 1 December 2022. This amendment enables the Bank to offer product solutions for meeting the needs in the field of investments in increasing export capabilities, export potential and international competitiveness of Czech export-oriented companies. The ability to maintain and further increase the international competitiveness of Czech export-oriented companies (i.e., not first-time exporters but companies with export experience) is of key importance with regard to the challenges to which the Czech open and export-oriented economy is exposed. In March 2023, CEB introduced brand new products aimed at supporting Czech export-oriented companies whose export comprises at least one fourth of their annual sales and which want to strengthen their international competitiveness. The newly introduced products make it possible to meet the needs of export-oriented companies in areas such as investments in automation and digitalisation, energy intensity reduction, production greening, purchase of key raw materials and subcontracts. In 2023, the newly introduced products comprised almost 40% of the loans granted. The CEB's product offer is now similar to that of foreign export banks and agencies that support exports in competing economies.

Despite the above-mentioned significant change of CEB's product offer, it is essential that the Bank remains active in this area. CEB will therefore continue to analyse and propose other directions and options for extending the product offer in cooperation with business organisations, chambers, and associations, and to further specify its services. In servicing the segment of small and medium-sized enterprises (SMEs), CEB will cooperate with the National Development Bank (NDB) to effectively cover the needs of export-oriented SMEs.

The support of strategic economy sectors such as the energy, nuclear power, aviation, and the defence and security industries ranks highly among our priorities. We are not in competition with the commercial banking sector, but we complement it in many cases. We are prepared to offer clients a solution where commercial banks cannot offer one due to corporate policies. We are by no means a bank of last resort. We only finance creditworthy transactions with a good credit profile.

Ing. Daniel Krumpolc
Chairman of the Board of Directors and Chief Executive Officer
of Česká exportní banka, a.s.

2.2 Financial results, balance of assets and liabilities

Balance of assets and liabilities

The Bank's total assets amounted to CZK 33,856 million at the end of 2023, which represents a year-on-year increase of 4.3%. The balance sheet structure has been stable in the long term. The balance sheet items are derived from the planned estimate of the development in asset transactions to which liabilities are adjusted.

Liabilities and equity

The Bank finances its business activities mainly through liabilities in the form of issued bonds, payables to credit institutions, and to entities other than credit institutions, which represent over 70% of the total volume of its liabilities.

The key source of funding are bonds issued in EUR. As at 31 December 2023, they amounted to CZK 15,913 million. The volume of issues thus increased by 2.6% year-on-year.

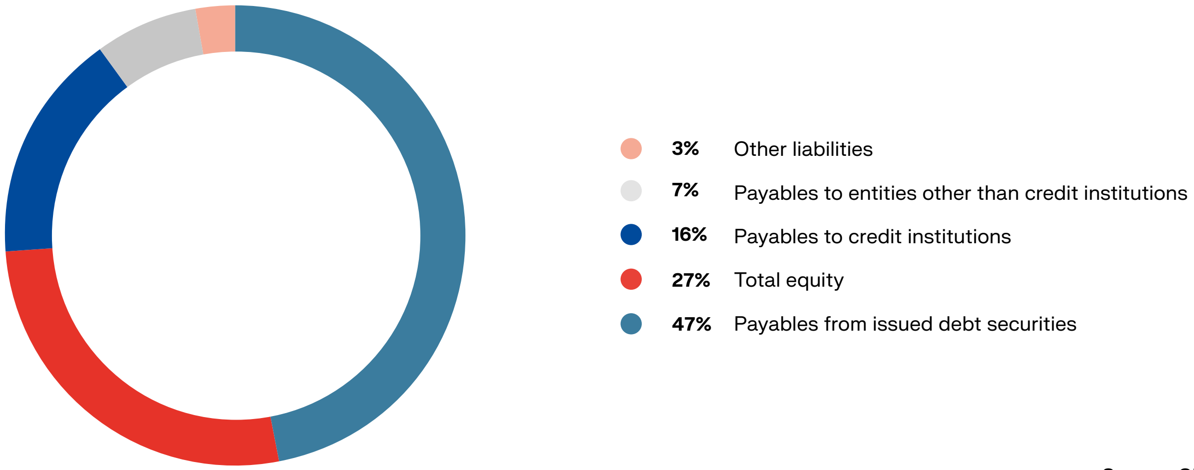
Liabilities to credit institutions in the form of loans received from banks amounted to CZK 5,508 million, which is a year-on-year increase of 1.3%. The volume of deposits received from entities other than credit institutions was CZK 2,407 million, which is a year-on-year decrease of 1.4%.

Other liabilities of CZK 650 million mainly include financial collaterals accepted as a security (CZK 506 million) and liabilities from leases of office premises (CZK 53 million). As at 31 December 2023, provisions of CZK 189 million mainly included provisions for issued guarantees of CZK 52 million, provisions for loan commitments of CZK 42 million, and provisions for litigation of CZK 75 million.

The Bank reported equity in the total volume of CZK 9,096 million. Equity comprised a reserve fund and other special funds (export risk fund) of CZK 2,695 million, retained earnings of CZK 608 million, and 2023 profit to be distributed of CZK 800 million. Share capital remained unchanged at a level of CZK 5,000 million.

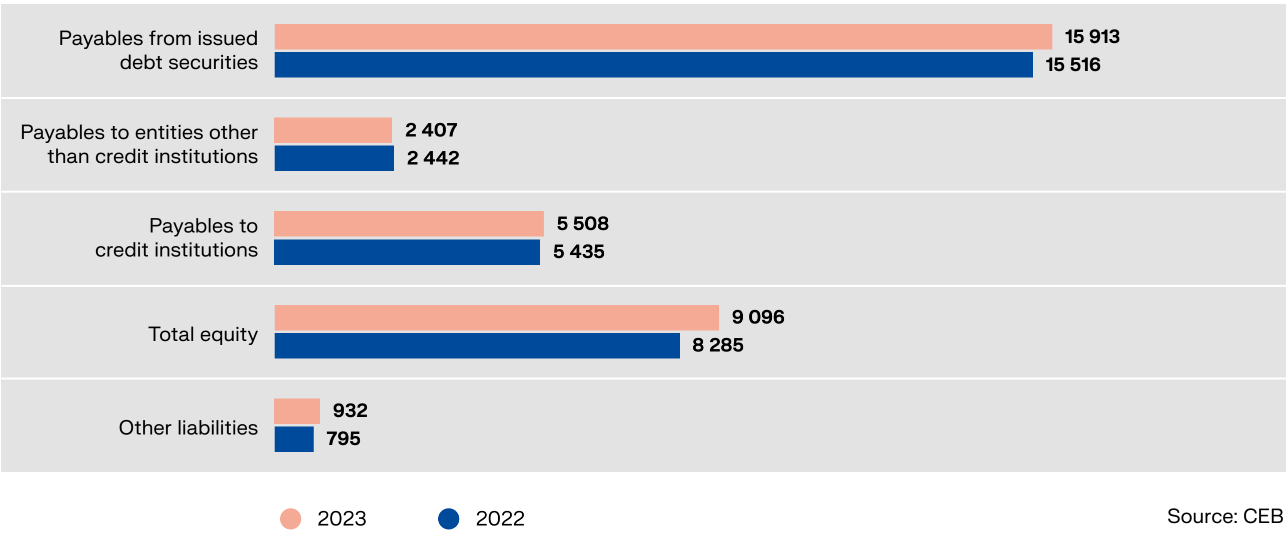
LIABILITIES AND EQUITY (in CZK million)	**2023**	**2022**	**Year-on-year index in %**
Financial liabilities at amortised cost	23 828	23 393	101,86%
of which: Payables to credit institutions	5 508	5 435	101,34%
Payables to entities other than credit institutions	2 407	2 442	98,57%
Payables from issued debt securities	15 913	15 516	102,56%
Other liabilities	650	601	108,15%
Provisions	189	191	98,95%
Current tax liabilities	93	3	3100,00%
Total liabilities	**24 760**	**24 188**	**102,36%**
Share capital	5 000	5 000	100,00%
Revaluation reserve	(7)	(18)	38,89%
Retained earnings or accumulated loss from prior periods	608	0	-
Reserve funds	852	820	103,90%
Other special funds	1 843	1 843	100,00%
Profit or loss for the year	800	640	125,00%
Total equity	**9 096**	**8 285**	**109,79%**
Total liabilities	**33 856**	**32 473**	**104,26%**

Total equity and liabilities 2023



Source: CEB

Development in principal categories of liabilities and equity in 2023 / 2022



Source: CEB

Assets

Assets primarily include loans and other receivables at amortised cost, which amounted to CZK 30,032 million as at 31 December 2023 and accounted for 89% of total assets. Of this amount, CZK 19,186 million are receivables from entities other than credit institutions, which increased by 21.4% year-on-year, mainly due to a higher volume of loan transactions concluded in the prior two years and the use of loans in 2023 of CZK 6,505 million. Receivables due from credit institution comprising cash deposited on fixed-term accounts of Czech government treasury opened at Czech National Bank of CZK 6,184 million, fixed-term accounts with other credit institutions of CZK 3,024 million and reverse repurchase agreements with the Czech National Bank of CZK 1,637 million, increased by 11% in 2023 to CZK 10,846 million.

Part of funds from equity and temporarily available funds were allocated to high-quality and liquid local and foreign securities in the past. The volume of the Bank's liquidity reserve held in securities totalled CZK 1,129 million at year-end, i.e., a decrease of 44%.

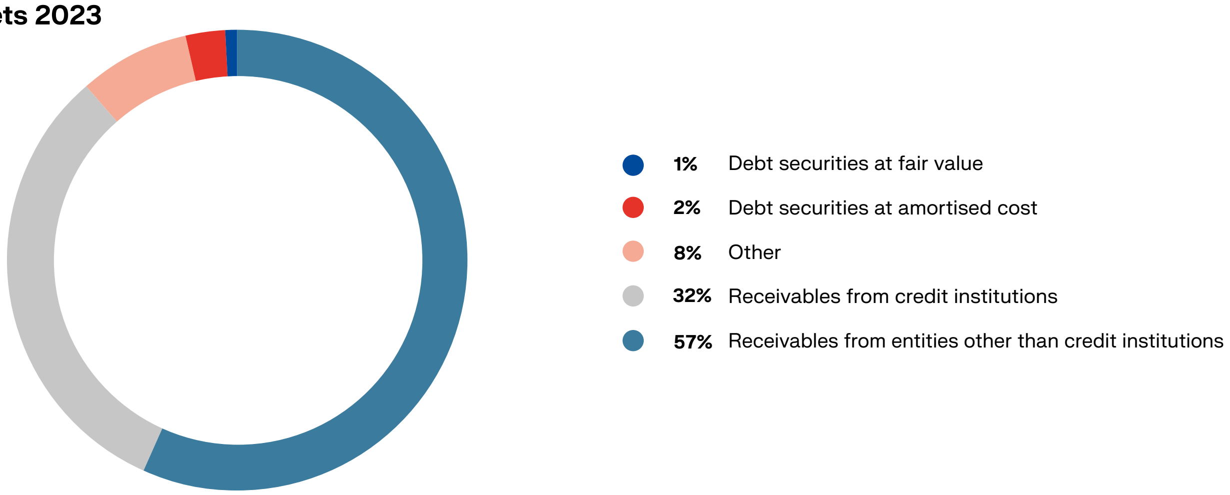
In accordance with the amendment to Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, effective since the end of April 2020, the Bank deposits available funds denominated in EUR and non-invested equity funds denominated in CZK predominantly on accounts of Czech government treasury maintained by the Czech National Bank. At Czech government treasury was deposited CZK 456 million (of which CZK 453 million in EUR and CZK 3 in CZK) on its current accounts and CZK 6,184 million on its fixed-term accounts maturing within one year.

Cash, deposits with central banks, and other deposits repayable on demand of CZK 613 million thus mainly include money deposited on CZK and EUR current accounts of Czech government treasury maintained by Czech National Bank, and money on nostro accounts of other banks used for payments.

Other assets totalling CZK 1,962 million mainly include expected insurance payments for assigned loans (CZK 1,942 million).

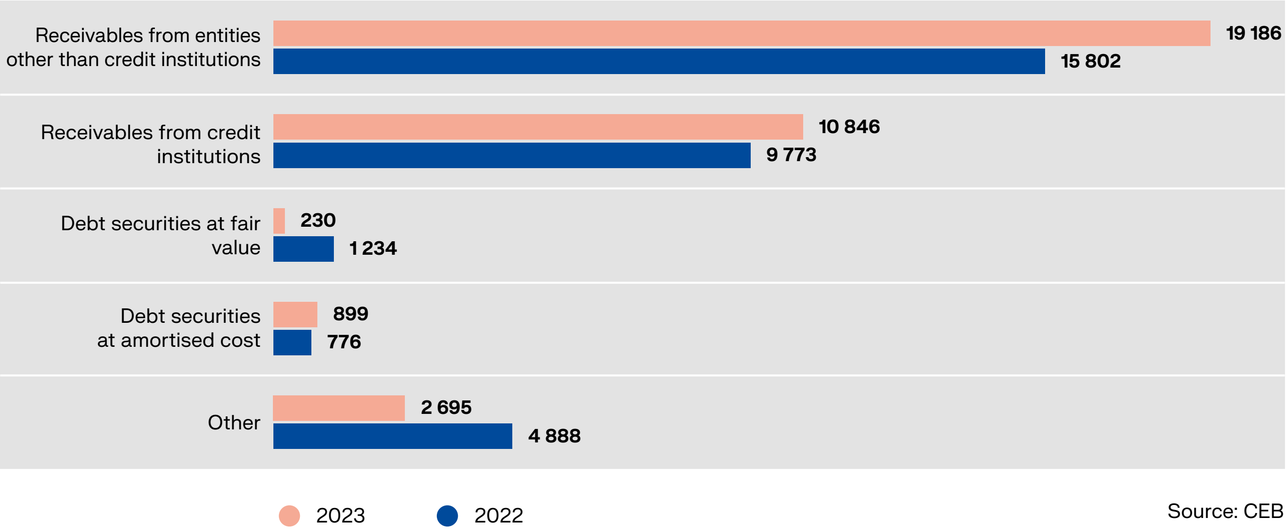
ASSETS (in CZK million)	**2023**	**2022**	**Year-on-year index in %**
Cash in hand, deposits with the central banks and other deposits repayable on demand	613	1 979	30,98%
Debt securities at fair value recognised in Other comprehensive income	230	1 234	18,64%
Financial assets at amortised cost	30 931	26 351	117,38%
of which: Debt securities at amortised cost	899	776	115,85%
Loans and receivables at amortised cost	30 032	25 575	117,43%
of which: Receivables from credit institutions	10 846	9 773	110,98%
Receivables from entities other than credit institutions	19 186	15 802	121,42%
Property, plant and equipment	75	43	174,42%
Intangible assets	15	13	115,38%
Other assets	1 962	2 823	69,50%
Deferred tax asset	30	30	100,00%
Total assets	**33 856**	**32 473**	**104,26%**

Assets 2023



Source: CEB

Development in principal categories of assets in 2023 / 2022



Source: CEB

Result of operations

In 2023, the Bank generated profit before tax of CZK 974 million. After considering the preliminary current income tax, the Bank generated profit after tax of CZK 800 million, which is a year-on-year increase of 25%.

As part of its business activities, the Bank reported interest income of CZK 1,644 million in 2023, a year-on-year increase of 82%, which correlates with the growing volume of interest-bearing assets, in particular loans (as at 31 December 2023, the loan principal amount was CZK 19,257 million, a year-on-year increase of 20%). The increase has been caused by higher volumes of provided loans and their drawings, growing market interest rates, and higher income from funds deposited at Czech government treasury. Interest income from provided loans, including purchases of receivables, amounted to CZK 1,065 million, from interbank deposits, including those at Czech government treasury, of CZK 389 million, and from reverse repo transactions with the Czech National Bank of CZK 132 million.

Interest expense amounted to CZK 532 million, a year-on-year increase of 111 %, which was primarily increased by higher market interest rates. The expenses mainly relate to raising funds on the financial markets, especially in the form of foreign currency bond issues. Net interest income amounted to CZK 1,112 million, which is a year-on-year increase of 71%.

Net fee and commission income amounted to CZK 31 million, which is a year-on-year decline of 16% despite higher income from issued guarantees. The decline results from lower fee income from loan agreements.

Another component of the profit/loss is the profit from financial operations of CZK 2 million.

The Bank incurred operating expenses for its operation of CZK 306 million, which is 1% more than in 2022. In addition to administrative expenses of CZK 256 million, operating expenses include depreciation/ amortisation of tangible and intangible assets of CZK 37 million and other operating expenses of CZK 13 million. Other operating expenses mainly include expenses incurred in the collection of risky receivables of CZK 2 million in 2023, and an unrecoverable portion of VAT.

Impairment losses on financial assets reached a positive amount (i.e. gain) of CZK 133 million while the cost of loss allowances amounted to CZK 24 million. The profit is than generated by income from written-off/ sold receivables. At the same time, provisions for loan and guarantee portfolio of CZK 1 million were released. The low creation of loss allowances and provisions was also caused by resolving the portfolio of risky receivables, whose volume of principal amounts declined to CZK 201 million as at 31 December 2023 and their share in the total portfolio amounted to just 1.04%.

The loss arising from the operation of long-term supported export financing in line with Act No. 58/1995 Coll. is covered by subsidies from the state budget. In 2023, the Bank did not assert its claim to the subsidy; instead, it generated a profit from this activity of CZK 831.7 million, which is part of the Bank's total profit before tax.

PROFIT/LOSS (in CZK million)	**2023**	**2022**	**Year-on-year index in %**
Interest income	1 644	902	182,26%
of which: Interest income calculated using the effective interest rate	1 644	902	182,26%
Interest expense	(532)	(252)	211,11%
Net interest income	**1 112**	**650**	**171,08%**
Fee and commission income	38	45	84,44%
Fee and commission expense	(7)	(8)	87,50%
Net profit/loss from financial transactions including state subsidy	2	(5)	-
Other operating income	1	1	100,00%
Other operating costs	(13)	(13)	100,00%
Administrative expenses	(256)	(245)	104,49%
Depreciation and amortisation	(37)	(45)	82,22%
Modification gains and losses	0	5	0,00%
Impairment losses on financial assets not reported at fair value through P/L or their reversal	133	45	295,56%
Provisions for provided guarantees and commitments or their reversal	1	(18)	-
Other provisions or their reversal	0	118	0,00%
Profit or (loss) before tax	**974**	**530**	**183,78%**
Income tax	(174)	110	-
Profit or loss for the reporting period	**800**	**640**	**125,00%**

2.3 Strategic targets of Česká exportní banka, a.s. in the business and financial area

CEB's strategic targets in the business and financial area are primarily as follows:

- to be actively involved in the transformation of the Czech economy into an economy built on innovation, added value, final products, and environmental responsibility;
- to support transactions with a good credit profile, and thus contribute to the compliance with the Export Strategy of the Czech Republic for the 2023 to 2033 period, in particular in the market gap to increase the volume of supported export and investments under the conditions of achieving adequate profitability without impacting the Czech state budget;
- to support strategic segments of the economy, including the defence and security industry and nuclear power industry, which have largely limited access to financing due to the corporate policies of commercial banks;
- to support the traditional segments of the aviation industry, transportation, energy industry, and infrastructure, as well as industrial companies in their transition from the role of a subcontractor to the role of the final product producer;
- to support companies gradually implementing a sustainability concept or responsible behaviour in relation to environmental, social, and corporate governance (ESG) in their activities, including decarbonisation, greening and reduction of energy intensity (i.e. support ESG transition);
- to support growth segments of the economy with high added value, such as ICT, software, e-commerce, health care sector, biomedicine, environmental solutions, logistics, food industry, and agriculture (the 4.0 trend in industry);

- to deepen its role of a competence centre in export financing, to strengthen the expertise of the institution, and specialised know-how in customer loans, financing of security industry, sovereign debtors, structured, acquisition and trade finance;
- to supplement the commercial banking sector's offer in specific segments and transactions with its products and services;
- to act as a reliable partner of commercial banks in club and syndicated financing;
- to develop relations with foreign banks, entities supporting export, export agencies, and other professional or sector-specific foreign organisations and partners as part of territorial diversification of export outside the European Union;
- to generate profit before tax and maintain the bank's capital adequacy in relation to regulatory limits, in particular for capital ratios and large exposures;
- in connection with business activities, to achieve such volume of principals of loan products, which can generate sufficient income.

In 2024, CEB's activities, its business, and financial position will be primarily affected by the below factors:

- the geopolitical situation, the deteriorating security situation threatening the functioning of global supply and customer chains, and the availability and price of raw materials;
- ongoing changes in the global economy, including the shortening of supply chains, an increasing emphasis on strategic self-sufficiency, raw material and subcontracting security, the risk of protectionism, the key role of the sustainability concept (ESG), and the ongoing digitalisation and automation;
- the results of the presidential election in the US and EU elections to the European Parliament affecting the economic and security policy and regulation (e.g., in ESG issues);
- the development of the Czech economy and business environment following measures relating to;
- the consolidation of public finances and the monetary policy of the Czech National Bank and European central bank;
- the implementation of relevant procedures in the risk management system in compliance with ESG regulations governing environmental, social, and corporate governance;
- the increase in the share of digital technologies in servicing clients as part of streamlining the bank's internal processes;
- the implementation of Resolution No. 909 of 29 November 2023 by which the Government of the Czech Republic decided to initiate the integration process of the National Development Bank and Česká exportní banka, a.s., based on which CEB is to become a wholly-owned subsidiary of the National Development Bank (as of May 2026).

2.4 Risks to which the Bank is exposed, objectives and methods of risk management

Risk factors

The risk management concept in the Bank in all risk management segments builds on the rules of prudent operation determined by the regulator. In its risk management, the Bank traditionally adheres to the principle of a limited risk profile, which is based on the system of internal limits for individual types of risks, products, and debtors.

The risk management process in the Bank is independent of its business units. The executive unit for risk management is the Risk Management Division. The Credit Risk Management and Loan Analysis Section has been charged with managing credit risk in relation to assessing the credit risk of counterparties and performing analyses of individual transactions. The Banking Risk Management Department manages credit risk at the portfolio level, market risks, operational risks, liquidity risks and concentration risks. The risk management process is supervised by the Bank's Board of Directors, which is regularly informed about risk exposures. The Board of Directors determines and regularly assesses the acceptable level of risk, including credit risk, market risk, operational risk, concentration risk and the risk of liquidity and excessive leverage.

In order to comply with the statutory duty in the planning and on-going maintenance of the internally determined capital in the amount, structure and distribution that is sufficient to cover all risks to which the Bank is or may be exposed, the Bank maintains the Internal Capital Adequacy Assessment Process (ICAAP). Methods used to assess and measure individual risks included in the ICAAP that are used by the Bank in relation to its risk profile are approved by the Board of Directors. Quantifiable risks are assessed in the form of internally determined capital needs. Other risks as part of the ICAAP are covered by qualitative measures in risk management, organisation of processes and control mechanisms (Code of Ethics, communication policy, etc.). The internal capital adequacy in 2023 was sufficient to cover the risks to which the Bank is exposed.

The Bank makes use of the Internal Liquidity Adequacy Assessment Process (ILAAP) system. The system is used to meet the requirements for maintaining a reliable and specific framework for the management of liquidity and financing risks, including the process of identifying, measuring, and reviewing liquidity and financing risks.

During 2023, the Bank did not exceed the limit for large exposures. At the end of 2023, the Bank did not exceed any regulatory limit.

Individual types of risks are managed by the Bank in line with applicable legislation, the Bank's regulations and the best practice.

2.4.1 Credit risk

Credit risk, i.e. the risk of losses owing to a counterparty's default in meeting its obligations under a credit agreement based on which the Bank has become the contractual party's creditor, is managed by the following credit risk evaluation system:

- Debtor's risk management
  - Assessing and monitoring the debtor's credit rating and determining the debtor's internal rating
  - Monitoring the relations of entities and the structure of financially related entities
  - Determining the limit applicable to the debtor or a financially related group of entities
  - Monitoring credit exposure with respect to entities or financially- or otherwise-related groups of entities
  - Classifying receivables, and creation of loss allowances and provisions.

- Transaction risk management
  - Assessing and monitoring specific transaction risks, particularly in terms of the quality of collateral and determining the acceptable level of collateral
  - Regular on-site visits.

- Portfolio credit risk management
  - Monitoring portfolio credit risk
  - Regular stress testing of portfolio credit risk
  - Determining limits to mitigate portfolio credit risk.

- Credit risk concentration management
  - Concentration risk in CEB principally arises from credit risk concentration
  - Monitoring credit risk concentration in terms of the debtor's country of the registered office and industry
  - Setting limits to mitigate credit risk concentration.

To minimise credit risk in providing supported financing, CEB employs standard banking credit risk mitigation techniques, such as EGAP credit risk insurance. At present, CEB uses no credit derivatives to minimise credit risk.

For credit risk and concentration risk, CEB maintains an established management system that monitors the exposures on a daily basis, comparing them against limits designated by the regulator or derived from acceptable risk levels.

The results of credit portfolio analyses, including the results of the stress testing of portfolio credit risk, are submitted, on a regular basis, to the senior managers in charge of risk management.

2.4.2 Market risk

Market risk is the risk of suffering losses owing to changes in market factors, i.e. market prices, exchange rates and interest rates on financial markets. Market risk management in CEB is a process that includes defining, measuring and an on-going review of the application of limits, and analysing and regularly reporting individual risks to CEB's Treasury, committees, and management so as to manage negative financial impacts potentially resulting from these changes in market prices.

CEB is not exposed to risk on shares and commodity risk. To manage foreign currency risk and interest rate risk, CEB uses the following methods:

- Interest rate risk management
  - GAP analysis
  - Change in Net Interest Income – NII.

- Currency risk management
  - Analysis of currency sensitivity factors.

- Aggregate market risk management
  - Economic Value of Equity (EVE) – CEB uses the standard method (according to the Interest rate risk in the banking book standard of April 2016 prepared by Basel Committee on Banking Supervision, respecting the update to regulations issued by the European Banking Authority on market risks – the document EBA/GL/2018/02 Guidelines on the management of interest rate risk arising from non-trading book activities).

To minimise currency and interest rate risks, CEB currently uses forward and swap transactions.

To manage market risk, CEB maintains an established management system that monitors risk exposure on a daily basis, comparing it against limits derived from acceptable risk levels.

2.4.3 Refinancing risk

To monitor refinancing risk, the Bank measures the impact on the Bank's profit/loss account of increased interest expenses arising from an increased credit spread that the Bank would have to incur to become sufficiently liquid during the global downturn. The above measurement also serves to manage the impact of the risk of credit interest rate spread.

Refinancing risk is managed by means of a suitable funding structure, mainly in terms of maturities and volumes of funds.

2.4.4 Liquidity risk

To manage liquidity risk, CEB maintains an established management system that monitors the liquidity status and outlook on a daily basis, comparing them against the limits set. The basic pre-condition of liquidity risk management involves securing survival for at least two months.

- Liquidity risk is managed by:
  - Measuring and comparing the inflow and outflow of cash, i.e., monitoring net cash flows for a period at least five working days in advance
  - Measuring and limiting the minimum survival period in individual significant currencies and in total for the Bank
  - Quarterly measurements using stress scenarios
  - Maintaining the liquidity coverage ratio
  - Maintaining the net stable funding ratio
  - Gap analyses that measure the maximum cumulated outflow of cash in individual currencies and time gaps.

CEB maintains a sufficient liquidity reserve predominantly in the form of highly liquid securities and exposures to the Czech National Bank. To deal with liquidity problems under extraordinary circumstances, CEB has emergency plans in place. In 2023, CEB had no problems ensuring sufficient liquidity.

2.4.5 Operational risk

CEB manages the risk of losses arising from the inappropriateness or failure of internal processes, human error, failures of systems, the impact of external events (e.g. natural disasters), and the breach of or non-compliance with legal regulations. The key tool CEB uses to manage its operational risk is the early warning system, which is based on a system of risk indicators and warning limits that signal the greater probability of the occurrence of certain operational risks.

In 2023, the Bank updated its assessment of operational risks in the individual divisions on an on-going basis in the form of self-assessment.

The instances of operational risks were not significant in terms of the volume, amount and impact on Bank's operations in 2023.

2.4.6 Capital adequacy and capital requirements

31 12 2023	CZK million
Capital	**8 294**
Tier 1 (T1) capital	8 294
Common equity tier 1 (CET1) capital	8 294
CET1 capital instruments	5 000
Accumulated other comprehensive income (OCI) and other provisions	2 686
Retained earnings	608
Adjustments of the CET1 capital due to the utilisation of prudential filters	0
(-) Other intangible assets	0
Other temporary adjustments of the CET1 capital	0
Other deductions from the CET1 capital – methodology changes (transition to IFRS 9)	0

31 12 2023		CZK million
	Risk exposures	**Capital requirement**
TOTAL	**10 523**	**841**
Total risk-weighted exposures in respect of credit risk under STA	9 153	731
Exposures to central governments or central banks	262	21
Exposures to institutions	1 102	88
Exposures to corporates	7 556	604
Exposures in default	6	0
Other exposures	227	18
Total risk exposures in respect of position, foreign currency and commodity risks – currency transactions	0	0
Total risk exposures in respect of operational risk – BIA	1 370	110
Risk exposures in respect of credit valuation adjustment – standardised method	0	0

31 12 2023	CZK million
Capital ratios	
CET1 capital ratio	78,82%
Surplus (+) / shortage (-) of the CET1 capital	7 821
T1 capital ratio	78,82%
Surplus (+) / shortage (-) of the T1 capital	7 663
Total capital ratio	**78,82%**
Total capital surplus (+) / shortage (-)	**7 453**

Total capital ratio SREP (TSCR)	*15,600%*
TSCR – comprising CET1 capital	*8,775%*
TSCR – comprising T1 capital	*11,700%*
Overall capital requirement (OCR)	*19,983%*
OCR – comprising CET1 capital	*13,158%*
OCR – comprising T1 capital	*16,083%*
Overall capital requirement (OCR) and the recommended capital planning reserve (P2G))	*19,983%*
OCR and P2G – comprising CET1 capital	*13,158%*
OCR and P2G – comprising T1 capital	*16,083%*

2.4.7 Risk factors potentially affecting the capacity of the Bank to meet its obligations to investors arising from securities

The Bank's ability to meet its obligations from issued bonds to investors is unconditionally and irrevocably guaranteed by the state pursuant to Act No. 58/1995 Coll., on Insurance and Financing Exports with State Support.

2.5 Corporate governance report

2.5.1 Information on codes

The Corporate Governance Code of Česká exportní banka, a.s. (KOD 01) (the "Code") is based on the OECD principles. Deviations from the Code's principles are disclosed in the text. The Corporate

Governance Code of Česká exportní banka, a.s. is publicly available in Czech on CEB's website: https://www.ceb.cz/o-bance/kodexy/.

The Bank's principles of corporate governance build on the OECD general principles of corporate governance whereby neither the Bank's legal position nor the shareholder structure are modified by the main principles. CEB's governance is based on the main pillars listed below:

Fair Treatment of Shareholders

The Bank honours the rule of the equal treatment of shareholders of the same class, pursuant to Act No. 90/2012 Coll., on Business Corporations and Cooperatives (the Business Corporations Act). CEB is aware of the risk of potential misuse of the information on its activities, particularly information on the transactions being prepared, both by its employees and members of the Board of Directors and the Supervisory Board. CEB has issued, and permanently monitors adherence to, the Employee Code of Ethics (KOD 02), which is available at CEB's website: https://www.ceb.cz/o-bance/kodexy.

CEB considers it crucial that the entire decision-making be not influenced by the potential interests of persons with the decision-making powers who are engaged in the decision-making process, i.e. Board of Directors or Supervisory Board members. Should this be the case, these persons are therefore obliged to announce, prior to the commencement of the decision-making process, that they have an interest in its result, and abstain from taking part in the decision-making process.

Disclosures and Transparency

CEB meets the statutory reporting duty, under which primary emphasis is placed upon a timely, accessible, and balanced disclosures concerning CEB's current activities as well as anticipated development. The information is rendered to the business community, public administration bodies, employees, and other stakeholders. Providing the aforementioned information on a regular basis is considered by CEB to be an efficient instrument not only for meeting its statutory obligations but mainly for establishing a good reputation. With respect to information disclosures, CEB strictly adheres to the relevant statutory provisions concerning bank and business secrets.

Responsibility of the Board of Directors and Supervisory Board of CEB

The exact definition of the powers of the Board of Directors and the Supervisory Board is part of the Bank's Articles of Association, which are available in the Collection of Deeds of the Commercial Register held by the Municipal Court in Prague. The Board of Directors' composition, manner of decision-making and powers are provided for by the Bank's Articles of Association. The Bank's Board of Directors has the responsibility towards the shareholders for:

a) the strategic management of CEB reflected in the security, business and HR policies, the risk management strategy, the remuneration policy and the compliance policy, with senior managers responsible for their implementation;

b) the establishment and assessment of the management and control system, and for permanently maintaining its functionality, effectiveness and efficiency;

c) statutory compliance of the management and control system and for providing related activities with due professional care;

d) establishing principles of human resources management including the requirements for qualification, experience and knowledge for individual positions and the manner in which they are to be demonstrated and verified.

The Supervisory Board's composition, manner of decision-making and powers are provided for by the Bank's Articles of Association. The Supervisory Board oversees the exercise of the Board of Directors' powers as well as realisation of CEB's business activities. In particular, the Supervisory Board:

a) supervises as to whether the management and control system is functional and efficient and performs the system's regular assessment;

b) regularly debates the strategic direction of CEB as well as matters concerning the regulation of the risks to which CEB is or may be exposed;

c) participates in directing; planning and assessing the internal audit activities and assesses compliance;

d) approves and regularly assesses the summary remuneration principles for selected groups of employees whose activities significantly affect CEB's overall risk profile.

Pursuant to Act No. 93/2009, on Auditors, the Bank has established the Audit Committee whose position and powers are provided for by the Bank's Articles of Association.

2.5.2 Shareholder rights

The Bank's shares have been issued in the registered book-entry form and are not tradeable. The list of shareholders replaces the records of book-entered securities maintained by the Central Depositary in the Central Records of Securities. One vote belongs to every million of CEB's share nominal value; a total of 5,000 votes are divided among all CEB's shares. At least two thirds of CEB's shares must be held by the Czech Republic, which executes the shareholder rights through the Ministry of Finance of the Czech Republic. The exercise of the voting right by a shareholder is carried out mainly by voting at the General Meeting– in person, in representation or by voting per rollam (outside of the General Meeting). Similar provisions are included in the publicly available Articles of Association of CEB.

2.5.3 Internal control system

The internal control system fully complies with the statutory requirements. It also includes the risk management, compliance, and internal audit rules. The internal control functions have further powers to effectively execute their functions. A significant element of the Internal control system is also to ensure and regularly assess the credibility and professional competences of the members of the Bank's bodies and persons holding the key offices. The effectiveness of the management and control system of the Bank is assessed by the internal audit division on annual basis.

2.5.4 Description of the decision procedures of the Bank's bodies and committees

General Meeting

The General Meeting takes place at least once a year, however no later than four months from the end of the reporting period and has a quorum if the shareholders present hold shares in the total nominal value greater than 50% of the CEB's share capital. If the General Meeting does not have a quorum, the Board shall call a substitute General Meeting in compliance with the relevant provisions of the special legal regulation.

The General Meeting votes by acclamation unless the General Meeting decides otherwise. The General Meeting adopts decisions by a majority of the votes of the present shareholders, unless special legal regulations or the Articles of Association require a larger majority. Changes to the Articles, increases or decreases in the registered capital and the dissolution of CEB with liquidation is decided are decided upon by the General Meeting if approved by the votes of at least two-thirds of the present shareholders. At General Meetings, proposals presented by the convenor of the General Meeting are voted on first and subsequently other proposals and counterproposals are voted on in the order as submitted.

The state exercises its shareholder's rights by means of the Ministry of Finance.

Supervisory Board

The Supervisory Board consists of five members.

Meetings of the Supervisory Board are convened by its Chairman or Vice-Chairman as necessary usually once a month. The Supervisory Board has a quorum if at least three of its members are present, with resolutions adopted by a majority of all of its members. Each member has one vote. In the event of a tied vote, the Chairman does not have the casting vote. Minutes are taken on all meetings of the Supervisory Board and are to be signed by the Chairman of the Supervisory Board; a list of attendees is attached to the minutes.

Supervisory Board meetings via technical means are admissible; adoption of resolutions outside the meeting (per rollam) is admissible subject to a prior consent by all members of the Supervisory Board.

Board of Directors

The Board of Directors consists of three members.

Meetings of the Board of Directors are convened by its Chairman or an authorised Vice-Chairman as necessary, usually once a month. The Board of Directors has a quorum, if an absolute majority of its members is present. The Board of Directors decides by resolutions adopted by a majority of votes of its members. Each member of the Board of Directors has one vote. Minutes are taken on the course of the Board of Directors' meeting and its resolutions and are to be signed by the Chairman of the Board of Directors and the minute- taker; a list of attendees is attached to the minutes.

Meetings of the Board of Directors via technical means are admissible; adoption of resolutions outside the meeting (per rollam) is admissible subject to a prior consent by all members of the Board of Directors.

Audit Committee

The Audit Committee consists of three members.

Meetings of the Audit Committee take place as necessary, at least four times a year. If necessary, the Chairman of the Audit Committee, or the authorised member of the Audit Committee if the Chairman is not present, will operatively convene an extraordinary meeting. The Audit Committee has a quorum if an absolute majority of its members is present.

Resolutions of the Audit Committee are adopted by an absolute majority of the votes of all members. Each member has one vote. Minutes are taken on all meetings of the Audit Committee and are to be signed by the Chairman of the Audit Committee; a list of attendees is attached to the minutes. In urgent cases that cannot be delayed, the Audit Committee may initiate a per rollam resolution.

Audit Committee meetings via technical means are admissible; adoption of resolutions outside the meeting (per rollam) is admissible subject to a prior consent by all members of the Audit Committee.

Credit Committee

The Credit Committee consists of seven members.

Credit Committee meetings take place as necessary, usually once a week. The Credit Committee has a quorum if at least four of its members are present, of which at least two are members of the Board of Directors and two are members of the Risk Management Division. A resolution is adopted if approved by the votes of an absolute majority of the members present, provided that the proposal was voted for by two members of the Board of Directors and two members of the Risk Management Division. Each member has one vote. The Credit Committee arrives at conclusions by the voting of its members in respect of individual items on the agenda.

In urgent cases that cannot be delayed the Credit Committee may make a per rollam resolution. The per rollam resolution is adopted if at least four members of the Credit Committee approve it and if it was voted for by two members of the Board of Directors and two members of the Risk Management Division.

Assets and Liabilities Management Committee (ALCO)

The ALCO consists of seven members.

ALCO meetings take place as needed, usually once a month. The ALCO has a quorum if at least four of its members are present, of which one is the Chairman or the Vice-Chairman of the ALCO and, simultaneously, at least one representative of the CEO's Division, one representative of the Finance and Operations Division and one member of the Risk Management Division are present. Each ALCO member has one vote.

The ALCO adopts conclusions by the voting of its members on individual issues of the agenda. A proposal presented by the ALCO Chairman, or by the ALCO Vice-Chairman, if the Chairman is not present, is voted on first and subsequently counterproposals are voted on in the order as submitted. A resolution is adopted if approved by an absolute majority of the votes of the ALCO members present. If the resolution concerns selected issues specified in the ALCO Rules of Procedure, it may be adopted only if the Head of the Banking Risk Management department who is a member of the ALCO approves it.

In urgent cases that cannot be delayed, the ALCO Chairman, or the Vice-Chairman if the Chairman is not present, may initiate a per rollam resolution. The per rollam resolution is adopted if it is approved by an absolute majority of all ALCO members. If the resolution concerns selected issues specified in the ALCO Rules of Procedure, it may be adopted only if the Head of the Banking Risk Management department who is a member of the ALCO approves it.

Information Technologies Development Committee (ITDC)

The ITDC consists of seven members.

ITDC meetings are convened by the ITDC's Chairman, or the Vice-Chairman if the Chairman is not present. The ITDC has a quorum if at least four of its members are present. Each ITDC member has one vote. A resolution is adopted if approved by an absolute majority of the votes of the ITDC members present. In the event of a tied vote, the Chairman has the casting vote.

In urgent cases that cannot be delayed, the ITDC Chairman, or the Vice-Chairman if the Chairman is not present, may initiate a per rollam resolution. The per rollam resolution is adopted if at least four ITDC members agree with its adoption.

Operational Risk Management Committee (ORCO)

The ORCO consists of seven members.

The ORCO has a quorum if at least four of its members are present, of which one is an ORCO member for the Risk Management Division.

Each ORCO member has one vote. Conclusions on each issue on the agenda are voted on individually. A proposal presented by the ORCO Chairman is voted on first and subsequently counterproposals are voted on in the order as submitted. A resolution is adopted if approved by an absolute majority of votes of the ORCO members present and if at least one ORCO member for the Risk Management Division voted for adopting the resolution.

In urgent cases that cannot be delayed, the ORCO Chairman, or the Vice-Chairman if the Chairman is not present, may initiate a per rollam resolution. The per rollam resolution is adopted if at least four ORCO members approve its adoption and if the ORCO Chairman and at least one ORCO member for the Risk Management Division voted for adopting the resolution.

2.5.5 Remuneration of persons with managing powers

With regard to the application of the proportionality principle, CEB has not set up a Remuneration Committee and no part of remuneration is paid out in non-cash instruments to persons with managing powers.

In 2023, CEB regarded the members of the Board of Directors and the members of the Supervisory Board as having managing powers. The Chairman of the Board of Directors is also the CEO, and the members of the Board of Directors also hold the positions of Deputy CEOs.

Board of Directors

The Board of Directors is the statutory body managing the activities of CEB and acting on its behalf.

Members of the Board of Directors hold the positions of the CEO and Deputy CEOs for the respective areas of the Bank's activities they are entrusted with (refer to Section 1.5 Administrative, management and supervisory bodies of CEB and related committees). Members of the Board of Directors perform their duties with due managerial care, carefully and with the necessary knowledge. They are remunerated in line with the Contract on Holding the Office of a Member the Board of Directors concluded in compliance with the relevant provisions of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as amended, which is concluded for five years. This Contract provides for the rights and obligations of contractual parties in respect of holding the office of a member or of CEB's Board of Directors. The Contract was approved by CEB's Supervisory Board/General Meeting. The amount of remuneration of the members of the Board of Directors is approved by the General Meeting.

60% of total annual remuneration of a member of the Board of Directors in charge of managing CEB (Chief Executive Officer) is a fixed component and 40% is a variable component; 50% of total annual remuneration of a member of the Board of Directors in charge of the Finance and Operations Division is a fixed component and 50% is a variable component; 62.5% of total annual remuneration of a member of the Board of Directors in charge of the Risk Management Division is a fixed component and 37.5% is a variable component. The remuneration of the CEO and Deputy CEOs was paid out in the form of the base component, which was the remuneration for the performed work. The amount of the remuneration was approved by the General Meeting in compliance with CEB's Articles of Association. The remuneration policy for the members of CEB's Board of Directors, referred to as the Principles of Remunerating Managers and Members of Bodies, is defined and approved by the General Meeting. The variable component of the remuneration of the CEO and Deputy CEOs is derived from assessing their performance, which is measured against defined performance criteria, Bank-wide and individual. The Bank-wide performance criteria are always set for the calendar year and approved by the General Meeting and subsequently assessed by CEB's Supervisory Board. The Bank-wide performance criteria include financial indicators (for 2023: modified cost/income ratio, administrative expenses and amortisation/depreciation), business indicators (for 2023: total volume of new transactions, volume of loans drawn), and portfolio and risk indicators (for 2023: proportion of NPL to the Bank's aggregate portfolio, the balance of loss allowances and provisions for loan portfolio and guarantees in Stage II and III). The assessment of the performance criteria listed above is made once a year after the termination of the assessed year, utilising the results of the assessment as of 31 December of the relevant year.

Furthermore, 50% of the variable component of the remuneration granted for the assessed year is paid out to the members of the Board of Directors by the 10th day of the month following the month in which the entitlement to the variable remuneration component was decided by the Supervisory Board and the payment of the other 50% of the variable component is postponed. The deferred portion of the remuneration's variable component is evenly distributed over the 4-year deferral period and the same amount is paid out each year during this period. The claim for such payment always arises from the assessment of the defined financial and non-financial indicators of CEB's performance and based on the methodology for retrospective assessment of the quality of loan production (malus methodology).

CEB's Supervisory Board

CEB's Supervisory Board is a control body, supervising the exercise of powers of CEB's Board of Director in performing the Bank's business activities.

The Supervisory Board has five members. As at 31 December 2023, the Supervisory Board had all five members performing their duties. Its member are elected by the General Meeting and include persons proposed by shareholders. They are remunerated in line with the Contract on Holding the Office of a Member of CEB's Supervisory Board in compliance with the relevant provisions of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as amended, which is concluded for a functional period of five years. The Contract provides for the rights and obligations of contractual parties in respect of holding the office of a member of CEB's Supervisory Board. The Contract on Holding the Office of a Member of CEB's Supervisory Board was approved by the General Meeting. The amount of remuneration of the members of CEB's Supervisory board are approved by the General Meeting. The remuneration for performing the duties of a member of the Supervisory Board was paid out providing that the member was not subject to the limitation specified in Section 303 of Act No. 262/2006 Coll., the Labour Code, as amended, or a similar limitation defined in the relevant legal regulation. The total amount of the annual remuneration of the members of the Supervisory Board in 2023 is broken down into the base component and the variable component, which make up 80% and 20%, respectively.

The remuneration of the members of the Supervisory Board was paid out in the form of the base component which was the remuneration for the performed work. The remuneration policy for the members of the Supervisory Board, referred to as the Principles of Remunerating Managers and Members of Bodies, is defined and approved by General Meeting. The variable component of the remuneration of the members of the Supervisory Board is derived from assessing the performance of their activities, which is measured based on meeting the defined performance criteria. The individual performance criteria are always set for a calendar year and approved and subsequently assessed by the General Meeting. The performance criteria are divided into six areas: CEB's strategy (for 2023: Discussion on the proposed Export Strategy of the Czech Republic for 2023–2033 / Updated CEB Strategy for 2024–2026, extended to include the SME segment), CEB IT Strategy (for 2023: Discussion on the proposed CEB IT Strategy for 2024–2025 in connection with the business strategy), financial and business plan 2024 (for 2023: active participation in preparing and negotiating the financial and business plan for 2024), remuneration system (for 2023: active participation in negotiating the K.O. criteria, bank-wide KPIs as well as individual KPIs of Risk

Takers of group I and approval of KPIs of Risk Takers of group II in line with the Supervisory Board's schedule of KPI approval) and control system (for 2023: checking the fulfilment of tasks of the Board of Directors and Supervisory Board members set by the Supervisory Board, checking the fulfilment of the Czech National Bank's remedial measures). The assessment of performance criteria is made once a year, after the termination of the assessed year, utilising the results of the assessment as of 31 December of the relevant year.

100% of the variable component of the remuneration granted for the assessed year is paid out to the members of the Supervisory Board by the 10th day of the month following the month in which the entitlement to the variable remuneration component was decided upon by the General Meeting.

Income received by executives with managing powers in cash and in kind for 2023

Income received by persons with managing powers from the issuer (CEB) in CZK thousand	Member of CEB's Board of Directors	Members of CEB's Supervisory Board	Other persons with managing powers
In cash	18 052	2 962	0
In kind	0	0	0
Total	18 052	2 962	0

Given that the Bank does not control any other entities, the individuals specified in the table above received no income in cash or in kind from controlled entities.

Diversity Policy

CEB does not formally apply a diversity policy to its Board of Directors and Supervisory Board as the staffing of these bodies is fully under the control of the General Meeting. The second reason is the fact that CEB is a bank having the state as the direct majority shareholder (84%), its shareholder rights are exercised by the Ministry of Finance and the HR policy is entirely under the control of the state represented by the above ministry, which selects candidates in line with the state's idea of CEB's activities, involving the support of Czech export and Czech exporters as principal business activities in accordance with Act No. 58/1995 Coll., On Insurance and Financing of Exports with State Support.

There is no discrimination of candidates in the recruitment process. Selection of candidates for both bodies takes place in line with Act No. 353/2019 Coll., on the Selection of Members of Management and Supervisory Bodies of Legal Entities with State Participation (Nomination Act), as amended. The selection committee, appointed by the Ministry of Finance, primarily assesses qualifications of candidates, both in terms of professional and managerial experience and in terms of education. The winner (nominee) is subsequently presented to the government's Committee for Personnel Nominations, which either does or does not recommend the proposed nomination.

Candidates must also adhere to general guidelines for assessing the suitability of members of a management body and persons in key positions determined by the EBA, such as evaluation of experience, reputation, or prudential requirements. In June 2022, a Nomination Committee was newly established to make these assessments as an advisory body to CEB's Supervisory Board. The status of this committee is defined in the Rules of procedure of CEB's Nomination Committee.

2.5.6 Authorised auditors

In a 2021 tender, the Bank selected KPMG Česká republika Audit, s.r.o., with its registered office at the address stated below, to be its auditor.

Pobřežní 648/1a
186 00 Praha 8

The contract was signed for the period from 2021 to 2024.

	2023	2022
Statutory audit of the annual financial statements	1 600	1 750
Other assurance services	150	400
Other non-audit services	1 611	0
Total	3 361	2 150

In 2023, the CEB's auditor provided, besides the statutory audit of the financial statements, other assurance services in the amount of CZK 150 thousand for the verification of the amount of officially supported financing, and other non-audit services in the amount of CZK 1,561 thousand for assurances given in connection with newly issued bonds. Further, CEB paid CZK 50 thousand for the participation of its employees in public training held by KPMG Česká republika, s. r. o.

2.5.7 Court and arbitration proceedings

CEB is involved in disputes related to the collection of receivables, especially legal disputes as part of individual insolvency proceedings with CEB's debtors. The financial impacts of the outcomes of these proceedings represent only potential income for CEB (not an expense), but given their size, their effect on CEB's operating profit or financial situation is insignificant. Most of the disputes that CEB is involved in are proceedings held on behalf of CEB but on the account of EGAP due to the relations between CEB and EGAP arising from insurance agreements.

2.5.8 Contracts of significance

During 2023, CEB concluded no significant contracts (except for the contracts concluded as part of the issuer's regular business transactions) that could establish any liability or claim which would be significant with regard to CEB's ability as the issuer to meet its obligations arising from issued bonds towards the securities holders.

2.6 Provision of information pursuant to Act No. 106/1999 Coll., on Free Access to Information

Number of requests for information filed, and of decisions to dismiss the request issued
One request for information was filed and two decision to dismiss the request were issued in 2023.

Number of appeals filed against the decisions
One appeal against the decisions was filed in 2023.

After the appeal, Česká exportní banka, a.s. partially complied with the request, against which the party appealed again. The case is currently being dealt with by the Office for Personal Data Protection.

Copy of significant parts of each court judgements reviewing the lawfulness of the legally bound person's decision to dismiss the request for information, with an overview of all expenses incurred by the legally bound person in connection with the judicial proceeding, including costs of its own employees and costs of legal representation
No judgements concerning the exercising of the right to information were issued in 2023.

Number of exclusive licences provided, including a reasoning of the need to provide an exclusive licence
No exclusive licences have been provided so far.

Number of complaints filed under Section 16a, reasons for their filing and a brief description of how they were settled
No complaints under Section 16a of the Act on Free Access to Information were filed in 2023.

Further information on the application of the Act
In accordance with Section 5 (3) of the Act on Free Access to Information, information provided is also published on the website on

In Prague, on 26 March 2024

Ing. Daniel Krumpolc
Chairman of the Board of Directors

Ing. Emil Holan
Vice-Chairman of the Board of Directors

03

Financial statements

3 Financial statements

ČESKÁ EXPORTNÍ BANKA, A.S.

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION FOR THE YEAR ENDED 31 DECEMBER 2023

Contents

Income statement

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

(MCZK)	Note	2023	2022
Interest income		1 644	902
of which: Interest income calculated using the effective interest rate method		1 644	902
Interest expense		(532)	(252)
Net interest income	**6**	**1 112**	**650**
Fee and commission income	7	38	45
Fee and commission expense	7	(7)	(8)
Net profit or (loss) on financial operations, including state subsidy	8	2	(5)
Other operating income		1	1
Other operating expenses	9	(13)	(13)
Administrative expenses	9	(256)	(245)
Depreciation and amortisation	9	(37)	(45)
Modification gains and losses		0	5
Impairment losses on financial assets not reported at fair value through P/L or their reversal	10	133	45
Provisions for commitments and guarantees or their reversal		1	(18)
Other provisions or their reversal	20	0	118
Profit or (loss) before tax		**974**	**530**
Income tax expense	11	(174)	110
Profit or (loss) for the year		**800**	**640**

Statement of comprehensive income

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

(MCZK)	Note	2023	2022
Profit or (loss) for the year		**800**	**640**
Items that may be subsequently reclassified to profit of loss			
Total change in OCI from revaluation of financial assets	**23**	11	(10)
Other comprehensive income (OCI)		**11**	**(10)**
Total comprehensive income		**811**	**630**

The notes are an integral part of the financial statements.

Statement of financial position

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

(MCZK)	Note	2023	2022
ASSETS			
Cash in hand, cash with the central bank and other deposits repayable on demand	12	613	1 979
Debt securities at fair value recognised in OCI	3b, 14	230	1 234
Financial assets at amortised cost		30 931	26 351
Debt securities at amortised cost	3b, 14	899	776
Loans and receivables at amortised cost	3b, 13	30 032	25 575
Property, plant and equipment	15	75	43
Intangible assets	16	15	13
Other assets	17	1 962	2 823
Deferred tax assets	21	30	30
Total assets		**33 856**	**32 473**
LIABILITIES AND EQUITY			
Financial liabilities measured at amortised cost	18	23 828	23 393
Other liabilities	19	650	601
Provisions	3b, 20	189	191
Current tax liabilities		93	3
Total liabilities		**24 760**	**24 188**
Share capital	22	5 000	5 000
Revaluation reserve	23	(7)	(18)
Retained earnings or accumulated loss from prior periods	24	608	0
Reserve funds	24	852	820
Other special funds	24	1 843	1 843
Profit or (loss) for the year		800	640
Total equity		**9 096**	**8 285**
Total liabilities and equity		**33 856**	**32 473**

The notes are an integral part of the financial statements.

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
31 December 2021		**5 000**	**358**	**802**	**1 503**	**(8)**	**7 655**
Total change in OCI from revaluation of financial assets	23	0	0	0	0	(10)	(10)
Profit or (loss) for the year		0	640	0	0	0	640
Total comprehensive income		**0**	**640**	**0**	**0**	**(10)**	**630**
Transfer to other special funds	24	0	(340)	0	340	0	0
Transfer to reserve fund	24	0	(18)	18	0	0	0
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	11	11
Profit or (loss) for the year		0	800	0	0	0	800
Total comprehensive income		**0**	**800**	**0**	**0**	**11**	**811**
Transfer to other special funds	24	0	0	0	0	0	0
Transfer to reserve fund	24	0	(32)	32	0	0	0
At 31 December 2023		**5 000**	**1 408**	**852**	**1 843**	**(7)**	**9 096**

The notes are an integral part of the financial statements.

Cash flow statement

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

(MCZK)	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		1 411	695
Interest paid		(502)	(190)
Net fee and commission received		(4)	12
Net trading and other net income received		(1)	16
Net income from collateral		1 142	1 627
Payments to employees and suppliers		(249)	(254)
(Income tax paid) received adjustment to income tax		(104)	55
(Other taxes paid) received adjustment to other taxes		1	12
Net cash flows from operating activities before changes in operating assets and liabilities		**1 694**	**1 973**
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Decrease (increase) in loans to banks		(85)	748
Decrease (increase) in loans to customers		(3 094)	2 325
Decrease (increase) in other liabilities		52	(3)
Increase (decrease) in liabilities due to banks		0	(15)
Increase (decrease) in liabilities due to customers		138	(828)
Net cash flows from operating activities		**(1 295)**	**4 200**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment and intangible assets		(32)	(19)
Purchase of securities		(284)	(66)
Proceeds from matured securities		1 148	638
Net cash flows from investment activities		**832**	**553**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issued bonds		5 004	0
Repayments of issued bonds		(4 965)	(2 628)
Lease payments		(11)	(18)
Net cash flows from financing activities		**28**	**(2 646)**
Effect of exchange rate changes on cash and cash equivalents		**(30)**	**(38)**
Net increase in cash and cash equivalents		**(465)**	**2 069**
Cash and cash equivalents at the beginning of the year	**12**	**8 739**	**6 684**
Allowances for cash equivalents		**2**	**(14)**
Cash and cash equivalents at the end of the year	**12**	**8 276**	**8 739**

The notes are an integral part of the financial statements.

Reconciliation of cash flows from financing activities

	Note	Issued bonds	Leases
At 31 December 2021	**18, 19**	**18 661**	**53**
Outflow		(2 628)	(18)
Other non-monetary changes		7	(14)
Effect of exchange rate changes		(524)	0
At 31 December 2022	**18,19**	**15 516**	**21**
Inflow		5 004	0
Outflow		(4 965)	(11)
Other non-monetary changes		10	43
Effect of exchange rate changes		348	0
At 31 December 2023	**18,19**	**15 913**	**53**

The notes are an integral part of the 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 principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

(a) Basis of presentation

The Bank's financial statements have been prepared as stand-alone financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS"). The financial statements have been prepared under the historical cost convention modified for financial instruments and under the accrual and matching principle with transactions recorded in the period in which they actually occur. Financial instruments remeasured at fair value are carried at fair value at the reporting date. The financial statements consist of the statement of financial position, 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

- IFRS 17 – Insurance Contracts, effective date: 1 January 2023
- Amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information, effective date: simultaneously with the effective date of IFRS 17
- Amendments to IAS 1 – Disclosure of Accounting Policies, effective date: 1 January 2023
- Amendments to IAS 8 – Definition of Accounting Estimates, effective date: 1 January 2023
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued in May 2021) effective date: 1 January 2023
- Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules, effective date: 1 January 2023.

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, the following amendments to the existing standards were issued by IASB and adopted by the European Union, but are not yet effective.

- 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.

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 – Sales or Contributions of Assets between an Investor and its Associate or Joint Venture; the effective date has been postponed by IASB
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements; the effective date: 1 January 2024
- Amendments to IAS 21 – Lack of Exchangeability; the effective date: 1 January 2025.

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
31 December 2022	24,115	22,616

(c) Derivative financial instruments

The Bank does not trade derivatives with the aim of generating profit; however, in respect of certain contracts contracted as hedges, the Bank does not apply the hedge accounting principles. This usually relates to derivative instruments whose primary goal relates to currency risk hedging. The gains or losses from these derivatives are reported in the income statement under “Net profit or (loss) on financial operations, including state subsidy”.

(d) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized under ‘Interest income’ and ‘Interest expense’ in the income statement using the effective interest rate method, with the exception of interest on derivatives hedging interest rate risks. Interest on financial instruments at fair value through profit or loss (FVTPL) that do not function as effective hedging instruments is part of gains and losses arising from changes in fair value reported under “Net profit or (loss) on financial operations, including state subsidy”.

The effective interest rate method is a method of calculating the gross amortised cost of a financial asset or financial liability and allocating the interest income or interest expense until maturity of the relevant asset or liability. The effective interest rate is the rate that discounts estimated future cash flows over the expected life cycle of the financial instrument, or a shorter period (if relevant), to the gross amortised cost of the financial asset or financial liability. In determining the effective interest rate, the Bank estimates cash flows considering all the contractual terms of the financial instrument but without reflecting credit losses.

Calculation of the effective interest rate includes all fees and payments made between or received by parties to the contract that are an integral part of the effective interest rate, transaction costs, commitment commissions and all other premiums or discounts. For credit-impaired financial assets, interest income is recognized at amortised cost using the effective interest rate adjusted for credit risk, i.e., at gross amortised cost decreased by allowances. Positive interest expense determined on the basis of negative interest rates are included in “Interest income” and negative interest income in “Interest expense”.

(e) Fee and commission income

Fees and commissions directly relating to the provision of the loan are included in the effective interest rate. Fees and commissions which are not part of the effective interest rate are generally recognized on an accruals basis when the service is provided.

Commitment commissions for providing loan commitments are also included in the effective interest rate as the Bank assumes that all provided loan commitments will be drawn. Commitment commissions for loans that will not be drawn are recognized as revenue on the date on which the liability is derecognized. Advisory and service fees are reported based on the appropriate service contracts and they are recognized in income as the Bank fulfils its liabilities.

(f) Financial assets

The Bank classifies its financial assets upon their initial recognition based on the Bank's business model and based on the assessment of the contractual cash flows of the financial assets.

The Bank applies a mixed business model. The objective of the main business model is to obtain contractual cash flows, which are the principal and interest on outstanding principal. As part of the main business model, the Bank deposits the funds provided to it from the state budget, in particular subsidies to cover loss from the provision of officially supported financing, funds to increase the share capital, funds to refinance loans taken out or to repay debt securities issued, and insurance benefits received from an export insurance company, in its bank accounts subordinated to the Treasury and held with the Czech National Bank in under the Act on Budget Rules. The Bank also uses these accounts to deposit temporarily available funds in those currencies for which current accounts under the Treasury can be opened and maintained. 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 financial asset is measured at amortised costs (AC) if it is:

a) Held as part of the main business model whose objective is to hold financial assets in order to obtain contractual cash flows; and
b) Contractual terms and conditions of the financial asset set specific dates of cash flows composed exclusively of payments of the principal and interest on the unpaid portion of the principal.

The financial asset is measured at fair value through other comprehensive income (FVOCI) if it is:

a) Held as part of the supplementary business model whose objective is achieved by collecting contractual cash flows as well as by the sale of the asset; and
b) Contractual terms and conditions of the financial asset set specific dates of cash flows composed exclusively of payments of the principal and interest on the unpaid portion of the principal.

Financial assets that do not meet the above conditions are measured at fair value through profit or loss (FVTPL). The Bank does not arrange any financial assets held for trading. The Bank does not hold any equity interests in assets.

The assessment of the relation to the business model is based on past experience, goals to be met, the assessment method and management of risks and expected benefits.

The characteristics of contractual cash flows are assessed in respect of whether they are solely payments of the principal and interest. For arrangements concerning interest, it is assessed whether they are consistent with basic contractual arrangements, i.e., whether the interest only includes credit risk, time value for money and other basic risks and profit margins.

Financial assets can be reclassified only if the business model is changed.

Initial recognition of financial assets

All purchases and sales of financial assets or liabilities, except for derivatives, are recognized as at the settlement date. The settlement date means the date of the delivery of the underlying asset related to the financial instrument. Loans and receivables are recognized as at the date of providing the funds to the client. Upon initial recognition, financial assets are measured at fair value through profit or loss. For financial assets not measured at FVTPL, the fair value is increased or decreased upon initial recognition by transaction costs that are directly related to the acquisition of the financial asset.

Upon the purchase of a financial asset, there is no difference arising between the recognized fair value of the financial asset recognized by the Bank and the fair value using valuation methods.

Valuation of financial assets as at the balance sheet date

Financial assets at amortised cost (AC) predominantly include provided loans and other receivables and part of purchased bonds. The amortised cost consists of the acquisition cost less principal payments, including any discount/premium, less an allowance for expected credit losses and accrued interest calculated using the effective interest rate. Impairment in the form of expected credit losses is presented in the income statement.

Bonds at fair value through other comprehensive income (FVOCI) are remeasured at fair value after initial recognition. These are bonds held to generate cash flows and for sale, where the cash flows consist of principal and interest payments. Gains and losses arising from changes in fair values are reported directly through equity until the financial asset is derecognized. Impairment is recognized in equity through profit or loss. However, the interest calculated using the effective interest rate method is reported in the income statement under “Interest income”.

In determining the fair value of quoted investments at level 1 as at the balance sheet date, the Bank uses the current quoted offer prices. If the market is not active for a specific financial asset, the Bank determines the fair value using valuation techniques (level 2). The Bank uses quoted supply and demand market rates as input values for the measurement of the fair values of financial assets or liabilities.

As of the balance sheet date, management of the Bank assessed the used valuation techniques to ensure that they sufficiently reflect the current market conditions including the relative liquidity of the market and credit spreads.

Derecognition of financial assets

Financial assets are derecognized when rights for the collection of cash flows cease to exist or when the Bank transfers all risks and benefits arising from their ownership. The difference between the carrying amount of the financial asset (or its part) that ceased to exist or was transferred to another party, and the payment made is recognized in profit or loss.

(g) Impairment of financial assets

The Bank creates allowances and provisions for expected credit losses in respect of financial assets at amortised cost, bonds at fair value through other comprehensive income, provided financial guarantees, provided loan commitments and receivables arising from contractual assets.

As of the date of initial recognition the Bank assesses whether the credit risk has increased, i.e., the risk that the Bank will incur a loss caused by a failure of the counterparty to meet its obligations. If the credit risk has not increased (stage 1), the Bank calculates allowances and provisions in the amount of twelve-month expected credit losses (ECL) for each reporting date. Twelve-month ECL are a part of lifetime credit losses that correspond to expected credit losses arising from a failure of the financial instrument that may occur within 12 months from the date of recognition.

If a material increase in credit risk occurs (stage 2) from the initial recognition, the Bank recognises an allowance or provision in the amount of lifetime expected credit losses. Lifetime expected credit losses involve estimated credit losses arising from any failure to meet commitments during the estimated lifetime of financial assets.

Financial assets are impaired (stage 3) if one or more events occurs having an adverse impact on the expected future cash flows related to the financial assets. For purchased or originated credit-impaired (POCI) assets, allowances are reported only as the accumulated change in expected credit losses for the period since the initial recognition.

Allowances decrease the value of the financial asset at amortised cost (AC) in the balance sheet. Allowances against financial assets at fair value through other comprehensive income (FVOCI) are recognized through other comprehensive income. Provisions for credit losses on loan commitments and provided guarantees are reported in the balance sheet under “Provisions”.

The calculation of expected credit loss (ECL) is based on the undistorted and probability-weighted amount that is the result of various scenarios, includes the time value of money and is based on adequate and demonstrable information that is available without incurring disproportionate costs. Credit losses are defined as a difference between all contractual cash flows payable to an entity under the relevant contract and all cash flows that are expected to be collected by the entity (i.e., all cash deficits), discounted by the original effective interest rate (or by the effective interest rate adjusted for credit risk in respect of purchased or originated credit- impaired financial assets).

The policies and assumptions used for the quantification of expected credit loss are described in Note 3b).

Write-offs

Write-off is made upon realisation of collateral or if the Bank no longer has adequate expectations that the value of the financial asset as a whole or its part will be recovered.
Such situations may include:

- liquidation of the debtor without a legal successor (deletion of a legal entity from the Commercial Register, termination of inheritance proceedings after the death of an individual without heirs, and failure to satisfy the claim from the inheritance), and there is no collateral for the receivable that is recoverable from third parties
- a final court decision on the non-existence of the receivable
- termination of the receivable by other legal means, including the replacement of the original debt by the debt specified in the restructuring plan and the subsequent fulfilment of the restructuring plan by the debtor
- the final termination of insolvency or similar proceedings against the debtor or the final dismissal of the insolvency petition for lack of assets of the debtor and there is no third-party collateral or rights and assets for the receivable that could be realized
- assignment of the receivable
- the uncollectibility or financial inefficiency of any further recovery; i.e., it is clear from the circumstances of the case that any further recovery of the risk receivable or part thereof would not be successful (e.g., if enforcement proceedings have been unsuccessful in recovering the receivable or part thereof, or if the debtor has successfully pleaded the limitations statute), or if the cost of recovery would exceed the expected return in relation to the amount of the receivable.

If the receivable has not been extinguished and the receivable, although uncollectible, continues to exist legally and all recovery actions have not yet been completed, it is written off in the off-balance sheet and continues to be accounted for in the off-balance sheet records.

(h) Reverse sale-and-repurchase agreements

Financial assets purchased under reverse sale-and-repurchase agreements (reverse repo operations) are considered to be loans granted to other banks or customers. They are classified in accordance with the Bank’s business model and the characteristics of the negotiated cash flows as AC or FVOCI.

The difference between the purchase and sale prices is treated as interest and accrued over the term of the agreement using the effective interest rate method.

(i) Property, plant and equipment and intangible assets

All property, plant and equipment and intangible assets are stated at historical cost less accumulated depreciation and amortisation or loss allowances. Historical cost includes expenditures that are directly attributable to the acquisition of the assets.

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Depreciation and amortisation of property, plant and equipment and intangible assets is calculated using the straight-line method over their estimated useful lives, as follows:

	Period
Motor vehicles	5 years
Furniture and fixtures	2 to 10 years
Office and IT technology	2 to 15 years
Other office equipment	2 to 10 years
Software	3 to 5 years

Technical improvements are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Repair and maintenance costs are charged to the income statement when incurred.

Property, plant and equipment and tangible assets under construction are not depreciated until relevant assets are completed and put into use. The net book value of assets and their useful lives are monitored, and adjusted as appropriate at each balance sheet date.

If the asset's carrying amount is greater than its estimated recoverable amount, an allowance is created for the asset. The estimated recoverable amount is the higher of the asset's fair value including the costs of sale and the value in use.

(j) Leases

The Bank is involved in lease arrangements only as a lessee. In accordance with the standard, the Bank decided not to apply the right-of-use asset and lease liability for short-term and low-value leases. In such a case, lease payments are recognized on a straight-line basis over the lease term in the income statement. The identified fixed or material right-of-use asset is measured at cost in the value of the initial recognition of the lease liability, payments made until the inception of the lease, direct costs, and estimated costs of cancellation of the lease. The right-of-use asset is expensed over the estimated lease term. The lease liability is measured at the inception of the lease at the present value of the future payments, using the interest rate implicit in the lease, or the incremental borrowing rate of the lessee.

(k) Cash and cash equivalents

Cash is defined as cash and receivables from credit institutions repayable on demand, including balances on the minimum mandatory reserves account. The Bank considers cash equivalents to be short-term and highly liquid receivables from credit institutions with original maturities of 3 months or less that are readily convertible into known amounts of cash and for which the risk of changes in value is not significant.

(l) Employee benefits

The Bank recognizes a provision for deferred bonuses and other long-term employment benefits, i.e., retirement bonuses. This provision is created by the sum of liabilities under these benefits at the balance sheet date. The plan of other long-term benefits does not have any proceeds from assets. The present value of the provision is calculated on the basis of the incremental approach which takes into account estimated employee fluctuation.

(m) Taxation and deferred income tax

Deferred income tax is recognized using the full balance sheet liability method. It is determined based on temporary differences between the tax and net book value of assets and liabilities.

Deferred income tax is determined using the tax rates that have been enacted at the balance sheet date and relate to the period in which the realisation of the deferred tax asset or settlement of the deferred tax liability are expected.

Deferred tax related to the revaluation of items which are charged directly to equity is also charged directly to equity and subsequently recognized in the income statement together with the deferred gain or loss.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income tax payable is recognized, pursuant to applicable tax regulations in the Czech Republic, as an expense in the period in which taxable profits are generated.

(n) Financial liabilities

Initial recognition of financial liabilities

Upon initial recognition, financial liabilities are measured at fair value. For financial liabilities not measured at FVTPL, the fair value upon initial recognition is increased or decreased by the transaction costs directly related to the acquisition of the financial liabilities.

The fair value of a financial liability as at the acquisition date is generally its transaction price.

Valuation of financial liabilities as at the balance sheet date

The category of financial liabilities at amortised cost (AC) includes payables to banks, to customers, issues of own bonds and other financial liabilities. A derivative embedded in a contract on a financial liability is separated and recognized separately if the economic features of the embedded derivative and the related risks are not closely related to the economic features of the host contract, a separate instrument with the same conditions as the embedded derivative would satisfy the definition of a derivative and the hybrid contract is not measured at fair value through profit or loss.

Derecognition of financial liabilities

Financial liabilities are derecognized as soon as they cease to exist, i.e., when the liability is cancelled, settled, or ceases to be effective. The difference between the carrying amount of the financial liability that ceased to exist or was transferred to another party and the payment made is recognized in profit or loss.

(o) Share capital

Ordinary shares are classified as equity in the amount recorded in the Commercial Register. Other costs directly attributable to the issue of new shares are shown as a deduction of retained earnings, net of tax.

(p) Segment reporting

Operating segments are reported in accordance with the internal reports regularly prepared and presented to the Bank's Board of Directors consisting of a group of managers authorised to make decisions on funds to be allocated to individual segments and to assess their performance.

The Bank records two operating segments which are derived from the special purpose for which the Bank was established by the state, i.e., the operation of officially supported financing in accordance with Section 6 (1) of Act No. 58/1995 Coll., through independent accounting sets (circles):

- Separate set (circle) 001 – set of financing without ties to the state budget, operating activities, and other relating activities in accordance with the banking licence; and
- Separate set (circle) 002 – set of officially supported financing eligible for subsidy.

(q) State subsidy

In accordance with Act No. 58/1995 Coll., the Bank receives subsidies from the state budget to cover losses resulting from the provision of supported financing.

The subsidy is provided for the loss arising from the balance of legally defined expense and income item for certain business cases arising from the provision of supported financing.

The income from the state subsidy is recognized in the income statement in the period in which the loss occurs. The title to the state subsidy is recognized in other receivables when the subsidy is virtually certain.

(r) Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation resulting from past events, it is likely that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. In addition, the Bank creates provisions for expected credit losses from issued financial guarantees and provided loan commitments in accordance with IFRS 9.

(s) Guarantees and loan commitments

The Bank also acts as an issuer of guarantees. Bank guarantee contracts are contractual relationships stipulating that the issuer will provide a payment to the beneficiary, subject to events disclosed in the letter of guarantee. Such guarantees are granted by the Bank based on the requirement of the exporter. Bank guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequently, the Bank's liabilities under such guarantees are measured at the higher of (i) expected credit losses, or (ii) remaining unaccrued amounts upon initial recognition. Allowances are recognized against receivables from outstanding fees.

The Bank also enters into contingent financial relationships by granting loan commitments. Loan commitments are included in the accounting records when all conditions precedent set in the loan agreement have been met. Pursuant to the loan agreement, the Bank is bound to provide a loan, or draw the loan for the benefit of the debtor when the conditions precedent have been met. The conditions precedent usually include an effective insurance policy. Before the conditions precedent have been met, signed loan agreements are recorded solely in the information system of the Bank. Loan commitments are initially measured at fair value which is usually the present value of fees for the provision of the commitment. Assuming that the provision of the loan commitment is probable, these fees are accrued using the effective interest rate and recognized in income over the term of the liability. Subsequently, loan commitments are measured at the higher of expected credit losses, or the remaining unaccrued amounts reported upon first recognition. Allowances are recognized against receivables from outstanding fees.

Provisions representing expected credit losses are created for guarantees and loan commitments in accordance with the requirements of IFRS 9.

(t) Collateral and guarantees received

The Bank also receives guarantees issued by other banks and other collateral from other customers as a means of security. An important component of contingent assets is the insurance of export credit risks arranged by or in favour of the Bank. The collateral is taken into account in assessing the risks of loans. Accepted guarantees and insurance are an integral part of the loan. The Bank considers them in the calculation of expected credit losses.

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 issues 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 subordinated to 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 uses selected derivatives for the fair value hedging to minimise the impact of changes in fair value on the income statement.

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 2023 and in 2022, 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 for 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 until 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 anticipates 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 non-financial 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 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 result in 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). This coefficient is calculated individually for Russia, Slovakia, Turkey, Indonesia,

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

Senegal, and Azerbaijan, where the Bank has significant exposure. 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 payments of premium and reductions (if any) – based on a declaration 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

In connection with the Russian invasion of Ukraine, the Bank transferred all receivables from Russian and Ukrainian borrowers that were recorded in performing exposures to non-performing exposures in 2022. As all receivables were collected according to existing payment schedules in 2022, the Bank reclassified receivables from Russian borrowers and ranked them again among performing exposures. The Bank did not record any financial losses from Russian borrowers arising from the Russia-Ukraine conflict. The only real impact is thus the failure to recover receivables from borrowers based in Ukraine, where the Bank collects insurance payments from EGAP and is likely to incur a temporary loss equal to insurance excess. We expect that all receivables from Ukrainian borrowers will be paid after the conflict has ended.

The Bank is consistently monitoring the financial situation of all borrowers in its portfolio in connection with deteriorating economic conditions, especially with respect to the inflation development. The Bank did not identify any significant credit risk deterioration for any of its borrowers for the above reasons.

Impacts are identified in tables illustrating the development of exposures and adjustments.

ESG

In 2023, the Bank carefully monitored the approval of the European Corporate Sustainability Reporting Directive (CSRD) in accordance with the European Sustainability Reporting Standards (ESRS) in the context of future compliance with reporting obligations. The Bank's risk management strategy includes the newly introduced definition of the ESG risk. Types of risks were defined for all three ESG parts, i.e., the environment, social impact, and corporate governance. CEB perceives ESG risks as part of other kinds of risks, in particular, the credit risk, liquidity risk, and reputational risk.

The Risk Management Division consistently identifies, measures, monitors and takes measures to reduce these risks considering the ESG aspect.

Given the nature of CEB, which is a specialised bank institution intended to provide financing in accordance with the conditions of Act No. 58/1995 Coll., on Insurance and Financing Exports with State Support, the reputational and strategic risk, including ESG aspects following from the Bank's own activities, are not measured separately. These risks are managed by qualitative procedures.

From the perspective of the client portfolio, the Bank assesses what impact the ESG area has on clients' business continuity and their financial ability to affect CEB's credit exposure. In this connection, the Bank made an assessment of approximately 50% debtors from its portfolio in 2023.

The Bank also cooperates with an external company in the preparation of questionnaires for clients focusing on the assessment of ESG aspects.

Exposures by level of credit risk

(MCZK)							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)							2022
	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	**1 234**	**1 236**	**0**	**0**	**(2)**	**0**	**0**
Government institutions	1 234	1 236	0	0	(2)	0	0
Financial assets at amortised cost	**26 351**	**15 481**	**10 758**	**340**	**(34)**	**(130)**	**(64)**
Debt securities at amortised cost	776	777	0	0	(1)	0	0
Government institutions	754	755	0	0	(1)	0	0
Credit institutions	22	22	0	0	0	0	0
Loans and receivables at amortised cost	25 575	14 704	10 758	340	(33)	(130)	(64)
Central banks	8 746	8 762	0	0	(16)	0	0
Government institutions	2 753	2 755	0	0	(2)	0	0
Credit institutions	1 027	1 027	0	0	0	0	0
Non-financial corporations	13 049	2 160	10 758	340	(15)	(130)	(64)
Other receivables	**17**	**17**	**0**	**6**	**0**	**0**	**(6)**

(MCZK)						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)**

(MCZK)						2022
	Carrying amount (gross)			Established provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Provided loan commitments total	**2 340**	**1 604**	**0**	**(41)**	**(22)**	**0**
Government institutions	185	0	0	0	0	0
Non-financial corporations	2 155	1 604	0	(41)	(22)	0
Provided financial guarantees total	**902**	**845**	**68**	**(18)**	**(4)**	**(11)**
Non-financial corporations	902	845	68	(18)	(4)	(11)
Off-balance sheet positions total	**3 242**	**2 449**	**68**	**(59)**	**(26)**	**(11)**

Development of balance sheet exposures by level of credit risk

Movements between stages of loans and receivables at gross amortised cost

(MCZK)	Stage 1	Stage 2	Stage 3	Total
31 December 2022	**14 704**	**10 758**	**340**	**25 802**
Transfer from Stage 1	(675)	675	0	**0**
Transfer from Stage 2	0	(253)	253	**0**
Transfer from Stage 3	0	0	0	**0**
Changes in ongoing transactions (repayments)/drawing and accrued interest	968	402	(16)	**1 354**
Creation of new assets	13 374	8	0	**13 382**
Fully paid-up transactions	(9 791)	(514)	(264)	**(10 569)**
Written-off transactions	0	0	(112)	**(112)**
Exchange rate gains or losses	151	275	10	**436**
31 December 2023	**18 730**	**11 351**	**211**	**30 292**

Allowances for impairment of loans and receivables at amortised cost

(MCZK)	Stage 1	Stage 2	Stage 3	Total
31 December 2022	**(33)**	**(130)**	**(64)**	**(227)**
Transfer from Stage 1	12	(12)	0	**0**
Transfer from Stage 2	0	7	(7)	**0**
Transfer from Stage 3	0	0	0	**0**
Changes in allowances	(9)	(40)	21	**(28)**
Creation of allowances for newly created assets	(41)	0	0	**(41)**
Release of allowances for derecognized assets	16	13	12	**41**
Exchange rate gains or losses	(2)	(1)	(2)	**(5)**
31 December 2023	**(57)**	**(163)**	**(40)**	**(260)**

In 2023, reclassification from Stage 1 to Stage 2 was made for three receivables, but primarily for one new transaction of CZK 671 million for which deterioration of financial situation was observed. Loss allowances of CZK 57 million were subsequently established in Stage 2 for this transaction. Two receivables were reclassified from Stage 2 to Stage 3 due to payment complications with Russian debtors. Both exposures were paid in 2023. Stage 3 also saw a reduction in some older impaired loans that were recorded on the balance sheet in the amount of expected insurance payments.

The item “Creation of new assets” in Stage 1 primarily includes short-term exposures at the Czech National Bank of CZK 7,837 million. The rest are deposits with other banks of CZK 3,026 million, and newly granted loans of CZK 2,511 million.

Movements between stages of loans and receivables at gross amortised cost

(MCZK)	Stage 1	Stage 2	Stage 3	Total
31 December 2021	**12 285**	**11 705**	**4 822**	**28 812**
Transfer from Stage 1	(1 353)	1 353	0	**0**
Transfer from Stage 2	0	(3 147)	3 147	**0**
Transfer from Stage 3	0	2 253	(2 253)	**0**
Changes in ongoing transactions (repayments)/drawing and accrued interest	(444)	(1 029)	(747)	**(2 220)**
Creation of new assets	10 915	2	0	**10 917**
Fully paid-up transactions	(6 698)	(12)	0	**(6 710)**
Written-off transactions	0	0	(4 539)	**(4 539)**
Exchange rate gains or losses	(1)	(367)	(90)	**(458)**
31 December 2022	**14 704**	**10 758**	**340**	**25 802**

Allowances for impairment of loans and receivables at amortised cost

(MCZK)	Stage 1	Stage 2	Stage 3	Total
31 December 2021	**(11)**	**(138)**	**(639)**	**(788)**
Transfer from Stage 1	0	0	0	**0**
Transfer from Stage 2	0	114	(114)	**0**
Transfer from Stage 3	0	(73)	73	**0**
Changes in allowances	(2)	(38)	10	**(30)**
Creation of allowances for newly created assets	(22)	0	0	**(22)**
Release of allowances for derecognized assets	1	0	5	**6**
Write-offs	0	0	589	**589**
Exchange rate gains or losses	1	4	12	**17**
31 December 2022	**(33)**	**(130)**	**(64)**	**(227)**

In 2022, receivables from Russian and Ukrainian borrowers of CZK 1,353 million were reclassified from Stage 1 to Stage 2 due to the military conflict in Ukraine. Subsequently, CZK 3,147 million were reclassified to Stage 3 following the announcement of sanctions. Thus, all receivables from Russian borrowers that had previously been in Stage 2 were reclassified to Stage 3. With respect to the successful recovery of outstanding payments, receivables from Russian entities of CZK 2,253 million were transferred back to Stage 2 after the expiry of the minimum verification period. An increased risk due to these events was mainly identified in Stage 2.

An insured impaired receivable of CZK 4,214 million gross was assigned in 2022. The terms of the assignment contract resulted in the use of already created allowances in Stage 3 of CZK 385 million.

The item “Creation of new assets” in Stage 1 primarily includes short-term exposures at the Czech National Bank of TCZK 8,762 million. The rest are deposits with other banks and newly granted loans. The creation of allowances for newly created assets was also affected by rating agencies increasing the Czech Republic’s PD due to inflation developments and the external political and economic situation.

Development of off-balance sheet exposures by level of credit risk

Movements between stages of off-balance sheet positions

(MCZK)	Stage 1	Stage 2	Stage 3	Total
At 31 December 2022	**3 242**	**2 449**	**68**	**5 759**
Transfer from Stage 1	(2)	2	0	**0**
Transfer from Stage 2	0	0	0	**0**
Transfer from Stage 3	0	0	0	**0**
Changes in ongoing transactions (drawing or derecognition) / increase	(82)	(48)	0	**(130)**
Creation of new off-balance sheet positions	3 528	0	0	**3 528**
Termination (drawing or derecognition)	(2 422)	(1 474)	0	**(3 896)**
Exchange rate gains or losses	4	(3)	(1)	**0**
At 31 December 2023	**4 268**	**926**	**67**	**5 261**

Provisions

(MCZK)	Stage 1	Stage 2	Stage 3	Total
At 31 December 2022	**(59)**	**(26)**	**(11)**	**(96)**
Transfer from Stage 1	0	0	0	**0**
Transfer from Stage 2	0	0	0	**0**
Transfer from Stage 3	0	0	0	**0**
Changes in provisions	0	0	4	**4**
(Creation of provisions for newly created positions)	(68)	0	0	**(68)**
Release of provisions for derecognized positions	45	20	0	**65**
Exchange rate gains or losses	0	1	0	**1**
At 31 December 2023	**(82)**	**(5)**	**(7)**	**(94)**

In 2023, the highest items in the amount of newly created off-balance sheet positions in Stage 1 comprised four loan commitments of CZK 2,542 million and two financial guarantees of CZK 711 million. One loan drawdown of CZK 1,447 million stands out among terminated positions in Stage 1. In Stage 2, we can see the drawdown of loan commitments for a significant long-term business case where there is an ongoing drawdown and repayment of the loan.

Movements between stages of off-balance sheet positions

(MCZK)	Stage 1	Stage 2	Stage 3	Total
At 31 December 2021	**1 829**	**1 846**	**66**	**3 741**
Transfer from Stage 1	(789)	789	0	**0**
Transfer from Stage 2	0	0	0	**0**
Transfer from Stage 3	0	0	0	**0**
Changes in ongoing transactions (drawing or derecognition) / increase	(156)	(123)	0	**(279)**
Creation of new off-balance sheet positions	2 592	0	0	**2 592**
Termination (drawing or derecognition)	(182)	0	0	**(182)**
Exchange rate gains or losses	(52)	(63)	2	**(113)**
At 31 December 2022	**3 242**	**2 449**	**68**	**5 759**

Provisions

(MCZK)	Stage 1	Stage 2	Stage 3	Total
At 31 December 2021	**(27)**	**(43)**	**(10)**	**(80)**
Transfer from Stage 1	3	(3)	0	**0**
Transfer from Stage 2	0	0	0	**0**
Transfer from Stage 3	0	0	0	**0**
Changes in provisions	9	19	(1)	**27**
(Creation of provisions for newly created positions)	(51)	0	0	**(51)**
Release of provisions for derecognized positions	6	0	0	**6**
Exchange rate gains or losses	1	1	0	**2**
At 31 December 2022	**(59)**	**(26)**	**(11)**	**(96)**

The issued guarantees were transferred from Stage 1 to Stage 2 mainly due to the military conflict in Ukraine.

Classification by internal rating

(MCZK)								2023
		Carrying amount (gross)	Carrying amount (gross)			Allowances or Provisions		
	Internal rating		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Highest credit quality	1	899	900	0	0	(1)	0	0
Debt securities at amortised cost		**899**	**900**	**0**	**0**	**(1)**	**0**	**0**
Highest credit quality	1	8 744	8 759	0	0	(15)	0	0
High credit quality	2	3 136	3 144	1	0	(9)	0	0
Very good credit quality	3	3 320	3 331	0	0	(11)	0	0
Good credit quality	4	2 073	2 087	0	0	(14)	0	0
Quality requiring prudence	5	11 244	1 409	9 971	0	(8)	(128)	0
Unsatisfactory	7	1 344	0	1 379	0	0	(35)	0
Default of project	D	171	0	0	211	0	0	(40)
Loans and receivables at amortised cost		**30 032**	**18 730**	**11 351**	**211**	**(57)**	**(163)**	**(40)**
Financial assets at amortised cost		**30 931**	**19 630**	**11 351**	**211**	**(58)**	**(163)**	**(40)**
Highest credit quality	1	230	230	0	0	0	0	0
Debt securities at fair value recognized in OCI		**230**	**230**	**0**	**0**	**0**	**0**	**0**
High credit quality	2		297	0	0	(2)	0	0
Very good credit quality	3		1 360	0	0	(9)	0	0
Good credit quality	4		143	0	0	(1)	0	0
Quality requiring prudence	5		925	118	0	(29)	(2)	0
Provided loan commitments			**2 725**	**118**	**0**	**(41)**	**(2)**	**0**
High credit quality	2		42	0	0	(1)	0	0
Very good credit quality	3		885	0	0	(19)	0	0
Good credit quality	4		616	0	0	(21)	0	0
Quality requiring prudence	5		0	808	0	0	(5)	0
Default of project	D		0	0	67	0	0	(7)
Provided financial guarantees			**1 543**	**808**	**67**	**(41)**	**(5)**	**(7)**

(MCZK)								2022
		Carrying amount (gross)	Carrying amount (gross)			Allowances or Provisions		
	Internal rating		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Highest credit quality	1	776	777	0	0	(1)	0	0
Very good credit quality	2	0	0	0	0	0	0	0
Debt securities at amortised cost		**776**	**777**	**0**	**0**	**(1)**	**0**	**0**
Highest credit quality	1	8 746	8 762	0	0	(16)	0	0
High credit quality	2	1 027	1 027	0	0	0	0	0
Very good credit quality	3	2 650	2 654	0	0	(4)	0	0
Good credit quality	4	875	879	0	0	(4)	0	0
Quality requiring prudence	5	9 737	1 382	8 433	0	(9)	(69)	0
Vulnerable	6	0	0	0	0	0	0	0
Unsatisfactory	7	2 264	0	2 325	0	0	(61)	0
Default of project	D	276	0	0	340	0	0	(64)
Loans and receivables at amortised cost		**25 575**	**14 704**	**10 758**	**340**	**(33)**	**(130)**	**(64)**
Financial assets at amortised cost		**26 351**	**15 481**	**10 758**	**340**	**(34)**	**(130)**	**(64)**
Highest credit quality	1	1 234	1 236	0	0	(2)	0	0
Very good credit quality	2	0	0	0	0	0	0	0
Debt securities at fair value recognized in OCI		**1 234**	**1 236**	**0**	**0**	**(2)**	**0**	**0**
Very good credit quality	3		410	0	0	(2)	0	0
Good credit quality	4		194	0	0	(1)	0	0
Quality requiring prudence	5		1 737	1 604	0	(38)	(22)	0
Provided loan commitments			**2 340**	**1 604**	**0**	**(42)**	**(22)**	**0**
High credit quality	2		1	0	0	0	0	0
Very good credit quality	3		717	0	0	(14)	0	0
Good credit quality	4		86	0	0	(1)	0	0
Quality requiring prudence	5		98	845	0	(3)	(4)	0
Default of project	D		0	0	68	0	0	(11)
Provided financial guarantees			**902**	**845**	**68**	**(18)**	**(4)**	**(11)**

Performing and non-performing exposures

A non-performing exposure is an exposure that meets at least one of the criteria below:

a) It is overdue by more than 90 days;

b) The debtor has been assessed by the Bank as a client that will probably be unable to repay all its liabilities without using collateral, whereby the existence of an exposure past its due date or the number of days past the due date are not taken into account; and

c) The exposure is in probation period for which other forbearance is provided or which is more than 30 days overdue.

Such an exposure is always classified by the Bank as Stage 3 or POCI.

Performing and non-performing balance sheet exposures not due and overdue

(MCZK)								2023
	Carrying amount (gross)							
	Total	Performing exposures		Non-performing exposures				
Days-past-due interval		=0 ≤30 days	>30 days ≤90 days	=0 ≤90 days	>90 days ≤180 days	>180 days ≤1 year	>1 year ≤5 years	>5 years
Debt securities at amortised cost	899	899	0	0	0	0	0	0
Loans and receivables at amortised cost	30 032	29 861	0	30	0	0	0	141
Financial assets at amortised cost	**30 931**	**30 760**	**0**	**30**	**0**	**0**	**0**	**141**
Debt securities at fair value recognized in OCI	230	230	0	0	0	0	0	0
Performing and non-performing exposures in total	**31 161**	**30 990**	**0**	**30**	**0**	**0**	**0**	**141**

(MCZK)								2022
	Carrying amount (gross)							
	Total	Performing exposures		Non-performing exposures				
Days-past-due interval		=0 ≤30 days	>30 days ≤90 days	=0 ≤90 days	>90 days ≤180 days	>180 days ≤1 year	>1 year ≤5 years	>5 years
Debt securities at amortised cost	776	776	0	0	0	0	0	0
Loans and receivables at amortised cost	25 575	25 299	0	0	0	57	0	219
Financial assets at amortised cost	**26 351**	**26 075**	**0**	**0**	**0**	**57**	**0**	**219**
Debt securities at fair value recognized in OCI	1 234	1 234	0	0	0	0	0	0
Performing and non-performing exposures in total	**27 585**	**27 309**	**0**	**0**	**0**	**57**	**0**	**219**

Performing and non-performing exposures with forbearance

Exposures with forbearance refer to exposures for which the debtor is facing or is likely to face difficulties in meeting its financial obligations and, as a consequence, the Bank has changed the conditions of the loan contract. These new conditions are more favourable towards the debtor or are more favourable than those offered to debtors with a similar risk profile at that time. The assessment of exposures with forbearance focuses on whether the exposure has been classified as performing before granting the forbearance or whether it would be classified as non-performing when contracting conditions have changed.

(MCZK)							2023
Financial assets at amortised cost with forbearance	Carrying amount	Carrying amount (gross)			Allowances		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost with forbearance	**9 822**	0	9 916	0	0	(94)	0

(MCZK)							2022
Financial assets at amortised cost with forbearance	Carrying amount	Carrying amount (gross)			Allowances		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost with forbearance	**9 702**	435	9 383	33	(1)	(115)	(33)

The Bank recognizes interest income on receivables with forbearance of CZK 585 million (2022 – CZK 237 million).

Proportion of exposures with forbearance to total exposure

(MCZK)	2023			2022		
	Performing and non-performing exposures in total	Exposures with forbearance (net)	Share in performing and non-performing exposures	Performing and non-performing exposures in total	Exposures with forbearance (net)	Share in performing and non-performing exposures
Government institutions	2 631	0	0%	2 753	414	15,0%
Credit institutions	10 846	0	0%	9 773	0	0,0%
Non-financial corporations	16 555	9 822	59,3%	13 049	9 288	71,2%
Loans and receivables at amortised cost	**30 032**	**9 822**	**32,7%**	**25 575**	**9 702**	**37,9%**
Debt securities at amortised cost	**899**	**0**	**0%**	**776**	**0**	**0,0%**
Debt securities at fair value recognized in OCI	**230**	**0**	**0%**	**1 234**	**0**	**0,0%**
Performing and non-performing exposures in total	**31 161**	**9 822**	**31,5%**	**27 585**	**9 702**	**35,2%**

Modified contractual cash flows

(MCZK)	2023	2022
Receivables at amortised cost in stages 2 and 3 before modification	1 280	1 790
Modification gains and losses	0	5
Gross carrying amount of receivables in stages 2 and 3 transferred to stage 1 during the reporting period	0	0

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.

Maximum credit exposure

(MCZK)								2023
	Total exposure value							
	Balance sheet positions	Off-balance sheet position	Total exposure	Insurance	Financial guarantees received	Cash collateral	Securities in REVREPO	Total collateral
Cash in hand, cash with the central bank and other deposits repayable on demand	**613**	**0**	**613**	**0**	**0**	**0**	**0**	**0**
Debt securities at fair value recognised in OCI	**230**	**0**	**230**	**0**	**0**	**0**	**0**	**0**
Balance-sheet exposures at amortised cost and off-balance sheet exposures	**30 931**	**5 261**	**36 192**	**13 646**	**963**	**19**	**1 617**	**16 245**
Exposures from credit institutions	10 846	0	10 846	0	0	0	1 617	1 617
of which: Stage 1	10 845	0	10 845	0	0	0	1 617	1 617
of which: Stage 2	1	0	1	0	0	0	0	0
Exposures from other customers	19 186	5 261	24 447	13 646	963	19	0	14 628
of which: Stage 1	7 828	4 268	12 096	2 310	911	12	0	32 233
of which: Stage 2	11 187	926	12 113	11 165	52	0	0	11 217
of which: Stage 3	171	67	238	171	0	7	0	178
Debt securities	899	0	899	0	0	0	0	0
Other financial assets	**2 082**	**0**	**2 082**	**0**	**0**	**0**	**0**	**0**
Total exposure	**33 856**	**5 261**	**39 117**	**13 646**	**963**	**19**	**1 617**	**16 245**

(MCZK)								2022
	Total exposure value							
	Balance sheet positions	Off-balance sheet position	Total exposure	Insurance	Financial guarantees received	Cash collateral	Securities in REVREPO	Total collateral
Cash in hand, cash with the central bank and other deposits repayable on demand	**1 979**	**0**	**1 979**	**0**	**0**	**0**	**0**	**0**
Debt securities at fair value recognised in OCI	**1 234**	**0**	**1 234**	**0**	**0**	**0**	**0**	**0**
Balance-sheet exposures at amortised cost and off-balance sheet exposures	**26 351**	**5 759**	**32 110**	**15 273**	**1 079**	**22**	**1 177**	**17 551**
Exposures from credit institutions	9 773	0	9 773	0	0	1	1 177	1 178
of which: Stage 1	9 773	0	9 773	0	0	1	1 177	1 178
Exposures from other customers	15 802	5 759	21 561	15 273	1 079	21	0	16 373
of which: Stage 1	4 898	3 243	8 141	2 499	884	14	0	3 397
of which: Stage 2	10 628	2 449	13 077	12 485	195	0	0	12 680
of which: Stage 3	276	68	344	289	0	7	0	296
Debt securities	776	0	776	0	0	0	0	0
Other financial assets	**2 909**	**0**	**2 909**	**0**	**0**	**0**	**0**	**0**
Total exposure	**32 473**	**5 759**	**38 232**	**15 273**	**1 079**	**22**	**1 177**	**17 551**

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 mitigated 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 hedging instruments, predominantly including the insurance of export risks, cash collateral, securities received as a collateral in repo transactions.

Breakdown by geographic segment

(MCZK)								2023
	Carrying amount (gross)		Carrying amount (gross)			Allowances		
		(%)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Czech Republic	**579**	64,40%	580	0	0	(1)	0	0
European Investment Bank	**320**	35,60%	320	0	0	0	0	0
Debt securities at amortised cost	**899**	**100 %**	**900**	**0**	**0**	**(1)**	**0**	**0**
Azerbaijan	**751**	2,50%	0	752	0	0	(1)	0
Czech Republic	**12 691**	42,26%	12 122	681	0	(44)	(68)	0
Indonesia	**2 026**	6,75%	2 028	0	0	(2)	0	0
Russia	**1 479**	4,92%	0	1 378	168	0	(35)	(32)
Slovak Republic	**8 479**	28,23%	0	8 537	0	0	(58)	0
Switzerland	**1 869**	6,22%	1 869	0	0	0	0	0
Turkey	**793**	2,64%	800	0	0	(7)	0	0
Ukraine	**36**	0,12%	0	0	42	0	0	(6)
France	**1 156**	3,85%	1 157	0	0	(1)	0	0
Other administrative expenses	**752**	2,50%	754	3	1	(3)	(1)	(2)
Loans and receivables at amortised cost	**30 032**	**100,00%**	**18 730**	**11 351**	**211**	**(57)**	**(163)**	**(40)**
Financial assets at amortised cost	**30 931**		**19 630**	**11 351**	**211**	**(58)**	**(163)**	**(40)**
Czech Republic	**230**	100,00%	230	0	0	0	0	0
Debt securities at fair value recognized in OCI	**230**	**100%**	**230**	**0**	**0**	**0**	**0**	**0**

(MCZK)								2022
	Carrying amount (gross)		Carrying amount (gross)			Allowances		
		(%)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Czech Republic	**754**	97,16%	755	0	0	(1)	0	0
European Investment Bank	**22**	2,84%	22	0	0	0	0	0
Debt securities at amortised cost	**776**	**100%**	**777**	**0**	**0**	**(1)**	**0**	**0**
Azerbaijan	**1 024**	4,00%	0	1 024	0	0	0	0
Czech Republic	**9 832**	38,44%	9 854	0	0	(22)	0	0
Indonesia	**2 339**	9,15%	2 340	0	0	(1)	0	0
Russia	**2 399**	9,38%	0	2 238	252	0	(58)	(33)
Slovak Republic	**7 423**	29,02%	0	7 493	0	0	(70)	0
Switzerland	**851**	3,33%	851	0	0	0	0	0
Turkey	**934**	3,65%	942	0	0	(8)	0	0
Ukraine	**58**	0,23%	0	0	88	0	0	(30)
Other	**715**	2,80%	717	3	0	(2)	(2)	(1)
Loans and receivables at amortised cost	**25 575**	**100,00%**	**14 704**	**10 758**	**340**	**(33)**	**(130)**	**(64)**
Financial assets at amortised cost	**26 351**		**15 481**	**10 758**	**340**	**(34)**	**(130)**	**(64)**
Czech Republic	**1 184**	95,95%	1 186	0	0	(2)	0	0
Slovak Republic	**50**	4,05%	50	0	0	0	0	0
Debt securities at fair value recognized in OCI	**1 234**	**100,00%**	**1 236**	**0**	**0**	**(2)**	**0**	**0**

Breakdown by industry

(MCZK)								2023
	Carrying amount (gross)		Carrying amount (gross)			Allowances		
		(%)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
International development banks and organisations	**320**	35,60%	320	0	0	0	0	0
Public administration and defence	**579**	64,40%	580	0	0	(1)	0	0
Debt securities at amortised cost	**899**	**100,00%**	**900**	**0**	**0**	**(1)**	**0**	**0**
Processing industry	**3 697**	12,31%	1 752	2 060	32	(12)	(103)	(32)
Production and distribution of electricity, gas, heat, and air	**9 446**	31,45%	802	8 537	178	(7)	(58)	(6)
Transport and warehousing	**895**	2,98%	144	752	0	0	(1)	0
Banking and insurance industry	**12 082**	40,23%	12 108	0	0	(26)	0	0
Public administration and defence	**2 631**	8,76%	2 633	0	0	(2)	0	0
Other	**1 281**	4,27%	1291	2	1	(10)	(1)	(2)
Loans and receivables at amortised cost	**30 032**	**100,00%**	**18 730**	**11 351**	**211**	**(57)**	**(163)**	**(40)**
Financial assets at amortised cost	**30 931**		**19 630**	**11 351**	**211**	**(58)**	**(163)**	**(40)**
Public administration and defence	**230**	100,00%	230	0	0	0	0	0
Debt securities at fair value recognized in OCI	**230**	**100,00%**	**230**	**0**	**0**	**0**	**0**	**0**

(MCZK)								2022
	Carrying amount (gross)		Carrying amount (gross)			Allowances		
		(%)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
International development banks and organisations	**22**	2,84%	22	0	0	0	0	0
Public administration and defence	**754**	97,16%	755	0	0	(1)	0	0
Debt securities at amortised cost	**776**	**100,00%**	**777**	**0**	**0**	**(1)**	**0**	**0**
Processing industry	**1 775**	6,94%	24	1 798	33	0	(47)	(33)
Production and distribution of electricity, gas, heat, and air	**8 969**	35,07%	942	7 836	307	(8)	(78)	(30)
Transport and warehousing	**1 144**	4,47%	120	1 024	0	0	0	0
Banking and insurance industry	**9 773**	38,21%	9 789	0	0	(16)	0	0
Public administration and defence	**2 752**	10,76%	2 754	0	0	(2)	0	0
Other	**1 162**	4,54%	1 075	100	0	(7)	(5)	(1)
Loans and receivables at amortised cost	**25 575**	**100,00%**	**14 704**	**10 758**	**340**	**(33)**	**(130)**	**(64)**
Financial assets at amortised cost	**26 351**		**15 481**	**10 758**	**340**	**(34)**	**(130)**	**(64)**
Public administration and defence	**1 234**	100,00%	1 236	0	0	(2)	0	0
Debt securities at fair value recognized in OCI	**1 234**	**100,00%**	**1 236**	**0**	**0**	**(2)**	**0**	**0**

(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)*	12 months to 31 December 2023			12 months to 31 December 2022		
Δ EVE	Average	High	Low	Average	High	Low
Interest rate risk	(205)	(129)	(298)	(387)	(210)	(526)
Currency risk	(2)	0	(16)	(3)	0	(13)
Total ΔEVE	(207)	(130)	(308)	(390)	(210)	(527)

(MCZK) *		31 December 2023	31 December 2022
Δ EVE			
Interest rate risk	Parallel up (plus 200 bps)	5	76
	Parallel down (minus 200 bps)	(151)	(295)
	Increase of short-term rates	24	54
	Decrease of short-term rates	(141)	(186)
	Steepener (short-term rates down and long-term rates up)	(74)	(55)
	Flattener (short-term rates up and long-term rates down)	26	35
	Maximum	**(151)**	**(295)**
Currency risk	Parallel up	0	0
	Parallel down	(2)	(3)
	Maximum	**(2)**	**(3)**
Total ΔEVE		**(153)**	**(298)**

* 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.

The table below summarises the Bank's exposure to currency risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency. The net foreign currency position also includes exposure to currency risk arising from FX derivatives that are used primarily to reduce the balance sheet currency risk of the Bank.

Concentration of assets, liabilities and off-balance sheet items

(MCZK)	CZK	EUR	USD	Other	Total
31 December 2023					
ASSETS					
Cash in hand, cash with the central bank and other deposits repayable on demand	35	462	113	3	**613**
Debt securities at fair value recognized in OCI	230	0	0	0	**230**
Financial assets at amortised cost	9 011	18 433	3 487	0	**30 931**
Property, plant and equipment	75	0	0	0	**75**
Intangible assets	15	0	0	0	**15**
Tax assets	30	0	0	0	**30**
Other assets	15	1 946	1	0	**1 962**
Total assets	**9 411**	**20 841**	**3 601**	**3**	**33 856**
LIABILITIES					
Financial liabilities measured at amortised cost	97	20 208	3 521	2	**23 828**
Provisions	34	129	26	0	**189**
Tax liabilities	93	0	0	0	**93**
Other liabilities	117	465	68	0	**650**
Total liabilities	**341**	**20 802**	**3 615**	**2**	**24 760**
Net balance sheet position	9 070	39	(14)	1	**9 096**
Net currency position	**9 070**	**39**	**(14)**	**1**	**9 096**

(MCZK)	CZK	EUR	USD	Other	Total
31 December 2022					
ASSETS					
Cash in hand, cash with the central bank and other deposits repayable on demand	228	1 618	129	4	**1 979**
Debt securities at fair value recognized in OCI	1 184	50	0	0	**1 234**
Financial assets at amortised cost	6 974	15 734	3 643	0	**26 351**
Property, plant and equipment	43	0	0	0	**43**
Intangible assets	13	0	0	0	**13**
Tax assets	30	0	0	0	**30**
Other assets	10	2 813	0	0	**2 823**
Total assets	**8 482**	**20 215**	**3 772**	**4**	**32 473**
LIABILITIES					
Financial liabilities measured at amortised cost	91	19 660	3 638	4	**23 393**
Provisions	22	158	11	0	**191**
Tax liabilities	3	0	0	0	**3**
Other liabilities	105	383	113	0	**601**
Total liabilities	**221**	**20 201**	**3 762**	**4**	**24 188**
Net balance sheet position	8 261	14	10	0	**8 285**
Net currency position	**8 261**	**14**	**10**	**0**	**8 285**

(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.

Interest rate gap

(MCZK)												2023
		≤ 1M	1M - 3M	3M - 6M	6M - 1Y	1Y - 2Y	2Y - 3Y	3Y - 4Y	4Y - 5Y	5Y - 10Y	> 10Y	Total
Assets	CZK	6 933	1 077	1 025	809	280	149	95	67	236	55	**10 726**
Liabilities		1 250	16	2 366	3 738	1 261	607	475	290	169	58	**10 230**
Assets	EUR	7 731	5 691	4 367	2 283	449	255	279	248	402	0	**21 705**
Liabilities		1 227	1 331	6 411	6 138	3 508	49	2 525	120	8	0	**21 317**
Assets	USD	632	2 210	1 410	32	54	37	97	72	21	0	**4 565**
Liabilities		443	3 023	1 202	5	9	6	66	51	4	0	**4 809**
Assets	**Total**	**15 296**	**8 978**	**6 802**	**3 124**	**783**	**441**	**471**	**387**	**659**	**55**	**36 996**
Liabilities	**Total**	**2 920**	**4 370**	**9 979**	**9 881**	**4 778**	**662**	**3 066**	**461**	**181**	**58**	**36 356**
Accu-mulated GAP		**12 376**	**16 984**	**13 807**	**7 050**	**3 055**	**2 834**	**239**	**165**	**643**	**640**	**640**

(MCZK)												2022
		≤ 1M	1M - 3M	3M - 6M	6M - 1Y	1Y - 2Y	2Y - 3Y	3Y - 4Y	4Y - 5Y	5Y - 10Y	> 10Y	Total
Assets	CZK	5 513	1 034	1 337	193	30	121	186	98	301	58	**8 871**
Liabilities		404	7	2 199	3 544	1 064	537	505	280	229	59	**8 828**
Assets	EUR	6 121	5 139	4 948	3 372	628	385	233	163	542	0	**21 531**
Liabilities		1 223	2 665	4 992	936	5 151	3 175	0	2 345	75	0	**20 563**
Assets	USD	492	2 432	1 626	32	56	38	37	42	50	0	**4 805**
Liabilities		409	2 816	1 241	114	9	7	7	19	20	0	**4 642**
Assets	**Total**	**12 126**	**8 605**	**7 911**	**3 597**	**714**	**544**	**456**	**303**	**893**	**58**	**35 207**
Liabilities	**Total**	**2 036**	**5 488**	**8 432**	**4 594**	**6 224**	**3 719**	**513**	**2 644**	**324**	**59**	**34 033**
Accu-mulated GAP		**10 090**	**13 207**	**12 686**	**11 689**	**6 179**	**3 004**	**2 947**	**606**	**1 175**	**1 174**	**1 174**

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, 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 relation 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 provision is stated at the fair value of highly liquid securities and receivables from the CNB.

Liquidity gap

(MCZK)						2023
	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Fixed maturity inflows	4 469	2 825	4 775	17 203	1 148	**30 420**
Inflows – liquidity assumptions	4	0	0	0	1 941	**1 945**
Liquidity reserve	9 291	0	0	0	0	**9 291**
Total inflows	**13 764**	**2 825**	**4 775**	**17 203**	**3 089**	**41 656**
Fixed maturity outflows	4 273	1 262	10 163	14 546	493	**30 737**
Outflows – liquidity assumptions	24	149	448	0	0	**621**
Capital	0	0	0	0	8 294	**8 294**
Total outflows	**4 297**	**1 411**	**10 611**	**14 546**	**8 787**	**39 652**
Accumulated GAP	**9 467**	**10 900**	**5 830**	**10 331**	**4 633**	**4 633**

(MCZK)						2022
	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Fixed maturity inflows	2 421	522	5 389	18 533	2 329	**29 194**
Inflows – liquidity assumptions	61	0	0	0	2 796	**2 857**
Liquidity reserve	12 426	0	0	0	0	**12 426**
Total inflows	**14 908**	**522**	**5 389**	**18 533**	**5 125**	**44 476**
Fixed maturity outflows	2 592	1 387	7 883	16 951	1 436	**30 248**
Outflows – liquidity assumptions	105	60	454	0	0	**619**
Capital	0	0	0	0	7 638	**7 638**
Total outflows	**2 697**	**1 447**	**8 336**	**16 951**	**9 074**	**38 505**
Accumulated GAP	**12 211**	**11 286**	**8 338**	**9 920**	**5 971**	**5 971**

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 4,533% as at 31 December 2023 (3,557% as at 31 December 2022).

The regulatory net stable funding ratio (NSFR) (NSFR) has a minimum required level of 100%. The Bank reported an NSFR of 157% as at 31 December 2023 (161% as at 31 December 2022).

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

The stated values are based on contractual non-discounted cash flows.

Maturity of non-derivative financial liabilities

(MCZK)	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
At 31 December 2023						
Financial liabilities to credit institutions at amortised cost	0	34	3 915	1 901	0	**5 850**
Financial liabilities to other customers at amortised cost	950	37	263	1 004	481	**2 735**
Issued debt securities at amortised cost	0	0	5 397	11 289	0	**16 686**
Lease liabilities	3	0	9	46	0	**58**
Total financial liabilities at amortised cost	**953**	**71**	**9 584**	**14 240**	**481**	**25 329**
Provided loan commitments	1 869	540	335	99	0	**2 843**
Provided financial guarantees	25	3	1 551	772	67	**2 418**

(MCZK)	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
K 31. prosinci 2022						
At 31 December 2022	0	30	17	5 161	351	**5 559**
Financial liabilities to credit institutions at amortised cost	954	257	281	200	1 070	**2 762**
Financial liabilities to other customers at amortised cost	0	0	5 003	10 796	0	**15 799**
Issued debt securities at amortised cost	3	0	8	11	0	**22**
Lease liabilities	**957**	**287**	**5 309**	**16 168**	**1 421**	**24 142**
Total financial liabilities at amortised cost	1 108	1 100	1 679	58	0	**3 945**
Provided loan commitments	33	47	938	728	68	**1 814**
Provided financial guarantees						

The provided financial guarantees are non-payment guarantees unlikely to be called within one month due to their nature, the negligible frequency with which they have been called in the past and the credit risk. Therefore, the final expiry date when the guarantees can be called is applied.

(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 equal to the carrying amount.

(MCZK)	2023	2022	2023	2022
	Carrying amount		Fair value	
FINANCIAL ASSETS				
Deposits with the central bank	7 821	8 746	7 819	8 744
Deposits with credit institutions	3 024	995	3 026	995
Loans to credit institutions	1	32	2	32
Total receivables from credit institutions	**10 846**	**9 773**	**10 847**	**9 953**
Receivables from other customers	19 186	15 802	19 731	16 455
Debt securities at amortised cost	899	776	859	683
FINANCIAL LIABILITIES				
Financial liabilities to credit institutions at amortised cost	5 508	5 435	5 726	5 337
Financial liabilities to other customers at amortised cost	2 407	2 442	2 178	2 461
Issued debt securities at amortised cost	15 913	15 516	15 596	14 905

Debt securities of government and central banks are all quoted and measured at level 1, issued debt securities are measured 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 equal 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 held until maturity 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 year-end, including the existing credit security.

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.

Offsetting of financial instruments

(MCZK)						2023
	Gross amounts of financial assets	Gross amounts of financial liabilities accounted for	Net amounts of financial assets reported in the balance sheet	Pledged securities	Cash collateral	Net amount
Receivable from reverse repo transaction	1 640	0	1 640	1 617	0	23

(MCZK)						2022
	Gross amounts of financial assets	Gross amounts of financial liabilities accounted for	Net amounts of financial assets reported in the balance sheet	Pledged securities	Cash collateral	Net amount
Receivable from reverse repo transaction	1 201	0	1 201	1 177	0	24

(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 category 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 decreasing credit risk, such as pledging property 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 2023 and 2022, 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)	2023	2022
Paid-up share capital registered in the Commercial Register	5 000	5 000
Funds from profit	2 693	2 661
Accumulated other comprehensive income	(7)	(18)
Retained earnings	608	0
Other intangible assets	0	(5)
Adjustments of capital due to the use of prudential filters	0	(1)
Initial capital (Tier 1)	**8 294**	**7 637**
Capital	**8 294**	**7 637**

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 regulate 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:

a) 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;
b) 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;
c) 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;
d) 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 001 includes operating activities, 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.

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

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 2023.

(MCZK)			**2023**			**2022**
	circle 001	circle 002	**Total**	circle 001	circle 002	**Total**
Interest income	689	955	**1 644**	377	525	**902**
Interest expense	(146)	(386)	**(532)**	(14)	(238)	**(252)**
Impairment losses on loans	(79)	212	**133**	(15)	60	**45**
Creation of provisions or reversal	(38)	39	**1**	127	(27)	**100**
Other changes due to the amendment to the act on supported financing	*0*	*0*	*0*	*(7)*	*7*	***0***
Loss/profit before income tax	142	832	**974**	120	410	**530**
Income tax	(174)	0	**(174)**	110	0	**110**
Net profit for the year	(32)	832	**800**	230	410	**640**
Loans and receivables at amortised cost	12 979	17 053	**30 032**	8 790	16 785	**25 575**
Total assets	14 541	19 315	**33 856**	12 715	19 758	**32 473**
Financial liabilities measured at amortised cost	4 139	19 689	**23 828**	2 442	20 951	**23 393**
Total liabilities and equity	13 444	20 412	**33 856**	11 197	21 276	**32 473**

Revenue from core activities of the Bank as per geographic segment

(MCZK)			2023			2022
	Interest income	Fee and commission income	**Total**	Interest income	Fee and commission income	**Total**
Czech Republic	707	30	**737**	301	25	**326**
Slovak Republic	486	2	**488**	243	15	**258**
Indonesia	165	3	**168**	104	1	**105**
Russia	127	0	**127**	145	0	**145**
Azerbaijan	39	0	**39**	16	0	**16**
France	30	0	**30**	2	0	**2**
Turkey	23	0	**23**	50	0	**50**
Other	67	3	**70**	41	4	**45**
Total interest income and fees	**1 644**	**38**	**1 682**	**902**	**45**	**947**

6 Net interest income

(MCZK)	2023	2022
Interest income from loans to credit institutions	0	1
of which: Interest on non-performing loans	0	0
Interest income from loans to other customers	1 065	600
of which: Interest on non-performing loans	24	56
Interest income from interbank deposits	389	167
Interest income from CNB loans – repos	132	50
Interest income from current accounts with other banks	1	2
Interest income from loans and receivables at amortised cost	**1 587**	**820**
Interest on debt securities at fair value recognized in the OCI	26	50
Interest on debt securities at amortised cost	21	17
Interest on liabilities	10	15
Other interest income	**57**	**82**
Interest income	**1 644**	**902**
Interest expense from received bank loans	(121)	(59)
Interest expense from term deposits	(94)	(31)
Interest expense from current accounts	(12)	0
Interest expense from issued bonds	(304)	(156)
Interest expense from financial liabilities at amortised cost	**(531)**	**(246)**
Interest expense on hedging derivatives	0	(5)
Other interest – leases	(1)	(1)
Interest expense	**(532)**	**(252)**
Net interest income	**1 112**	**650**

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 5.94% p.a.

Interest expense is calculated using the effective interest rate with the exception of interest from hedging of CZK 0 million (2022 – CZK 5 million) and interest from finance leases of CZK 1 million (2022 – CZK 1 million).

7 Fee and commission net income

(MCZK)	2023	2022
Fees and commissions from loan agreements	2	15
Fees and commissions from payments	6	5
Fees and commissions from guarantees	30	25
Fee and commission income	**38**	**45**
Fees for guarantees	(3)	(5)
Fee for security operations	(1)	(1)
Fees and commissions for rating	(3)	(2)
Fee and commission expense	**(7)**	**(8)**
Net fee and commissions income	**31**	**37**

8 Net profit or (loss) on financial operations including state subsidy

(MCZK)	2023	2022
Profit or (loss) on derivative transactions with currency instruments	(1)	5
Profit or (loss) on financial assets and liabilities held for trading	**(1)**	**5**
Foreign exchange gains or losses	**3**	**(10)**
Net profit or (loss) from financial transactions including state subsidy	**2**	**(5)**

The Bank did not qualify for a subsidy for a loss from officially supported financing in 2023 or in 2022.

9 Administrative expenses, depreciation/amortisation and other operating costs

		2023	2022
Number of employees		111	111
Average recorded number of employees		110	113
Board and Supervisory Board		8	8
(MCZK)	**Note**	**2023**	**2022**
Salaries and emoluments		(142)	(137)
Social security and health insurance costs		(45)	(41)
Other staff costs		(4)	0
Staff costs		**(191)**	**(178)**
Information technology		(30)	(28)
Contribution to the Financial market guarantee system		(8)	(11)
Other administrative expenses		(27)	(28)
Total administrative expenses		**(256)**	**(245)**
Depreciation of property, plant and equipment	15	(21)	(28)
Software amortisation	16	(16)	(17)
Depreciation and amortisation		**(37)**	**(45)**
Cost of debt collection		(2)	(4)
Value added tax		(11)	(9)
Other operating expenses		**(13)**	**(13)**
Total operating costs		**(306)**	**(303)**

In 2023, the income of members of the Board of Directors and the Supervisory Board amounted to CZK 21 million (2022 – CZK 22 million). Staff costs also include provisions for bonuses and employee benefits.

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 11 million (2022 – CZK 11 million). The provision for social security and health insurance relating to these deferred bonuses of CZK 4 million (2022 – CZK 4 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, decreased by CZK 1 million to CZK 5 million.

Depreciation/amortisation of fixed assets includes amortisation of the right-of-use assets under a lease of CZK 10 million (2022 – CZK 17 million).

10 Net impairment gain from financial instruments and written-off receivables

(MCZK)	2023	2022
(Creation) / release of allowances – Stage 1	1	(17)
(Creation) / release of allowances for loans to credit institutions	**1**	**(17)**
(Creation) / release of allowances – Stage 1	(31)	(12)
(Creation) / release of allowances – Stage 2	(26)	(37)
(Creation) / release of allowances – Stage 3	33	17
(Creation) / release of allowances for receivables to other customers	**(24)**	**(32)**
Net written-off receivables from other customers	156	94
Net written-off receivables	**156**	**94**
Net impairment gain from financial instruments and written-off receivables	**133**	**45**

The item "Net written-off receivables" primarily comprises income from insurance payments for receivables sold in prior periods of CZK 148 million (2022 – CZK 56 million) and the proceeds related to previously written-off receivables of CZK 8 million (2022 – CZK 38 million).

11 Income tax

The income tax consists of:

(MCZK)	2023	2022
Income tax for the current period – current	(178)	(78)
Income tax for the prior period – current	1	1
Deferred income tax	3	(3)
Realisation of tax receivable arising from additional tax	0	190
Income tax	**(174)**	**110**

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

(MCZK)		2023		2022
Profit before income tax		974		530
Income tax at 19% rate		(185)		(101)
Effect of tax non-deductible expenses		(7)		(93)
Effect of income not liable to tax		24		113
Income tax for prior periods		1		1
Income tax – subtotal	**(17,88%)**	**(174)**	**(15,09 %)**	**(80)**
Realisation of tax receivable arising from additional tax		0		190
Income tax	**(17,88 %)**	**(174)**	**20,75 %**	**110**

Tax non-deductible expenses primarily include the creation of provisions for the payment of bonuses to employees and deferred bonuses to members of the Board of Directors, including the related social security and health insurance contributions, of CZK 46 million. Income not liable to tax primarily comprises items of the use of provisions for the payment of bonuses to employees and members of the Board of Directors, including the related social security and health insurance contributions, of CZK 41 million and a decrease in loan loss allowances of CZK 44 million. In 2022, tax non-deductible expenses primarily included the write-off of receivables of CZK 562 million. Income not liable to tax primarily comprised items of the use of allowances for the written-off of receivables amounting to CZK 556 million. In 2022, a provision for additional tax of CZK 190 million based on the Specialised Tax Office's review for 2014 was released as the Appellate Financial Directorate annulled the Specialised Tax Office's decision on additional tax and the entire proceeding was terminated upon a final judgement.

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)	2023	2022
Cash with the central bank	489	1 814
of which Accounts of cash reserves with the central bank	*32*	*41*
Other deposits repayable on demand	125	168
Cash in hand, cash with the central bank and other deposits repayable on demand	**614**	**1 982**
Loss allowances	(1)	(3)
Cash in hand, cash with the central bank and other deposits repayable on demand (net)	**613**	**1 979**

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 of less than 3 months from acquisition.

(MCZK)	2023	2022
Cash in hand, cash with the central bank and other deposits repayable on demand (net)	**613**	**1 979**
Receivables from the central bank due within 3 months	4 647	5 776
Receivables from other credit institutions due within 3 months	3 027	995
Cash equivalents	**7 674**	**6 771**
Loss allowances	(11)	(11)
Cash equivalents (net)	**7 663**	**6 760**
Cash and cash equivalents	**8 276**	**8 739**

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)	2023	2022
Receivables included in cash equivalents	7 674	6 771
Other receivables from credit institutions	3 190	3 018
Loss allowances for receivables	(18)	(16)
Total loans and receivables from credit institutions at amortised cost	**10 846**	**9 773**
Receivables from other customers	19 429	16 013
Loss allowances for receivables	(243)	(211)
Total loans and receivables from other customers at amortised cost	**19 186**	**15 802**
Total loans and receivables at amortised cost	**30 032**	**25 575**
Remaining maturity:		
Short-term loans and receivables	13 444	10 424
Long-term loans and receivables	16 588	15 151

At the end of 2023, the receivables written-off and in the process of hard collection amounted to CZK 10,742 million (2022 – CZK 10,615 million). Generally, these receivables represent receivables where the Bank acts as an agent in the process of hard collection under obligations from insurance contracts.

Loans and receivables from credit institutions at amortised cost

(MCZK)	2023	2022
Loans provided to the central bank	1 640	1 202
Deposits with the central bank	6 196	7 561
Loans and receivables from the central bank	**7 836**	**8 763**
Deposits with other credit institutions	3 027	995
Purchased receivables from other credit institutions	1	31
Loans and receivables from other credit institutions	**3 028**	**1 026**
Loss allowances for loans and receivables to credit institutions	(18)	(16)
Total loans and receivables from credit institutions at amortised cost	**10 846**	**9 773**
Remaining maturity:		
Short-term receivables from credit institutions	10 846	9 771
Long-term receivables from credit institutions	0	2

Loans and receivables from other customers at amortised cost

(MCZK)	2023	2022
Pre-export loan	16	21
Export loan	13 660	13 879
Investment loan	3 334	2 097
Operating loan	1 737	0
Purchase of receivables	682	16
Receivables from parties other than credit institutions at amortised cost	**19 429**	**16 013**
Loss allowances for receivables	(243)	(211)
Total receivables from other customers at amortised cost	**19 186**	**15 802**
Remaining maturity:		
Short-term receivables from other customers	2 598	653
Long-term receivables from other customers	16 588	15 149

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)							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**

(MCZK)							2022
	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	**1 234**	**1 236**	**0**	**0**	**(2)**	**0**	**0**
Debt securities at amortised cost	**776**	**777**	**0**	**0**	**(1)**	**0**	**0**

Classification of debt securities by residual maturity

Remaining maturity:	2023	2022
Debt securities at fair value recognised in Other comprehensive income – short-term	2	1 016
Debt securities at fair value recognised in Other comprehensive income – long-term	228	218
Debt securities at amortised cost – short-term	20	179
Debt securities at amortised cost – short-term	879	598

15 Property, plant and equipment

(MCZK)	Right-of-use	Office equipment	Motor vehicles	Assets under construction	Total
Cost					
At 1 January 2022	**102**	**123**	**2**	**14**	**241**
Additions	0	16	0	3	19
Modification	(18)	0	0	0	(18)
Disposals	(14)	(43)	0	(17)	(74)
At 31 December 2022	**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**
Accumulated depreciation					
At 1 January 2022	**(51)**	**(105)**	**(2)**	**0**	**(158)**
Additions	(17)	(11)	0	0	(28)
Modification	18	0	0	0	18
Disposals	0	43	0	0	43
At 31 December 2022	**(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)**
Closing net book value					
At 31 December 2022	**20**	**18**	**0**	**0**	**43**
At 31 December 2023	**52**	**15**	**1**	**7**	**75**

The Bank uses an operating lease with a notice period of one year. In 2023, the cost of lease amounted to CZK 11 million (2022 – CZK 18 million). The expected residual lease period as at 1 January 2023 was 2 years. Effective from 2024, the lease was increased by 5% due to the development of inflation. As of 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)	2023	2022
Intangible assets		
Cost at 1 January	**398**	**382**
Additions	18	17
Disposals/transfers	(1)	(1)
Cost at 31 December	**415**	**398**
Accumulated amortisation at 1 January	**(385)**	**(369)**
Additions	(16)	(17)
Disposals/transfers	1	1
Accumulated amortisation at 31 December	**(400)**	**(385)**
Net book amount at 1 January	**13**	**13**
Net book amount at 31 December	**15**	**13**

17 Other assets

(MCZK)	2023	2022
Expected insurance payments for assigned loans	1 942	2 797
Prepayments and accrued income	14	9
Other receivables gross	12	23
Allowance for other receivables	(6)	(6)
Total other assets	**1 962**	**2 823**
Remaining maturity:		
Current other assets	953	1 031
Non-current other assets	1 009	1 792

18 Financial liabilities at amortised cost

Total financial liabilities at amortised cost

(MCZK)	2023	2022
Financial liabilities to credit institutions at amortised cost	5 508	5 435
Financial liabilities to other customers at amortised cost	2 407	2 442
Issued debt securities at amortised cost	15 913	15 516
Total financial liabilities at amortised cost	**23 828**	**23 393**
Remaining maturity:		
Short-term payables at amortised cost	9 934	6 330
Long-term payables at amortised cost	13 894	17 063

Financial liabilities to credit institutions at amortised cost

(MCZK)	2023	2022
Borrowings	5 508	5 435
Total financial liabilities to credit institutions at amortised cost	**5 508**	**5 435**
Remaining maturity:		
Total short-term payables to credit institutions	3 718	8
Total long-term payables to credit institutions	1 790	5 427

Financial liabilities to other customers at amortised cost

(MCZK)	2023	2022
Current accounts	853	620
Term deposits	1 539	1 807
Escrow accounts	15	15
Total financial liabilities to other customers at amortised cost	**2 407**	**2 442**
Remaining maturity:		
Short-term payables to other customers	1 191	1 439
Long-term payables to other customers	1 216	1 003

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)				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:				
Current				5 025
Non-current				10 888

(MCZK)				2022
ISIN	**Currency**	**Issue date**	**Maturity date**	**Amortised cost**
XS0911304326	EUR	8 April 2013	8 April 2025	985
XS1121094632	EUR	16 October 2014	16 October 2024	3 635
XS1210661572	EUR	1 April 2015	3 April 2023	2 423
XS2353477685	EUR	17 June 2021	17 June 2027	2 428
XS2354449923	EUR	16 June 2021	16 June 2023	2 415
XS2344000299	EUR	19 May 2021	19 May 2025	2 418
XS0849907281	EUR	5 November 2012	5 November 2024	1 212
Issued debt securities at amortised cost				**15 516**
Remaining maturity:				
Current				4 883
Non-current				10 633

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)	2023	2022
Lease liabilities	53	21
Accruals and deferrals	10	9
Tax liabilities	5	1
Liabilities to different creditors	582	570
of which financial collateral	506	454
Total other liabilities	**650**	**601**

Lease liabilities relate to the lease of a building based on a contract for an indefinite period. At the beginning of 2023, lease liabilities were measured at CZK 21 million. Annual lease of CZK 11 million was paid on a straight-line basis at the beginning of each quarter. At the end of 2023, the expected lease period was reassessed and extended to 2028. At the same time, the lease was increased by 5% effective from 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 2023 and 31 December 2023.

20 Provisions

(MCZK)	Note	2023	2022
Provisions for financial guarantees			
At 1 January		**33**	**50**
Creation / (reversal) of provision	3b	19	(16)
Exchange rate gains or losses		0	(1)
At 31 December		**52**	**33**
Provisions for loan commitments			
At 1 January		**63**	**30**
Creation / (reversal) of provision	3b	(20)	34
Exchange rate gains or losses		(1)	(1)
At 31 December		**42**	**63**
Provisions for deferred compensation including insurance payments			
At 1 January		**15**	**29**
Creation of provision	9	5	4
Release of provision	9	0	(1)
Usage of provision	9	(5)	(17)
At 31 December		**15**	**15**
Provisions for employee benefits			
At 1 January		**6**	**12**
Creation of provision	9	4	3
Release of provision	9	(5)	(4)
Usage of provision		0	(5)
At 31 December		**5**	**6**
Provision for penalty and default interest			
At 1 January		**0**	**118**
Creation of provision		0	0
Release of provision		0	(118)
At 31 December		**0**	**0**
Provisions for litigations			
At 1 January		**74**	**76**
Creation of provision		0	0
Usage of provision		0	0
Exchange rate gains or losses		1	(2)
At 31 December		**75**	**74**
Total provisions		**189**	**191**

In 2020, the Bank created a provision for penalties and interest on late payments of CZK 118 million in relation to the potential additional corporate tax liability resulting from a tax inspection completed in July 2021. This provision was released in 2022 as the Appellate Financial Directorate annulled the Specialised Tax Office's decision on additional tax and the entire proceeding was terminated upon a final judgement. Together with this provision, the provision for tax liability was released as shown in table No. 11.

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

Considering the circumstances of the case and the legal environment, the provision was estimated at the upper limit of the possible range, with the final amount to be decided by the local court.

21 Defferred 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. In 2022, a tax rate of 19% was used.

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

(MCZK)	Note	2023	2022
Net deferred income tax asset as at 1 January		**30**	**30**
Change in provisions for employee benefits		1	(3)
Change in provisions for litigation		2	0
Total deferred tax asset presented in the income statement		**3**	**(3)**
Change in the deferred tax on the debt securities at FV recognized in the OCI	23	(3)	3
Net deferred income tax asset as at 31 January		**30**	**30**

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

(MCZK)	2023	2022
Change in the deferred tax on the debt securities at FV recognized in the OCI	2	5
Deferred tax on property, plant and equipment and intangible assets	1	1
Deferred tax on provisions for employee benefits	11	10
Deferred tax on provisions for litigation	16	14
Net deferred income tax asset/(liability)	**30**	**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)				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 %**

(MCZK)				2022
	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	2023	2022
Debt securities at fair value recognized in OCI			
At 1 January		**(18)**	**(8)**
Changes in fair value		14	(13)
Deferred tax	21	(3)	3
Total change		**11**	**(10)**
At 31 December		**(7)**	**(18)**

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 2023, it increased by CZK 32 million (2022 – CZK 18 million) by allocating the 2022 profit. The closing balance of the reserve was CZK 852 million (2022 – CZK 820 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. In 2022, the fund was increased by CZK 340 million, a share of the 2021 profit distribution. The balance of the fund amounts to CZK 1,843 million (2022 – CZK 1,843 million). In 2023, the Bank's General Meeting did not decided on how to use the 2022 profit of CZK 608 million.

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)					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 expense	0	(89)	0	0	**(89)**
Interest income	38	0	442	3	**483**
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.

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

(MCZK)					2022
	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	1 814	0	**1 814**
Loans and receivables at amortised cost	0	0	8 762	0	**8 762**
Debt securities at amortised cost	756	0	0	0	**756**
Debt securities at fair value recognised in OCI	1 184	0	0	0	**1 184**
Right of use	0	20	0	0	**20**
Other receivables	0	13	0	0	**13**
Expected insurance payments from assigned loans	0	2 796	0	0	**2 796**
Financial liabilities measured at amortised cost	0	(1 731)	0	0	**(1 731)**
Lease liabilities	0	(21)	0	0	**(21)**
Interest expense	0	(26)	0	0	**(26)**
Interest income	66	0	200	3	**269**
Net profit or (loss) on financial operations, including state subsidy, including attributable exchange rate gains or losses	(4)	(100)	(124)	0	**(228)**
Right-of-use asset depreciation	0	(17)	0	0	**(17)**
Impairment losses on financial assets not reported at fair value through P/L (or reversal)	(3)	0	(18)	0	**(21)**
Received guarantees and loan securities, receivables and loan commitments	0	(15 273)	0	0	**(15 273)**
Received collaterals – securities	0	0	(1 177)	0	**(1 177)**

*) 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

The Company's management is not aware of any events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2023.

Date of preparation: 26 March 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

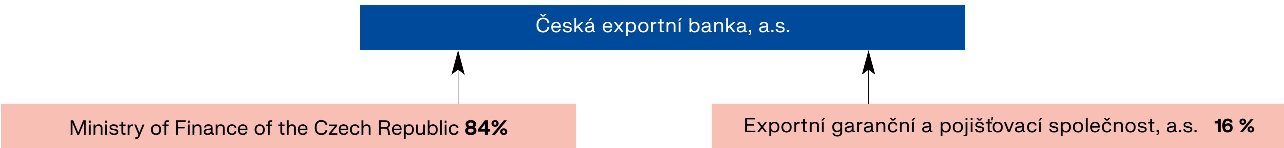
04 Report on relations

4 Report of relations for the period from 1 January to 31 December 2023

prepared in accordance with Section 82 (1) of Act No. 90/2012 Coll., on Corporations and Cooperatives (Act on Corporations), as amended

Company name:	Česká exportní banka, a.s. (the “Bank”)
Registered office:	Praha 1, Vodičkova 701/34, post code 111 21
Corporate ID:	63078333
Tax ID:	CZ63078333
Recorded in the Register of Companies:	Municipal Court in Prague, Section B, File 3042

4.1 Structure of relations between the Controlling Entities and the Controlled Entity and relations between the Controlled Entity and Entities controlled by the same Controlling Entity



For information on other related parties, refer to Appendix

4.2 Role of the Controlled Entity

Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, authorises the Bank primarily to finance exports with state support in line with international rules on state aid applied in financing export credits with maturity exceeding two years (predominantly the “OECD Consensus”) and the WTO’s policies

In compliance with Section 8 (1) (c) of Act No. 58/1995 Coll., on Insurance and Financing Exports with State Support, the state is held liable for the Bank’s obligations arising from payments of funds received by the Bank and for obligations arising from the Bank’s other transactions on the financial markets.

4.3 Method and means of control

The controlling entity of the Bank is the state. The state performs its shareholder rights directly through the ministry referred to below and indirectly through Exportní garanční a pojišťovací společnost, a.s. (Export Guarantee and Insurance Corporation).

Composition of shareholders and their share in voting rights

1.	**State – Czech Ministry of Finance**	**84 % of shares**
having its registered office at Letenská 15, Praha 1, post code 118 10, corporate ID 00006947		4 200 votes
2.	**Exportní garanční a pojišťovací společnost, a.s.**	**16 % of shares**
having its registered office at Letenská 34, Praha 1, post code 111 21, corporate ID 45279314		800 votes

Individual shareholders exercise their rights primarily through the following bodies:

General Meeting – the supreme body of the Bank that decides through the majority of present shareholders on the issues that are entrusted into its competencies by Act No. 90/2012 Coll., on Business Corporations and Cooperatives (the Act on Business Corporations), as amended, and the Bank's Articles of Association; and

Supervisory Board – the control body of the Bank that supervises the activities of the Board of Directors and business activities of the Bank and presents its statements to the General Meeting.

4.4 List of acts undertaken in the reporting period

The Bank undertook no acts regarding assets that exceed 10% of the equity of the controlled entity as identified on the basis of the most recent set of financial statements, at the initiative or in the interest of the controlling entity or entities controlled by it.

4.5 List of mutual contracts between the Controlled Entity and the Controlling Entity or between the controlled entities (Exportní garanční a pojišťovací společnost, a.s.)

Agreement on the Insurance of Export Credit Risks

1. Insurance contract No. 202002727 of 31 June 2023
2. Insurance contract No. 107011812 of 27 September 2023

Amendments to Individual Insurance Contracts

1. Amendment No. 01 of 14 November 2023 to insurance contract No. 202002727
2. Amendment No. 05 of 16 August 2023 to insurance contract No. 107011182
3. Amendment No. 05 of 16 August 2023 to insurance contract No. 107011171
4. Amendment No. 05 of 16 August 2023 to insurance contract No. 107011204
5. Amendment No. 05 of 16 August 2023 to insurance contract No. 107011248
6. Amendment No. 05 of 16 August 2023 to insurance contract No. 107011193
7. Amendment No. 05 of 16 August 2023 to insurance contract No. 107011259
8. Amendment No. 05 of 16 August 2023 to insurance contract No. 107011226
9. Amendment No. 05 of 16 August 2023 to insurance contract No. 107011237
10. Amendment No. 05 of 22 February 2023 to insurance contract No. 107011272
11. Amendment No. 06 of 22 December 2023 to insurance contract No. 107011272

12. Amendment No. 09 of 5 January 2023 to insurance contract No. 135006637
13. Amendment No. 10 of 17 May 2023 to insurance contract No. 135006637
14. Amendment No. 11 of 22 September 2023 to insurance contract No. 135006637
15. Amendment No. 12 of 26 October 2023 to insurance contract No. 135006637
16. Amendment No. 09 of 5 December 2023 to insurance contract No. 137001926
17. Amendment No. 13 of 5 December 2023 to insurance contract No. 137001915
18. Amendment No. 10 of 5 December 2023 to insurance contract No. 135005164
19. Amendment No. 09 of 5 December 2023 to insurance contract No. 133004824
20. Amendment No. 13 of 5 December 2023 to insurance contract No. 133004813

Insurance Rulings

1. Insurance ruling No. 04 of 3 March 2023 March 2023 to insurance contract No. 202002705
2. Insurance ruling No. 01 of 8 August 2023 to insurance contract No. 202002727
3. Insurance ruling No. 07 of 13 February 2023 to insurance contract No. 107011755
4. Insurance ruling No. 08 of 13 February 2023 to insurance contract No. 107011755
5. Insurance ruling No. 09 of 18 April 2023 to insurance contract No. 107011755
6. Insurance ruling No. 01 of 18 October 2023 to insurance contract No. 107011812
7. Insurance ruling No. 02 of 18 October 2023 to insurance contract No. 107011812
8. Insurance ruling No. 03 of 18 October 2023 to insurance contract No. 107011812
9. Insurance ruling No. 04 of 30 October 2023 to insurance contract No. 107011812
10. Insurance ruling No. 05 of 30 October 2023 to insurance contract No. 107011812
11. Insurance ruling No. 06 of 30 October 2023 to insurance contract No. 107011812
12. Insurance ruling No. 07 of 30 October 2023 to insurance contract No. 107011812

Insurance contracts and amendments to insurance contracts with CEB concluded between 1 January and 31 December 2023

Characteristics of the contracts/amendments	Number
New limit insurance contracts, type Bf	1
New limit insurance contracts, type D	1
Amendments to limit insurance contracts, type Bf	1
Amendments to insurance contracts, type D	10
Amendments to insurance contracts, type Z	9
Total new one-time and limit insurance contracts and amendments	**22**
Insurance rulings on the limit insurance contracts, type Bf, issued in 2023	2
Insurance rulings on the limit insurance contracts, type D, issued in 2023	10
Total new insurance rulings and their amendments issued to limit insurance contracts (including rulings on limit insurance contracts concluded in prior years)	**12**
Total new insurance contracts, amendments to insurance contracts concluded in 2023 and insurance rulings on insurance agreements concluded in 2023 (including rulings on limit insurance contacts concluded in prior years)	**34**

Insurance contracts with CEB effective as at 31 December 2023 (including contracts concluded in 2023)

Characteristics of the contracts	Number
One-time insurance contract, type If	1
One-time insurance contracts, type Z	7
One-time insurance contracts, type D	21
Total one-time insurance contracts in effect as at 31 December 2023	**29**
Limit insurance contracts, type Bf, including insurance rulings on those contracts	4
Limit insurance contracts, type D, including insurance rulings on those contracts	36
Total limit insurance contracts and insurance rulings issued to limit insurance contracts (including rulings on limit insurance contracts concluded in prior years) in effect as at 31 December 2023	**40**
Total number of insurance contracts (including insurance rulings on limit insurance contracts) which were in effect as at 31 December 2023	**69**

Contracts with EGAP concluded and effective in the period from 1 January 2023 to 31 December 2023

- Lease agreement dated 9 December 2022 and effective from 1 January 2023, Amendment No. 1 to the lease agreement dated 26 September 2023
- Amendment No. 4 to the agreement on establishing deposit accounts and on rules and conditions for making term deposits with an individual interest rate on deposit accounts dated 17 June 2022
- Agreement on establishing deposit accounts and on rules and conditions for making term deposits with an individual interest rate on deposit accounts dated 1 December 2005
- Amendment No. 1 to the agreement on establishing deposit accounts and on rules and conditions for making term deposits with an individual interest rate on deposit accounts dated 15 August 2018
- Amendment No. 2 to the agreement on establishing deposit accounts and on rules and conditions for making term deposits with an individual interest rate on deposit accounts dated 17 April 2019
- Amendment No. 3 to the agreement on establishing deposit accounts and on rules and conditions for making term deposits with an individual interest rate on deposit accounts dated 30 September 2020
- Agreement on commercial current accounts No. 21684 dated 23 April 2014
- Amendment No. 1 to the agreement on commercial current accounts No. 21684 dated 10 August 2020
- Amendment No. 2 to the agreement on commercial current accounts No. 21684 dated 7 October 2020
- Framework agreement on trading on the financial market dated 4 April 2014
- Agreement to change the currency of insurance benefit under insurance agreement No. 107008291 dated 18 December 2023
- Cooperation agreement in insuring business cases – pre-export loans against the risk of being subject to default and on bank guarantees against the risk of their utilisation, provided to SMEs dated 26 June 2008
- Agreement on the protection and non-disclosure of confidential information between CEB, a.s. and EGAP, a.s. dated 11 November 2015
- Cooperation agreement in providing support to SMEs between CEB, a.s., CMZRB, a.s., EGAP, a.s. and Raiffeisenbank a.s. dated 10 December 2009
- Cooperation agreement in providing support to SMEs between CEB, a.s., CMZRB, a.s., EGAP, a.s. and KB, a.s. dated 6 October 2009

Contracts with the Ministry of Finance of the Czech Republic concluded and effective in the period from 1 January 2023 to 31 December 2023

- Agreement on rules and conditions for the provision of loans between CEB, a.s. and the Ministry of Finance of the Czech Republic dated 17 February 2010
- Framework agreement on trading on the financial market dated 12 March 2020
- Agreement on the protection and non-disclosure of confidential information between CEB, a.s. and the Ministry of Finance of the Czech Republic dated 21 June 2023

All of the above agreements were concluded under arm's length conditions and the Bank suffered no detriment arising therefrom.

The state, as the controlling entity, did not adopt any measures, which would cause detriment to the Bank in the most recent reporting period. During the reporting period, the Bank did not adopt any other measures at its own will or in the interest or at the initiative of other related parties, other than those referred to above.

4.6 Advantages and disadvantages arising from relations between the Controlling Entities and the Controlled Entity and between the Controlled Entity and entities controlled by the same Controlling Entity

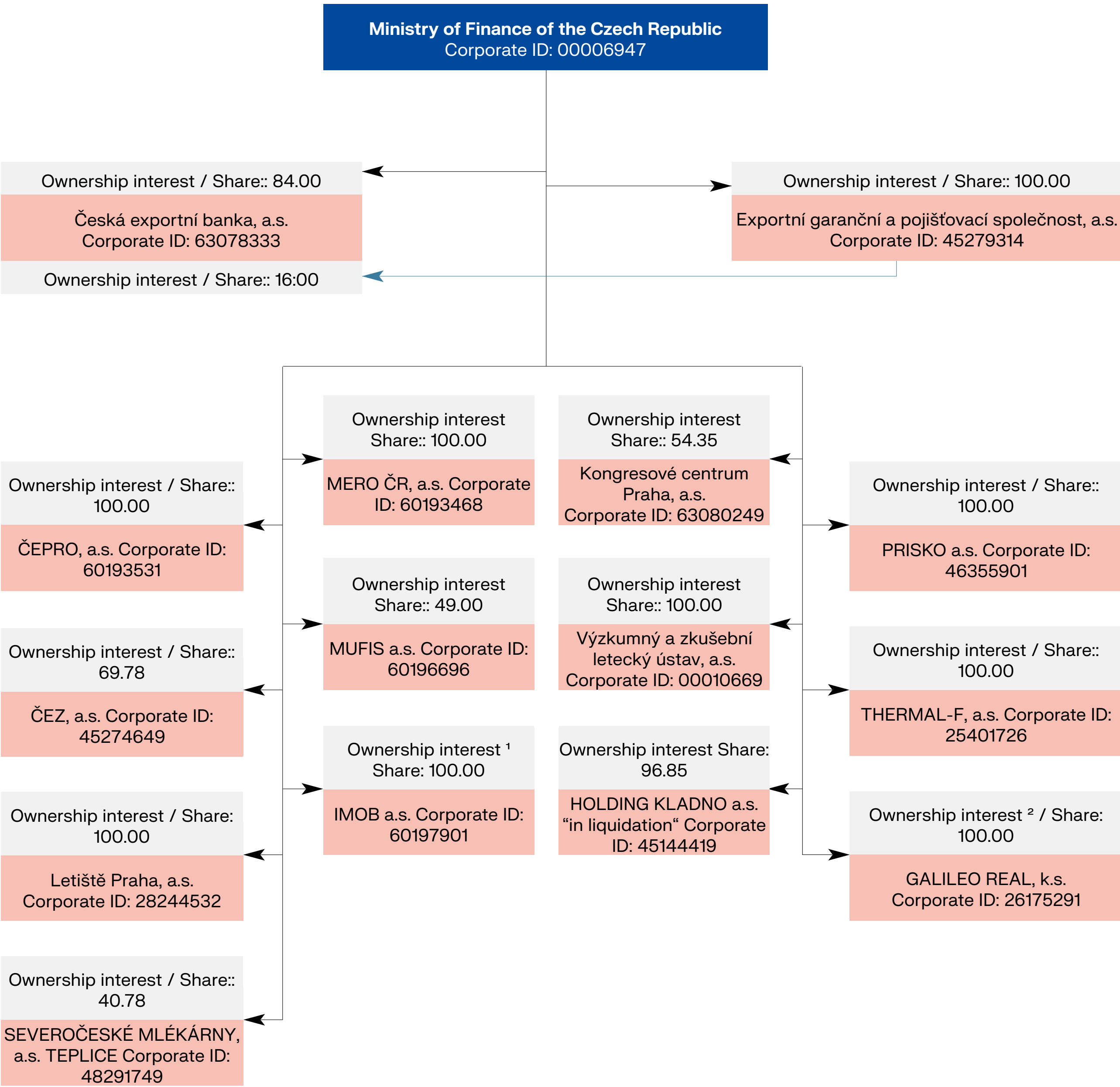
The relations between the Bank and the shareholders give rise to clear benefits taking the following form:
- more effective approach to the process of amending the legislation that defines the terms and conditions of supported financing in order to meet the current needs of Czech exporters and export suppliers during export transactions and the terms and conditions for supporting the export-oriented companies in strengthening their international competitiveness;
- more efficient cooperation with key ministries (such as the Ministry of Industry and Trade, the Ministry of Foreign Affairs, and the Ministry of Defence) in fulfilling the state's pro-export policy priorities;
- possibility of obtaining rating at the sovereign level;
- more effective use of economic diplomacy tools in the interest of Czech exporters;
- close coordination of institutions within the system of state support for export and business and connecting support for innovations and new technologies with the support for business, export, and internationalisation.

In Prague, on 26 March 2024

Ing. Daniel Krumpolc
Chairman of the Board of Directors

Ing. Emil Holan
Vice-Chairman of the Board of Directors

List of Joint Stock Companies Controlled by Shareholders Holding an Equity Investment between 40% and 100% Ministry of Finance of the Czech Republic [1] [2]



1 IMOB a.s. in liquidation
2 GALILEO REAL, k.s. in liquidation