

PRAGUE, 5 NOVEMBER 2020

KB GROUP RESULTS AS OF 30 SEPT 2020 AND STRATEGIC UPDATE UNTIL 2025

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 September 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

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HIGHLIGHTS OF THIRD QUARTER 2020

Robust capital base and ample liquidity

- With total capital adequacy at 21.6% and a Core Tier 1 ratio at 20.9% , Komerční banka maintains a robust capital base.
- Ample liquidity is based upon customer deposits, ratio of net loans to client deposits at 73.2%.

KB Change 2025 strategy prepared

- KB has announced its strategic directions for the time horizon to 2025.
- The Bank aims to be a leader in the new era of digital banking for 2 million active clients.
- The strategy builds upon the pillars of helpfulness, growth, and responsibility.

Growing business volumes

- The total volume of the Group's lending to customers expanded by 5.9% year on year to CZK 692.3 billion.
- The clients entrusted KB Group with CZK 930.4 billion in deposits, up by 8.2% from a year ago. Non-deposit assets under management, at CZK 187.1 billion, were higher by 4.0% year on year.

Resilient financial performance in the context of economic shock from the pandemic

- The Group reported a 8.6% decline in revenues and 1.9% increase in operating expenditures, affected by higher regulatory charges and restructuring reserve.
- Cost of risk reached CZK 3.4 billion, reflecting the first impacts of the Covid-19 crisis.
- Net attributable profit decreased by 45.0% to CZK 6.1 billion.

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SOLID ECONOMIC PERFORMANCE AMID THE PANDEMICS

- GDP in 3Q 2020 -5.8% YoY, +6.2% QoQ. GDP in 2020 expected to drop by 7.6% due to jointly all components, of which mainly net export.
- Czech car production for 9M lost around 25% YoY, mitigating the spring losses in production during summer and early autumn benefiting from market position on European market.
- Unemployment contained its increase to 2.8% in September¹ shielded by government's short-time work scheme. Nominal wages +0.5% YoY in 2Q20 (-2.5% YoY real).
- CPI inflation decelerated to 3.2% YoY in September, slowly heading back to 1-3% inflation tolerance band of the CNB.
- After a period of appreciation, CZK in September depreciated against EUR back above CZK/EUR 27.00, weaker by +5.4% YoY, +7.1% Ytd as of 30 September 2020.
- Short-term interbank rates remain anchored to levels attained after last cut in May: 3M PRIBOR 0.34% (-183 bps Ytd) while 10Y IRS at 0.8% (-92 bps Ytd) as of 30 September 2020.

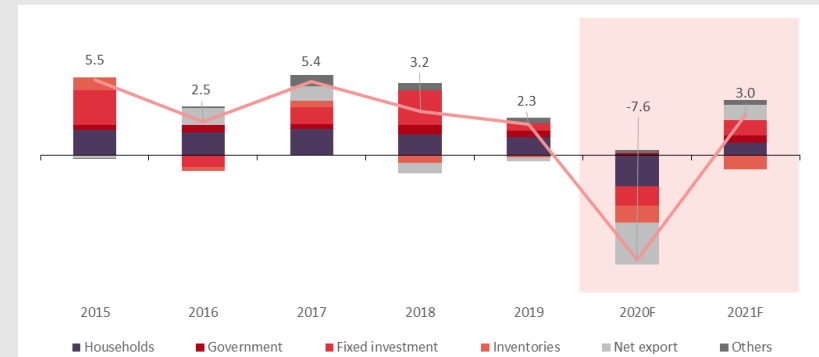
Notes: Source of indicators Czech Statistical Office, CNB, unless stated otherwise

1) According to Eurostat, seasonally adjusted

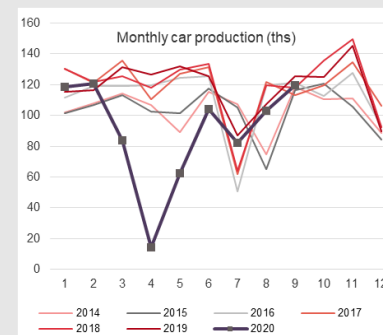
2) Source: KB Economic Research estimate

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

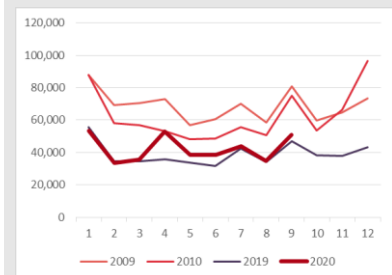
Czech GDP growth (% , yoy)³



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

EXTENDED SUPPORT MEASURES

Bank guaranteed lending and loan moratoria

Covid programs

- As of 23 October, Czech banks approved CZK 36.2 billion in loans guaranteed in the Covid programmes, of which Covid III CZK 14.3 billion, Covid II CZK 13.9 billion, Covid Praha CZK 1.4 billion and Covid EGAP CZK 6.6 billion.

Loan moratoria

- As of 23 October, the Czech banking sector provided loan moratoria amounting to CZK 195 billion for non-financial corporates and CZK 253 billion in for retail segment, totalling to CZK 449 billion, ~12% of the banking sector loan book.

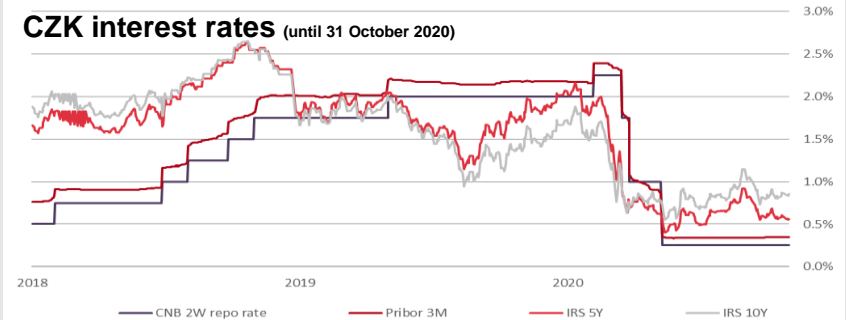
EU Recovery plan Next Generation EU

- 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.
- Government intends to allocate 37% of the funds to climate transition and 20% to digital transition, subject to EC validation.
- The proposed investments in the **National recovery plan** comprise: Digital transformation (estimated allocation EUR 1 billion), Infrastructure and green transition (EUR 4.4 billion), Education and labour market (EUR 0.7 billion), Institutions, regulation and small business support in reaction to Covid outbreak (EUR 1.2 billion), Research, development and innovations (EUR 0.5 billion), Health and population resilience (EUR 0.6 billion).
- The **National development fund** (co-invested by Czech banks) expected to obtain AM licence by 2020. First projects expected in 2021



CNB lowered policy rates in March

CZK interest rates (until 31 October 2020)



Czech government's measures

Government budget deficit

- Budget deficit for 2020 was approved at the level of CZK 500 billion (10% of GDP) in July. Governmental proposal to Parliament of 2021 budget suggests CZK 320 billion budget deficit (~5.8% GDP).

Additional government support programs

- Guarantee program Covid III will be extended until mid-2021, proposed to be extended to include investment loans
- Support measures comprise again subsidies to wages, care-taker benefits, subsidies to small businesses, compensation bonuses for self-employed,
- Simpler rules for granting social benefits,
- Newly introduced support programs for promoters of cultural and sports events, cultural institutions & performers and sports club & athletes
- Cancelled advances for VAT, income tax and road tax until end of 2020.

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FOSTERING DIGITAL ECOSYSTEM

ENRICHING KB'S FINTECH WORLD

KB Smart Solutions partnerships



Acquisition of a stake in online factoring services and investment platform (signed, pending approvals)

Acquisition of a stake in lending platform for eCommerce powered by AI & big data technologies

KB Group partnerships



KB and ESSOX teamed up with a German fintech on upgrading soft collection process while improving client satisfaction levels

ESSOX partnership

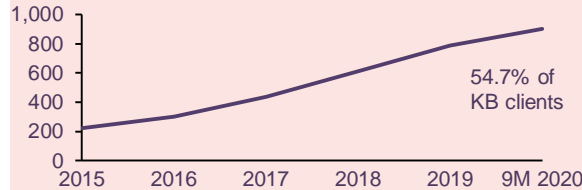


Mobile application helping with administration of car ownership

CLIENTS SWITCH TO DIGITAL ACCESS

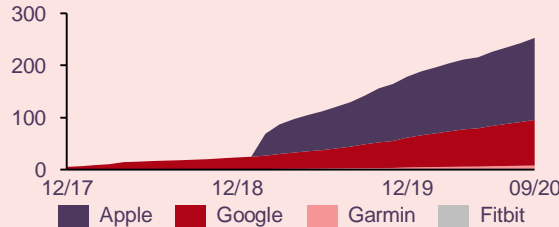
Steady growth in mobile banking penetration

Number of clients with mobile banking 904,000 (+160,000 YoY, +35,000 QoQ)



Digital wallet use still dominated by Apple Pay

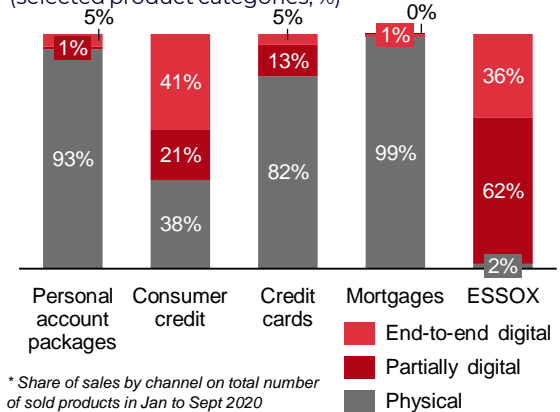
Number of tokenized payment cards 252,000 (+111,000 YoY, +27,000 QoQ)



CONSUMER LOANS AS FLAGSHIP OF DIGITAL SALES

Share of sales by channel*

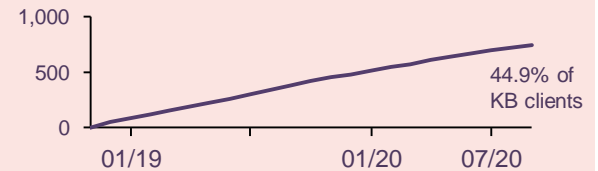
(selected product categories, %)



* Share of sales by channel on total number of sold products in Jan to Sept 2020

Authentication by KB Key embraced by clients*

740,400 (+359,200 YoY, +70,200 QoQ)



* number of clients with active authentication via app, thousands



MOVING AHEAD RESPONSIBLY

NEW DIGITAL SOLUTIONS

The joint-venture **Bankovní identita, a.s.** will provide electronic identification and signature services to public institutions as well as to private companies

MujPodpis is a universal tool for **signing digital documents** even for KB non-clients based on **KB Key**

Pensions schemes can be newly concluded and signed **in mobile banking**

ESSOX Rent! brings important savings to clients on long-term car rentals with a partner company Creditmall.cz

Emma (Essox Money Management Assistant) voice assistant helps clients with paying instalments, as a step in comprehensive digitization of lending process

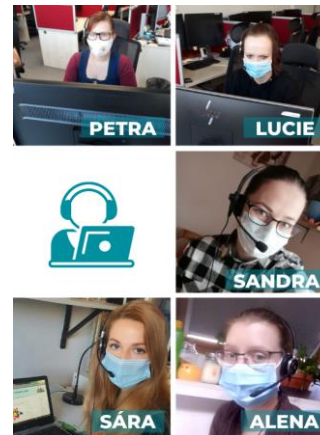


AWARDS RECEIVED IN Q3

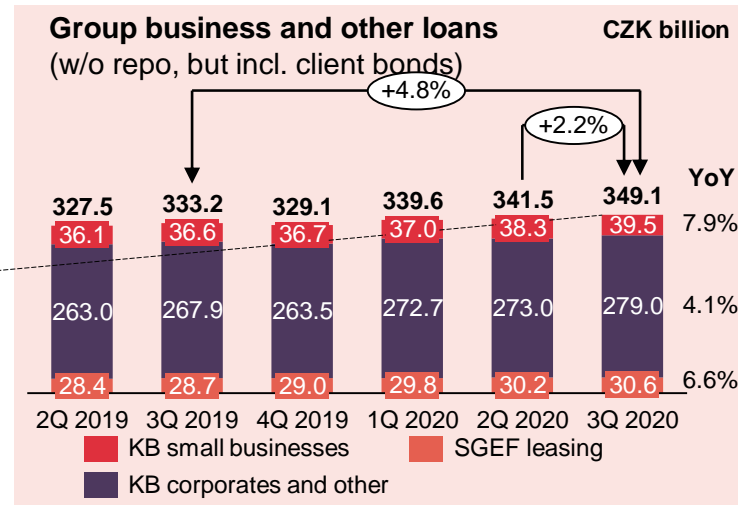
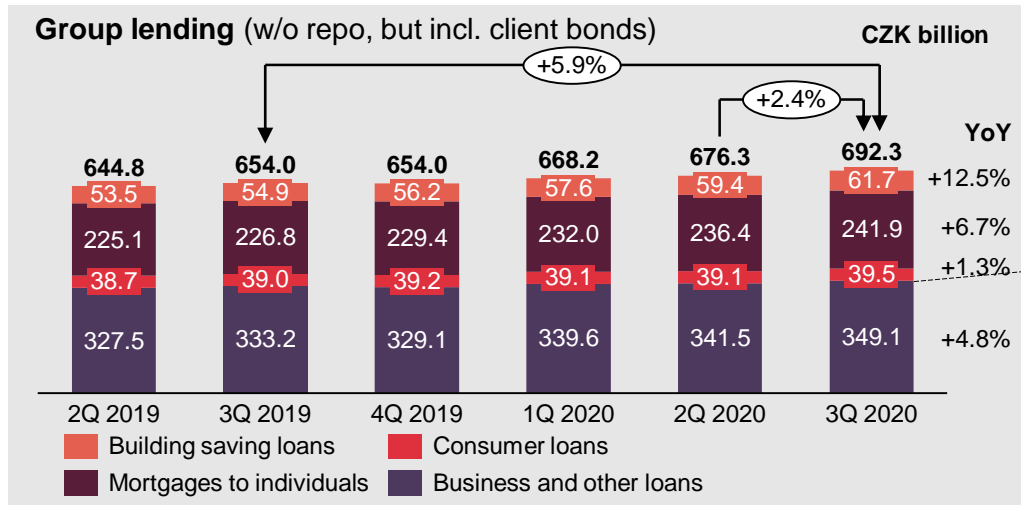
- **The Safest Bank in CEE for 2020** and **The Safest Bank in the Czech Republic for 2020** by Global Finance
- **The Best Private Bank for Digital Customer Service in CEE** by Professional Wealth Management for the third time in a row

KB GROUP EMPLOYEES TRACING THE PANDEMY

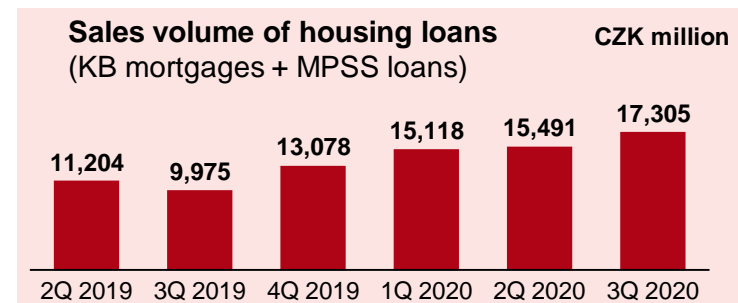
KB & ESSOX support public health authorities by providing part of call center capacities to track epidemiological contacts of positively tested people.



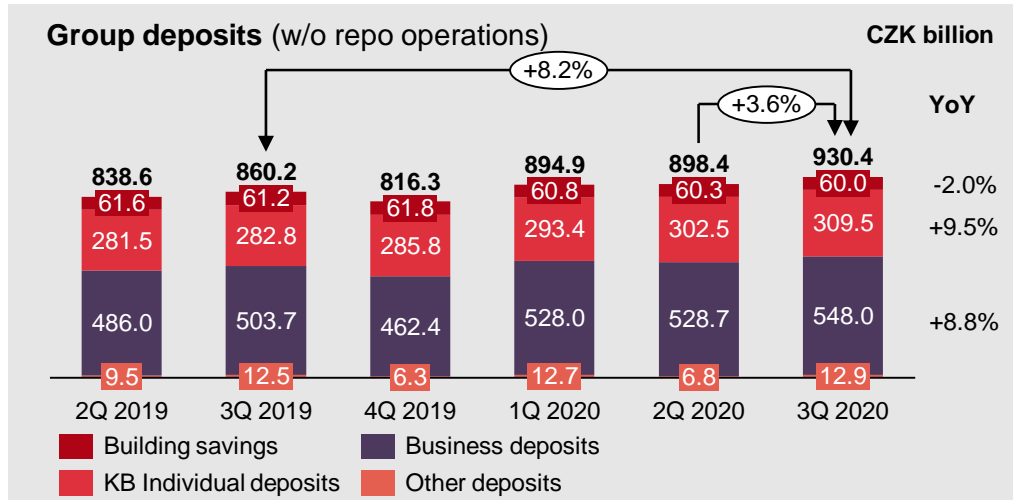
GROSS LENDING EXCLUDING REPO UP 5.9% YOY



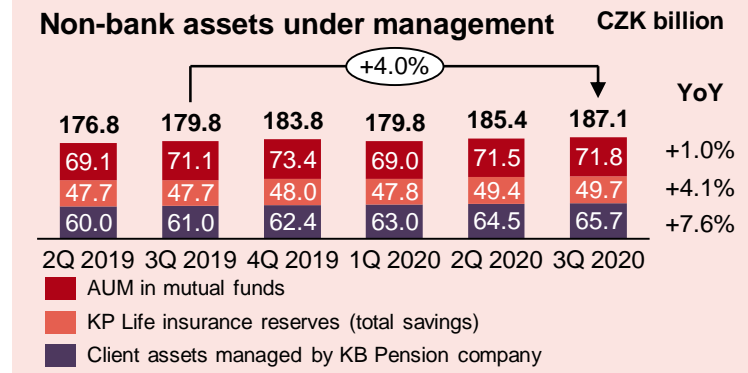
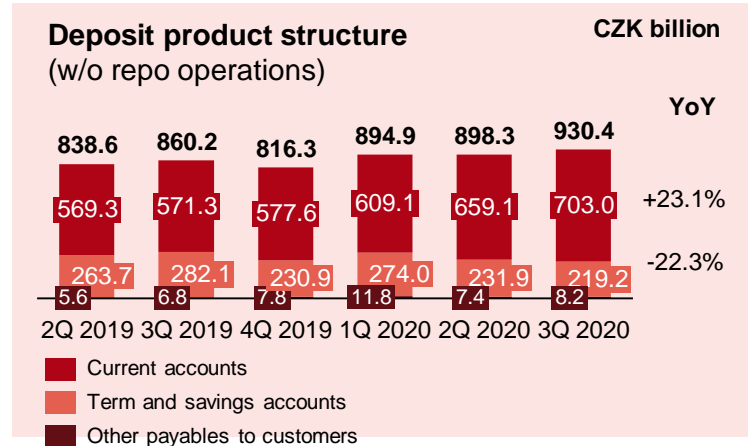
- Gross amounts due from clients (including repo operations and debt securities issued by KB's corporate clients) +5.8% YoY, +2.2% QoQ to CZK 695.3 billion
- Net loans to deposits ratio at 73.2%. Liquidity coverage ratio 230%
- Continuing strong demand for mortgages. Consumer loan sales lower YoY but some improvement observed in Q3 compared to Q2
- Contribution from 5.4% YoY depreciation of CZK v. EUR (to CZK value of EUR denominated loans to businesses) represents 0.9% of total lending.



CLIENT DEPOSITS ROSE BY 8.2% YOY



- Total amounts due to clients (including repo operations with clients) +7.4% YoY, +3.5% QoQ to CZK 966.1 billion
- Contribution from 5.4% year on year depreciation of CZK v. EUR (to increased CZK value of EUR deposits) represents 0.6% of total deposits
- Sales of mutual funds lower YoY since March, with partial recovery in Q3
- Lower building savings linked to decreasing average remuneration



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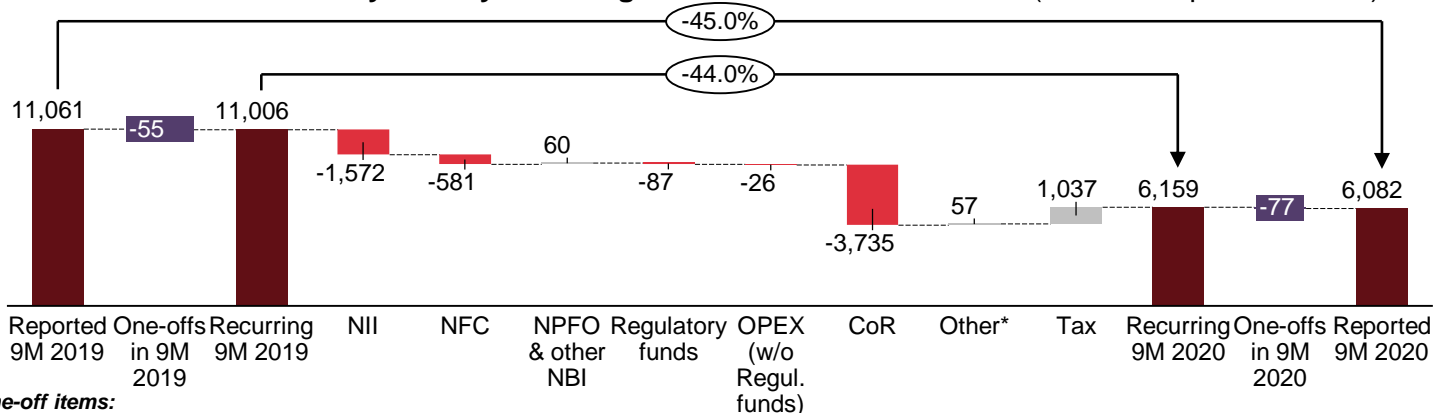
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HEALTHY RESULT DESPITE MAJOR PANDEMIC HIT

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



One-off items:

- 9M 2019: Settlement of the sale price for Komerční pojišťovna sold in 2006 (CZK 55 million in Profit attributable to exclusion of companies from consolidation)
- 9M 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 9M 2020 (annualised)

Return on average equity	Return on average Tier 1 capital	Return on average assets
7.5%	9.1%	0.7%
7.7%**	9.4%**	0.7%**

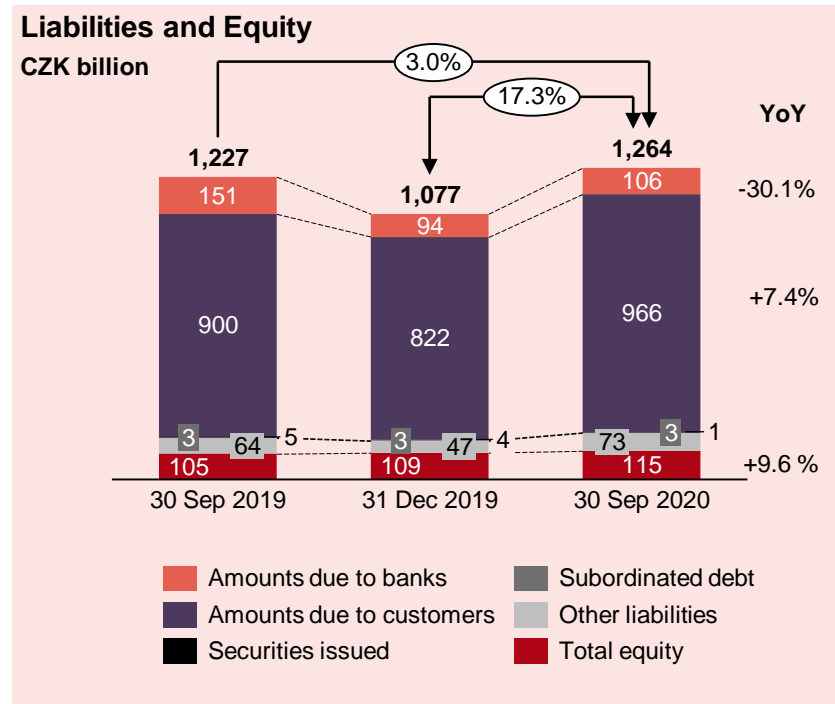
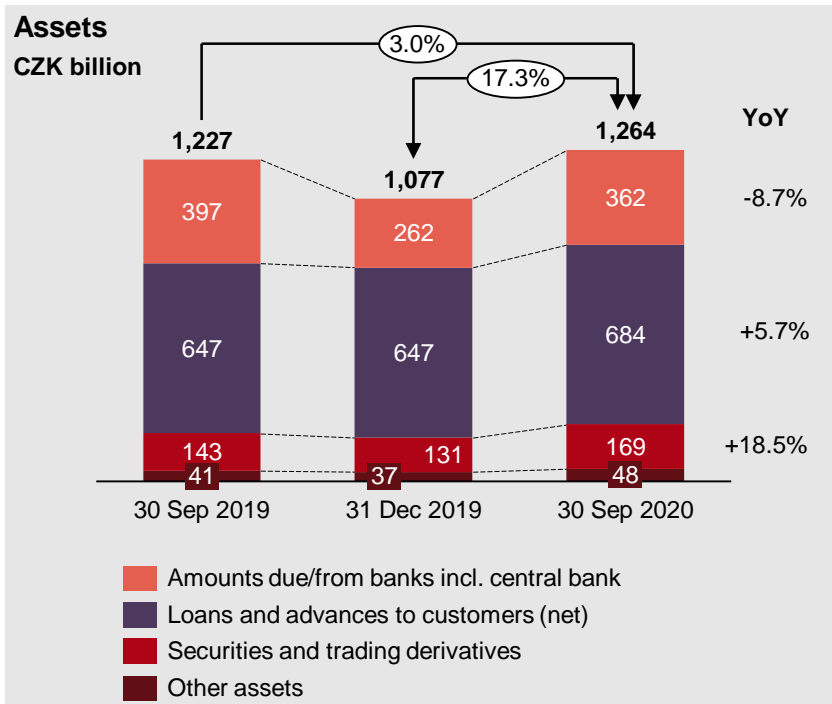
*Other includes: Income from share of associated companies, Profit/(loss) attributable to exclusion of companies from consolidation, Net profits on other assets and Profit attributable to the Non-controlling owners

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



GROWING DEPOSITS AND EQUITY REINVESTED IN LOANS AND SECURITIES

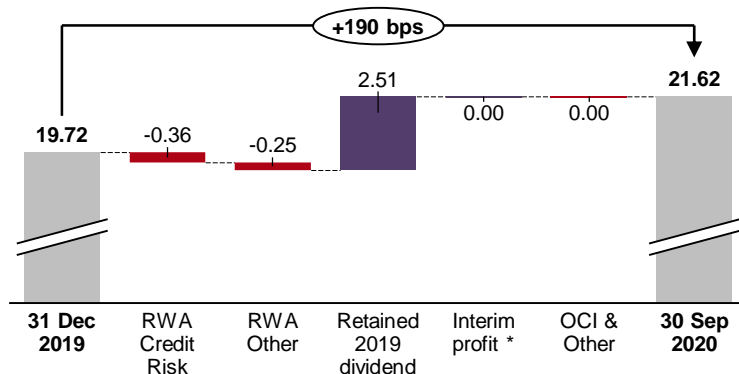
STATEMENT OF FINANCIAL POSITION



CAPITAL ABOVE TARGET LEVEL LOCKED BY DIVIDEND RESTRICTIONS

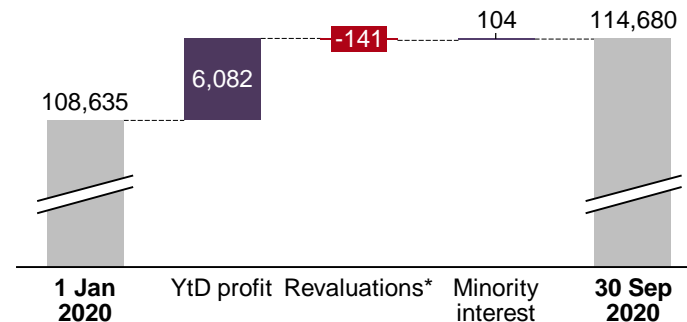
CAPITAL, RWA

Contributions to capital adequacy ratio in 2020 (%)



* In nine months of 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

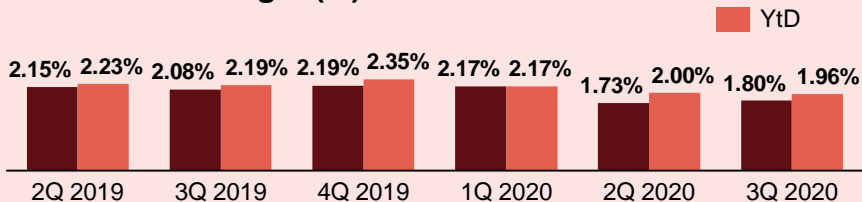
Regulatory capital indicators

	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	21.6%	20.9%	98.0	94.7	453.2	375.2	35.9%
31 Dec 2019	19.7%	19.1%	86.6	84.1	439.2	367.6	40.8%
30 Sep 2019	19.4%	18.9%	87.1	84.5	448.1	371.6	36.5%



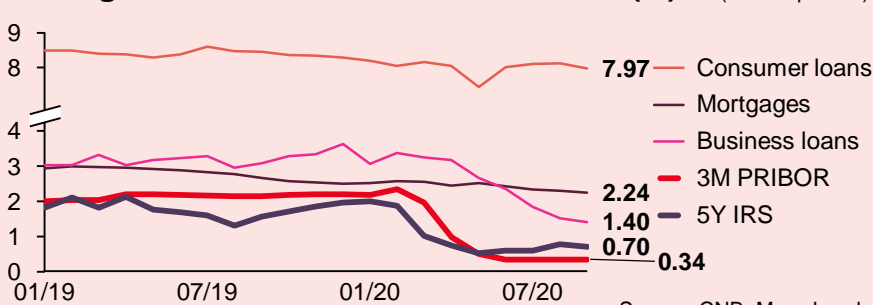
INTEREST INCOME AFFECTED BY FALL IN RATES

Net interest margin (%)

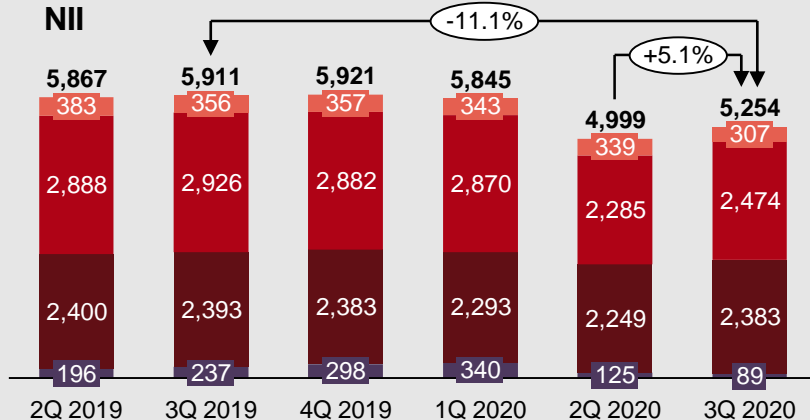


- NII from loans – lending spreads recovering moderately. 9M result impacted by NPV from instalments under moratoria (CZK 181 million)
- NII from deposits – due to fall in interest rates. Non-linear impact of significant drop in interest rates in Q2

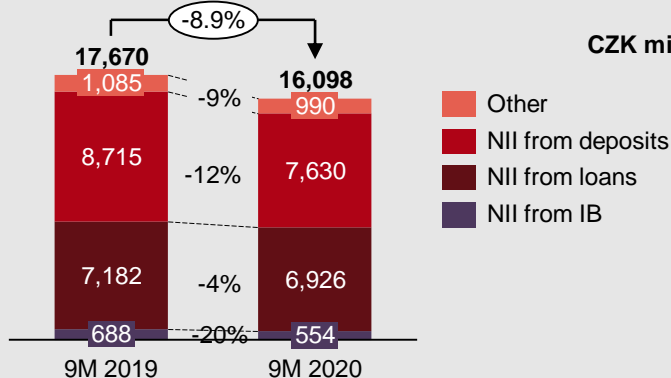
Average market rates on new CZK loans (%) (until Sep 2020)



NII



CZK million

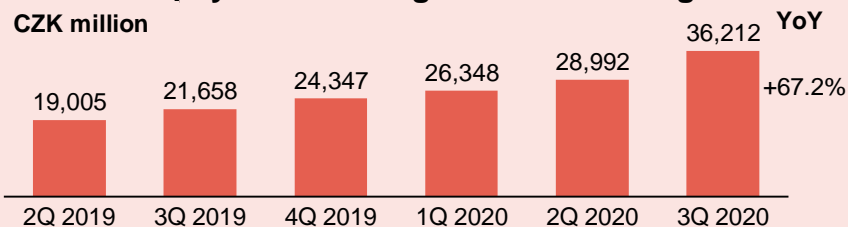


FEES ABSORBING DROP IN ACTIVITY AND REGULATION OF SEPA PAYMENTS

- **Transaction fees** – significant drop in cash and at-branch transactions, mildly growing number of non-cash transactions, continuing solid growth in card transactions. The year 2020 takes the hit from regulation of fees for payments within SEPA

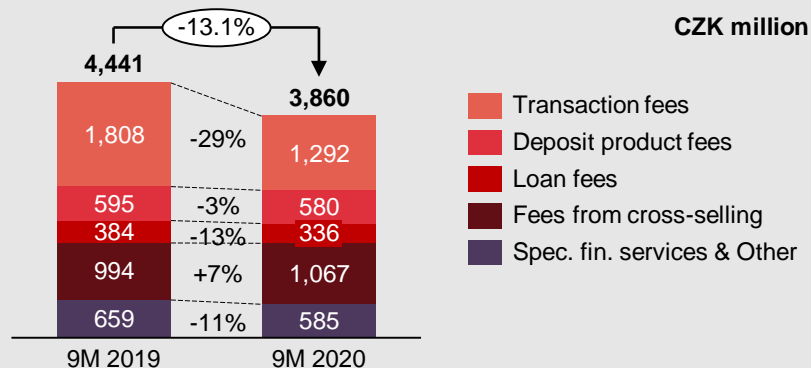
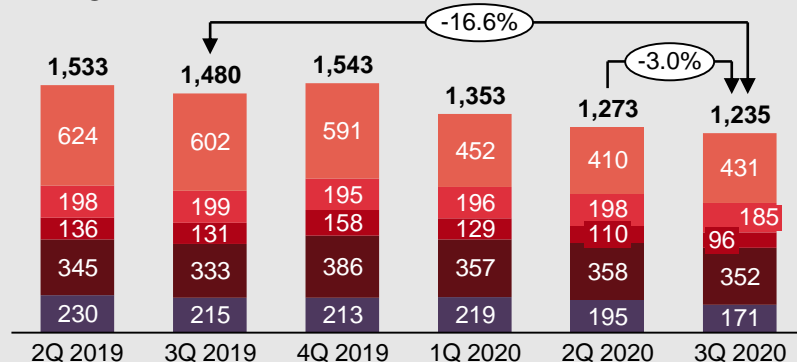
Volume of payments through mobile banking

CZK million



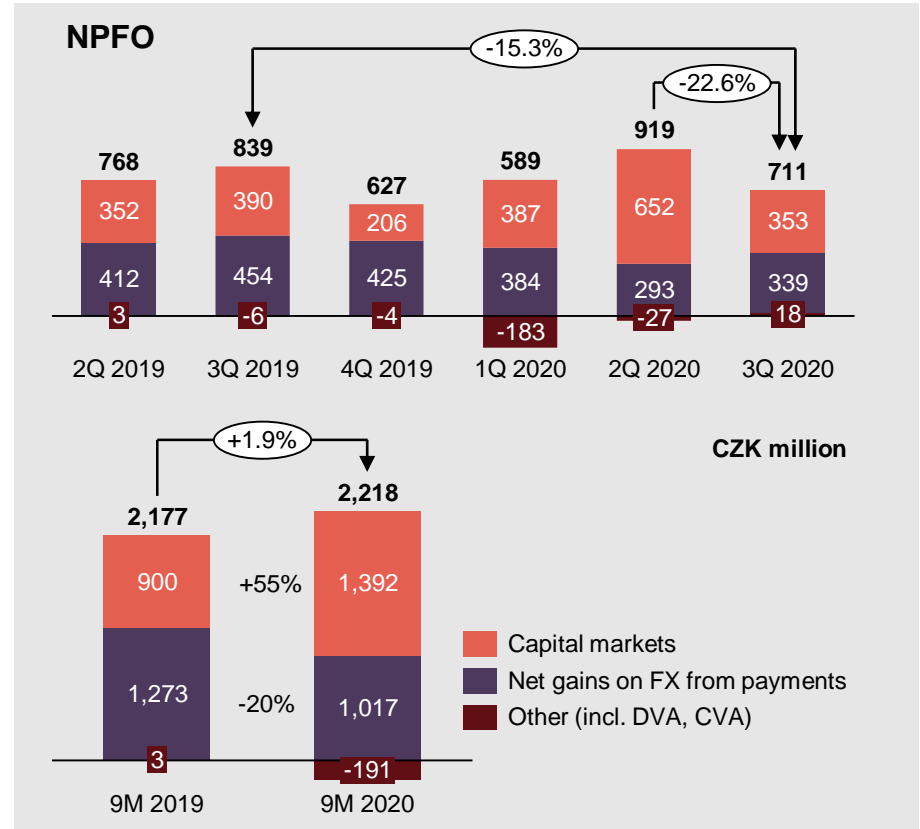
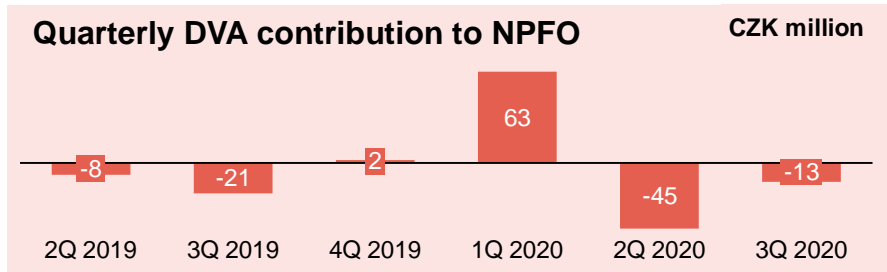
- **Deposit product fees** – reflecting downpricing of small business packages
- **Loan fees** – lower fees from consumer and small business lending, higher commissions paid for mortgages
- **Fees from cross-selling** – solid growth in income from mutual funds and life insurance, but sales lower YoY since Q2
- **Specialised financial services and other fees** – affected by lower syndication activity and depository fees. Growing income from guarantees, private banking services

NFC



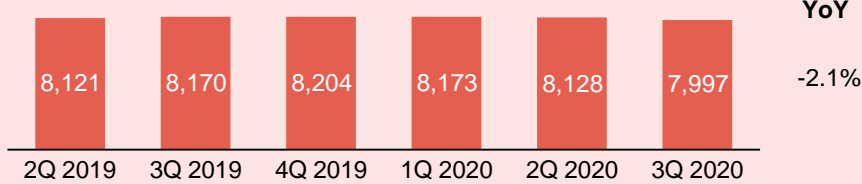
LOWER ACTIVITY OFFSET BY ELEVATED MARKET VOLATILITY

- Clients' demand for hedging of financial risks supported by volatility of interest and FX rates, partly offset by lower underlying activity
- Generally seasonally weaker activity in Q3
- Gradual normalisation of CVA/DVA valuation adjustments from the peak in March
- Lower gains on FX from payments due to decrease in foreign transaction volumes, less inbound and outbound travelling



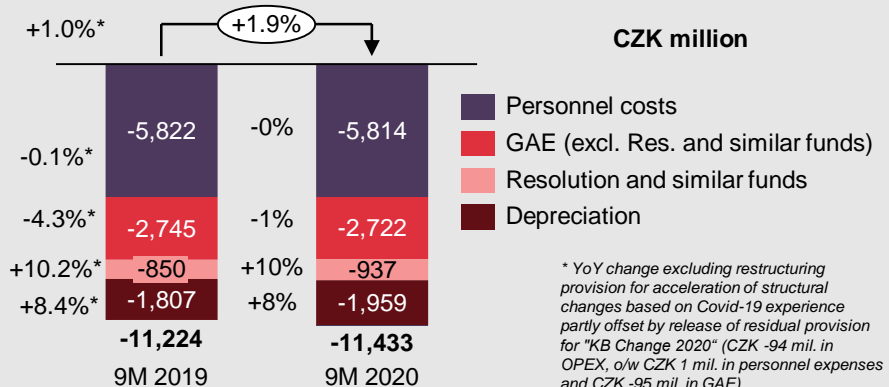
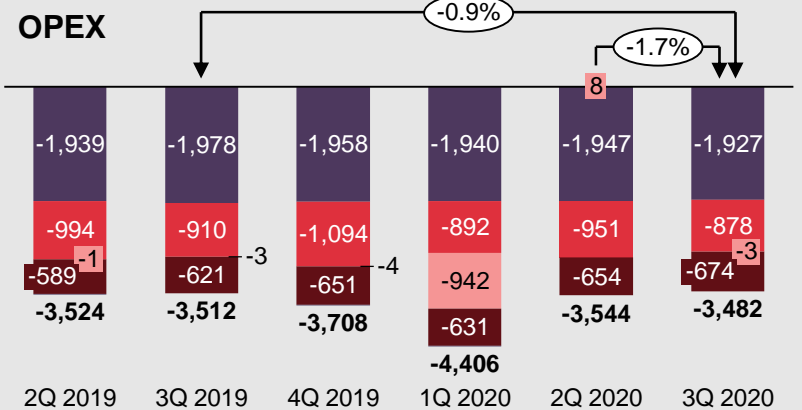
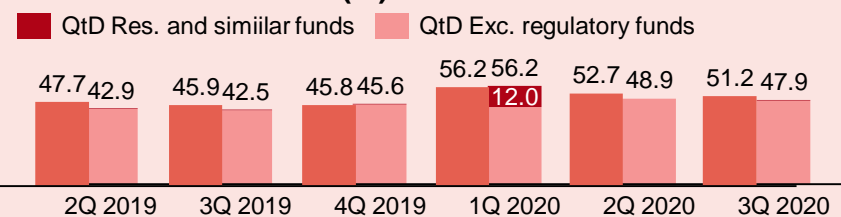
OPERATING COSTS FLAT

Average number of employees (quarterly)



- Personnel costs – lower accrual for variable remuneration offset by YoY higher base salaries
- Administrative costs – lower marketing, travel, events, partly offset by higher IT, telco, and protective equipment. 2Q20 included provision of CZK 95 million for accelerated transformation
- D&A driven by new and upgraded software and IT equipment

Cost to Income ratio (%)



* 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)

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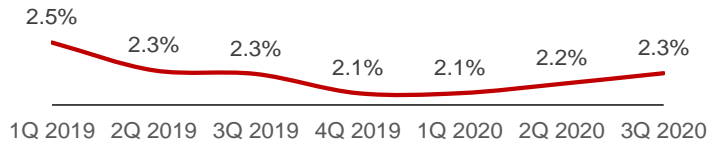
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3Q 2020 ASSET QUALITY

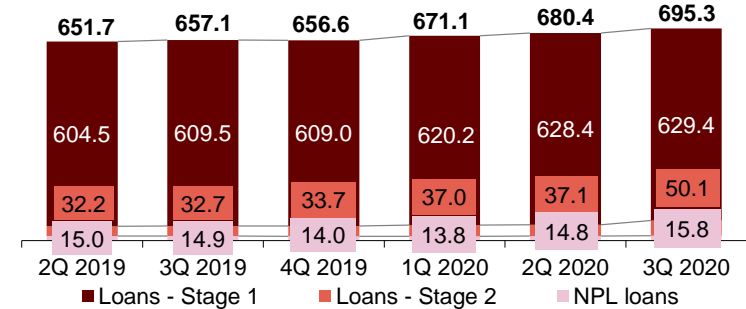
- Loan exposure up 5.8 % YoY, 2.2% QoQ
- Material (35%) QoQ increase in stage 2 exposures
 - In-depth assessment of loan moratorium portfolios
 - Few large corporate clients downgrades to stage 2
- Moderate increase in NPL exposures
- Stable NPL provision coverage ratio at 52%

Share of NPL exposure



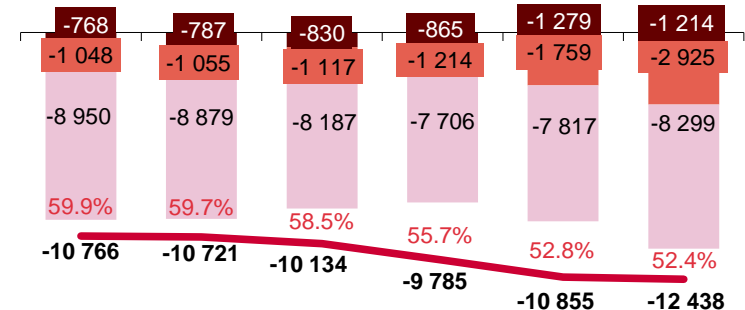
Gross lending

CZK billion



Provision coverage

CZK million



ZOOM ON PORTFOLIOS UNDER MORATORIUM

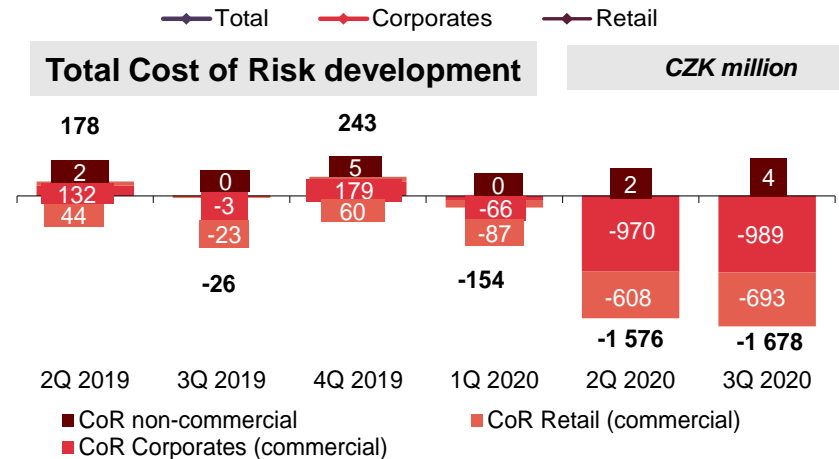
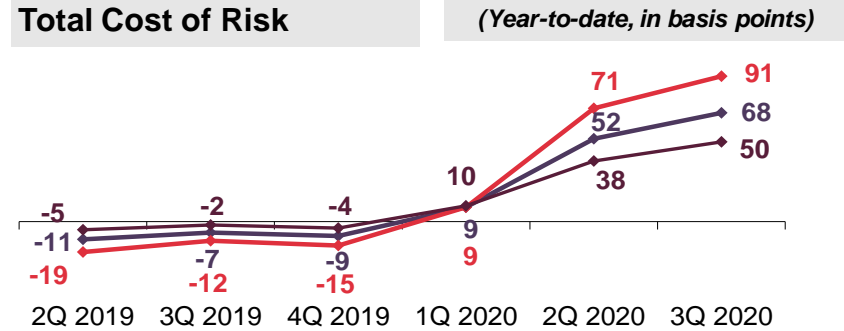
CZK billion	Loan moratorium exposure	"Summer exits" exposure	<i>o.w. Exposure past due</i>	<i>o.w. Exposure past due (%)</i>
Corporates	24.7	6.6	0.5	7.6%
Mortgages	26.6	5.8	0.1	2.0%
Consumer Lending	3.0	0.7	0.1	7.7%
Small Business	4.1	1.9	0.0	0.9%
KB Group Total	58.5	15.0	0.7	4.6%

Note: end of September 2020 data

- Loan moratorium exposures at CZK 58.5 billion (8.4% of total exposure) as of September 2020
- High level of clients interaction undertaken since June 2020, targetting in priority loan moratorium programs
 - CZK 15 billion already transferred to repayment mode ("Summer exits")
 - CZK 9.2 billion in public loan moratorium programs extensions (in full compliance with EBA guidelines)
- Low level of payment incidents rate for "Summer exits" exposure (concentrated on leasing business line)
- Upgraded risk set-up to manage the October 2020 termination date of all loan moratorium programs

ZOOM ON 3Q 2020 COST OF RISK

- 3Q 2020 CoR net creation at CZK 1.7 Bn
- 3 main risk drivers
 - In-depth assessment of SME and retail loan moratorium portfolios for CZK 872 million
 - Assessment of large corporate loan portfolios (downgrades to stage 2) for CZK 314 million
 - Default migrations and default re-provisioning for CZK 372 million



3Q 2020 YTD COST OF RISK STRUCTURE

Key components	Timing	Contribution to Q3 YtD CoR	Contribution to FY CoR guidance
3Q macroeconomic scenario for IFRS 9 prov. models	2Q	26 bps	19 bps
Review of retail & SME loan moratorium portfolios <ul style="list-style-type: none"> • Zoom on CZK 15.4 billion (26% of moratorium exposure) • CZK 7.9 billion transferred to stage 2 	3Q	17 bps	13 bps
Review of non defaulted large corporate loan portfolios <ul style="list-style-type: none"> • Exhaustive and individual review • Resilient risk profile • Limited impact (downgrade to stage 2) 	3Q	6 bps	5 bps
Default migrations <ul style="list-style-type: none"> • Limited number of large corporate clients downgrades • SME clients in sensitive industries • Small business clients in sensitive industries 	1Q-3Q	19 bps	14 bps
TOTAL		68 bps	51 bps

2020-2021 COST OF RISK OUTLOOK

- **3Q 2020 IFRS 9 macroeconomic scenario**
 - IFRS 9 macroeconomic forecast defined as the weighted average of “rebound”, “base line” and “stressed” scenarios
 - GDP and unemployment rates as key inputs into IFRS 9 macroeconomic scenario
 - Reflecting impacts from government support programs on default rate levels
 - Set at prudent levels (as per Regulators’ recommendations)
 - Next scenario update planned for 4Q-20

- **2020 CoR guidance expected to be contained under 80 bps**
 - 9M 2020 YTD contribution at 51 bps
 - 4Q 2020 CoR contribution up to cca. 30 bps (default migrations from moratorium exposure, other default migrations, re-provisioning of existing defaults)

- **High uncertainty level**
 - 2nd lockdown implemented in October 2020
 - Delayed transmission of crisis effects into the bank’s credit risk profile (reflecting government support programs)
 - Unpredictable outcome from the current mix of government support programs with the contraction of world economies

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BASELINE OUTLOOK FOR 2020 AS OF OCTOBER

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 7.6% in 2020, with foreign trade, investments and household consumption all down
- Average inflation expected to rise to 3.2% due to faster core inflation and higher import prices
- Monetary policy rates expected stable (at least through the end of 2021)

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 high-single digits, both in retail & corporate, except for slight decrease at MPSS
- Accelerated transformation steps for 2020 executed, to be followed by KB Change 2025 strategy

KB financial outlook

- High-single digit drop in revenues comprising high-single digit drop in interest income due to rates development. Fee income to be down by low teen figures due to slow 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 under 80 bps

Potential risks to the outlook

- Worsening pandemic situation locally and globally, recurring shutdowns of important parts of the economy, disruption of international trade, major drop of export markets, further drop in CZK interest rates

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STRENGTH OF KB SUPPORTED BY SUCCESSFUL DELIVERY OF KB CHANGE 2020 PLAN

FULLY DELIVERED OPERATIONAL TARGETS OF KB CHANGE 2020 PLAN

Implementation of Agile@KB

44% of HQ staff working in agile method in teams dedicated to specific client and operational needs

Client satisfaction

Visible improvement in client satisfaction in 2018-2019 driven by quality of points-of-contact, including digital banking, relationship managers, and new services.

Strong employee engagement

Index up to 78 in 2019 from 72 in 2017

On track to exceeding financial targets up until hit from the pandemic

Hit to revenues from lockdown measures and increased cost of risk will not allow to meet financial targets set for 2020 in 2018 announcement of KB Change 2020

ACCELERATED TRANSFORMATION IN COVID-19 CONTEXT

Digitization acceleration, incl. acquisition

Five digital acquisition products for individuals and small businesses in 2020. Majority of documents processed in digital by 2021

Branch network streamlined faster than originally planned

Faster shift to digital; Cash services via smart ATMs

Risk strategy implementation

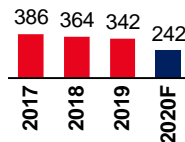
Modern retail soft collection set-up; new risk enablers in the E2E digitization of lending process; data science and AI ingredients in loan origination, monitoring & collection

Smart office

Flexible work from office/home, allowing better employee satisfaction and 35% HQ workspace reduction by 2021

Adjustment of operating setup

Adaptation to the new service model, HQ staff optimization, MO/BO capacity & processes, reinforced advisory & on-line sales capacity, buildings policy, partnership with Fintechs



STRONG PERFORMANCE, MARKET & FINANCIAL POSITION

Excess capital, strong liquidity

Core Tier 1 ratio at 20.9% Total CAR at 21.6% LCR 230%, Loan-to-Deposit ratio 73.2%

Sound financial performance

Revenues CZK 22.3 billion, OPEX CZK 11.4 billion

Net profit CZK 6.1 billion

Cost-to-Income 51.2%, ROE 7.5%, ROA 0.7%

Market share growth target

Total gross lending +5.9% YoY to CZK 692.3 billion

Market share in loans to businesses 16.7%, housing loans 21.2%, consumer loans 10.6%

Standard client deposits +8.2% YoY to CZK 930.4 billion

Market share in deposits 17.3%

All data for 9M-2020

ROBUST CAPITAL, AMPLE LIQUIDITY, STRONG BUSINESS POSITION, RESILIENT FINANCIALS, EFFICIENT OPERATIONS

OPERATING ON HEALTHY MARKET WITH SOLID GROWTH POTENTIAL

THE CZECH REPUBLIC – ECONOMIC ASSUMPTIONS

- Looking to the 2025 horizon, Czech economy expected to recover in 2021 from the drop caused by the pandemic and in the following years to resume the growth pace achieved just prior to the recent dip (2-3%)
- Short-term interest rates to remain anchored close to zero until 2021, then begin rising moderately from 2022. The 2.25% two-week repo rate reached as recently as in February 2020 may not be seen before 2025. Long-term rates should begin gradual normalisation somewhat earlier, but to surpass the 3% mark only in 2025
- Loan market growth should decelerate slightly in 2021 with expiry of guarantee programmes, but lending should grow in step with or slightly faster than nominal GDP in the following years. The local currency liquidity position of Czech banking may further improve as a reflection of solid deposit growth
- Although the Czech banking market remains healthy, impacts of the economic shock may lead some participants to pursue consolidation strategies

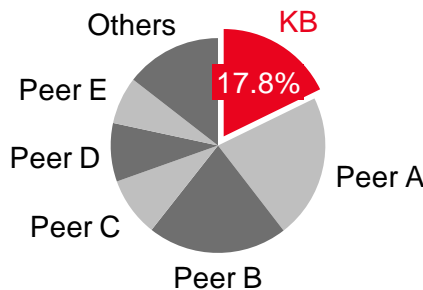
Czech sovereign ratings: Fitch AA-, Moody's Aa3, S&P AA-



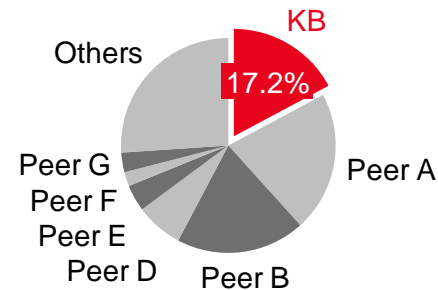
BANKING SECTOR

(%)	2017	2018	2019	1H20
Loan/Deposit Ratio	74.0	74.4	68.9	66.2
CT1 Ratio	18.1	18.6	18.9	21.6
Total Capital Ratio	19.3	19.6	20.3	23.2
FX loans/Total lending	18.9	19.8	20.4	21.2
FX/Total - Households	0.2	0.2	0.2	0.2
NPLs/Total lending	4.0	3.3	2.7	2.4
ROA	1.1	1.1	1.2	0.9
ROE	17.0	17.5	18.9	9.5

#3 MARKET POSITION IN LOANS



#3 MARKET POSITION IN DEPOSITS



ERA OF DIGITAL BANKING BRINGING NEW CHALLENGES AND OPPORTUNITIES



Customer needs

- Reliability, trust and partnership helping to live better lives
- Value for money
- Simple & fast solution
- High priority of security
- Personalization
- Anywhere – Anytime – Any devices
- Digital first. Digital sales/services strongly demanded



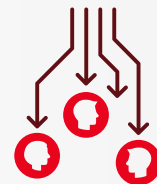
Competitive landscape

- Big financial competition pool with considerable pressure on margins
- Fintechs, neobanks with disruptive technologies vs. traditional banks - competing with them or merging to improve services



Social responsibility

- Green economy, energy transition, responsible financing & investments, carbon-free footprint, water resources, local communities support and diversity



Technology

- Transformation of legacy systems
- Different client expectations and development practices
- New ways of working and data design
- Stronger role of technology providers



Regulation

- Prevention of financial crime (KYC, AML, embargos)
- Consumer protection (SEPA, interchange)
- Financial stability (Resolution, Deposit insurance, MREL)

KB CHANGE 2025 STRATEGIC FRAMEWORK

Purpose

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

Vision

“Leader in **new era of banking**, for **2 million** active clients.”

Pillars

Helpfulness

Growth

Responsibility

Company objectives

- Digital bank for people with aspiration
- Fully digital sales & services
- Operational efficiency
- CSR
- Agile, adaptive & effective organization
- New revenue sources
- Risk management 2.0
- Data driven company
- Market leadership for corporate services
- One mortgage factory

ATTAINING LEADERSHIP POSITION IN DIGITAL BANKING



DIGITAL BANK FOR PEOPLE WITH ASPIRATION

“The future goes **beyond pure banking**, therefore New Digital Bank (NDB) will discover and bring **new services together with new partners**, all supported by **clever innovations**.”

- ↑ Number of bank clients
- ↑ NPS Individuals, Small Businesses
- NPS Corporate clients
- 100%** Paperless communication with client



DATA DRIVEN COMPANY

“Maximize the **business value** gained from **data** in the digital world.”

- ↑ Increase ratio of real-time leads / interactions
- ↑ “Time-to-data“ (speed, tools, quality)
- ↑ Utilization of data in consumer service, including automation of client interaction



AGILE, ADAPTIVE & EFFECTIVE ORGANISATION

“Build an **adaptive and effective** organization with agile spirit which is **prepared for a digital future**.”

- ↑↑ Number of product updates / team per year, implementation of DevOps
- ★ Fully implemented SmartOffice concept
- ↑ KB employee engagement

DELIVERING SEAMLESS OMNICHANNEL CLIENT EXPERIENCE



FULLY DIGITAL SALES & SERVICES

“New Digi KB world will **rebalance the organization**, win market share through innovation, lead market transformation, optimize processes and staff costs.”

50% Share of digital sales in retail
40 % Share of client acquisition via digital
85% Servicing online in retail
↓ Decrease cost to process & to serve



ONE MORTGAGE FACTORY

“Create most **attractive partner** for client’s **housing** under the **one roof of KB Group**, with cheaper development, improved cooperation, unified group risk management, digitization and process simplification.”

↑ Market share in mortgage sales
1 Working day time-to-yes
35% Increase in productivity



MARKET LEADERSHIP FOR CORPORATE SERVICES

“**Best-in-market CIB customer experience**, while leveraging strong market presence with focus on speed, predictability and higher efficiency of corporate customer journey. Support **sustainable innovative solution** and strengthen **advisory service beyond traditional banking.**”

↑ Market share in business lending
30% Share of digital sales in business lending

ASSURING LONG-TERM RELEVANCE VIA RESPONSIBILITY AND EFFECTIVENESS



RISK MANAGEMENT 2.0

“Identify **emerging risks** and contain **risk losses** in **new world of digital banking** and volatile environment.”



Faster time-to-decision via digitization & enhanced automation of the entire credit cycle for individuals, small business and SME segments



Increased prospects acquisition and satisfaction via mastering of open banking data environment



Containment of risk losses (AI and data science ingredients, fraud risk management)



NEXT GENERATION CSR

“KB as a **leader in the field of sustainability** on Czech financial market and within SG Group and owns image green bank in the CR.”

80%

CO2 footprint reduction

4

FTSE4GOOD rating

AA

MSCI ESG



NEW REVENUE SOURCES

“Achieve revenues from **new, novel** or even **untraditional sources**.”

CZK 3.7 Organic growth in revenues

billion Service ecosystem (for small businesses, individuals); Bank ID; cooperation with start-ups, bolt-on acquisitions, insurance, wealth management, consumer financing



OPERATIONAL EFFICIENCY

“Reaffirm **leading operational efficiency** position within CEE region.”

25%

Overall productivity increase
Centralisation of back- and head-office functions and premises across KB Group; inter-bank shared services; branch network optimisation; insourcing; DevOps

KEY BUSINESS INITIATIVES TO APPROACH TO STRATEGIC TARGETS



CORPORATE & IB

- CIB portal launch
- Group-wide IB front-office solution
- Digital banking identity as a service
- Corporate loan granting system replacement enabling higher speed
- Digitization & data-driven sales and multichannel approach in IB area
- Blockchain payment platform weTrade

- Green economy through KB Advisory in 2021
- New ways of financing (invisible financing, crowdfunding)
- Active participation in State guarantee program with goal to grow financing at acceptable risk
- Increased penetration in IB area for small businesses



TECHNOLOGY

Launch of the New Digital Bank, including deployment of:

- A new core banking system featuring 24x7 availability, multi-entity setup and modular approach as an enabler for digitization of business propositions and offering of personalized and flexible products
- New card management,
- Digital sales and servicing capabilities
- Payment processing
- Digital channels

RETAIL BANKING



- Mortgage factory
- Investment portal
- New advisory and sales platform, as the Financial coaching
- New best-in-class digital channels with automation & AI capabilities
- Marketing automation
- Sales digi – loans, C/A, insurance
- Branch network optimization with the target of 200 branches in 2025, o/w 40% in new paperless concept
- Simplified products and automated processes
- Customers migration to new environment of New Digital Bank (including channels) by 2025

ADAPTING NETWORK TO CHANGED CLIENT PREFERENCES

MAIN OPERATIONAL TARGETS*	2019	TARGET 2025	
CLIENT SATISFACTION (NPS) – INDIVIDUALS – SMALL BUSINESSES – MID-SIZED CORPORATIONS – LARGE CORPORATES	32	50	<ul style="list-style-type: none"> Seamless omnichannel experience, appealing and simple offer of high-quality products and services, reliability and security of interactions with client, leveraging on expertise of KB and SG Group teams
	32	50	
	35	50	
	58	50	
BANK CLIENTS (NUMBER)	1,664,000	1,850,000	<ul style="list-style-type: none"> Client acquisition through seamless omnichannel experience
BANK BRANCHES	342	200	<ul style="list-style-type: none"> The trend of decreasing footfall accelerated in Covid situation. Provision of services increasingly switching to digital channels
EMPLOYEES (FTE NUMBER)	7,340	5,500	<ul style="list-style-type: none"> Optimization through digitization, branch reduction & cash-less, middle & back office automation & robotics, followed by support functions
EMPLOYEE ENGAGEMENT	78	83	<ul style="list-style-type: none"> Employee empowerment, effective teamwork across the entity, motivation, sense of importance, recognition and effective leadership
SOCIAL RESPONSIBILITY (FTSE4GOOD INDEX SCORE)	3.3	4	<ul style="list-style-type: none"> Long term sustainable approach delivering new business and value for shareholders as well as compliance with upcoming regulations

* Bank only, not including contribution from non-organic growth

GROWTH STRATEGY REFLECTING IN STRONG FINANCIALS

- Driven by rising business volumes, digital sales, advisory model supported by data analytics and new sources of revenues, KB's strategy assumes a dynamic growth of revenues within 2025 horizon, after bottoming out in 2021
- Management targets positive operating jaws with operating expenditures growing on average below inflation
- Total investments of the digital journey covered from 70% by re-prioritisation from "business as usual" scenario
- Lively growth in RWA to be driven primarily by business growth, some contribution from higher risk weights and regulatory changes
- With a view to reinforce the scale of KB's existing business and thus optimize efficiency and competitiveness in high-potential business segments, within 2025 horizon, KB will consider enhancing its performance with non-organic growth elements. Implementation of any such ambition will be subject to further careful assessments and validations

AMBITION 2025 *

BANK CLIENTS (NUMBER)	2,000,000	<ul style="list-style-type: none"> ▪ Minimum ambition including non-organic growth
COST-TO-INCOME	40%	<ul style="list-style-type: none"> ▪ Significant positive trajectory in 2024-25 with new revenues and savings from rollout of the New Digital Bank
RETURN ON EQUITY	15%	<ul style="list-style-type: none"> ▪ Assuming normalization in Cost of risk to 25 bps in 2025, contribution from non-organic growth

* KB Group, including contribution from non-organic growth

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NUMBER OF CLIENTS AND DISTRIBUTION NETWORK

Number of clients

	9M 2019	9M 2020	YoY
KB Group's clients	2,364,000*	2,299,000*	-65,000**
Komerční banka	1,662,000	1,651,000	-11,000
– individual clients	1,405,000	1,397,000	-8,000
– internet banking clients	1,414,000	1,440,000	26,000
– mobile banking clients	744,000	904,000	160,000
Modrá pyramida	485,000	480,000	-5,000
KB Penzijní společnost	531,000	526,000	-5,000
ESSOX (Group)	204,000	154,000	-50,000**

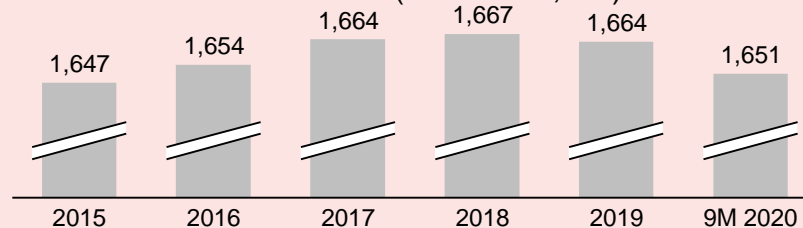
Distribution network

KB Retail branches	344	243	-101
KB Business centres	10	10	0
KB Corporate divisions	5	5	0
Modrá pyramida points of sale	201	201	0
SGEF branches	9	9	0
ESSOX Group points of sale	1,094	979	-115
ATMs	787	802	15
of which deposit-taking	375	415	40
of which contactless	227	286	59
Number of active debit cards	1,398,000	1,411,000	13,000
Number of active credit cards	179,000	182,000	3,000
Number of cards virtualized into payment apps	142,000	252,000	110,000
KB key authentication users	381,000	740,000	359,000

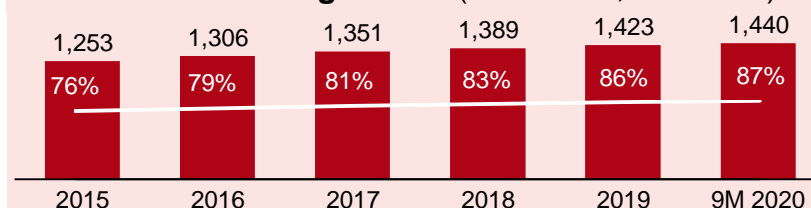
* Calculation methodology updated during Q3-20

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

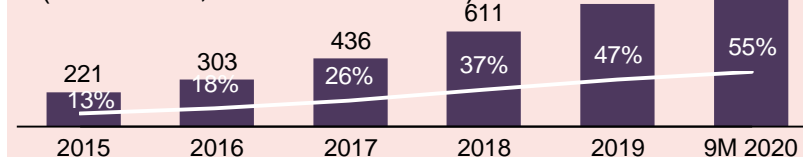
Number of bank clients (thousands, CZ)



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*		
	9M 2019	9M 2020	Change YoY	9M 2019	9M 2020	Change YoY
(CZK million, unaudited)						
Net interest income and similar income	17,670	16,098	-8.9%	17,670	16,098	-8.9%
Net fee & commission income	4,441	3,860	-13.1%	4,441	3,860	-13.1%
Net profit of financial operations	2,177	2,218	1.9%	2,177	2,218	1.9%
Dividend and other income	150	169	12.7%	150	169	12.7%
Net banking income	24,437	22,346	-8.6%	24,437	22,345	-8.6%
Personnel expenses	-5,822	-5,814	-0.1%	-5,822	-5,815	-0.1%
General admin. expenses (excl. regulatory funds)	-2,745	-2,722	-0.8%	-2,745	-2,627	-4.3%
Resolution and similar funds	-850	-937	10.2%	-850	-937	10.2%
Depreciation, amortisation and impairment of operating assets	-1,807	-1,959	8.4%	-1,807	-1,959	8.4%
Total operating expenses	-11,224	-11,433	1.9%	-11,224	-11,337	1.0%
Gross operating income	13,213	10,913	-17.4%	13,213	11,008	-16.7%
Cost of risk	328	-3,407	+/-	328	-3,407	+/-
Net operating income	13,541	7,506	-44.6%	13,541	7,601	-43.9%
Income from share of associated companies	215	192	-10.7%	215	192	-10.7%
Profit/(loss) attributable to exclusion of companies from consolidation	55	-41	+/-	0	-41	n.a.
Impairment losses on goodwill	0	0	n.a.	0	0	n.a.
Net profits on other assets	16	-5	+/-	16	-5	+/-
Profit before income taxes	13,827	7,652	-44.7%	13,772	7,747	-43.8%
Income taxes	-2,530	-1,475	-41.7%	-2,530	-1,493	-41.0%
Net profit	11,297	6,177	-45.3%	11,242	6,254	-44.4%
Profit attributable to the Non-controlling owners	236	95	-59.7%	236	95	-59.7%
Profit attributable to the Group's equity holders	11,061	6,082	-45.0%	11,006	6,159	-44.0%

Items excluded in "recurring":

9M 2019

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

9M 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				
(CZK million, unaudited)	3Q 2019	2Q 2020	3Q 2020	Change YoY	Change QoQ
Net interest income and similar income	5,911	4,999	5,254	-11.1%	5.1%
Net fee & commission income	1,480	1,273	1,235	-16.6%	-3.0%
Net profit of financial operations	839	919	711	-15.3%	-22.6%
Dividend and other income	36	51	63	75.0%	23.5%
Net banking income	8,265	7,241	7,263	-12.1%	0.3%
Personnel expenses	-1,978	-1,947	-1,927	-2.6%	-1.0%
General admin. expenses (excl. regulatory funds)	-910	-951	-878	-3.5%	-7.7%
Resolution and similar funds	-3	8	-3	0.0%	+/-
Depreciation, amortisation & impairment of op. assets	-621	-654	-674	8.5%	3.1%
Total operating expenses	-3,512	-3,544	-3,482	-0.9%	-1.7%
Gross operating income	4,753	3,697	3,781	-20.5%	2.3%
Cost of risk	-26	-1,576	-1,678	>100%	6.5%
Net operating income	4,726	2,122	2,103	-55.5%	-0.9%
Income from share of associated companies	74	65	49	-33.8%	-24.6%
Profit/(loss) attributable to exclusion of companies from consolidation	0	0	-41	n.a.	n.a.
Impairment losses on goodwill	0	0	0	n.a.	n.a.
Net profits on other assets	1	-13	-7	+/-	-46.2%
Profit before income taxes	4,801	2,175	2,104	-56.2%	-3.3%
Income taxes	-883	-424	-405	-54.1%	-4.5%
Net profit	3,918	1,751	1,698	-56.7%	-3.0%
Profit attributable to the Non-controlling owners	70	-28	53	-24.3%	+/-
Profit attributable to the Group's equity holders	3,848	1,779	1,646	-57.2%	-7.5%

QUARTERLY INCOME STATEMENT (EXCLUDING ONE-OFF ITEMS)

CONSOLIDATED INCOME STATEMENT – QUARTERLY VIEW

Profit and Loss Statement

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	3Q 2019	2Q 2020	3Q 2020		
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Net profits on other assets	1	-13	-7	+/-	-46.2%
Profit before income taxes	4,801	2,267	2,104	-56.2%	-7.2%
Income taxes	-883	-441	-405	-54.1%	-8.2%
Net profit	3,918	1,827	1,698	-56.7%	-7.0%
Profit attributable to the Non-controlling owners	70	-28	53	-24.3%	+/-
Profit attributable to the Group's equity holders	3,848	1,854	1,646	-57.2%	-11.2%

BALANCE SHEET

Balance Sheet (CZK million, unaudited)	30 Sep 2019	31 Dec 2019	30 Sep 2020	YoY rel.	YoY abs.	Ytd rel.	Ytd abs.
Assets	1,226,874	1,077,334	1,263,532	3.0%	36,658	17.3%	186,198
Cash and current balances with central bank	30,514	17,744	47,764	56.5%	17,250	169.2%	30,020
Loans and advances to banks	366,063	244,561	314,422	-14.1%	-51,641	28.6%	69,861
Loans and advances to customers (net)	646,916	647,258	683,684	5.7%	36,768	5.6%	36,426
Securities and trading derivatives	142,841	131,184	169,207	18.5%	26,366	29.0%	38,023
Other assets	40,540	36,587	48,455	19.5%	7,915	32.4%	11,868
Liabilities and shareholders' equity	1,226,874	1,077,334	1,263,532	3.0%	36,658	17.3%	186,198
Amounts due to banks	151,436	93,581	105,873	-30.1%	-45,563	13.1%	12,292
Amounts due to customers	899,950	821,506	966,117	7.4%	66,167	17.6%	144,611
Securities issued	4,719	3,621	1,063	-77.5%	-3,656	-70.6%	-2,558
Subordinated debt	2,587	2,546	2,726	5.4%	139	7.1%	180
Other liabilities	63,519	47,445	73,074	15.0%	9,555	54.0%	25,629
Total equity	104,664	108,635	114,680	9.6%	10,016	5.6%	6,045
o/w Minority equity	3,062	3,095	3,199	4.5%	137	3.4%	104

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

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

CAPITAL & PROFITABILITY INDICATORS

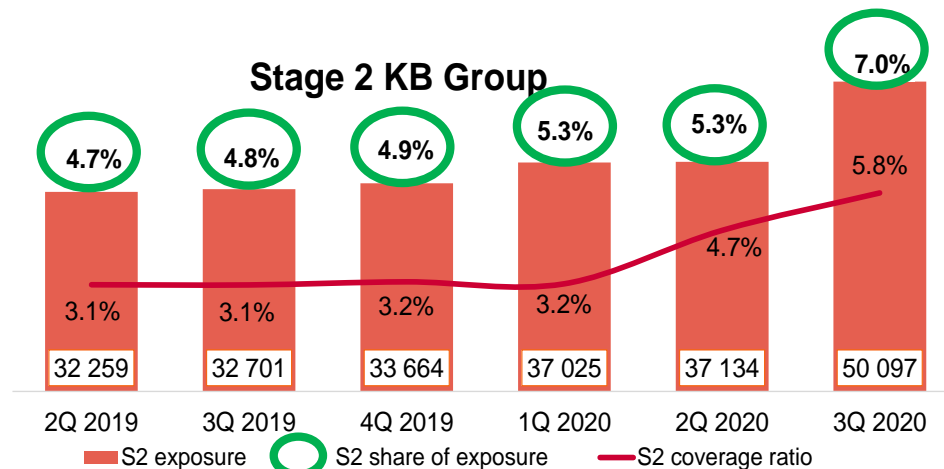
	Reported			Adjusted for restructuring reserve and IFRIC 21 linearisation*	
	30/09/2019	31/12/2019	30/09/2020	30/09/2019	30/09/2020
(year-to-date, IFRS 9)					
Capital adequacy	19.4%	19.7%	21.6%		
Tier 1 ratio = Core Tier 1 ratio	18.9%	19.1%	20.9%		
Risk weighted assets for credit risk (CZK billion)	371.6	367.6	453.2		
Net interest margin, annualised	2.2%	2.4%	2.0%		
Loan (net) / deposit ratio (excl. repo with clients)	74.8%	79.0%	73.2%	74.8%	73.2%
Cost / income ratio	45.9%	45.8%	51.2%	45.0%	49.7%
Return on average equity (ROAE), annualised	14.6%	14.5%	7.5%	14.8%	7.8%
Return on average Tier 1 capital	17.8%	18.1%	9.1%	18.0%	9.5%
Return on average assets (ROAA), annualised	1.3%	1.4%	0.7%	1.3%	0.7%
Earnings per share (CZK), annualised	78	79	43	79	45
Average number of employees during the period	8,155	8,167	8,099		

* **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

ZOOM ON STAGE 2 EXPOSURE EVOLUTION

- 3Q 2020 stage 2 share higher at 7% of loan exposures
 - In-depth assessment of loan moratorium portfolios resulting in 7.9 Bn CZK of exposures transferred to stage 2
 - Few large corporate clients downgrades to stage 2 for 3.2 Bn CZK
- 3Q 2020 stage 2 provision coverage ratio higher at 5.8%
 - Prudent provisioning of selected parts of loan moratorium portfolios
 - Impact from the IFRS9 macroeconomic scenario



REMINDER ON KEY FEATURES OF CREDIT RISK SETUP

- **Credit policies**
 - Expected benefits from historically prudent underwriting standards
 - Support to Czech economy (proactive implementation of government loan guarantee and loan moratorium programs, smart and timely adjustments to credit policies, etc.)
 - Dynamic loan portfolios monitoring supported by advanced risk indicators for both retail and non retail exposures
- **Zoom on non retail 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 moratorium programs showing resilient risk profile so far
 - Portfolios currently exiting loan moratorium programs under dynamic monitoring
- **Readiness of loan recovery function**
 - Modernization of retail collection set-up (expanded loan restructuring capacity, implementation of AI-based solutions)
 - Adequate sizing and seniority of expert teams dedicated to non retail loan recovery activities

LENDING WITH STATE COVID GUARANTEE

LENDING WITH GUARANTEES

GUARANTEED COVID LENDING	No. of clients	Signed (CZK million)	Outstanding exposure* (CZK million)
Covid II	865	3,787	3,567
Covid Prague	52	333	277
Covid III	944	6,799	6,230
Covid EGAP	3	753	677
Total	1,864	11,671	10,751

* according to ČNB methodology

BUSINESS PERFORMANCE OF SUBSIDIARIES

1/2

OVERVIEW OF KB SUBSIDIARIES

	9M 2019	9M 2020	YoY
Modrá pyramida (100%), #2 building savings & loans company			
Volume of new loans (CZK million)	6,980	13,265	90%
Volume of total loans (gross, CZK million)	54,899	61,744	12%
Volume of deposits (CZK million)	61,210	59,980	-2%
Number of clients	485,486	479,721	-1%
Average number of FTEs	327	330	1%
Number of points of sale	201	201	0%
KB Penzijní společnost (100%), a manager of pension funds			
Number of new contracts	24,498	21,147	-14%
Number of clients	530,725	525,608	-1%
Assets under management (CZK million)	61,037	65,661	8%
of which in Transformed fund	54,110	56,562	5%
Average number of FTEs	48	47	-2%
ESSOX (50.93%), #2 non-bank consumer lender and car financing company			
Volume of total loans (gross, CZK million)	17,455	16,353	-6%
Number of active clients	204,177	154,340	-24%
Average number of FTEs	393	391	0%

BUSINESS PERFORMANCE OF SUBSIDIARIES

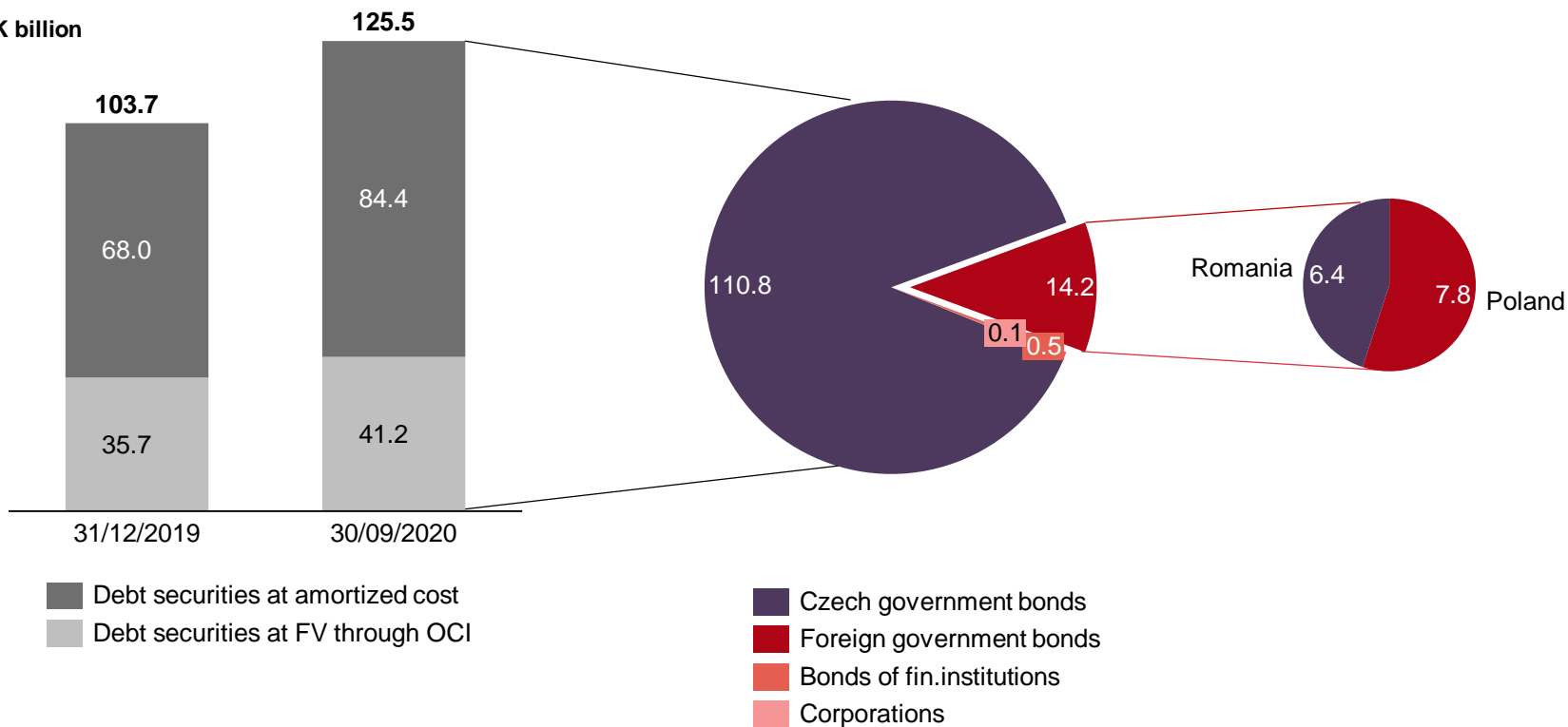
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OVERVIEW OF KB SUBSIDIARIES

	9M 2019	9M 2020	YoY
Factoring KB (100%), #1 on the Czech factoring market			
Factoring turnover (CZK million)	39,320	35,475	-10%
Volume of total financing (gross, CZK million)	8,576	7,379	-14%
Average number of FTEs	44	42	-4%
Komerční pojišťovna (49%), a universal insurance company			
Volume of technical reserves - Saving (CZK million)	47,713	49,651	4%
Gross written premium (CZK million)	6,601	6,080	-8%
of which in life insurance	6,180	5,622	-9%
of which in non-life insurance	421	457	9%
Average number of FTEs	222	232	5%
SGEF Czech Republic (50.1%), a provider of asset-backed financing in Czech Rep. and Slovakia			
Volume of new financing (CZK million)	9,736	8,367	-14%
Volume of total financing (gross, CZK million)	28,682	30,586	7%
Average number of FTEs	139	142	1%

DEBT SECURITIES PORTFOLIO IN THE BANKING BOOK

CZK billion



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

MACROECONOMIC ENVIRONMENT – CZECHIA

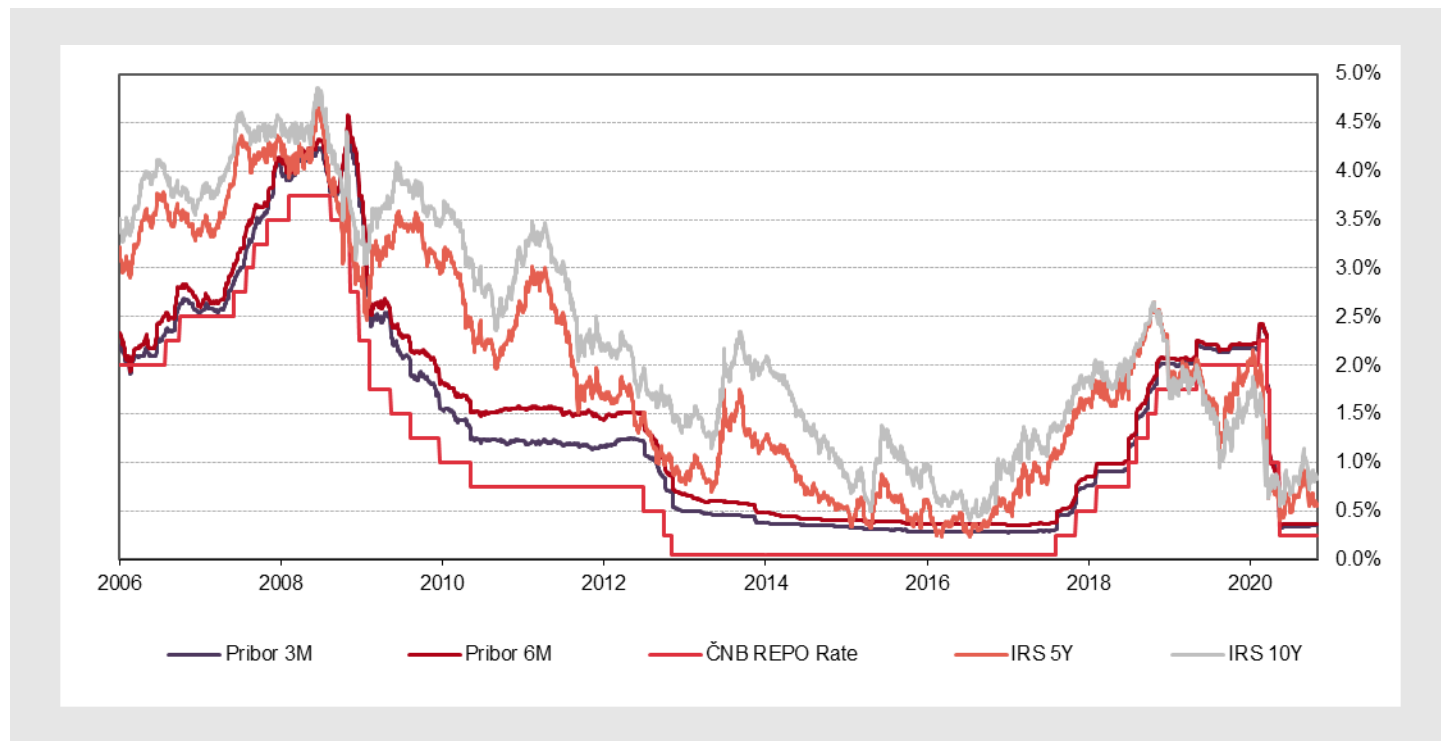
Macroeconomic Indicators	2016	2017	2018	2019	2020*	2021*
Real GDP (% , average)	2.5	5.4	3.2	2.3	-7.6	3.0
Inflation (% , average)	0.7	2.5	2.1	2.8	3.2	2.3
Household consumption (% , average)	3.7	4.0	3.3	2.9	-4.8	1.9
Unemployment (% , av., ILO meth.)	4.0	2.9	2.2	2.0	2.4	3.2
M2 (% , average)	8.6	9.5	5.3	6.9	8.5	14.3
3M PRIBOR (% , average)	0.3	0.4	1.3	2.1	0.9	0.4
Potential of the market **	2016	2017	2018	2019	2020*	2021*
Loans / GDP (year-end)	61.9	60.9	61.4	60.4	65.1	64.7
Deposits / GDP (year-end)	80.9	84.9	86.4	87.7	99.4	100.6
Real estate loans / GDP (year-end)	22.0	22.4	23.0	23.1	25.6	25.3
Household loans / GDP (year-end)	26.5	26.9	27.5	27.6	30.3	30.0
Corporate loans / GDP (year-end)	20.6	20.1	20.1	19.7	20.7	21.0

* KB estimate

** Banking sector

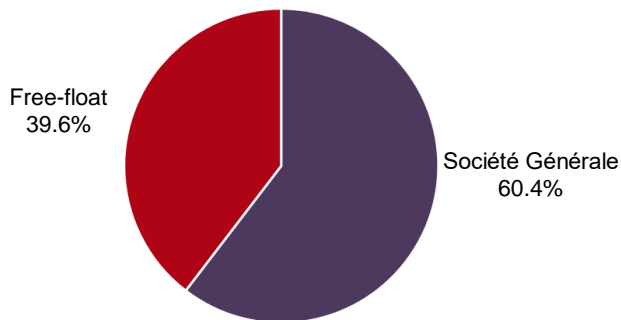
INTEREST RATES EVOLUTION

For the period 1 Jan 2006 – 31 October 2020

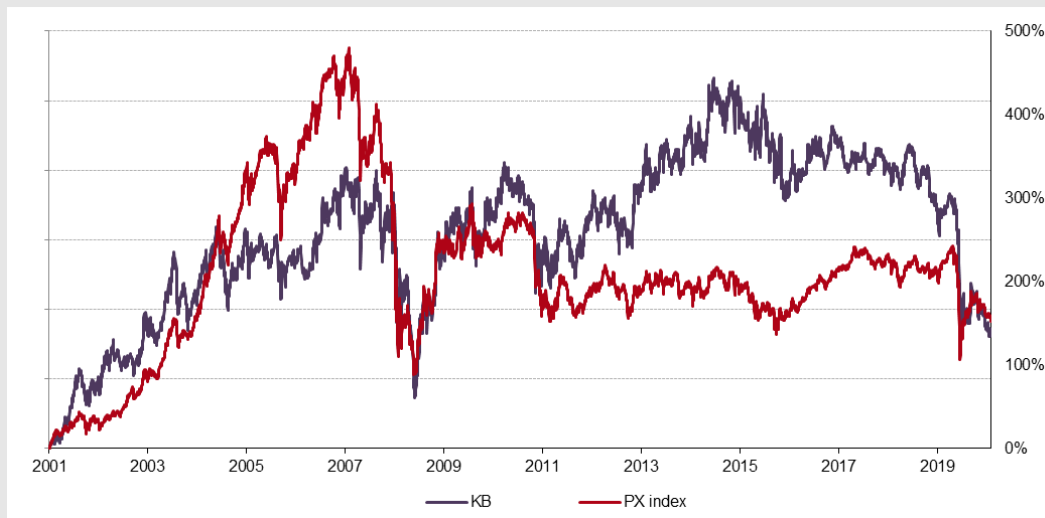


KB #1 LISTED CZECH BANK

Shareholder structure



Development of KB share price and PX index (1 January 2001 – 31 October 2020)



- The number of shareholders comprised 57,068 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

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Bloomberg: KOMB CP

