

PRAGUE, 3 AUGUST 2020

# KOMERČNÍ BANKA GROUP RESULTS

---

First half and second quarter 2020

According to IFRS, Consolidated, Unaudited

**THE FUTURE  
IS YOU**  **KB**

# DISCLAIMER

---

This document contains a number of forward-looking statements relating to the targets and strategies of the Komerční banka Group. These statements are based on a series of assumptions, both general and specific. As a result, there is a risk that these projections will not be met. Readers are therefore advised not to rely on these figures more than is justified as the Group's future results are liable to be affected by a number of factors and may therefore differ from current estimates.

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

Results and ratios in this presentation are as of 30 June 2020, unless stated otherwise.

Komerční banka, a.s., public limited company with registered office: Prague 1, Na Příkopě 33/ 969; identification number: 45 31 70 54; registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, file 1360

# CONTENTS

## KB's performance summary and crisis response

Macroeconomic environment

Business performance

Financial performance

Asset quality & cost of risk

Mid-year update of outlook for 2020

Appendix

# STRONG POSITION VIS-À-VIS THE MAJOR SHOCK

## POSITIVE DEVELOPMENT OF THE MAIN ATTRIBUTES

### Robust capital base

Total capital adequacy at 21.9%, not including current year profit, significantly above the applicable regulatory minimum of 16.2%.

### Ample liquidity based on customer deposits

KB does not rely upon wholesale funding. The overall volume of standard client deposits within KB Group increased by 7.1%.

The volume of net loans granted represent 74.3% of the client deposit base.

### Providing new loans to the clients

Total gross loans up 4.9% year on year to CZK 676.3 billion.

As of 17 July, KB has granted CZK 5.3 billion to 1,061 clients in new loans through the guarantee programmes. Of this, 34% was provided to the economic sectors most sensitive to the current crisis.

### Standing by the clients

KB Group offering to its clients credit moratorium since March 2020. As of 22 July, KB Group has postponed instalments of 46,364 clients on loans totalling CZK 65.6 billion (CZK 27.8 billion of mortgages, CZK 3.1 billion consumer loans, and CZK 34.7 billion of financing of businesses).

### Rapid expansion of online services

KB developing new solutions internally or in co-operation with various fintech companies. It is elaborating its strategic plan for the future that will address the long-term challenges stemming from the rapid development in client expectations, advancing technologies, and changing competition and regulation.

### Resilient financial performance

The Group reported a (6.7%) decline in revenues and 3.1% increase in operating expenditures, affected by higher regulatory charges and restructuring reserve. Cost of risk reached CZK 1.7 billion, reflecting the first impacts of the Covid-19 crisis. Net attributable profit decreased by (38.5%) to CZK 4.4 billion.

### Long-term transparent shareholder relations

At the June AGM, KB's shareholders approved the accounts and retention of the profit from 2019.

Ms Jitka Haubová became the member of the Management Board responsible for payment services, support services, investment banking services, legal services including Corporate Secretary.



# KB CONTRIBUTING TO SOLUTION OF THE CRISIS, CONTINUING TO BUILD A SUSTAINABLE FUTURE

## SUPPORTING ECONOMIC RECOVERY

Continued lending to all client segments. Instrumental role within CBA in preparation of guarantee programmes to help businesses.

KB approved CZK 5.3 billion of guaranteed loans to 1,061 clients as of 17 July.

## MAINTAINING HIGH SECURITY OF BANKING

Ongoing reinforcements in cyber security, KYC&AML, know-your-supplier, anti-corruption and bribery, data leakage prevention, personal data protection.

## CONTRIBUTING TO THE COUNTRY'S FISCAL CAPACITY

No recourse to partial unemployment scheme nor deferring social and tax charges. During H1, KB Group contributed CZK 1.6 billion in corporate income taxes, CZK 0.9 billion in Resolution and Deposit Insurance charges, CZK 1.0 billion in employer's health and social insurance, and further payments of withholding tax, VAT and other levies.

## SUPPORTING VULNERABLE IN SOCIETY

Decrease of cost of account packages for small business clients. Numerous philanthropic activities.

## PROTECTING CLIENT FINANCIAL WELL-BEING

All services maintained throughout the emergency.

NPS in June at 30 for individual clients and 24 for small businesses.

Credit moratoria granted to 46,000 clients covering CZK 66 bil. exposure.

## KEEPING HIGH EMPLOYEE CONFIDENCE

Safe workplace & working from home. Mood of employees at 7.7 out of 10 in an independently conducted survey. Employee perceived improvement in decision-making, meeting efficiency. Smart office flexible workplace organisation reflecting staff feedback.

## PROMOTING DIGITAL TRANSFORMATION

Key business changes implemented, of which mainly agile transformation.

Platform for working with fintech

Upgrading technological infrastructure.

## DEVELOPING A SUSTAINABLE BANKING

Supporting energy transition.

CZK 10 billion in funding sources at preferential rates for projects with sustainable positive impact.

Reducing carbon footprint from own operations, including by implementing the Smart Office.



FTSE4Good

**Robust governance and risk management setup allows KB to serve as a reliable pillar of the country**

# ACCELERATED TRANSFORMATION

## QUICK ADJUSTMENT OF OPERATIONAL SETUP

REMOTE WORKING  
FOR 2/3 EMPLOYEES

TACTICAL DIGITIZATION TO GAIN  
EDGE IN AREAS OF  
DIFFERENTIATION (E.G. LOAN  
MORATORIA REQUESTS, NEW  
STATE GUARANTEED LOANS)

FURTHER CONSOLIDATION OF  
BUILDINGS PORTFOLIO INCLUDING  
SUBSIDIARIES

REINFORCEMENT OF CYBER  
SECURITY CAPACITY

NEW PARTNERSHIPS WITH FINTECH  
COMPANIES TO DEVELOP  
RELEVANT SERVICES FOR THE NEW  
CONTEXT

SCALE UP OF COLLECTION  
CAPACITY AND QUALITY TO FACE  
MORATORIUM END

## SMART OFFICE

FLEXIBLE AND AGILE  
WORKPLACE CONCEPT

FULL SUPPORT FOR WORKING FROM HOME

OFFICE SPACE DEDICATED TO TEAMS  
RATHER THAN INDIVIDUALS

ROTATION IN THE OFFICE REDUCING  
OPERATIONAL RISKS

IMPLEMENTATION IN HEAD OFFICE PLUS 1/3  
OF DISTRIBUTION NETWORK (IN 2020-21)



SMART OFFICE  
BY KOMERČNÍ BANKA

**35%** by 2021

REDUCTION IN  
HEADQUARTERS  
OFFICE SPACE

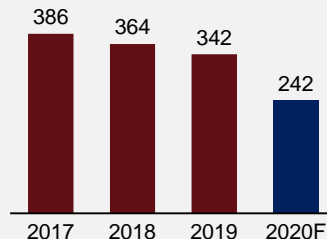
## REVIEW OF BRANCH NETWORK

QUICKENED SHIFT TO DIGITAL  
CHANNELS EVEN AMONG PREVIOUSLY  
HESITANT POPULATIONS

REVIEW BASED ON LOCATION,  
POTENTIAL, PERFORMANCE, TRAFFIC,  
ALTERNATIVE ACCESS TO KB FOR  
CLIENTS, COST

CASH SERVICES – DEPLOYMENT OF  
AUTOMATED (DEPOSIT ATM) AND SEMI-  
AUTOMATED (CASH BOX) SOLUTIONS

NUMBER OF  
BRANCHES (EoP)



## STAFF OPTIMISATION

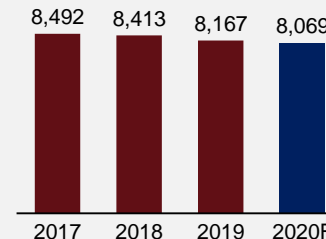
ADAPTATION TO THE  
NEW SERVICE MODEL  
FOR THE FUTURE ENVIRONMENT

CAPACITY RELEASED BY BRANCH  
OPTIMISATION PARTLY REINVESTED TO  
ADVISORY AND ON-LINE SALES

STAFF OPTIMISATION  
AT THE HEAD OFFICE

MIDDLE & BACK-OFFICE OPERATING  
MODEL OPTIMISATION

AVERAGE NUMBER OF  
KB GROUP EMPLOYEES



# CONTENTS

KB's performance summary and crisis response

**Macroeconomic environment**

Business performance

Financial performance

Asset quality & cost of risk

Mid-year update of outlook for 2020

Appendix

# SOLID PRE-CRISIS FUNDAMENTALS TO LAY BASE FOR THE RECOVERY

- GDP in 2Q 2020 -10.7% YoY, -8.4% QoQ. GDP in 2020 expected to drop by 5.0% mainly due to falling investments and export and stagnating consumption. To be followed by a recovery (+6%) in 2021.
- Czech car production in H1 lost 32.6% YoY, but it is coming back on track since June after all epidemiological and technological breaks.
- Labour market started to ease even prior to Covid-19 outbreak. Nominal wages +5% YoY in 1Q20 (1.4% YoY real) and unemployment contained its increase to 2.4% in May<sup>1</sup> shielded by government's short-time working scheme.
- CPI inflation at 3.3% YoY in June (again above CNB's 1-3% inflation tolerance band) due to previously solid income situation of households along with temporarily increased costs of firms amid the coronavirus crisis, including the effect of a weaker koruna.<sup>2</sup>
- CZK recovered in June from depreciated levels during the quarantine, CZK/EUR +2.1% QoQ, -5.1% YoY.
- CZK yield curve returned to upward sloping (as of 30 June 2020): 3M PRIBOR 0.34% (-184 bps Ytd) and 10Y IRS 0.67% (-105 bps Ytd).

Notes: Source of indicators Czech Statistical Office, CNB, unless stated otherwise

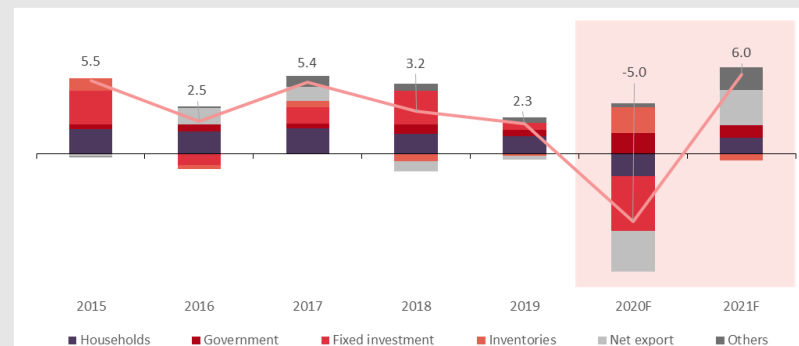
1) According to Eurostat, seasonally adjusted

2) Source: KB Economic Research estimate

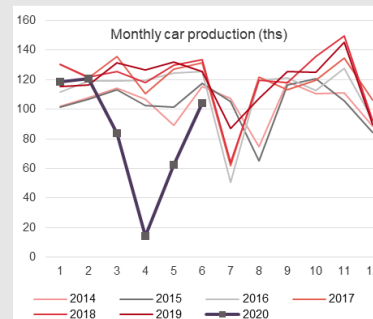
3) Source of historical data: Czech Statistical Office; 2019F and 2020F: forecast of KB Economic Research



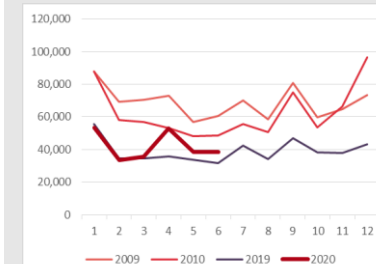
Czech GDP growth (% , yoy)<sup>3</sup>



Automotive industry



Initial jobless claims



Note: Monthly initial jobless claims; Comparison of current, most recent year and other two years with highest January initial claims



# ECONOMY SUPPORTED FROM MULTIPLE SOURCES

## Bank guaranteed lending and loan moratoria

### Covid programs

- As of 10 July, Czech banks approved CZK 14 billion in loans guaranteed in the Covid programmes, of which Covid III CZK 2.8 billion, Covid II CZK 10.4 billion, Covid Praha CZK 1.1 billion and Covid EGAP CZK 123 million.

### Loan moratoria

- As of 10 July, the Czech banking sector provided loan moratoria in the amount of CZK 182 billion for non-financial corporates and CZK 246 billion for retail segment, totalling to CZK 428 billion, ~13% of the banking sector loan book.

## Fiscal measures

### Government budget deficit

- Approved CZK 500 billion budget deficit (10% of GDP) for 2020 in July, on expected CZK 214 billion drop in tax revenue and CZK 246 billion increase in spending. Support measures comprise subsidies to wages, care-taker benefits, subsidies to small businesses, cancelled tax and health/social insurance advances. Planned increase in investments.

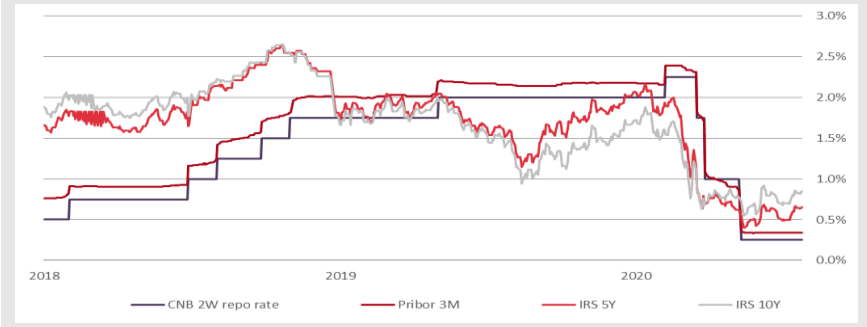
### Support through National development fund

- National Development Fund has applied for an AM license, expected granting by CNB in Q2-20. First projects expected in Q3/Q4-20.

## EU Recovery plan Next Generation EU

- The EU's recovery plan approved on 20 July 2020 with a total EUR 750 billion scope. Czech economy is expected to receive EUR 8.7 billion (4% of Czech GDP) in form of grants and EUR 15.4 billion (11% of GDP) loans.

## Interest rates (until 24 July 2020)



## CNB support measures

### 2W repo rate cut

- 2W repo rate lowered to 0.25% since May in three steps from February peak of 2.25%.

### Countercyclical capital buffer

- Further decrease in CCb from 1 July 2020 to 0.5%.

### Macroprudential regulation

- Relaxation of limits on housing loans in two steps from April and June 2020: Maximum LTV limit increased to 90% (previously 80%), Total Debt-to-annual disposable Income ratio cancelled from 1 July (previously 9), Debt service-to-disposable income ratio cancelled from 1 July (originally at 45%).

# CONTENTS

KB's performance summary and crisis response

Macroeconomic environment

**Business performance**

Financial performance

Asset quality & cost of risk

Mid-year update of outlook for 2020

Appendix

# FAST CLIENT UPTAKE OF DIGITAL TOOLS

## EXPANDING SOLUTION ECOSYSTEM

### Fostering partnerships on the KB Smart Solutions platform

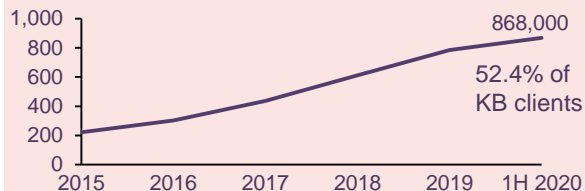


## AWARDS RECEIVED IN Q2

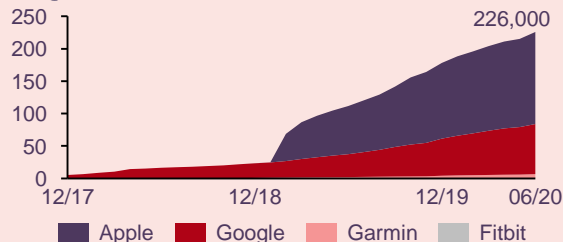
- KB rated **the best bank in Czech Republic** and one of the top 100 banks in the Lafferty 1000 global banking database, quoting well-advanced digital transformation
- Mobilní banka - the **best banking app** on the Czech market in 1Q 2020 according to Bizkids consultancy
- Payments by phones and watches – silver spot in **Banking Innovator award** of Hospodářské noviny
- KB an **"Open-bank hero** with up to 5 day integration" via API according to Salt Edge
- Modrá pyramida's website - **Site of the Year** title in global competition hosted by Kentico

## DIGITAL ACCESS

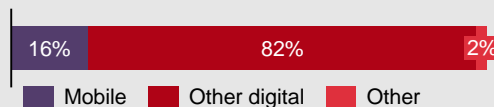
### Mobile banking penetration



### Digital wallet (number of tokenized cards, ths)



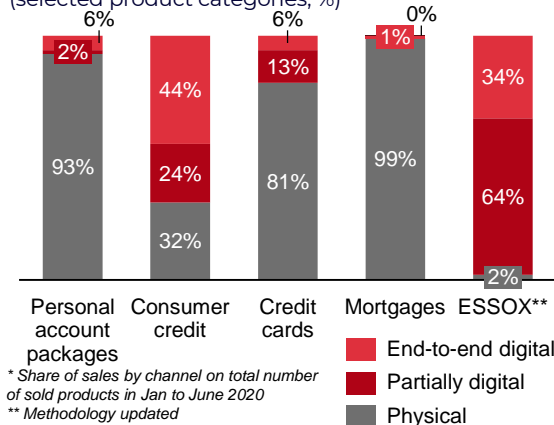
### Transaction channels (average share on total number of payment instructions, for 2Q2020)



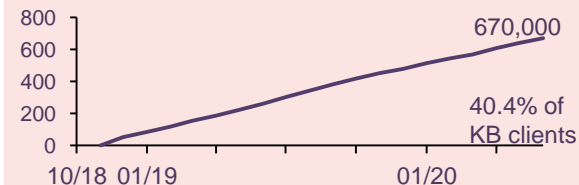
## DIGITAL SALES

### Share of sales by channel\*

(selected product categories, %)

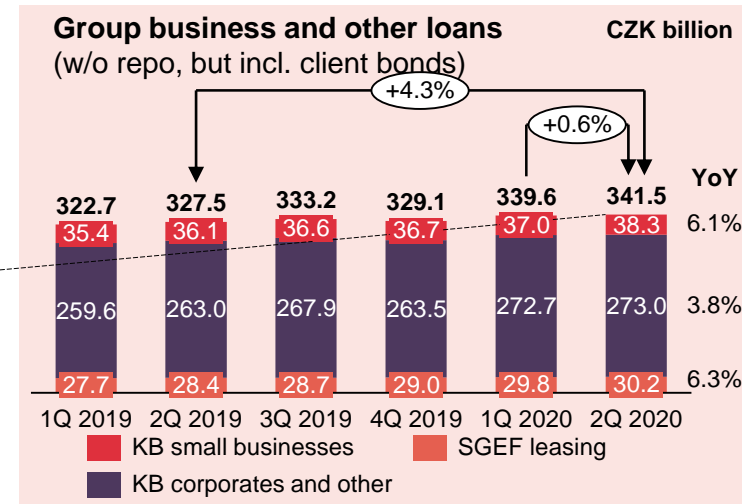
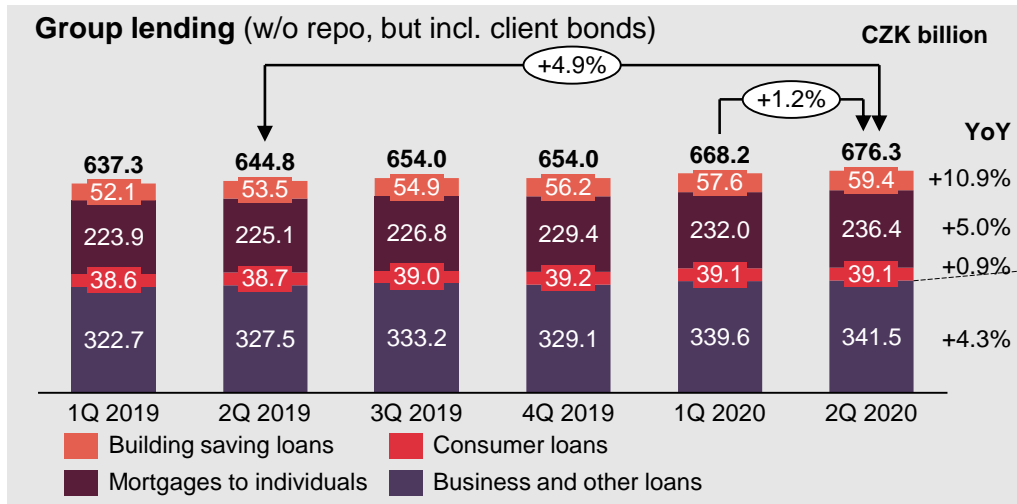


### KB Key penetration\*

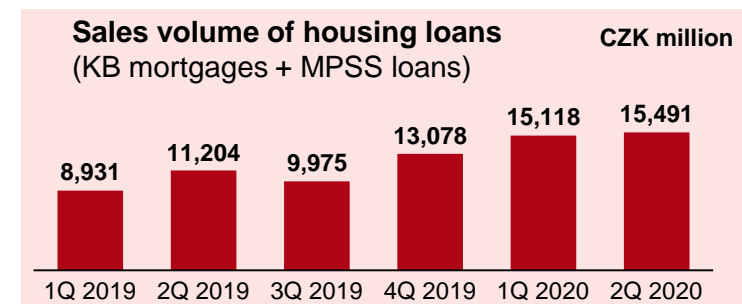


\* number of clients with active authentication via app, thousands

# GROSS LENDING EXCLUDING REPO UP 4.9% YOY



- Gross amounts due from clients (including repo operations and debt securities issued by KB's corporate clients) +4.4% YoY, +1.4% QoQ to CZK 680.4 billion
- Net loans to deposits ratio at 74.3%. Liquidity coverage ratio 232%
- Demand for mortgages on the market resilient, while consumer loan demand subdued.
- Contribution from 5.1% YoY depreciation of CZK v. EUR (to CZK value of EUR denominated loans to businesses) represents 0.8% of total lending.



# SELECTED DEALS OF THE SECOND QUARTER OF 2020

## ELECTRICITY PRODUCTION



Green Gas DPB, a.s.  
Comprehensive Financing

**CZK 737,500,000**

Sole Lender

**2020**

## MEDIA AND TELECOMMUNICATION



O2 Czech Republic a.s.  
Club Financing

**CZK 9,240,000,000**

Agent, Arranger, Lender

**2020**

## REAL ESTATE AND OFFICE SERVICES



**GES GROUP**

CARPET INVEST s.r.o.  
Financing

**CZK 1,215,000,000**

Sole Lender

**2020**

## IT



ED SYSTEM a.s.  
Revolving Credit Facility

**CZK 2,500,000,000**

Arranger, Lender

**2020**

## PUBLIC

**Středočeský kraj**

Středočeský kraj  
Covid-19 support to regional entrepreneurs

**CZK 2,750,000,000**

Complex bank services provider

**2020**

## HEALTH CARE



Krajská zdravotní, a.s.  
Investment Financing

**CZK 1,000,000,000**

Complex bank services provider

**2020**

## UTILITIES



Vodárny Kladno - Mělník, a.s.  
Investment Financing

**CZK 600,000,000**

Complex bank services provider

**2020**

## SERVICES



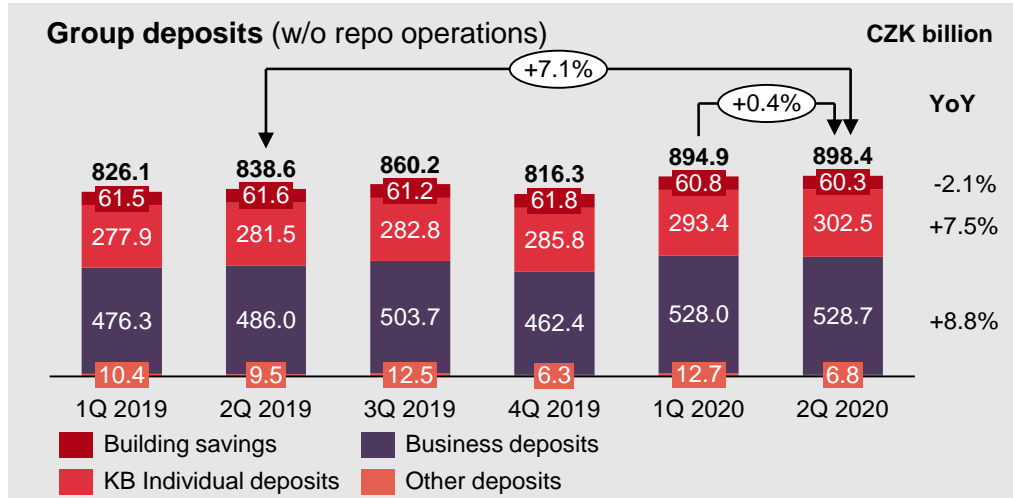
PVZP servis s.r.o.  
Real Estate Financing

**CZK 140,000,000**

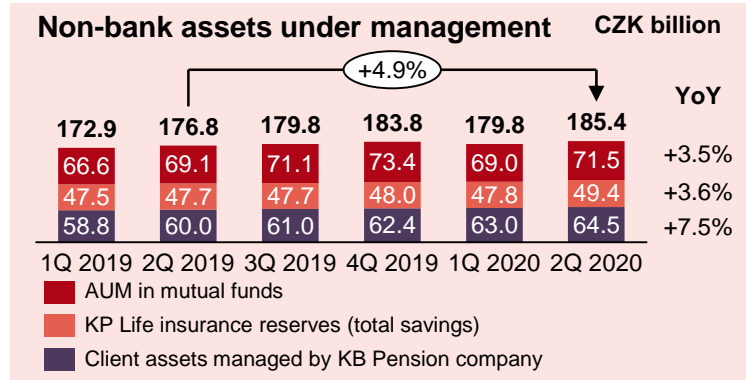
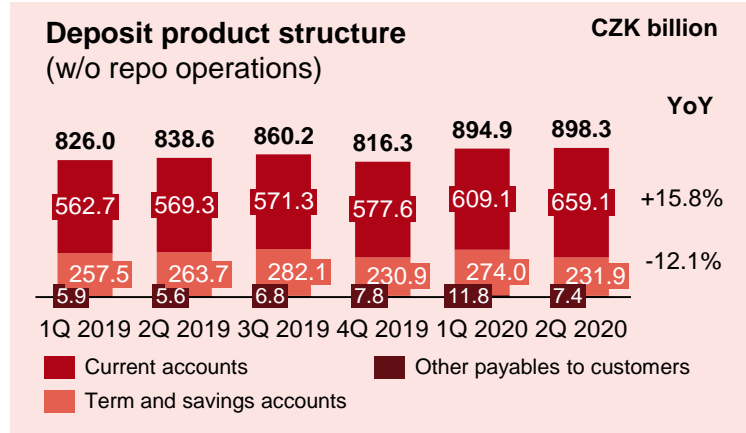
Complex bank services provider

**2020**

# CLIENT DEPOSITS ROSE BY 7.1% YOY



- Total amounts due to clients (including repo operations with clients) +4.6% YoY, +1.1% QoQ to CZK 933.6 billion
- Contribution from 5.1% year on year depreciation of CZK v. EUR (to increased CZK value of EUR deposits) represents 0.5% of total deposits
- Sales of mutual funds have been lower since March
- Lower building savings linked to decreasing average remuneration



# CONTENTS

KB's performance summary and crisis response

Macroeconomic environment

Business performance

**Financial performance**

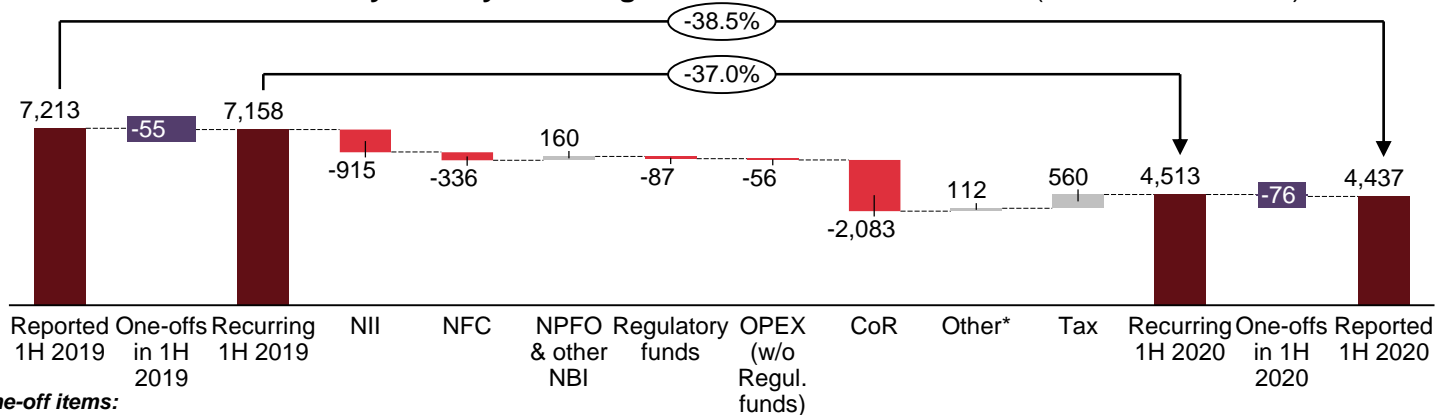
Asset quality & cost of risk

Mid-year update of outlook for 2020

Appendix

# UNQUESTIONED PROFITABILITY

Drivers for year on year change in attributable net income (as of 30 June 2020)



**One-off items:**

- 1H 2019: Settlement of the sale price for Komerční pojišťovna sold in 2006 (CZK 55 million in Profit attributable to exclusion of companies from consolidation)
- 1H 2020: Restructuring provision for Acceleration of structural changes based on COVID19 experience partly offset by release of residual provision for "KB Change 2020" (CZK -94 mil. in OPEX, o/w CZK 1 mil. in personnel expenses and CZK -95 mil. in GAE, CZK 18 mil. in Income tax)

## Profitability indicators for 1H 2020 (annualised)

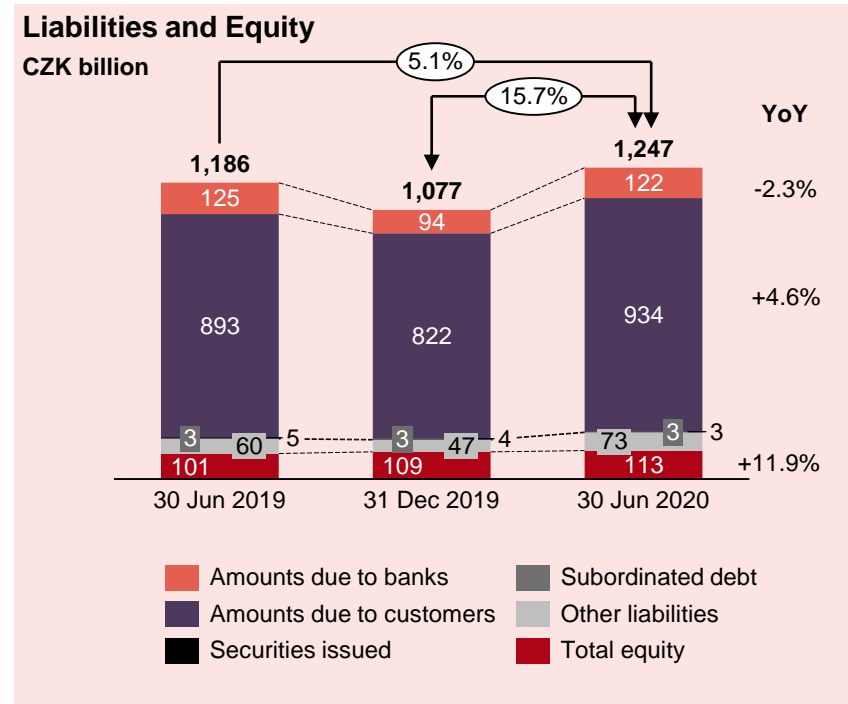
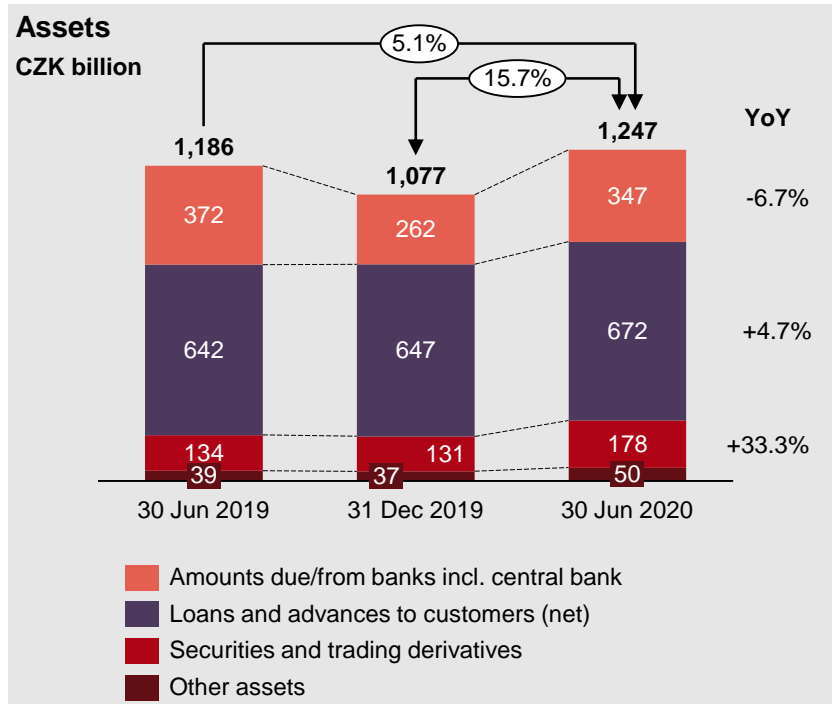
Return on average equity	Return on average Tier 1 capital	Return on average assets
8.2%	9.9%	0.8%
8.9%**	10.7%**	0.8%**

**\*Other** includes: Income from share of associated companies, Profit/(loss) attributable to exclusion of companies from consolidation, Net profits on other assets and Profit attributable to the Non-controlling owners

\*\* Assuming linear accrual of regulatory funds charges over the whole year (IFRIC 21 linearisation)



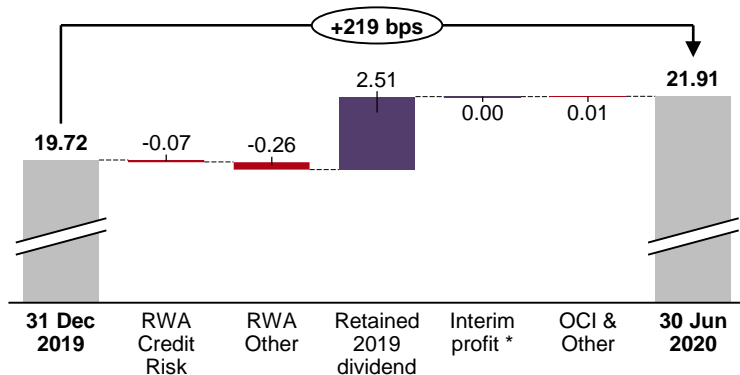
# BALANCE SHEET GROWTH DRIVEN BY CLIENT DEPOSITS



# REGULATORY CAPITAL WELL ABOVE CURRENT 16.2% MINIMUM

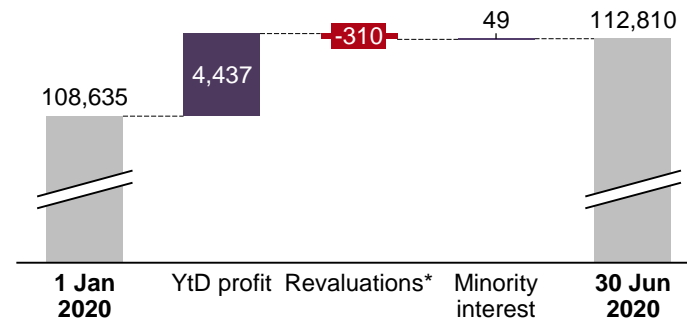
CAPITAL, RWA

## Contributions to capital adequacy ratio in 2020 (%)



\* In first half 2020, neither interim profit nor dividend provision have been included in KB's regulatory capital base.

## Contributions to equity in 2020 (CZK million)



\* Remeasurement of securities, cash flow hedges, FX positions and pension benefits

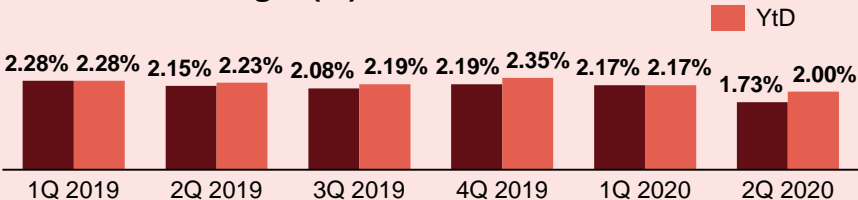
## Regulatory capital indicators

	Total capital adequacy	Core Tier 1 ratio	Total capital (CZK billion)	CET1 capital (CZK billion)	Total RWA (CZK billion)	Credit RWA (CZK billion)	RWA / Total assets
Current	21.9%	21.3%	97.9	95.2	446.7	368.5	35.8%
31 Dec 2019	19.7%	19.1%	86.6	84.1	439.2	367.6	40.8%
30 Jun 2019	19.0%	18.4%	85.7	83.1	451.8	373.5	38.1%



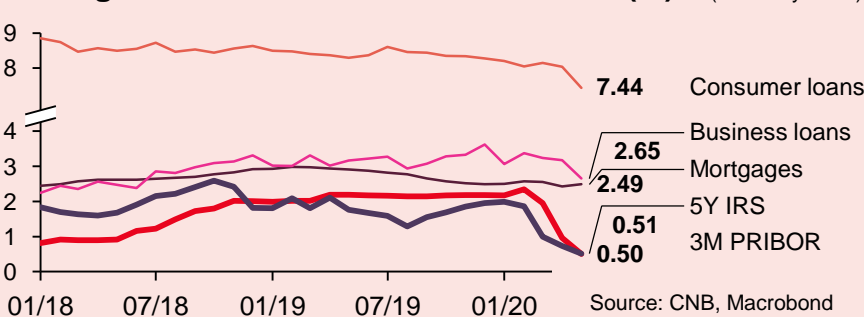
# INTEREST INCOME HIT BY FALL IN RATES

Net interest margin (%)

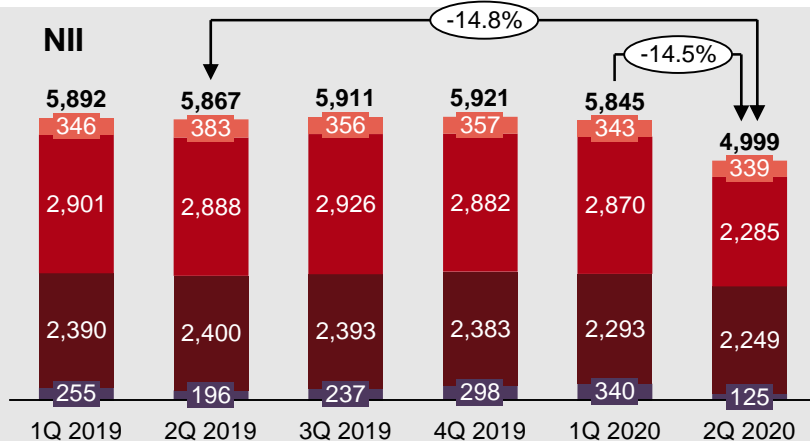


- NII from loans – recovery in spreads in Q2 offset by modification loss from postponed loans installments (CZK 161 million)
- NII from deposits – reflecting fall in interest rates from February peak till May, reducing reinvestment yield

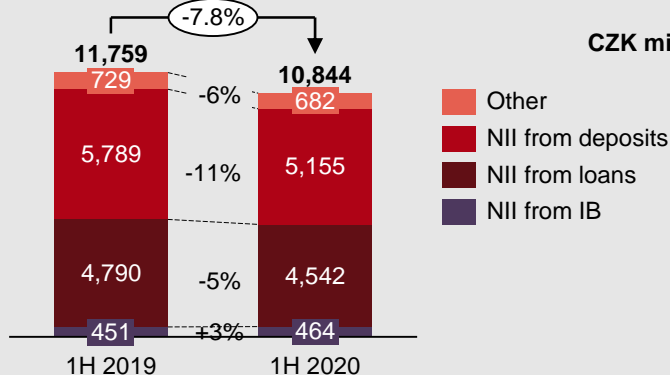
Average market rates on new CZK loans (%) (until May 2020)



NII



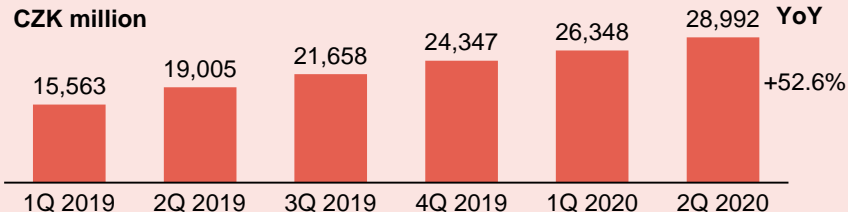
CZK million



# FEES INCOME FACED DROP IN ACTIVITY AND REGULATION OF SEPA PAYMENTS

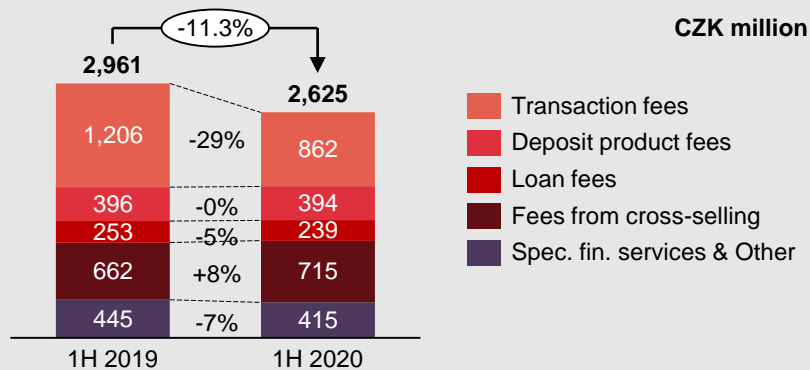
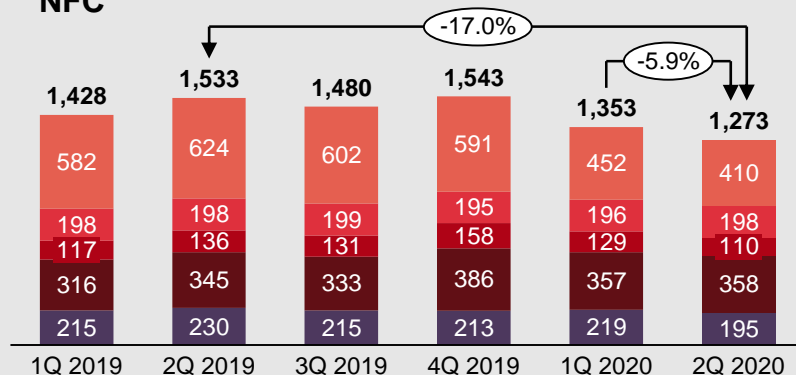
- **Transaction fees** – in H1, cash transactions sunk by more than a third, non-cash transactions stable, card transactions +5% YoY. Further hit from regulation of fees for payments within SEPA

## Volume of payments through mobile banking



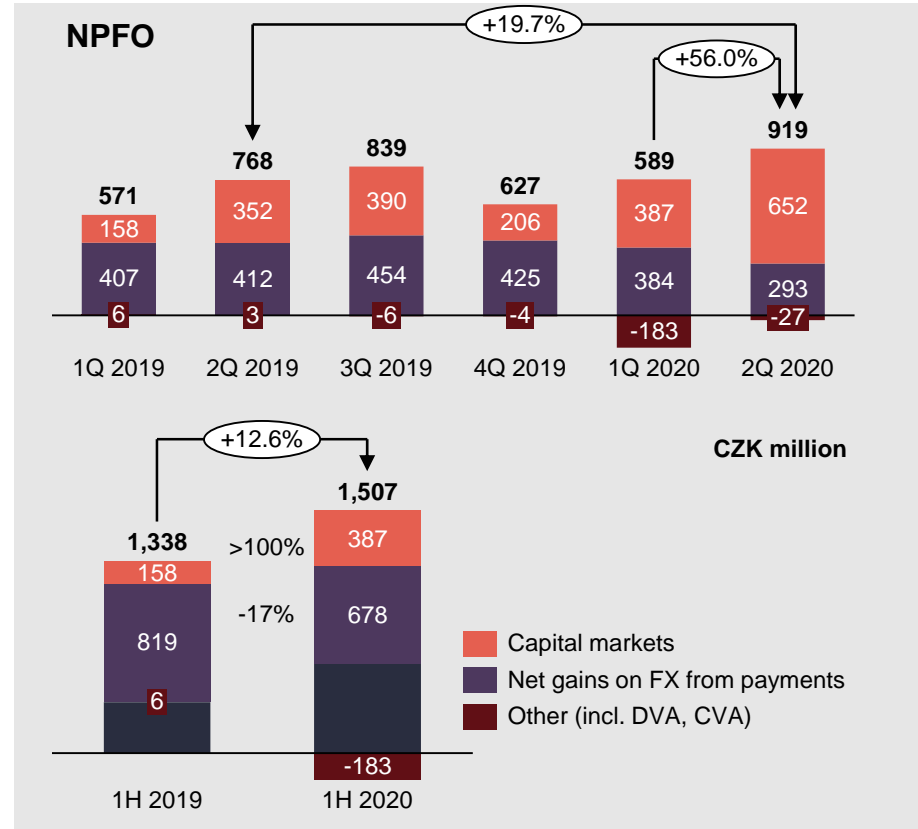
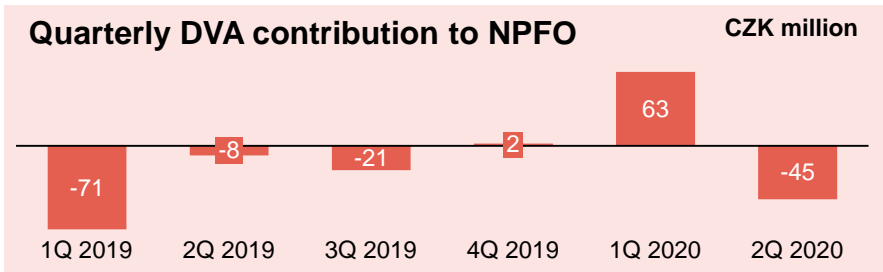
- **Deposit product fees** – in line with the stable number of clients
- **Loan fees** – slight decrease in fees from small business lending
- **Fees from cross-selling** – solid growth in income from mutual funds and life insurance, but lower new sales in 2Q
- **Specialised financial services and other fees** – after solid 1Q, less issuance and syndication activity in 2Q. Solid income from guarantees, private banking services

## NFC



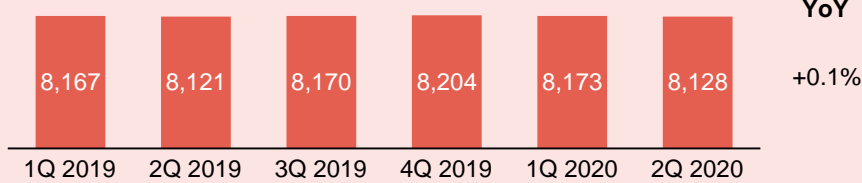
# GOOD RESULT ON ELEVATED MARKET VOLATILITY

- Clients' demand for hedging of financial risks boosted by the uncertainty and volatility of interest and exchange rates, partly offset by lower underlying activity and beginning of the seasonal slowdown
- CVA/DVA valuation adjustments from March caused by increase in market risk premia not recurred in June
- Lower gains on FX from payments due to decrease in foreign transaction activity



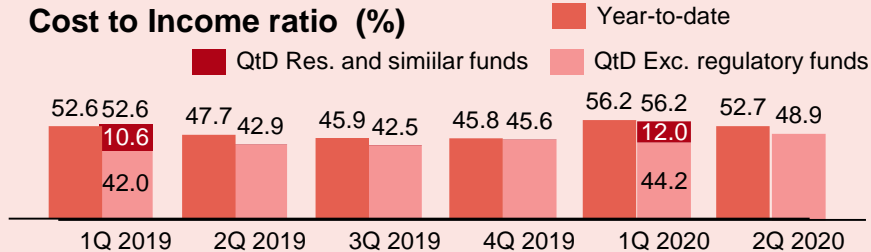
# COSTS FLATTENING

Average number of employees (quarterly)

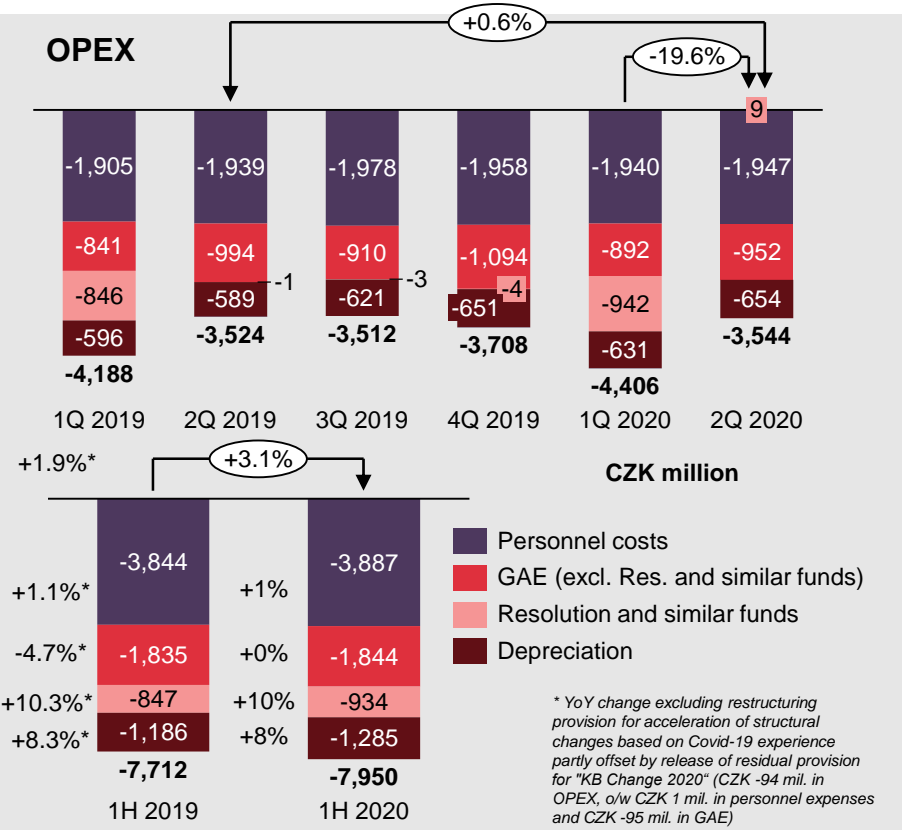


- Personnel costs reflecting changed staff compositions and salary increases. Accelerated transformation provision offset by release of the residual provision for KB Change.
- Administrative costs – lower marketing, travel. More spend on protective and IT equipment. Provision CZK 95 million for acceleration of structural changes based on Covid-19 experience
- D&A driven by new and upgraded software and IT equipment

Cost to Income ratio (%)



OPEX



CZK million

- Personnel costs
- GAE (excl. Res. and similar funds)
- Resolution and similar funds
- Depreciation

\* YoY change excluding restructuring provision for acceleration of structural changes based on Covid-19 experience partly offset by release of residual provision for "KB Change 2020" (CZK -94 mil. in OPEX, o/w CZK 1 mil. in personnel expenses and CZK -95 mil. in GAE)



# CONTENTS

KB's performance summary and crisis response

Macroeconomic environment

Business performance

Financial performance

**Asset quality & cost of risk**

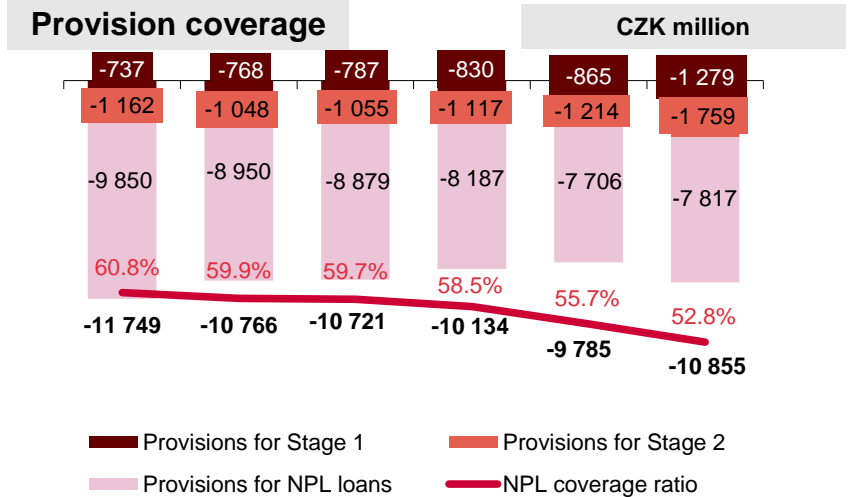
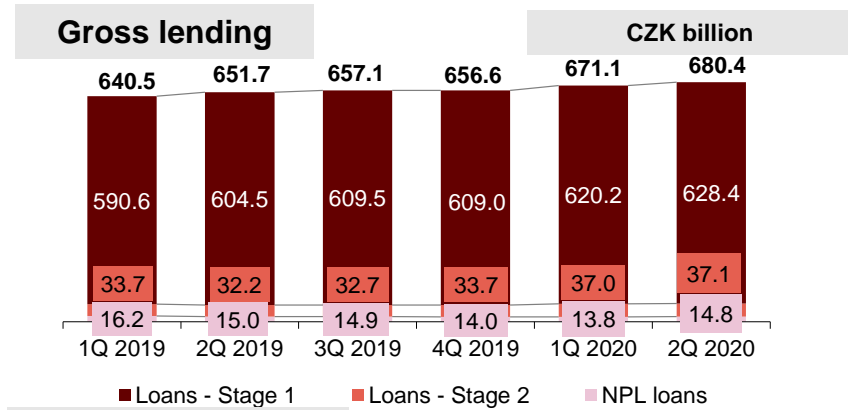
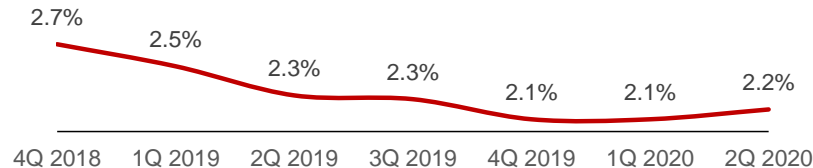
Mid-year update of outlook for 2020

Appendix

# 2Q 2020 ASSET QUALITY

- Loan exposure up by 4.4 % YoY, by 1.4% QoQ
- NPL exposure slightly up to 2.2% QoQ, reflecting the inflow into default of a few large corporate client exposures
- NPL provision coverage ratio recorded at 53% (from 56% in 1Q 2020), reflecting the lower provision coverage of newly defaulted large corporate exposures

## Share of NPL exposure



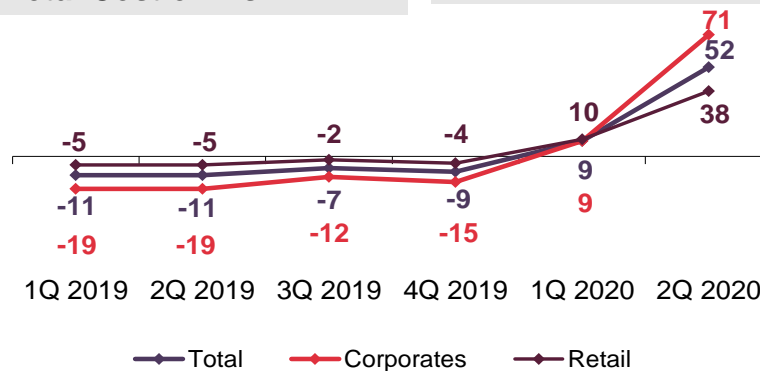


## 2Q 2020 COST OF RISK

- 2Q 2020 CoR net creation at CZK 1,576 million (vs. net release at CZK 178 million in 2Q 2019) or 52 bps YTD
- High impact from the quarterly statutory recalibration of IFRS 9 provisioning models, reflecting the on-going macroeconomic downturn with a CoR impact at CZK 1,287 million or 39 bps YtD
- Low level of underlying CoR recorded at 13 bps YtD, reflecting (i) the transfer of a limited number of large corporate exposures into default, (ii) a resilient retail collection performance and (iii) the CoR neutralizing effect from the Loan Instalment Moratorium law

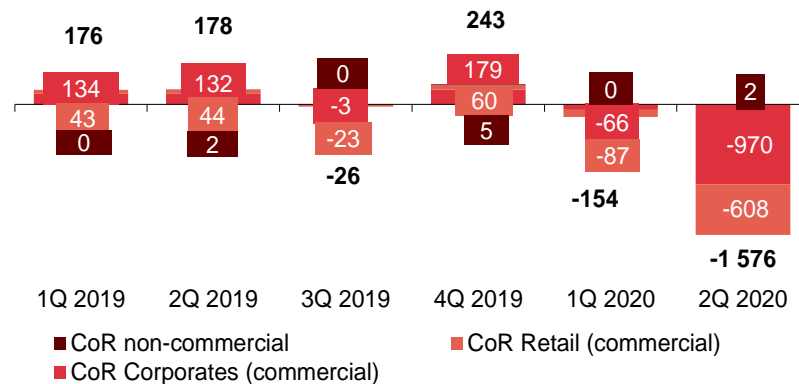
### Total Cost of Risk

(Year-to-date, in basis points)



### Total Cost of Risk development

CZK million



# KEY FEATURES OF CREDIT RISK SETUP

---

- **Credit policies**
  - Expected benefits from historically prudent underwriting standards
  - Support to Czech economy (Loan Instalment Moratorium law, active participation to Czech State guaranteed-loan schemes, smart adjustments of credit policies, etc.)
  - Dynamic monitoring of advanced risk indicators for both retail and non retail portfolios
- **Zoom on corporate loan portfolios**
  - Specific reviews of corporate loan portfolios with resilient results so far
  - No excessive concentration in sensitive sectors (automotive, car dealership, hospitality&entertainment, transport)
- **Zoom on retail portfolios**
  - Portfolios not under Loan Instalment Moratorium law showing resilient risk profile so far
  - Portfolios under Loan Instalment Moratorium law dynamically monitored
- **Readiness of loan recovery function**
  - Modernization of KB's retail collection platform (expanded loan restructuring capacity, implementation of AI tools)
  - Adequate sizing and seniority of expert teams dedicated to non retail loan recovery activities

# 2020-2021 COST OF RISK OUTLOOK

- **KB Q2 IFRS 9 macroeconomic scenario with persisting high level of uncertainty**
  - IFRS 9 macroeconomic forecast defined as the weighted average of “rebound”, “base line” and “stressed” scenarios
  - 7% GDP contraction assumed for 2020
  - 7% GDP recovery assumed for 2021
  - 300 bps unemployment increase assumed for 2020
  
- **2020 CoR expected to be contained below 70 bps, under the bank’s Q2 IFRS 9 macroeconomic scenario**
  - IFRS 9 model recalibration expected to reach cca 20 bps (full year view)
  - Underlying CoR expected to grow from 1H 2020 level of cca 15 bps to 2020 YE level of 40-50 bps
  - High uncertainty level due to unknown result from mix of extraordinary government support measures (Loan Instalment Moratorium law, Czech State guaranteed-loan schemes, etc.) with material contraction of world economies
  
- **Some timing uncertainty**
  - Delayed transmission of the crisis effects into the bank’s credit risk profile reflecting government support measures
  - Better visibility to be gained in 2H 2020 (following the end of the Loan Instalment Moratorium law currently covering 10% of KB Group loan exposures)
  - CoR impact from the crisis impact expected to be spread in time (both in 2020 and 2021)

# CONTENTS

KB's performance summary and crisis response

Macroeconomic environment

Business performance

Financial performance

Asset quality & cost of risk

**Mid-year update of outlook for 2020**

Appendix

# BASELINE OUTLOOK FOR 2020 AS OF JUNE

*This is updating the outlook presented on 6 May 2020, according to recent data. Investors are advised to consider higher than usual level of uncertainty and risks*

## Macroeconomic assumptions

- Czech economy should record a full-year GDP decline of 5.0% in 2020, with foreign trade, investments and household consumption all down.
- Average inflation expected to rise to 3.0% due to higher import prices and faster core inflation.
- Monetary policy 2W repo assumed stable with lingering risk of the recession persisting and inflation slowing on the monetary policy horizon

## Banking market outlook

- Lending market should record mid-single digit growth underpinned by resilient mortgages and guarantee programmes for business loans
- Bank deposits should grow faster than in 2019 in retail as well as from non-financial corporates

## KB business outlook

- KB Group lending to grow at mid-single digit pace, both in retail and corporate segments
- Deposit growth at mid-single digits, reflecting adjustments in remuneration
- New strategic plan to be presented during second half of 2020

## KB financial outlook

- High-single digit drop in revenues comprising high-single digit drop in interest income due to rates development. Fee income hit by decreased activity and regulation of SEPA payments fees. NPFO to increase thanks to higher demand for hedging
- Tightly controlled stable operating costs despite higher regulatory charges, on the back of ongoing optimisation and streamlining
- Cost of risk expected to be contained below 70 bps

## Potential risks to the outlook

- Second pandemic wave, recurring shutdown of an important part of the economy, disruption of international trade, major drop of export markets, further decline in CZK interest rates

# CONTENTS

KB's performance summary and crisis response

Macroeconomic environment

Business performance

Financial performance

Asset quality & cost of risk

Mid-year update of outlook for 2020

**Appendix**

# NUMBER OF CLIENTS AND DISTRIBUTION NETWORK

## Number of clients

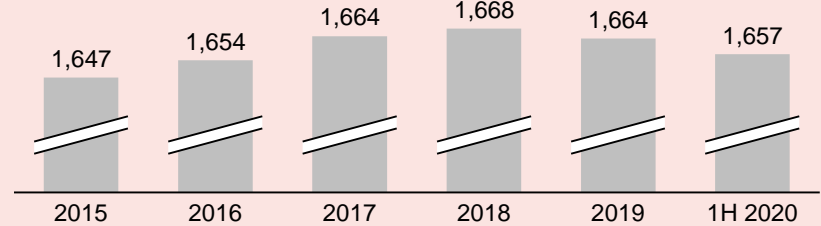
	1H 2019	1H 2020	YoY
KB Group's clients	2,376,000	2,315,000	-61,000*
Komerční banka	1,662,000	1,657,000	-5,000
– individual clients	1,406,000	1,402,000	-4,000
– internet banking clients	1,405,000	1,433,000	28,000
– mobile banking clients	699,000	868,000	169,000
Modrá pyramida	489,000	483,000	-6,000
KB Penzijní společnost	532,000	527,000	-5,000
ESSOX (Group)	208,000	159,000	-49,000*

## Distribution network

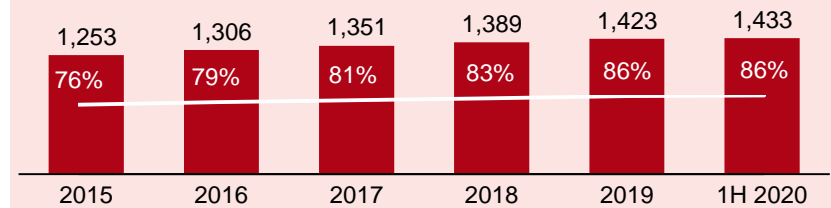
	1H 2019	1H 2020	YoY
KB Retail branches	344	275	-69
KB Business centres	10	10	0
KB Corporate divisions	5	5	0
Modrá pyramida points of sale	200	200	0
SGEF branches	9	9	0
ESSOX Group points of sale	1,045	1,003	-42
ATMs	786	802	16
of which deposit-taking	359	406	47
of which contactless	0	268	268
Number of active debit cards	1,391,000	1,406,000	15,000
Number of active credit cards	179,000	181,000	2,000
Number of cards virtualized into payment apps	112,000	226,000	114,000
KB key authentication users	260,000	670,000	410,000

\* Influenced by termination of non-active credit card relationships at ESSOX

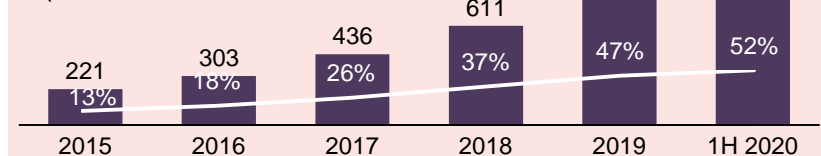
## Number of bank clients (thousands, CZ)



## KB Internet banking clients (thousands, % of total)



## KB mobile banking clients (thousands, % of total number)



# INCOME STATEMENT

## CONSOLIDATED INCOME STATEMENT

### Profit and Loss Statement

	Reported			Recurring		
	1H 2019	1H 2020	Change YoY	1H 2019	1H 2020	Change YoY
(CZK million, unaudited)						
Net interest income and similar income	11,759	10,844	-7.8%	11,759	10,844	-7.8%
Net fee & commission income	2,961	2,625	-11.3%	2,961	2,625	-11.3%
Net profit of financial operations	1,338	1,507	12.6%	1,338	1,507	12.6%
Dividend and other income	114	106	-7.0%	114	106	-7.0%
<b>Net banking income</b>	<b>16,172</b>	<b>15,083</b>	<b>-6.7%</b>	<b>16,172</b>	<b>15,082</b>	<b>-6.7%</b>
Personnel expenses	-3,844	-3,887	1.1%	-3,844	-3,888	1.1%
General admin. expenses (excl. regulatory funds)	-1,835	-1,844	0.5%	-1,835	-1,749	-4.7%
Resolution and similar funds	-847	-934	10.3%	-847	-934	10.3%
Depreciation, amortisation and impairment of operating assets	-1,186	-1,285	8.3%	-1,186	-1,285	8.3%
<b>Total operating expenses</b>	<b>-7,712</b>	<b>-7,950</b>	<b>3.1%</b>	<b>-7,712</b>	<b>-7,855</b>	<b>1.9%</b>
<b>Gross operating income</b>	<b>8,460</b>	<b>7,133</b>	<b>-15.7%</b>	<b>8,460</b>	<b>7,227</b>	<b>-14.6%</b>
Cost of risk	354	-1,729	+/-	354	-1,729	+/-
<b>Net operating income</b>	<b>8,815</b>	<b>5,404</b>	<b>-38.7%</b>	<b>8,815</b>	<b>5,498</b>	<b>-37.6%</b>
Income from share of associated companies	142	143	0.7%	142	143	0.7%
Profit/(loss) attributable to exclusion of companies from consolidation	55	0	n.a.	0	0	n.a.
Impairment losses on goodwill	0	0	n.a.	0	0	n.a.
Net profits on other assets	14	2	-85.7%	14	2	-85.7%
<b>Profit before income taxes</b>	<b>9,026</b>	<b>5,549</b>	<b>-38.5%</b>	<b>8,971</b>	<b>5,643</b>	<b>-37.1%</b>
Income taxes	-1,648	-1,070	-35.1%	-1,648	-1,088	-34.0%
<b>Net profit</b>	<b>7,378</b>	<b>4,479</b>	<b>-39.3%</b>	<b>7,323</b>	<b>4,555</b>	<b>-37.8%</b>
Profit attributable to the Non-controlling owners	166	42	-74.7%	166	42	-74.7%
<b>Profit attributable to the Group's equity holders</b>	<b>7,213</b>	<b>4,437</b>	<b>-38.5%</b>	<b>7,158</b>	<b>4,513</b>	<b>-37.0%</b>

### Items excluded in "recurring":

#### 1H 2019

- Settlement of the sale price for Komerční pojišťovna sold in 2006 (CZK 55 million in Profit attributable to exclusion of companies from consolidation)

#### 1H 2020

- Restructuring provision for Acceleration of structural changes based on COVID19 experience partly offset by release of residual provision for "KB Change 2020" (CZK -94 mil. in OPEX, o/w CZK 1 mil. in personnel expenses and CZK -95 mil. in GAE, CZK 18 mil. in Income tax)



# QUARTERLY INCOME STATEMENT (INCLUDING ONE-OFF ITEMS)

CONSOLIDATED INCOME STATEMENT – QUARTERLY VIEW

## Profit and Loss Statement

	Reported				
	2Q 2019	1Q 2020	2Q 2020	Change YoY	Change QoQ
(CZK million, unaudited)					
Net interest income and similar income	5,867	5,845	4,999	-14.8%	-14.5%
Net fee & commission income	1,533	1,353	1,273	-17.0%	-5.9%
Net profit of financial operations	768	589	919	19.7%	56.0%
Dividend and other income	49	55	51	4.1%	-7.3%
<b>Net banking income</b>	<b>8,216</b>	<b>7,841</b>	<b>7,241</b>	<b>-11.9%</b>	<b>-7.7%</b>
Personnel expenses	-1,939	-1,940	-1,947	0.4%	0.4%
General admin. expenses (excl. regulatory funds)	-994	-892	-952	-4.2%	6.7%
Resolution and similar funds	-1	-942	9	+/-	+/-
Depreciation, amortisation & impairment of op. assets	-589	-631	-654	11.0%	3.6%
<b>Total operating expenses</b>	<b>-3,524</b>	<b>-4,406</b>	<b>-3,544</b>	<b>0.6%</b>	<b>-19.6%</b>
<b>Gross operating income</b>	<b>4,692</b>	<b>3,435</b>	<b>3,697</b>	<b>-21.2%</b>	<b>7.6%</b>
Cost of risk	178	-154	-1,576	+/-	>100%
<b>Net operating income</b>	<b>4,870</b>	<b>3,281</b>	<b>2,122</b>	<b>-56.4%</b>	<b>-35.3%</b>
Income from share of associated companies	80	78	65	-18.8%	-16.7%
Profit/(loss) attributable to exclusion of companies from consolidation	55	0	0	n.a.	n.a.
Impairment losses on goodwill	0	0	0	n.a.	n.a.
Net profits on other assets	14	15	-13	+/-	+/-
<b>Profit before income taxes</b>	<b>5,019</b>	<b>3,374</b>	<b>2,175</b>	<b>-56.7%</b>	<b>-35.5%</b>
Income taxes	-890	-646	-424	-52.4%	-34.4%
<b>Net profit</b>	<b>4,129</b>	<b>2,728</b>	<b>1,751</b>	<b>-57.6%</b>	<b>-35.8%</b>
Profit attributable to the Non-controlling owners	93	70	-28	+/-	+/-
<b>Profit attributable to the Group's equity holders</b>	<b>4,036</b>	<b>2,658</b>	<b>1,779</b>	<b>-55.9%</b>	<b>-33.1%</b>

# QUARTERLY INCOME STATEMENT (EXCLUDING ONE-OFF ITEMS)

CONSOLIDATED INCOME STATEMENT – QUARTERLY VIEW

## Profit and Loss Statement

(CZK million, unaudited)	Recurring				
	2Q 2019	1Q 2020	2Q 2020	Change YoY	Change QoQ
Net interest income and similar income	5,867	5,845	4,999	-14.8%	-14.5%
Net fee & commission income	1,533	1,353	1,273	-17.0%	-5.9%
Net profit of financial operations	768	589	919	19.7%	56.0%
Other income	49	55	51	4.1%	-7.3%
<b>Net banking income</b>	<b>8,216</b>	<b>7,841</b>	<b>7,241</b>	<b>-11.9%</b>	<b>-7.7%</b>
Personnel expenses	-1,939	-1,940	-1,948	0.4%	0.4%
General admin. expenses (excl. regulatory funds)	-994	-892	-857	-13.8%	-4.0%
Resolution and similar funds	-1	-942	8	+/-	+/-
Depreciation, amortisation and impairment of operating assets	-589	-631	-653	10.9%	3.5%
<b>Total operating expenses</b>	<b>-3,524</b>	<b>-4,406</b>	<b>-3,449</b>	<b>-2.1%</b>	<b>-21.7%</b>
<b>Gross operating income</b>	<b>4,692</b>	<b>3,435</b>	<b>3,792</b>	<b>-19.2%</b>	<b>10.4%</b>
Cost of risk	178	-154	-1,576	+/-	>100%
<b>Net operating income</b>	<b>4,870</b>	<b>3,281</b>	<b>2,216</b>	<b>-54.5%</b>	<b>-32.5%</b>
Income from share of associated companies	80	78	65	-18.8%	-16.7%
Profit/(loss) attributable to exclusion of companies from consolidation	0	0	0	n.a.	n.a.
Impairment losses on goodwill	0	0	0	n.a.	n.a.
Net profits on other assets	14	15	-13	+/-	+/-
<b>Profit before income taxes</b>	<b>4,963</b>	<b>3,374</b>	<b>2,267</b>	<b>-54.3%</b>	<b>-32.8%</b>
Income taxes	-890	-646	-441	-50.5%	-31.7%
<b>Net profit</b>	<b>4,074</b>	<b>2,728</b>	<b>1,827</b>	<b>-55.2%</b>	<b>-33.0%</b>
Profit attributable to the Non-controlling owners	93	70	-28	+/-	+/-
<b>Profit attributable to the Group's equity holders</b>	<b>3,981</b>	<b>2,658</b>	<b>1,854</b>	<b>-53.4%</b>	<b>-30.3%</b>

# BALANCE SHEET

<b>Balance Sheet</b> (CZK million, unaudited)	<b>30 Jun 2019</b>	<b>31 Dec 2019</b>	<b>30 Jun 2020</b>	<b>YoY rel.</b>	<b>YoY abs.</b>	<b>Ytd rel.</b>	<b>Ytd abs.</b>
<b>Assets</b>	<b>1,185,993</b>	<b>1,077,334</b>	<b>1,246,614</b>	<b>5.1%</b>	<b>60,621</b>	<b>15.7%</b>	<b>169,280</b>
Cash and current balances with central bank	22,425	17,744	27,510	22.7%	5,085	55.0%	9,766
Loans and advances to banks	349,218	244,561	319,222	-8.6%	-29,996	30.5%	74,661
Loans and advances to customers (net)	641,514	647,258	671,698	4.7%	30,184	3.8%	24,440
Securities and trading derivatives	133,658	131,184	178,116	33.3%	44,458	35.8%	46,932
Other assets	39,178	36,587	50,068	27.8%	10,890	36.8%	13,481
<b>Liabilities and shareholders' equity</b>	<b>1,185,993</b>	<b>1,077,334</b>	<b>1,246,614</b>	<b>5.1%</b>	<b>60,621</b>	<b>15.7%</b>	<b>169,280</b>
Amounts due to banks	124,838	93,581	122,004	-2.3%	-2,834	30.4%	28,423
Amounts due to customers	892,997	821,506	933,635	4.6%	40,638	13.6%	112,129
Securities issued	5,183	3,621	2,583	-50.2%	-2,600	-28.7%	-1,038
Subordinated debt	2,550	2,546	2,680	5.1%	130	5.3%	134
Other liabilities	59,644	47,445	72,903	22.2%	13,259	53.7%	25,458
Total equity	100,781	108,635	112,810	11.9%	12,029	3.8%	4,175
o/w Minority equity	2,990	3,095	3,144	5.2%	154	1.6%	49

The item Other assets includes Right of used Tangible assets of CZK 3 billion as of 30 June 2020.

The item Other liabilities includes Lease liabilities of CZK 3 billion as of 30 June 2020

# CAPITAL & PROFITABILITY INDICATORS

	Reported			Adjusted for restructuring reserve and IFRIC 21 linearisation*	
	30/06/2019	31/12/2019	30/06/2020	30/06/2019	30/06/2020
(year-to-date, IFRS 9)					
Capital adequacy	19.0%	19.7%	21.9%		
Tier 1 ratio = Core Tier 1 ratio	18.4%	19.1%	21.3%		
Risk weighted assets for credit risk (CZK billion)	373.5	367.6	368.5		
Net interest margin, annualised	2.2%	2.4%	2.0%		
Loan (net) / deposit ratio (excl. repo with clients)	75.7%	79.0%	74.3%	75.7%	74.3%
Cost / income ratio	47.7%	45.8%	52.7%	45.1%	49.0%
Return on average equity (ROAE), annualised	14.6%	14.5%	8.2%	15.2%	9.1%
Return on average Tier 1 capital	17.6%	18.1%	9.9%	18.3%	10.9%
Return on average assets (ROAA), annualised	1.3%	1.4%	0.8%	1.3%	0.8%
Earnings per share (CZK), annualised	76	79	47	79	52
Average number of employees during the period	8,144	8,167	8,150		

\* **Adjusted for** linearised IFRIC 21 charges for regulatory funds and excluding restructuring provision for Acceleration of structural changes based on COVID19 experience partly offset by release of residual provision for "KB Change 2020" (CZK -94 mil. in OPEX, o/w CZK 1 mil. in personnel expenses and CZK -95 mil. in GAE, CZK 18 mil. in Income tax)

Net interest margin = Annualised Net interest income / Average interest earning assets

# LOAN REPAYMENT HOLIDAYS LENDING WITH STATE COVID GUARANTEE

CREDIT MORATORIUM  
LENDING WITH GUARANTEES

As of 22 July 2020

LOAN MORATORIA	Exposure	
	No. of clients	(CZK million)
Individuals	35,480	30,871
Mortgages	18,780	27,755
Consumer loans	16,700	3,116
Small businesses	6,118	5,774
Corporations	4,766	28,926
<b>Total</b>	<b>46,364</b>	<b>65,571</b>

As of 17 July 2020

GUARANTEED LENDING	Approved (CZK million)		Outstanding exposure (CZK million)
	No. of clients	million)	million)
Covid II	706	3,148	2,379
Covid Prague	52	323	186
Covid III	303	1,869	923
Covid EGAP	-	-	-
<b>Total</b>	<b>1,061</b>	<b>5,340</b>	<b>3,487</b>

# BUSINESS PERFORMANCE OF SUBSIDIARIES

## 1/2

OVERVIEW OF KB SUBSIDIARIES

	1H 2019	1H 2020	YoY
<b>Modrá pyramida</b> (100%), #2 building savings & loans company			
Volume of new loans (CZK million)	4,527	8,318	84%
Volume of total loans (gross, CZK million)	53,522	59,374	11%
Volume of deposits (CZK million)	61,632	60,322	-2%
Number of clients	488,611	483,072	-1%
Average number of FTEs	326	330	1%
Number of points of sale	200	200	0%
<b>KB Penzijní společnost</b> (100%), a manager of pension funds			
Number of new contracts	17,711	14,598	-18%
Number of clients	531,668	527,134	-1%
Assets under management (CZK million)	60,022	64,532	8%
of which in Transformed fund	53,611	56,080	5%
Average number of FTEs	48	47	-2%
<b>ESSOX</b> (50.93%), #2 non-bank consumer lender and car financing company			
Volume of total loans (gross, CZK million)	17,496	16,258	-7%
Number of active clients	207,863	158,559	-24%
Average number of FTEs	391	390	0%

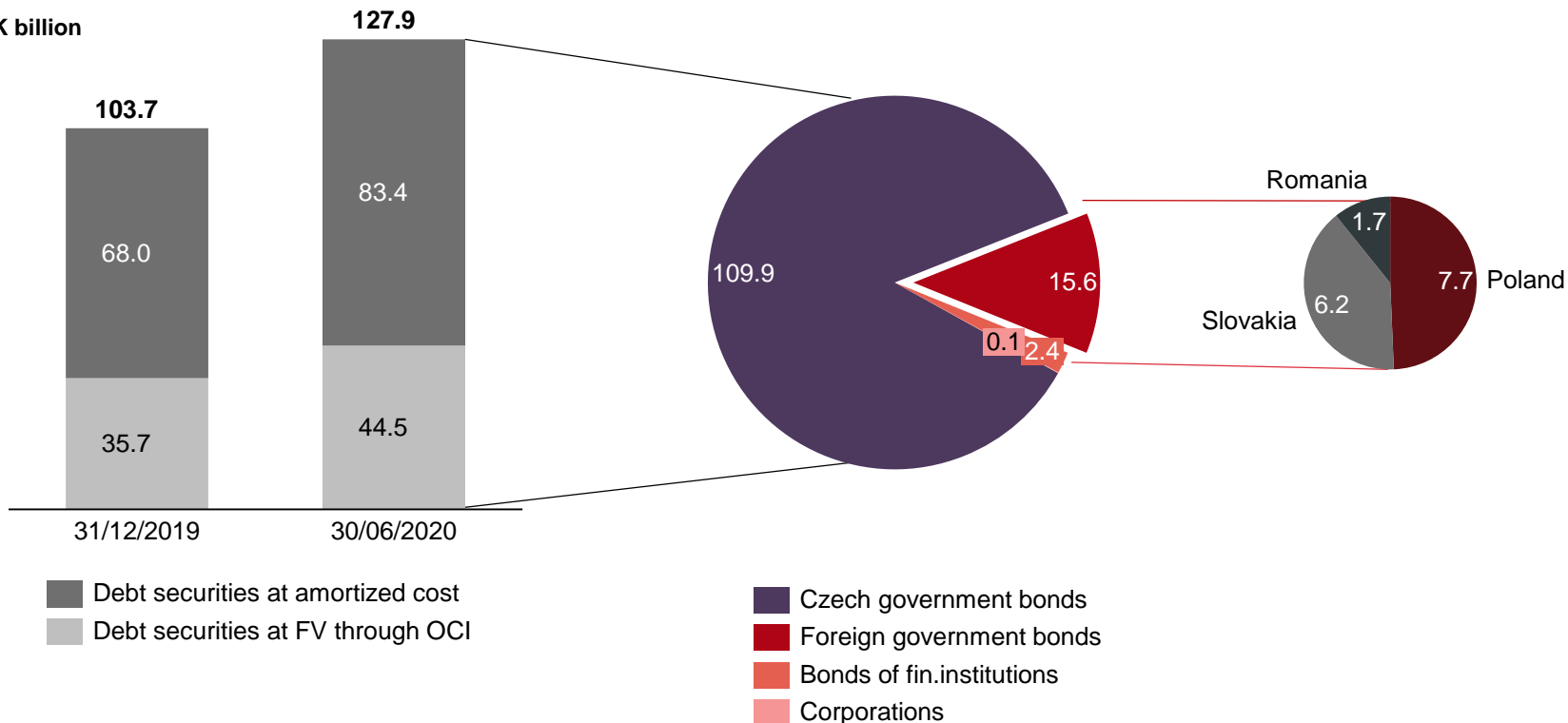
# BUSINESS PERFORMANCE OF SUBSIDIARIES

## 2/2

	1H 2019	1H 2020	YoY
<b>Factoring KB</b> (100%), #1 on the Czech factoring market			
Factoring turnover (CZK million)	25,913	23,436	-10%
Volume of total financing (gross, CZK million)	8,820	7,011	-21%
Average number of FTEs	44	42	-4%
<b>Komerční pojišťovna</b> (49%), a universal insurance company			
Volume of technical reserves - Saving (CZK million)	47,704	49,400	4%
Gross written premium (CZK million)	4,883	4,765	-2%
of which in life insurance	4,559	4,413	-3%
of which in non-life insurance	324	352	9%
Average number of FTEs	220	232	6%
<b>SGEF Czech Republic</b> (50.1%), a provider of asset-backed financing in Czech Rep. and Slovakia			
Volume of new financing (CZK million)	6,680	5,744	-14%
Volume of total financing (gross, CZK million)	28,410	30,204	6%
Average number of FTEs	138	142	3%

# DEBT SECURITIES PORTFOLIO IN THE BANKING BOOK

CZK billion



Note: Debt securities excl. debt securities issued by KB corporate clients.



# MACROECONOMIC ENVIRONMENT – CZECHIA

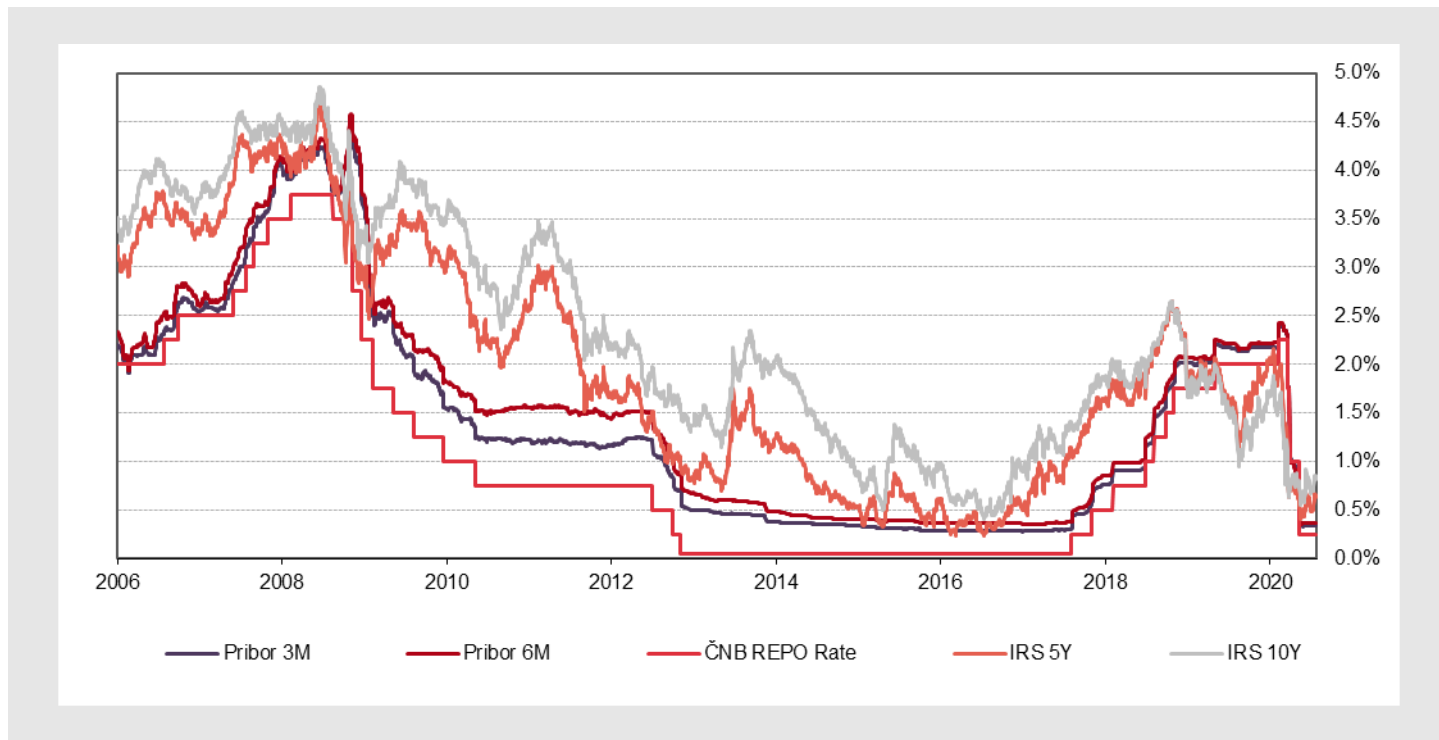
Macroeconomic Indicators	2016	2017	2018	2019	2020*	2021*
Real GDP (% , average)	2.4	4.5	2.8	2.5	-5.0	6.0
Inflation (% , average)	0.7	2.5	2.1	2.8	3.0	1.7
Household consumption (% , average)	3.7	4.0	3.3	2.9	-3.5	2.5
Unemployment (% , av. , ILO meth.)	4.0	2.9	2.2	2.0	2.9	2.4
M2 (% , average)	8.6	9.5	5.3	6.9	9.7	15.9
3M PRIBOR (% , average)	0.3	0.4	1.3	2.1	0.7	0.5
<b>Potential of the market **</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020*</b>	<b>2021*</b>
Loans / GDP (year-end)	61.9	60.9	61.4	60.4	64.6	62.3
Deposits / GDP (year-end)	80.9	84.9	86.4	87.7	97.8	95.5
Real estate loans / GDP (year-end)	22.0	22.4	23.0	23.1	24.8	24.1
Household loans / GDP (year-end)	26.5	26.9	27.5	27.6	29.4	28.6
Corporate loans / GDP (year-end)	20.6	20.1	20.1	19.7	21.1	20.2

\* KB estimate

\*\* Banking sector

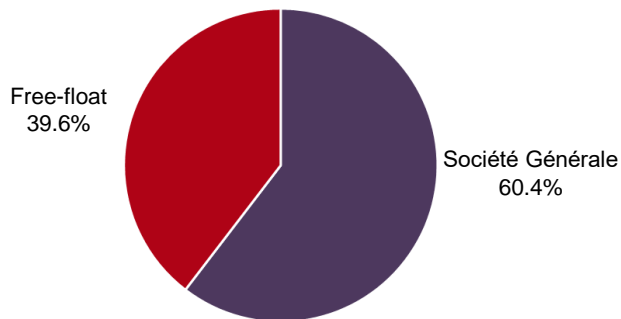
# INTEREST RATES EVOLUTION

For the period 1 Jan 2006 – 24 July 2020

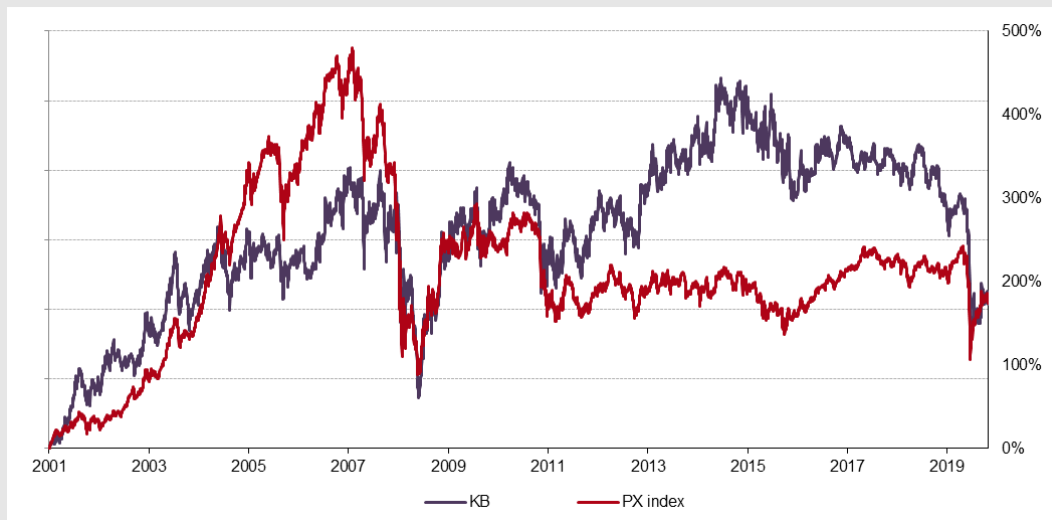


# KB #1 LISTED CZECH BANK

## Shareholder structure



## Development of KB share price and PX index (1 January 2001 – 24 July 2020)



- The number of shareholders comprised 56,187 corporate entities and private individuals.
- Of the Bank's total share capital of CZK 19,004,926,000 divided into 190,049,260 shares with a nominal value of CZK 100 each, Société Générale S.A. held 60.35%.
- KB held 1,193,360 own shares in treasury, representing 0.63% stake on registered capital

# INVESTOR RELATIONS

---



## Komerční banka, a.s.

Na Příkopě 33, 114 07 Prague 1

Email: [investor\\_relations@kb.cz](mailto:investor_relations@kb.cz)

Tel.: +420 955 532 156, +420 955 532 155, +420 955 532 734

Internet: [www.kb.cz/investors](http://www.kb.cz/investors)

Twitter: @KB\_investors

Reuters: BKOM.PR

Bloomberg: KOMB CP

