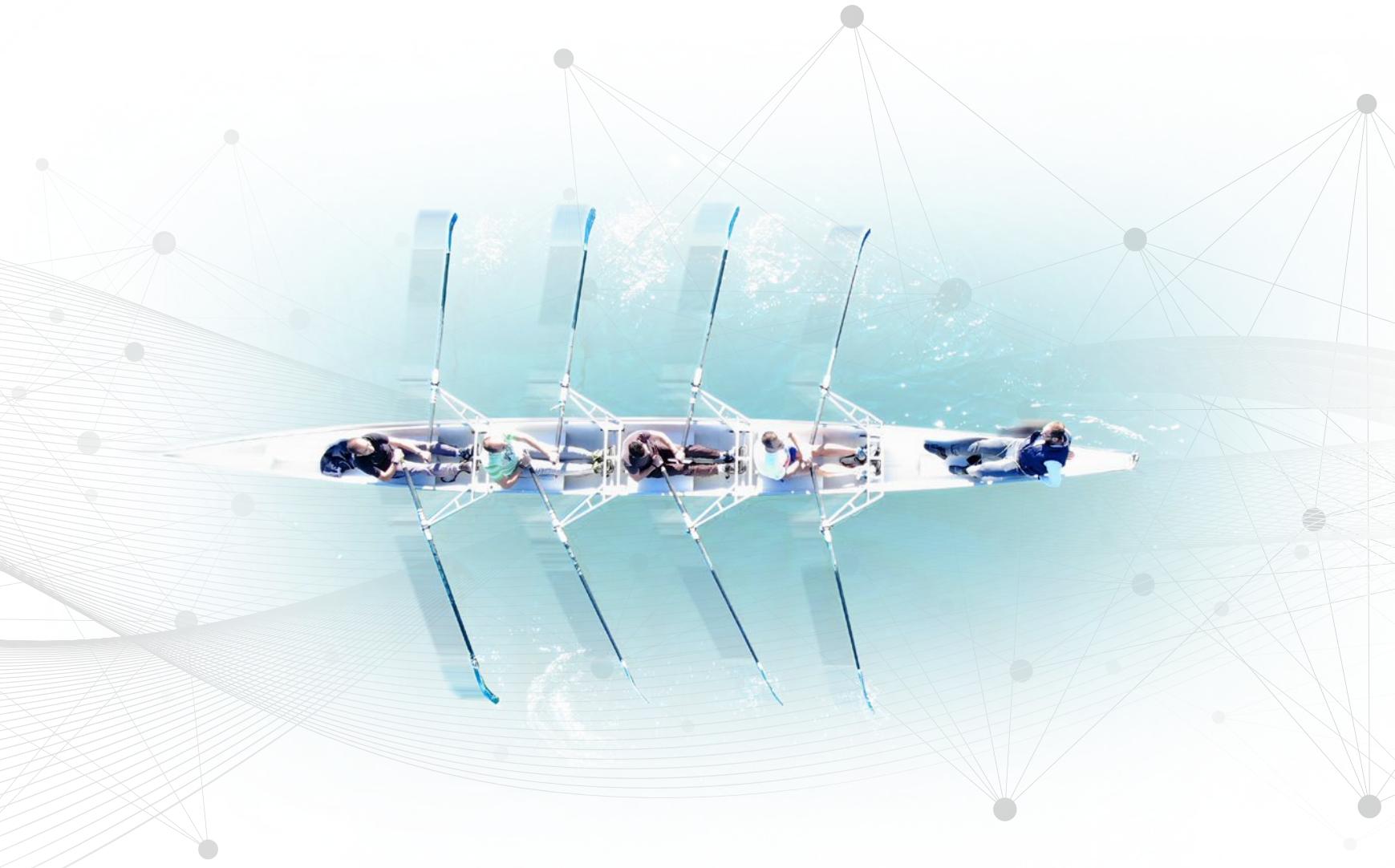


NON- FINANCIAL REPORT

2018

Komerční banka, a.s.



BUDOUCNOST
JSTE VY ■ KB

NON-FINANCIAL REPORT 2018

Komerční banka, a.s.

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CORPORATE SOCIAL RESPONSIBILITY REPORT

Responsibility is a natural part of our everyday work – when dealing with our customers, when in contact with our stakeholders, when communicating with communities or cooperating with colleagues here or abroad. We manage all our corporate processes to ensure a positive long-term impact of our business on society.

Komerční banka, an entity operating in the Czech Republic, is required for the second consecutive year to report non-financial key performance indicators in conformity with the Accounting Act No. 563/1991 Coll. and in line with the transposed Directive of the European Parliament and of the Council.

We feel the social responsibility that arises from our important position, so we devote a considerable portion of our profit to support public benefit and charitable projects. In Komerční banka, however, we perceive social responsibility much broader and more comprehensively than is common with CSR. The factors influencing the long-term success and competitiveness of our business include the way in which we carry out our business activities. We in Komerční banka acknowledge these links. And since our main goal is to provide our clients with modern and quality services, a socially responsible and sustainable business is an important part of our approach.

The topics presented in this report explain the main non-financial impacts of our activities and areas that are strategically important for sustainable development. They correspond to reporting areas in accordance with recognized international standards and topics common to comparable companies in the banking sector. We provide a comprehensive overview by embedding these priorities in six strategic areas:

1. Client Satisfaction

We perceive client satisfaction as a strong foundation for sustainable growth. Clients' feedback helps us improve continuously.

2. Ethics and Responsible Business

We care where our loan money goes. We respect privacy and freedom, but at the same time, we reduce the risk of corruption, money laundering or the financing of terrorism.

3. Responsible Employer

There is more than work. We want our employees to feel content and learn new things.

4. The Environment

Waste sorting is commonplace. We reduce paper and energy consumption as well as transportation costs.

5. Societal Trends and Innovation

We innovate products, support projects with a positive impact on communities, the environment and regional development.

6. Sponsoring and Charity

We sponsor culture, sports, education and leisure activities. We are a partner to the National Gallery, the Prague Zoo or floorball. We also help as volunteers.

Respect for the environment and responsible approach to society where we live is an integral part of our strategy. Transparent and balanced communication is a tool to explain the values that we have always been advocating. We take the impact we may have on communities seriously and we take all the key aspects into account in our management procedures and internal regulations. We also consider the interests of all stakeholders, our important partners, and provide them with all information they may need.

Our key partners:

- clients,
- shareholders,
- employees,
- the Czech National Bank,
- national and local administrations,
- suppliers,
- professional organisations,
- non-governmental and non-profit organisations.

Our continuous concern is to reduce the negative impact of our operations, and on the contrary, to increase the positive benefits. Therefore, we are not just confining ourselves to our own business, but actively contributing to improvements and savings from our clients in both business and public sectors through positive social value financial products.

„Corporate Social Responsibility is a natural part of our daily decision-making.“

Jan Juchelka, Chairman of the Board of Directors and Chief Executive Officer of Komerční banka

1.

CLIENT SATISFACTION

Our strategy is based on building long-term, mutually beneficial partnerships with clients. Client satisfaction is thus the foundation of the model for our employees' conduct, a key pillar of Komerční Banka's responsible business model, and an absolute priority for us. We perceive it as strong foundation for sustainable growth.

We vouch for the high quality of our products and services.

We want to be a bank that 100% of our clients recommend.

Client satisfaction is our main priority.

The client is our long-term partner.

Our endeavour is to build a strong partnership with clients based on professional approach and quality services. The goal is to provide positive customer experience through all the activities we do, not only through professionally processed websites, advertising and contracts, but especially through a pro-client approach in our branches and our staff in the contact centre. Equally important is intuitive internet banking and the Mobile Bank application, easy card payments at merchants, uncomplicated ATM withdrawals and much more. We want to be a „living“ bank with our clients.

Developments in 2018

We measure client satisfaction after each appointment

We want to be seen by our clients as a life-long financial partner that they would not hesitate to recommend to their friends. We want to listen to our clients, and for this reason, we contact our clients after each visit to our branches and ask them to give the feedback on the quality

of the services provided. We want to hear the opinion of each individual (Client Voice). Most of the feedback provided is positive, however, if the rating is negative, the client is contacted by the branch management to remedy the situation.

We also started monitoring the level of satisfaction and recommendation rates with our electronic services (MojeBanka and Mobilní banka) as well as in our Contact centres.

We monitor client journeys

We live in the age of customers. Their needs are the yardstick for measuring everything, therefore, we continuously verify whether the parameters of our services match their needs. The Client Journey project's objective is to monitor and understand the development of clients' needs in their individual life stages, and the services the clients wish to get from us. We are interested in the whole „life-cycle“ of the client, and want to understand what issues are addressed by clients in each stage and how they feel about it.



Client feedback after a branch visit. CLIENT VOICE

Compliments are always satisfying.

I have received a new payment card. I appreciate very much that I don't need to go and get it myself and that it is activated with the first payment / withdrawal. It works great.

Jana H., Kolín

I made my first ever deposit at an ATM. I was told that the money would be credited only the next day, but it was done almost instantly. And it was a Sunday!

Martina H., Nymburk

Internet banking has been modified. A move in the right direction, I guess. I like the forecast functionality. A click, and I can see all my regular and long-term payments and obligations. Basically, the same as what I put on paper every month to see what I need to pay. Now, I can simply tick and check against the forecast.

Petr F., Plzeň

I got a notification that my payment card is about to expire. I find it useful. Usually, I use my card again and again and never notice until it had expired. Now, I am more careful.

Filip V., Prostějov

I received an email notification about my pension fund statement. There was even an instruction on how to open the statement and where. Great, I don't get that thick envelope to my letterbox anymore.

Helena S., Brno

I had modified my insurance policy at the branch. Two weeks later, I still see the original amount in my internet banking.

Hana P., Strakonice

I will have to the shuffling game again to accelerate money transfers from AirBank to KB. I need to have it done today, so I will use the method of withdrawing the money from an AirBank ATM and depositing it at a KB deposit-taking ATM. It is unrealistic that this physical method works faster than an online transfer.

Jana Š., Beroun

We also welcome points for improvement

I have been using the service of account statement forwarding to my e-mail. It is comfortable, but I have a suggestion: the statement usually doesn't arrive in one message, but as three messages, which is confusing, and it also burdens the system unnecessarily, I guess.

Václav P., Mladá Boleslav

Today, I used my contactless card three times and had to enter my PIN every time. It's been a while since I had to do it. :(

Nadá K., Olomouc

I have been using MojeBanka and MojeBankaBusiness order templates. Each application is a bit different. In the Business part, it is easier to make an order. In the other, it is easier to search for order templates.

Denisa C., Praha 4

Improved internet and mobile banking applications

Our new fast and secure mobile application KB Key offers a modern alternative to access internet banking using a certificate. With KB Key, clients can get access to internet banking from any device.

Mobilní banka is the most modern application of mobile banking in the Czech Republic. It was already being used by every third client of the Bank. KB was the first bank in the Czech Republic to enable authorisation of mobile banking access and payments by fingerprint. This has greatly accelerated and simplified the approval of payments while also enhancing security.

The MojeBanka internet banking application was upgraded as well. The application's home page was made clearer and easier to navigate with a clearer overview of account balances. Also introduced was a possibility to pay an invoice using a QR code by uploading it to internet banking.

Payments made by clients until 1:00pm on a business day within internet banking are credited to the account of the beneficiary in another domestic bank on the same day without any additional charge for priority processing.

An on-line card management is also a new functionality introduced to the internet banking. It is possible to change in real time, for instance, the limits for card payments or to enable/disable internet payments.

Contactless payments and fast processing of payments

Contactless payments can be made with a payment card or with a mobile phone using the Android Pay Service at any payment terminal allowing contactless payments both in the Czech Republic and abroad.

We also began offering our clients the possibility of making contactless payments to merchants through Garmin (Garmin Pay) and Fitbit

(Fitbit Pay). Along with Google Pay already in existence, these are additional innovative alternatives to the classical "plastic" cards.

We modified direct debit order processing. The first attempt to execute the transaction is made on the due date and then on four consecutive days. If the balance at the client's account is insufficient, Smart debit will automatically notify the client.

All payments are processed immediately – both transfers within KB and transfers to other banks in the Czech Republic. We introduced payment processing in 24/7 non-stop mode 365 day a year. The same parameters apply to deposits to our ATMs where the amount deposited is available on the accounts within minutes.

In cooperation with Benzina, we introduced our first Drive-up ATM in Prague in July which proved popular especially with entrepreneurs. The same ATM for motorists is now available in Hradec Králové, another shall be available in Ostrava shortly.

Business centres and student branch

We opened business centres for small companies and traders to provide more specific advisory services and quicker satisfaction of their individual needs. We want to offer a breadth and quality of services to meet their comprehensive needs that had previously been available on the market only to larger companies.

We opened a student branch KB Port Brno, where students also work as dedicated relationship managers. We regularly organize cultural events and lectures at the branch.

Price transparency

Komerční banka rebuilt its website. The site is now clearer, simpler and easier to understand. In the context of the Czech banking market, Komerční banka practices exceptional price transparency providing price information for most products directly at the website. Another of the new features is consultancy for model

life situations (such as graduation and search for a first job, housing, inheritance, etc.) directly associated to banking products or services).

Expansion and continued cooperation

KB continued its support to starting businesses by developing the Nastartujte se (Get Started) programme offering useful information and advice to persons starting a new business or nascent entrepreneurs, including preferential offers of practical services by selected external partners. The year 2018 was the 6th edition of this grant programme with 45 projects submitted by starting businesses from different sectors.

We have been the partner of the Cesta k úspěchu (Way to Success) TV programme inspiring many with the entrepreneurial stories it tells. The programme is broadcast by the TV Prima and all its episodes are available at www.cestykuspechu.cz.

In the course of the year, KB expanded its offer of third-party services, which are a follow-up of our banking and financing services and provide greater value added for our clients. For instance, more than a thousand of KB clients have been using an expansion of their business account with the on-line invoice tool by Fakturoid s.r.o. since February 2018.

In the course of the year, there was growing interest in deposit-taking ATMs. We put in place more than 80 new ATMs that accept cash deposit. Today, clients can deposit money at almost 320 locations and the number is set to rise. Komerční banka operates the largest network of deposit-taking ATMs in the Czech Republic. Their monthly turnover amounts to almost five billion crowns. The MojeBanka application can help localise the nearest ATM/deposit-taking ATM.

In 2018, we significantly increased the number of branches providing access to hearing-impaired clients. The conversation between the client and the bank advisor is transcribed online into a written form allowing the hearing impaired

to communicate easily and independently with his/her advisor. The service is provided in cooperation with social enterprise Transkript online s.r.o., employing blind speedwriters. In 2018, the free service eScribe was available at more than 60 major branches. In the first half of 2019, 207 KB branches were equipped.

We have continued our successful cooperation with IdeaSense s.r.o. agency for more than a year now operating together an innovative company and creative space that brought many prototypes into existence. The method of Human Centred Design is an excellent tool to design new products and services. InnoLab is an interesting educational opportunity for our employees and a source of motivation to innovate.

We support start-up businesses.

We respect our clients' individual needs.

We always offer something extra with our banking products.

We offer customers the product combinations **that they really need**.

We seek solutions that meet customers' needs to the **maximum possible extent**.

Product and service quality

Quality Guarantee

We develop our own quality guarantee programme – a guarantee of professional approach and high quality of services. We welcome client feedback. Clients can try out all our services without worries free of charge for up to six months.

- We guarantee the high quality of our services. If clients are dissatisfied with a service, they do not have to pay for it. The clients make the decision whether the solution offered is the right one for them on the basis of their personal experience.
- We allow up to six months after every change to the price list, terms and conditions or services for our clients to simply try out and potentially to change their minds. We undertake that if the client is not satisfied, he/she may request the fee to be returned, and the request can even be made online.
- The full text of the Quality Guarantee commitment is available at: <https://www.kb.cz/cs/o-bance/vztahy-se-zakazniky/garance-kvality/>.

Client trust is our most precious asset. Therefore, we always provide transparent information about each service or product and their content, benefits and price. The clients are always informed of changes sufficiently in advance. We rigorously follow the Code of Conduct of the Czech Banking Association and the Code of Mobility that precisely defines the relationship between the Bank's employees and the clients.

Complaints and Claims

Complaints and claims serve as a source of inspiration towards improving products and services. A complaint quickly resolved helps maintain and deepen the client relationship. We always strive to understand the client and try to put ourselves in the position of the client. We always request documentation and assess each case individually. Whenever possible, we meet the clients' request, aim to restore

We provide our services in a **qualified and professional manner**.

We provide understandable, **unbiased, complete, and current information that is not misleading under any circumstances**.

We seek to be as close to our customers as possible and to **improve their user experience**.

client confidence and to turn dissatisfied into satisfied clients.

Our new web tool allows for resolving complaints better and more quickly. It offered simpler and higher efficiency, and was created and implemented by the Bank within months. Detailed information on complaint and claim resolution is available at: <https://www.kb.cz/cs/podpora/vztahy-se-zakazniky/reseni-stiznosti-a-reklamacii>.

To enhance even more the quality of services provided, already in 2004, we were the first bank in the Czech Republic to introduce the position of an independent ombudsman. While his decisions are not legally binding, we undertook to respect them. The number of complaints where the ombudsman decided to initiate proceedings is going down year-on-year. While 28 and 30 cases were registered in 2016 and 2017 respectively, we register a drop to 19 cases in 2018.

Awards

In 2018, we successfully defended and won awards conferred by both professional organisations and non-professionals that are testimony to the fact that our pro-client approach, transparency and innovativeness was the right choice to make. Komerční banka has retained the Best Private Bank award for the best private banking services in the Czech Republic granted by the prestigious Banker magazine from the Financial Times Group. The jury appreciated the leading position in investment innovations, expertise and long-term stability of commercial teams. The award is all the more significant for us as we receive the title for the second consecutive year which confirms the long-term quality of our services and our excellent position at the market.

Komerční pojišťovna got the gold medal in the Hospodářské noviny Best Insurer contest as the Best Life Insurer, and finished 3rd in the Most Client-Friendly Life Insurer category.

In the WEB TOP 100, the top contest of company websites and digital solutions in the Czech Republic, the website www.kb.cz won an excellent second position. The expert panel appreciated the content development of the pages focusing on financial literacy in particular.

Komerční banka finished second in the category Bank of the Year, and 3rd in the category Bank Without Barriers in the most prestigious competition of retail financial products with a 17-year tradition in the Czech Republic.

For the second time, we won a silver medal in the Equal Opportunities – Employer of the Year 2018 competition organized by the not-profit organization Rytmus for our approach to people with disabilities. We also received an honorary mention in the Employer of the Year contest organized the Charta 77 foundation – Konto Bariéry.



Trusteer Rapport

Our clients using internet banking can install a security tool Trusteer that protects against specific threats, such as harmful websites (phishing), malware and attempts to detect passwords (keylogging). We recommend to our clients to install Trusteer Raport that can significantly reduce internet risks. Trusteer is an IBM product designed to protect the most sensitive data against access right misuse. In late January 2019, more than 199,000 clients had Trusteer Raport installed.

Monitoring of fraud payments

KB devotes financial resources to develop a system to detect fraudulent transactions entered through internet banking. The year of

2018 was an eventful year in terms of fraudulent payments. Clients most often responded to fraudulent advertisements, emails (CEO fraud), fraudulent payment instructions in emails and appeals posted on social networks. Our fraud prevention team was able to detect 126 transactions totalling 30.5 million crowns.

The awards that we receive are a **commitment** for us to be on the top at all times.

2.

ETHICS AND RESPONSIBLE BANKING

It is absolutely a matter of course for us to carefully apply ethical principles in our business activities. We constantly evaluate our processes based on the demands of environmentally and socially responsible behaviour, and implement measures aimed at reducing environmental and social impacts associated with transactions or clients.

We treat our business partners and clients with respect.

Under no circumstances, we grant or accept any preferential treatment.

We preclude potential conflict of interest of both individuals and the Bank.

We seek to act correctly and independently.

Protecting our reputation

Rules of conduct

Komerční banka is aware that among the basic preconditions for successfully developing the company are the professional behaviour and conduct of its employees that are based upon building open relationships with the clients and deepening trust between KB and its clients and partners. KB Group has created rules for ethical behaviour and conduct of its employees that are based on general obligations as defined both by regulatory provisions and by standards of professional conduct applicable to banking. These obligations comprise in particular rules protecting against conflicts of interest and corruption, rules for accepting gifts, rules protecting against abuse of position, and rules protecting from misuse of confidential information. The rules of ethical conduct are effective for all employees and employees are regularly reminded of them and of the need of respecting them as part of their regular training. Also contributing to raising awareness of ethical conduct among KB employees is a Société Générale training programme focused on principles of conduct and values for individuals and the Group.



Anti-corruption measures

Respecting of rules against corruption and zero tolerance towards any form of corruption constitutes a basic standard and the foundation for the working of the socially responsible business implemented by KB Group, as they are prerequisites for maintaining and strengthening the position of the Group in the competitive market. The rules and principles of ethical behaviour and professional conduct, including the rules adopted to fight against corruption

and bribery, are anchored in our internal regulations and are part of mandatory training for all employees. Suppliers and other business partners of the Bank are also bound to comply with the rules against corruption by obligatory contractual clauses. The Compliance Manager is responsible for establishing rules and measures against corruption and for ongoing monitoring of these measures.

Twelve Potentially Sensitive Sectors with regards to Environmentally and Socially Responsible Conduct



Whistleblowing

It is in Komerční banka's interest that its employees will prevent breaches of any regulatory and ethical rules and actively report any such breaches. All employees are invited to inform the Compliance Department of any substantiated suspicion of breaches of regulatory or ethical rules. Rules for this procedure are defined in the Code of Ethics and a related manual. Employees are informed about this possibility during the entry training course, continuous e-learning courses, and through the intranet. Employees are guaranteed that their submissions will remain anonymous to the maximum possible extend and that no retaliatory measures will be taken against them.

Measures against money laundering and financing of terrorism

We devote maximum efforts to prevent the abuse of our services for any purpose relating to money laundering and the financing of terrorism. To this end, we apply measures, methods and control procedures in compliance with the relevant legal regulations, norms and rules of the Société Générale financial group. We periodically verify and update our internal preventive systems and share information with all our employees in the form of operational reports or presentations or e-learning training. The Bank has an established system for monitoring all transactions and business relationships.

Restriction on deals with a potentially negative impact on the quality of the environment.

We have been developing continuously a number of new products with the objective of satisfying the needs of our clients from different segments. Their parameters, processes and related risks are analysed in advance and approved by the relevant units, including oversight units (Risk Management, Legal and Compliance Departments) to ensure compliance with laws and regulations. When offering products to clients in the distribution network, the suitability of a given product for a specific client is evaluated, and the client's needs are determined in advance. KB follows

the principle of responsible lending and provides all information on its products in a clear and transparent manner.

KB respects business restrictions relating to the provision of banking services and products for the trade in weapons, ammunition or other goods and technologies defined as military material. The restrictions also cover individual private or state entities or business groups whose business practices are considered non-transparent within the weapons industry. In the area of environmental and social responsibility, we follow the specific sectoral rules of the Société Générale financial group relating to the provision of financial products in areas that can have a significant impact on the quality of the natural or social environment.

Know Your Customer and client data protection rules

In all its business relationships with clients and other contractual partners, we diligently apply the "Know Your Customer" rules defined by both local regulations and Société Générale Group policy. These rules include all internationally recognized standards. Since this area is constantly evolving, the Bank continuously implements corresponding changes into its processes.

GDPR

The Bank considers protection of clients' data and information covered by bank secrecy to be one of those crucial areas always duly demanding its attention. Transparent handling of data and its maximum security are considered as a necessary precondition for fulfilling the regulatory requirements and maintaining responsible business operation and long-term relationships with the clients, employees and business partners.

In compliance with the Regulation of the European Parliament and of the Council (EU) 2016/679 (GDPR), we analysed personal data handling in the KB group, and designated the position of a Data Protection Officer in charge of dealing with complaints made by

clients, employees or other entities. The officer shall monitor compliance of the KB Group with the GDPR, in the framework of which we established a process for the exercise of data subjects' rights, amended contracts with our suppliers or modified consents to personal data processing. As of today, we register more than one million consents given to us by clients -individuals, an expression of confidence which we highly value.

The data, of which we are the designated Controller, is secured and protected against misuse. Further information about the purposes and means of processing is available at our website. We remain a safe partner for data subjects, be them our clients, employees or suppliers.

Protecting economic competition

KB had previously implemented an internal guideline covering protection of competition based on both general obligations arising from regulatory provisions and on the standards of the Société Générale financial group. The guideline describes the regulatory framework, risk areas relating to the banking sector and conduct of individual employees in negotiating with third parties and the regulator so that the employees are adequately informed regarding risks and methods for avoiding them. Selected employees also are subject to internal training in this area. Employees negotiating on the Bank's behalf at the level of the Czech Banking Association also undertake to uphold the rules of the Association in the area.

Responsible Lending Index

In the survey conducted by the People in Need NGO, we regularly rank high. In the last edition, we improved our scoring year-on-year in the category of mid-sized loans with periodic instalments. Three indicators are under review – transparency and communication, client processes and total costs. Our score of 0.75 is above the average of 0.60. The best score is 0.87.

Supporting financial literacy

Financial literacy

In our business, we are striving to ensure that every individual understands how financial tools work and how to make sensible use of them. We participate in projects teaching how to draw financial plans to cover one's needs and desires, and encourage financially responsible behaviour. We start with the youngest, but we also help in the social area.

Financial literacy is not taught routinely at schools yet. Most people learn how to manage money in their family. Our objective is to identify all the various ways of acting preventively in this area, or to help in situations when problems do occur.

Our target groups are mainly elementary and secondary school students, the general public and senior citizens.

Bankers to Schools

The Bankers to School project of the Czech Banking Association promotes financial literacy of elementary and secondary school students. Top managers from financial institutions, including Komerční banka, regularly participate in the events. In 2018, representatives of Komerční banka were invited to elementary schools to lecture about banking institutions, cybersecurity and the need to protect personal data in an online environment. Students have proven to be attentive listeners and active debaters. We see this cooperation as a success, and intend to pursue this activity becoming a tradition.

Advisory in Financial Distress

We have a long-standing collaboration with the Advisory in Financial Distress (Poradna při finančnítísní), which offered, also thanks to our support, almost 110,000 consultancy interviews, 142,000 calls to a free consultancy line, 240 prevention trainings at schools, foster care establishments, prisons, residential institutions, children's homes, centres for parents on parental leaves, City Halls, Labour Offices and other social care institutions. The Advisory also serves

as a professional advisory support for our clients who are, for various reasons, in financial distress and have debts with multiple creditors. In cooperation with the advisory, we also organized a series of lectures for senior citizens titled „Financial Service Providers and How to Not Be Gullible“.

The KB Jistota Foundation

In 2018, financial literacy activities and the preparation for the roll-out of financial literacy programmes for low-threshold clubs continued. Detailed information on the project is available in our last year's report.

New Youth-Focused Projects

Unmanageable debt is a major problem of our age which affects even young people. We are convinced that the young people who can manage their own financial resources and understand economic fundamentals are much better prepared for adulthood and less likely to get into financial distress later. Maybe, thanks to these financially educated young people, we will be able to overturn this negative trend in the future.

In 2018, we initiated cooperation with yourchance o.p.s. non-profit organization focusing on financial literacy. In April 2018, we supported the Global Money Week, a financial awareness campaign offering lectures and workshops attended by many KB employees. The target groups include pupils, students, teachers and professional public as well as vulnerable groups at risk of overindebtedness, and socially excluded families.

The other new activity is a general partnership with the Economics Olympics international competition in economic and financial knowledge for secondary school students organized by the Institute for Economic Education (Institut ekonomického vzdělávání z. ú.). The competition is the biggest of its kind in the Czech Republic and in Slovakia. Approximately 20,000 students have participated so far. In 2019, Hungary will join.

The LIFE Board Game

In 2018, we produced the LIFE board game teaching children to manage their finances. The game is suitable for the whole family. The game was offered, for instance, to the winners of a TV quiz on the theme of children financial literacy.

„KinderBank“

That is a provisional title of a Komerční banka start-up launched by our employees in 2018 to help children learn in a playful manner about the value of money and financial management.

PR Articles on Themes of Financial Education

We promoted the topic of financial literacy through numerous PR articles published in student newspapers and magazines.

We respect human rights.

We cooperate only with suppliers who comply with legislation and our internal controlling documentation.

3.

RESPONSIBLE EMPLOYER

KB's strategic vision is to pursue the creation of longstanding partnerships with its employees. Komerční banka presumes there to be a professional relationship that stems from mutual trust, respect, communication and equality of opportunities. We aim to create an attractive work environment where our employees can grow in their careers and develop their potential.

We want to build strong relationships with our employees based on mutual respect and trust.

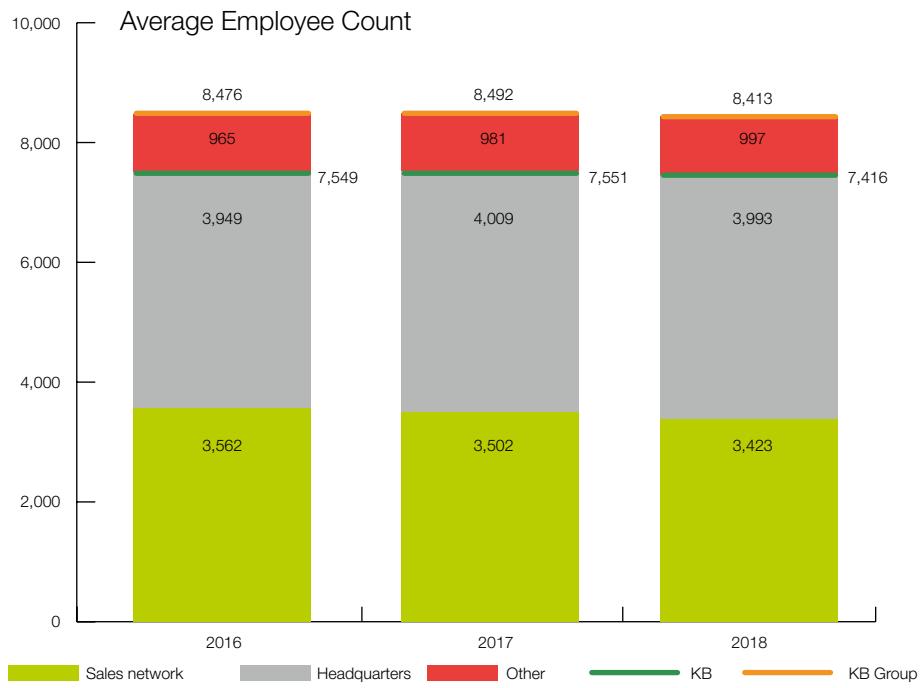
We do not tolerate discrimination.

We offer to our employees professional and career development prospects.

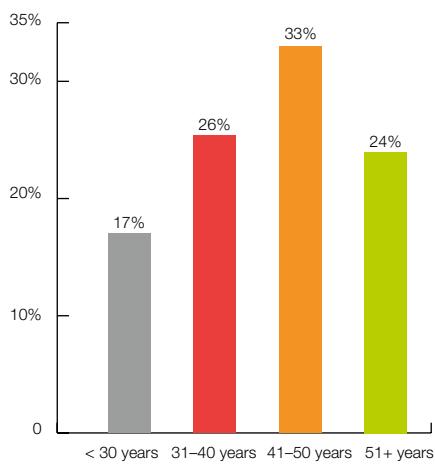
We support those who contribute to our success.



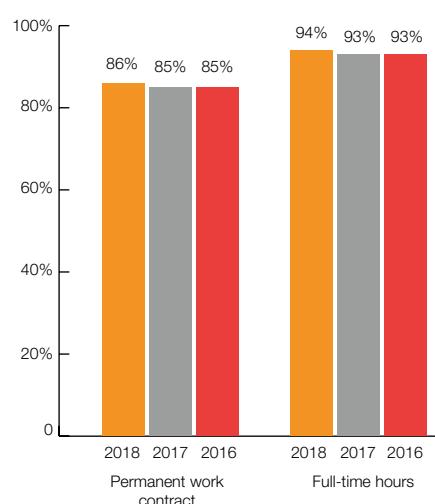
Key Employee Information



Employee Age Distribution



Employees by Work Contract Type and Monthly Hours



Work safety, working conditions and the legal framework

KB ensures its employees' occupational safety as well as health and fire protection against possible risks that would endanger their lives and health when performing their work, to the full extent of law. It provides its employees with sufficient and adequate information and instructions on safety standards and on providing first aid and ensures respect for the prohibition against smoking and consumption of alcoholic beverages in the workplace. Managers at all levels are responsible that the employer's obligations in this area be honoured. These tasks are an equal and integral part of their work obligations. As an employer, KB provides work-related medical services through EUC PREMIUM s.r.o., and regular employee training and checks while documenting and recording the results.

We also modernise the environment within our branches in accordance with safety and health requirements, as well as regarding the social environment and state-of-the-art technologies.

Concerning the legal framework, the entire Group is subject to the same legal conditions and standards as to any other employer in the Czech Republic. Its activities are supervised by the Czech National Bank, which may apply other regulatory measures, for example in relation to employee education and renumeration. Rules of SG and international standards also can have an influence. Conformity with all legal standards, decrees and regulations is subject to regular and random control, and failure to uphold these standards can be sanctioned.

Komerční banka upholds all international agreements ratified by the Czech Republic that are part of the Czech Republic's legal order. In case of overlap into international employment, it follows in particular the contractual obligations Rome I.

Right to information and to social negotiation and employee satisfaction survey

All information designated for employees is shared openly and in multiple ways. The main source of information for each employee is his or her superior. Since 2016, an Employee section has been in operation within the new KB intranet. All necessary and updated information from human resources area is accessible.

Employees can contact the MY HR (Moje HR) telephone line, submit their inquiries by e-mail or contact HR Business Partners and Consultants.

The right of KB employees to social bargaining is exercised through the KB Trade Union organisation. The Bank is in regular contact with representatives of the trade unions organisation, and collective bargaining is ongoing every year.

The right to information is defined in the Collective Agreement. The collective agreement has been concluded for the period 2017–2020. The results of employer and trade union negotiations are fully accessible to all employees, including the full text of the Agreement. The benefits of the collective agreement are valid for all employees, including those not organized into unions.

Employee care is a priority in human resources management and for KBs top management. The Bank regularly assesses employees' opinions, satisfaction and engagement, and it enacts corresponding measures. Satisfaction surveys are taken using SG Employee Barometer and within the agile area by regular surveys. The objectives of the KB Change transformation programme include to increase employee engagement, as expressed by a rise in the composite index from 72 % to 80 %. The index level for KB is determined by an independent agency. One of the five indicators is employee motivation, which, according to the employee survey from September 2018, increased from 61 to 71 %. The Bank provides care also for its departing employees, in particular in the form of counselling.

Employee health

Komerční Banka has for several years been systematically attentive to the health of its employees. KB continued in 2018 - and further developed - its Moje Vitalita Programme. It aims to support high work performance from KB employees by looking after their physical and mental well-being. Physical well-being was given special focus in 2018, thanks to Health Days organized across the Czech Republic.

The increase of more than 50% in the number of employees with health disabilities is due mainly to our internal campaign. We share the stories of our colleagues whose lives were impacted by illness or injury. By doing so, we raise awareness that health disabilities do not constitute an obstacle for use. We also encourage managers to recruit people with health disabilities. We can accommodate their needs by adapting the work environment or working hours and by offering extensive employee benefits to our colleagues with health disabilities, which have been further enhanced this year.

Supporting employees in difficult life situations

We respect all human and social rights of our employees. All forms of discrimination are prohibited. We have long been accommodating in relation to our employees who happen to be in a difficult life situation. This support is effected in various ways, and it considers the life situation an employee is facing (flexible working hours, reduced working hours, home office, financial support, unpaid leave, etc.). Every situation is assessed and addressed individually.

Support of employees in difficult life situation is based on the Collective Agreement and corresponding implementation rules. Any drawing of financial assistance is consistently recorded by the employer.

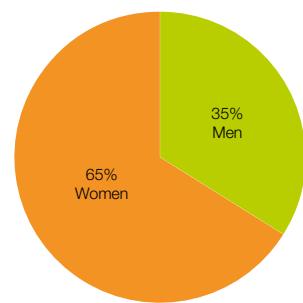
Gender diversity

The principles of equal opportunities and non-discrimination are among the basic principles that we respect as an employer. Employees are hired on the basis of their experience and competence,

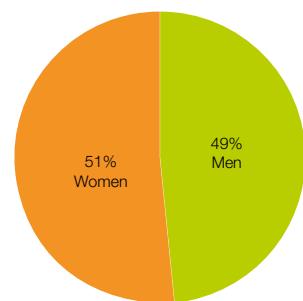
and the same approach is applied to internal mobility. Moreover, we apply a diversified approach to the individual employee groups based upon their needs and current situation. This approach can impact the offer of educational programmes for certain groups (graduates, managers, sales positions, specialists).

Another specific group of employees consists of those on maternity and parental leave (ML/PL). Their successful reintegration into the workflow is among our important goals. We are in contact with these employees also during the maternity and parental leave; they are invited to networking events and, in case of mutual interest and needs, co-operation during the leave is established. After return from ML/PL, employees may take advantage of reduced work responsibilities, home office or flexible work hours, if the type of operation and job character so permit.

Male/female ratio



Male/female ratio in management (including team leaders)



The principle of equal treatment is anchored in KB's basic documents, such as the Code of Ethics, the Rules of Employment and the Principles of Remuneration. Employees and managers conducting recruitment are trained regarding discrimination and in the essentials of the Labour Code. The Bank regularly monitors the proportion of employees reintegrated after returning from ML/PL as a part of the managerial reporting. In 2018, the number amounted to 70% against 60% in 2017.

Equal conditions in employment

We apply the principle of non-discrimination in selecting employees. Paramount is that the expectations for the work position and job description are in accordance with the knowledge, competencies and expectations of each individual applicant. A specific population upon which KB wants to focus attention is that of handicapped applicants with disabilities. Recruitment employees are trained in recruiting applicants with disabilities,

and monthly monitoring of this area has been established.

Talent search and acquisition

In 2018, we again co-operated actively with institutions of higher education, including universities, and student organisations. We thereby continue in its tradition of sponsorship and expert support to state tertiary schools throughout the Czech Republic. Among the most active co-operation was that with the University of Economics in Prague (VŠE), Masaryk University in Brno, and Czech Technical University in Prague (ČVUT). Other forms of co-operation with university students consisted of meetings at job fairs, open-house days, workshops, and special events with specific economic topics. These activities took place both at the partners' premises as well as at Komerční banka itself. More than 100 interns from secondary and tertiary schools acquired practical experience at Komerční banka's headquarters as well as within its

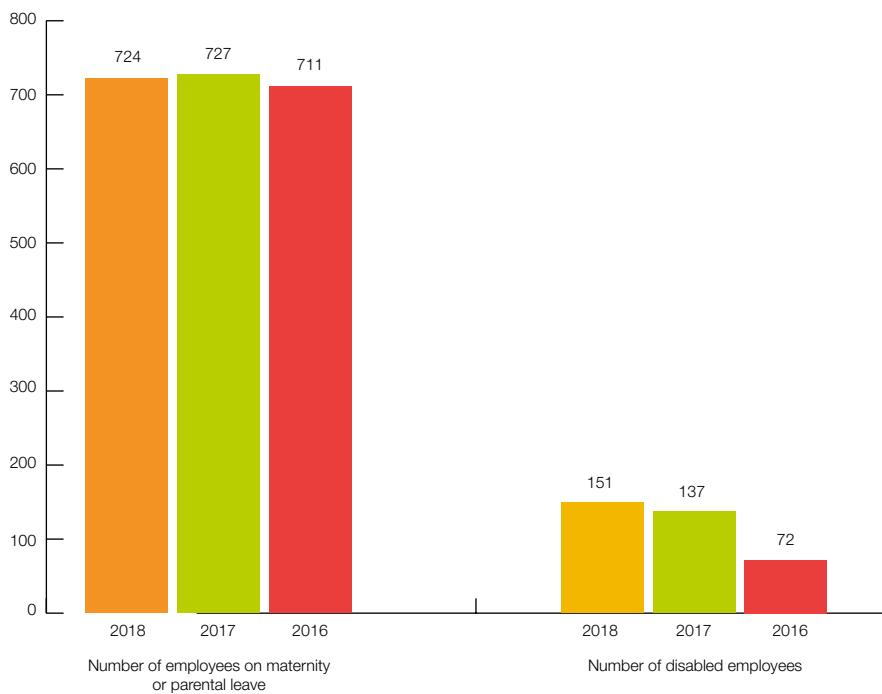
branch network. Our main partners among student organisations in 2018 were AIESEC, the Association of Students and Graduates (ASA), and Prague Banking Club.

Employee education and career development

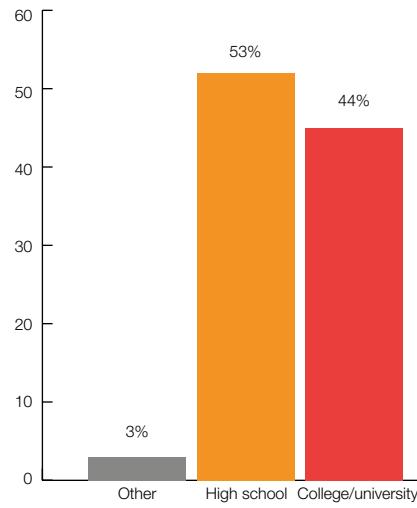
Long-term partnerships with employees are supported through education, among other things. We prepare for our and the Group's employees a broad range of educational activities and programmes, even as strong emphasis is given to individual responsibility for his or her career development.

As in previous years, we devoted particular effort to the development of those employees in direct contact with clients within the branch network. Special attention was given to the development of managers and high-potential employees, who are participants in the Strategic Talent Management programme. The M'Academy management academy focuses on enhancing

Other Diversity Indicators



Employees by Level of Education



long-term, personalised skills in the areas of human resources development, responsibility, innovation and the pro-client approach. In 2018, we supported a major change in project management and innovation by training all employees of the affected teams in agile product development. We co-operate on development programs with the parent company Société Générale. Thus, our employees have the opportunity to develop their skills and capabilities in an international environment.

We also support a healthy lifestyle, even in the work environment. Traditionally, Health Days are organised, during which employees can take advantage of a number of individual consultations, expert examinations, try different types of exercise, or go for a massage.

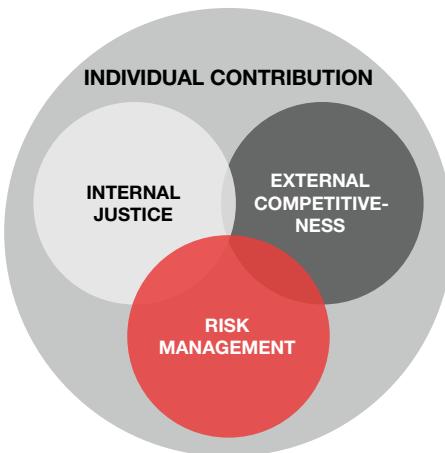
Corporate values and The Leadership Model

In as much as corporate culture is a cornerstone in the foundation for achieving long-term success in business, we in KB are applying a new definition of our corporate values that are shared across SG group: team spirit, innovation, commitment and responsibility.

The values contribute to the basis of an updated model for managers and employees' conduct, known as "The Leadership Model". It is built on the following five pillars:

- Client satisfaction,
- Innovation in creativity and change management,
- Responsibility,
- Our teams' commitment, and
- Team spirit with a strong sense of achieving results together.

The updated corporate values are progressively being reflected in all associated processes, and particularly in recruitment, assessment, remuneration and education.



Renumeration in KB

Remuneration strategy is an integral part of KB's human resources strategy and its overall business strategy.

Remuneration strategy in KB aims to:

- Support the general strategy and business targets,
- Prevent inappropriate risk-taking and improvident behaviour,
- Take into account the rights and interests of clients,
- Promote cost-effectiveness, and
- Boost the value of the Bank in terms of its employees, shareholders and clients.

The remuneration system in KB is based on the following principles that support the Bank's strategy, objectives, values and long-term interests:

- **Internal justice** is a principle ensuring that the same remuneration is paid for the same work and same performance under the same transparent circumstances. That remuneration must not be affected by gender, age, religion, membership in trade unions or political parties, or other personal characteristics of an employee that are not directly related to his or her work performance or competencies.
- **External competitiveness** is ensured through regular market surveys, taking into

account the intended market position and significant differences in the remuneration market. These surveys then lead to determination of the aforementioned basic wages.

- **Individual contribution** is taken into account in the wage and bonus. Wages may reasonably differ from the target level to take into account all aspects such as individual contribution or potential. A bonus is determined, *inter alia*, based upon an assessment of the goals achievement and performance.

- **Risk-taking.** In KB, remuneration is aligned with sound and effective risk management and supports such management; remuneration does not encourage the taking of risks going beyond the risk tolerance of the Bank.

The structure of renumeration in KB:

1. Basic wage for work performed (fixed component)

Wages of all employees are determined in terms of the complexity of their positions, particularly in terms of the required knowledge, experience and skills, and the resulting responsibilities.

2. Flexible performance-dependent remuneration component

In addition to the basic wage, employees have a variable remuneration scheme for the quality of meeting corporate, team, and individual goals.

The amount of the variable component is expressed as a percentage of the annual basic wage and is different for different groups of employees.

The maximum level of the flexible component is set in the collective agreement, and for legislative reasons it cannot exceed 200% of the basic wage.

Up to the entire variable component can be cancelled in the case of an employee's misconduct or behaviour that is not compliant with the Compliance rules.

3. Employee benefits and advantages supporting employees' loyalty within Komerční banka Group

The cost-effective structure of benefits reflects the Bank's targets to be a responsible employer while providing employees with a choice. The structure and level of benefits are subject to collective bargaining agreements each year. For the year 2018, the structure agreed was as follows:

- a) Daily meal vouchers worth CZK 100 without the employee's financial participation,
- b) An amount of CZK 6,720/employee/year for recreation, sports, health, culture and personal development provided via the Cafeteria system,
- c) 3,000 CZK/year for disabled employees and CZK 600/year for employees 55 years of age and older via the Cafeteria system,
- d) Contribution to supplementary pension insurance and supplementary pension savings amounting to 2% from the components of wages, which are used for the contribution to social insurance and state employment policy computation. The employer's minimum contribution is 400 CZK/month,
- e) A contribution to capital life insurance of CZK 650 per month,
- f) A contribution to the purchase of employee shares within the Société Générale Global Stock Exchange Program,
- g) Premium conditions for retail banking products and services provided by Komerční banka to employees,
- h) Financial support during long-term illness,
- i) Two working days off with wage compensation and 1 additional working day off with wage compensation for employees who work for Komerční banka for

a continuous period of 7 years and longer, with the condition of non-transferability to the next calendar year,

- j) Risk life insurance,
- k) Extraordinary social assistance.

Regulatory risk management principles in renumeration

Taking into account risks is part of the basic remuneration principles. It includes in particular the following measures:

- I. The overall system of flexible performance-dependent components is set in a way not to limit the Bank's ability to strengthen its capital. Payment of the flexible performance-dependent component of the remuneration is based on the Bank's performance. Therefore, the size of the flexible performance-dependent component is in no way guaranteed, even when the individual employee achieves his or her individual goals. The criteria used for calculating the aggregate amount of flexible performance-dependent component to be paid include corrections for both current and future risk. The same criteria will be used when setting the flexible performance-dependent remuneration budget in order to take into account any current and future risks.
- II. It is not the Bank's policy to provide any reward from previous employment. If necessary, such a component would always be a variable remuneration according to these Remuneration Principles.
- III. In the case of an employee's termination of employment, "golden parachute" bonuses are forbidden.
- IV. Assuming there to be no violation of applicable laws and treaties, KB will at all times make every effort in its power to recover all flexible performance-dependent remuneration that has been paid but the pay-out of which has been found to be unjustified.
- V. Employees with significant influence on the Bank's risk profile (hereinafter referred to as IS) are identified in accordance with the relevant regulation and their list is regularly reviewed. The variable remuneration of SG expatriates identified as IS is assessed in accordance with the Bank's rules.
- VI. In order to restrict taking on of inappropriate risk, the variable remuneration component for an IS always is performance-linked and risk-adjusted. Non-financial criteria (such as employee ethics, complaints and mistakes) are taken into account when assessing employee performance. At the same time, some ISs are independently rated from a Risk and Compliance perspective.
- VII. For the IS group, which most strongly affects the Bank's risk profile, specific rules are adopted: the KB Deferred Bonus Scheme. These rules consist in postponing payment of part of the variable component, the use of non-cash instruments (KB quasi-equity / KBPT) and the Remuneration Committee's approval regime.
- VIII. The decision on remuneration of the members of the Board of Directors is taken by the Supervisory Board in view of any findings of control functions (Risk Management, Compliance and Internal Audit).
- IX. Appraisals of internal control staff (in particular Risk Management, Compliance, and Internal Audit) are tied to achieving the goals associated with their functions, independently of the performance of those areas of activity of the Bank they control. An independent audit of remuneration principles and practice is conducted annually by Internal Audit.
- X. Renumeration policy and practice must be verifiable and reviewable for at least 5 years.

4.

ENVIRONMENTAL PROTECTION

We are not apathetic toward the environment in which we live. We constantly introduce solutions that reduce our operations' environmental impact. We think about the future and promote savings in both energy and costs. We carry out regular energy audits and apply remedial measures.

We are forward-thinking.

We always treat our suppliers with respect and honesty.

We embrace the trend of modern technologies.

We implement resources savings and environmentally friendly solutions.

We in Komerční banka are aware of the influence that our activities have on the surroundings wherein we operate, and we consider responsible behaviour to be important. Therefore, we adopt adequate measures that on the one hand should eliminate negative influences on the environment and on the other contribute to its protection and improvement. We monitor the impacts of our activities on the environment and identify those areas upon which we need to focus. We then adopt measures directed towards effectively reducing our environmental impact.

Consumption of resources

We have been achieving long-term savings in electricity consumption. In comparison with 2017, there was a perceptible 1% reduction. Total consumption for 2018 was 30,751 MWh as compared to 30,973 MWh in 2017. Contributing to this was the continuing replacement and installation of LED lighting at branches. In 2018, we reconstructed a total of 23 branches. The result for 2018 was also negatively influenced by moving into a new administrative building that was for some time operational concurrently



with the previous workspace being vacated by the employees.

In 2018, a different classification of gas consumption was introduced. For the purpose of comparison, we indicate the 2017 values in both the original and modified forms. The transfer between the gas and heat items concerns gas consumed by an external heat supplier at bank branches.

Energy Consumption (MWh)

	2017 (original data)	2017 (modified in line with new methodology)	2018
Electricity	30,973	30,973	30,751
Gaz	21,091	13,460	10,888
Heat	9,871	16,808	15,276
Total	61,935	61,241	56,915

Gas consumption in 2018 was 19% lower (10,887,743 kWh) as compared to 2017 (13,459,791 kWh). This substantial reduction was facilitated by vacating 23 buildings due to the opening of a new administrative building having a LEED Gold energy certificate at Stodůlky in Prague and by refurbishing technologies and utilities equipment at KB buildings (heating, cooling, air conditioning and lighting). Heat supply was reduced by 9%, from 16,808,393 kWh in 2017 to 15,275,971 kWh for 2018. The heat consumption was influenced not only by factors stated in the previous paragraph concerning gas consumption, but also by weather, temperature fluctuations, and the mild winter.

KB has also kept water consumption at roughly the same level. In 2018, 71,717 m³ of water was consumed, which is only a very slight increase compared to the previous year 2017, when 71,523 m³ of water was consumed.

Harmful emissions

We also reduced overall CO₂ emissions by cutting back on energy consumption, limiting business trips, operating a new office building, and newly using electric cars in the KB fleet.

Digitalisation at KB is being implemented by (among other ways) organising meetings via Skype for Business. This accounts for a year-on-year reduction in kilometres travelled for business trips. Whereas in 2017 KB reported 7,024,187 km of employees' business trips, this figure was substantially less, at 6,547,823 km, in 2018. In June 2018, the Bank expanded its fleet with seven Nissan Leaf electric cars that the employees drove a total of 23,806 km.

Sorting waste

We enable every employee to participate in waste sorting. For each of our branches and other premises, we have set a sorting system that should ideally reflect their needs. Waste-handling information cards are posted in each building; these give detailed information on how waste is sorted in that building. To ensure compliance with all valid regulatory requirements, KB entrusted waste handling during 2018 to AVE CZ odpadové hospodářství, a company providing not only waste collection but also disposal and recording of all waste. A reduction in the amount of especially plastic waste was achieved by cancelling orders for water in PET bottles, plastic cups, and single-use cutlery. All workplaces were equipped with soft drink dispensers and kitchens with sufficient dishware. The Bank also provides to employees and clients take-back of used batteries at all its branches.

Clean Up the World, Clean Up Czechia

In 2018, we supported the Clean Up the World, Clean Up Czechia campaign not only financially but also by active involvement of our employees. 250 employees volunteered and participated in clean-ups at more than twenty sites across the Czech Republic. One of the very special initiatives was, for instance, the removal of a car wreck from a forest park in Ústí nad Labem.

Supplier relations

Within our supplier relationships, we are committed to protecting the environment, social and human rights and respecting the principles of sustainable development. As a subsidiary of Société Générale, we implement the sustainable development as well as in risk

management principles common to the Group. In its purchasing processes, KB implements the sustainable development principles common to the Société Générale Group.

The commitment to sustainable development was affirmed by Société Générale when it joined the United Nations Environment Programme Statement by Financial Institutions on the Environment and Sustainable Development on 27 November 2001. As of the date of its accession to the Declaration, Société Générale has been a participant in the measurement of sustainable development by the most important international indicators.

We also apply the Ethical Sourcing Programme that is enforced throughout the Société Générale group. Every supplier with whom we close a contract commits to comply with the principles that follow from this programme and KB reserves the right to initiate the conduct of an independent audit. In particular, suppliers under contract with KB undertake to observe the labour laws and, in the event of their non-existence, at least the provisions contained in the International Labour Organisation's Declarations, Conventions and other acts, and environmental legislation. At the same time, suppliers undertake not to co-operate with Subcontractors and other natural or legal persons who, according to their knowledge, do not comply with those rules.

Our parent company,
Société Générale,
has confirmed the
commitment to sustainable
development by acceding
to The UNEP Statement
by Financial Institutions
on the Environment and
Sustainable Development of
27 November 2001.

5.

SOCIAL TRENDS AND INNOVATIONS

We follow developments in society and react to its changing needs. We offer solidarity-based products, support start-ups that shape our future, watch the quickly changing world around us, and want to be at least one step ahead.

- We contribute to our society's sustainable development.
 - We promote creative thinking and innovative culture.
 - We help micro-entrepreneurs get started.
 - We innovate products to be consistent with trends.

Detailed information on product innovations and new developments is available in our Annual Report, especially in the chapter on KB Group clients and our services for them.

Through financing of projects with a positive impact on the environment or regional development, we contribute to our society's sustainable development in the long-term. Here, programmes that utilize cooperation with various European institutions play a significant role.

Microfinance loan

In 2018, we supported approximately 400 micro-entrepreneurs, a quarter more than the previous year. The Microfinance loan programme provides loans to micro-entrepreneurs with less than 10 employees with reduced collateral requirements thanks to a guarantee by the European Investment Fund. This guarantee is provided to those micro-entrepreneurs who have a disadvantaged position on the labour market (they began doing business while working part-time or after unemployment, are entering the job



market after parental leave, are disabled, have come from another country, belong to an ethnic minority, or are under 30 or over 55 years of age).

EuroEnergie loan

In 2018, we granted loans totalling more than 300 million crowns. This programme's clients invested more than a billion crowns. The investment should lead to a total energy consumption reduction of 70 GWh a year. The loans are intended for financing investment into private-sector energy-saving measures; they offer reduced interest rates thanks to funds from the European Investment Bank. These loans also have reduced collateral requirements thanks to 80% guarantee from the European Investment Bank for covering any losses.

EuroPremium Young Loan

Under this programme, we provided loans to clients who created roughly 160 new jobs for young adults. The loan provides financing with advantageous interest conditions to companies who make it easier for young adults aged 15–30 to start their professional careers. Clients can obtain a loan in the amount of up to 100% of their projects costs, with an interest rate that is 0,3% p. a. below the standard rate.

Some of the projects supported by the EIB programmes with the below-the-standard interest rate also contributed to climate change mitigation, and therefore comply with the strict criteria of the EIB's Climate Action subprogramme. The subprogramme funds projects mainly in the area of building insulation and the use of renewable energy.

In 2018, we began providing a new product to our clients, EuroCreative, made for financing cultural and creative projects. These include e.g. museums, heritage sites, film production, computer game publishing and TV/radio broadcasts. The beneficiary automatically obtains an EIF guarantee. Up to 52 million crowns can be drawn within one project.



6.

SPONSORING AND CHARITY

We continuously support culture, sport and education. We are partners of institutions, projects and events of general public interest, with particular emphasis on the extraordinary human, social and artistic aspects of the projects, and on long-term co-operation.

We altruistically support charity, educational, cultural and other projects.

We do not make any donations to political parties and movements.

We devote our attention to the people with health disabilities and the socially disadvantaged.

We support our employees' involvement in volunteer activities.

Sponsoring and philanthropy

The National Gallery in Prague is among the largest entities we sponsor. One key point in our co-operation with the Gallery is our support for free entry to its permanent exhibits for everyone aged 18 and under and for students aged 26 and under. With ours support during 2018, 78,513 people visited the gallery for free. Each year, we support a selected large cultural project.

Our long-term partnership with the Prague Zoo is among the most successful. Every year, the Family Day for KB employees and the general public is greatly popular.

For the second year, we continued our cooperation with the Rock for People festival, now as a general partner. KB clients could buy tickets at a reduced price.



Again in 2018, KB supported Czech floorball. KB's main joint project is the floorball challenge. This is attended by thousands of secondary school students each year, and the final of the tournament takes place before the climax of the entire floorball season, the Spring Superfinal.

KB likewise supports the French Film Festival, which presents the best French-produced or co-produced films; it is among our nation's most important film festivals.

A new feature is support of the PKF - Prague Philharmonic Orchestra, which had been founded by conductor Bělohlávek and has an excellent international reputation. Today, the orchestra is conducted by French conductor Emmanuel Villaume.

After fifteen years, we ceased cooperation in 2018 with the Dostih Foundation horseracing association.

The KB Jistota Foundation

The Jistota Foundation's main mission is to help with specific projects and to support activities in the areas of developing civil society, addressing health and social issues, education, and integrating individuals into society. Part of the projects focus on early care, with extensive support to organisations that help people who are socially or physically disadvantaged, and hospice care. The Jistota Foundation thus provides a source of funding to help throughout human life.

Last year, the main donors to the Jistota Foundation were again Komerční banka and its subsidiaries and affiliates. We also must not forget, however, the employees of KB Group, whose contributions account for a significant part of the total funds.

Last year, employees supported the Foundation through active participation in various events, such as a golf tournament, by buying a calendar, auctioning photos, or during the so-called Week with the Foundation. The latter also offered them many activities of a similar nature to help, such

as the floorball tournament, garment collection, or the Breakfast for the Foundation.

The Jistota Foundation Funds:

- Through its Open Fund, the Foundation supported 19 projects in total value of CZK 3,130,689. These projects were designated to help the socially disadvantaged, to support employment of adults with medical disabilities, and also for palliative and hospice care.
- The KB Group fund exists due to the long-term generosity of the subsidiary and affiliated companies. Last year, the proceeds were directed to support projects for activating seniors and for inter-generational meetings. Eight projects were selected, with aid totalling CZK 1,177,074.
- The Matters of the Heart, whereby the Foundation supports organisations within which KB Group employees help as volunteers, also was conducted. Through Matters of the Heart, the employees supported ten organisations and shared a total of CZK 951,230.
- The Help to Employees in 2018 helped out KB Group employees and their families in difficult life situations. In total, six employees (or their families) were supported with an amount of CZK 454,886.
- The largest amount, CZK 4,421,800, was disbursed from the Jistota Fund, generally to finance co-operation of long-term character. A total of 14 projects were supported, four of which were initiated in 2018.

In total, 51 projects were supported, as well as six employees of KB Group. Moreover, the Foundation provided non-financial support, in particular financial literacy training for social workers and workers in social services.

Further information on activities of KB Jistota foundation is available at: <http://www.nadacejistota.cz/o-nadaci/vyrocni-zpravy/>

Volunteer activities

Each year, many KB employees are enthusiastically involved in various volunteer

activities. Principal among these are in support of the Jistota Foundation, which further distributes funds to those in need.

KB has long been organising regular blood drives in co-operation with General University Hospital in Prague. In 2018, KB employees donated 81 litres of blood, which is almost twice as much as in 2017. Employees also regularly take part in the Bike to Work programme. Last year, it led them to walk or bike 29,288 km, thus reducing CO₂ emissions by 3.21 tonnes.

Since our employees are enthusiastic cyclists and we are an organization promoting education, our employees also joined the Bikes for Africa project. In total, they donated 80 bicycles that were either sent directly to Africa and served children for travelling to and from school, or they were dismantled for spare parts, with the proceeds going for the same purpose.

The already traditional pre-Christmas photo competition and auction of calendars brought in CZK 28,500. A special charitable activity was the folding of paper origami cranes, 3,895 of which were created by the employees, and the whole event brought in CZK 50,635 for the Foundation. That amount was used to restore baby boxes.

Since Christmas is about joy of presents and the greatest joy is the joy of making others happy and the sense of completeness, we decided to reduce the costs of Christmas gifts and offer the money saved to the Jistota Foundation. One million crowns were thus collected. The proceeds were also used to restore baby boxes that had, in the course of their existence, already saved the lives of 180 babies.

The so-called Week with the Foundation already is slowly becoming a tradition. In 2018, it also included educational and volunteer events. An especially popular activity is the breakfast, which is prepared by employees for their colleagues, and the proceeds are provided to the Foundation. Also popular is the garments and accessories collection, and interest in

the floorball tournament is growing each year. The Week with the Foundation brought in a total of CZK 188,610 CZK in 2018. However, breakfast was served also separately from the Week with the Foundation last year, and the proceeds from that event were CZK 57,698. Every year, the Foundation organises a charity golf tournament involving many players. This year's raised CZK 180,000.

In 2018, we were for the first time involved in the Clean Up the World, Clean Up Czechia initiative. Here, the Bank provides not only financial support, but a total of 247 employees cleaned at more than 20 locations throughout the country.

Financial resources collected through volunteer activities (CZK)

Activity	2018
Week with the Foundation	188,610
Breakfast for the Foundation	57,698
Charity golf tournament	179,375
Pre-Christmas photo competition and auction of calendars	28,500
Folding of paper origami cranes	50,635
Christmas gift to the Jistota Foundation	1,000,000
Total	1,504,818

In culture, the **National Gallery in Prague** is one of the largest entities sponsored by KB. An important point of this cooperation is sponsoring free admission to permanent exhibitions for children and young people aged up to 18 years and for students aged up to 26 years.

Our long-standing alliance with the **Prague Zoo** is one of the most successful ones.

We cooperated with the **Rock for People** music festival for the second year in a row.

Cooperation with Czech floor-ball also continued in 2018; the traditional joint project called The **KB Floor-ball Challenge** is a mainstay event.

SUBSIDIARIES AND AFFILIATES

The other companies in the KB Group are not obligated to publish non-financial information under § 32 points. f) through i) of the Czech Accounting Act. The companies adhere to the same values as KB, and employ a responsible approach towards the environment and society.



This report provides a summary for subsidiaries with a significant share in KB Group's assets and financial results. Komerční pojišťovna, a.s., is an affiliate company in which a 49% share is held. Information for this company is consolidated by our parent company Société Générale and is not included in the KB report. In the ensuing chapters, we will present their CSR activities.

Komerční pojišťovna, a.s.

In Komerční pojišťovna, we believe that life is about the people who live it, the values they advocate, the way they interact, or treat each other and nature. We are not apathetic to the environment wherein we live and operate. For that reason, we strive to be a socially and environmentally responsible business, to support socially disadvantaged groups, to eliminate barriers in society, and raise awareness about responsible and environmentally friendly conduct toward life and nature. CSR activities are a matter of course of our strategies. We aim to create values for our clients, employees,

business partners, shareholders and the whole Société Générale Group.

In partnership with our employees, we defined our social corporate policy based on the following three pillars:

1. Nature and environmental protection

We cooperate with organisations protecting nature and natural parks. We help as volunteers clean forests, plant trees, etc., sort waste, reduce paper consumption and organise Christmas fundraising for animal shelters.

2. Charity and social assistance

We support social care institutions, sheltered workshops, children's homes. We organise charity fundraising and a Charity Day.

3. Employees

We support employees on maternity and parental leave, offer part-time contracts and flexible working hours, organise cultural, sport, teambuilding, and, of course, educational events.

Key activities and awards in 2018

- The Best Life Insurer – 1st place;
- The Most Client-Friendly Insurance – 3rd place;
- We organised a Charity Day across the company. About 70% of employees participated. We supported three organisations (Centrum Paraple, Tamtam, Palata);
- We support financially the Linka bezpečí child helpline;
- We organised a CSR breakfast for employees – the proceeds went to charity (Centrum Paprsek, the municipality of Brtnice devastated by floods);
- In cooperation with CreativeDock, we launched two new products (Mutumutu and Cubiq), that are available 100% online (paperless). Moreover, through Mutumutu, we encourage our employees to embrace a healthy life style (a discount of up to 30% of premium if they have a sport activity or purchase healthy food, etc.).

www.kb-pojistovna.cz

Factoring KB, a.s.

Since our establishment, we are a part of Komerční banka Financial Group and belong to the Société Générale Group since 2002. This membership is essential for the company's development and cooperation with other domestic and foreign members. We closely cooperate with KB on acquisitions and risk management. We also adhere to KB's policy on social responsibility.

Key activities in 2018

We granted loans energy-saving project worth nearly 174 million crowns (about 40 million crowns up compared to 2017);

We supported research into Alzheimer's and other neurodegenerative or vascular brain disorders with 26.8 thousand crowns (our contribution amounted to 28.6 thousand crowns in 2017);

We are a regular contributor to the KB Jistota foundation, providing 50 thousand crowns in 2018 (in 2017, we allocated the same amount).

We encourage paperless communication with clients, including electronic invoicing.

www.factorizingkb.cz

Komerční banka, a.s., pobočka zahraničnej banky

In order to give a complete picture of CSR activities of the whole KB financial group, we present our branch in Slovakia this year. The Bank serves corporate and top corporate clients.

Komerční banka, a.s.in Slovakia („KBSK“) upholds fundamental values and pillars of social responsibility that are fully in line with our parent company Komerční banky, a.s. („KB“):

- Client satisfaction is a priority for us. The first NPS survey conducted in 2018 confirmed that we progress along the right path, and we plan to stay on course. In compliance with KB's policy, we want to behave as professionals, to search for solutions that respond to clients' needs, we guarantee the quality of our products and services, and respect all our obligations of responsible business complying with regulatory requirements. Clients can raise complaints and suggestions if they are dissatisfied, and their grievances will always be considered a matter of priority. We invest in our systems to be able to verify all clients' activities, and we protect our systems from fraudulent acts.
- Responsible employer – we recruit people regardless of their race, ethnicity, religion, etc. We have a member of staff with a disability. In the past, we purchased goods from a sheltered workshop. We protect health and safety of our employees. We train our employees regularly also in practical skills. We invest in better and modern working environment. We support sport, cultural activities and encourage professional development of our employees in line with our corporate culture not only in Slovakia, but also in the KB and SG groups.
- Ethics and responsible business – we comply with all the applicable rules and regulations of responsible banking and business, i.e. prevention of corruption, anti-money laundering measures and fight against the financing of terrorism). Our employees are

trained in these regulations, and regularly reminded of the necessity of respecting them as well as the Code of Conduct of our group.

- Social trends and innovations – we were the first within the KB group and in the Slovak banking market to have purchased an electric car, which we use extensively when meeting our clients or suppliers in the city or the surrounding area. In order to tap into its full advertisement potential, we use the car for longer trips, too, planning the route according to the location of charging stations.

The environment

- We save electricity whenever possible – we switch off lights or air-conditioning, weather permitting.
- Plastics elimination:
 - We discourage the use of plastics, we purchase goods containing minimum plastic materials, our guests and employees can drink water from our soda maker (still or carbonated) or tap water.
 - At events, we request that glass cutlery instead of plastics should be used.
- We sort waste, including used batteries.
- We print documents only if necessary, or for regulatory purposes. If we need to print, we use black-and-white printing in duplex mode, and two pages per paper side, which means 4 printed pages on a A4 paper sheet.
- If possible, we use electronic documents.
- In line with our objective of reduced printing and costs, we changed our supplier of printing services and bank statements distribution for clients who request the service. The statements are redesigned, printed both side in black-and-white mode. Thus, we reduced our paper consumption by more than a half.

Sponsoring and charity

- Volunteer activities:
 - We encourage our employees to take part in volunteer activities. For instance, a colleague does dog sitting, i.e. she regularly walks assistance dogs trained to guide blind people to our office,
 - One third of our staff participate in an annual nationwide activity organised by

Pontis – Naše mesto foundation, and our employees get one day off for this activity.
• We listen carefully to those who suggest a new idea of joint charity actions.

- In line with KB's policy, we do not offer alcohol as Christmas gifts anymore since 2018. The money saved is used instead to equip baby boxes with cameras that will be installed in 2019 and will facilitate the work of those in charge. In practice, it means that when a baby is placed to the baby box, an acoustic signal is triggered, and the camera will switch on. The personnel in charge will immediately see whether a baby was brought to the box, or whether it is a false alarm.
- A percentage of our tax is allocated to charity projects based on employee suggestions. We give priority to projects and non-profit organisations where our employees are actively involved.

www.koba.sk

Modrá pyramida stavební spořitelna, a.s.

We care about client feedback

In Modrá pyramida, we pay more than just lip service to client satisfaction. In October 2018, we launched continuous online measurement of client satisfaction. Modrá pyramida seeks to map out a client's experience in all key moments, from contract signature to the point when the contract is terminated. The outcome is not only a detailed evolution of transactional indicators – the net promoter score (NPS) and the Customer Effort Score (CES), but we have also established a dedicated team of Modrá pyramida's employees who analyses client feedback. If the team identifies a need to talk to the client in order to advise him/her, to explain the situation or to simply apologise, the staff will contact the client by telephone or by email. The suggestions collected through the questionnaires thus help us not only improve our internal processes, but also establish direct communication channels with our clients to express our interest and understanding.

Towards paperless society

To increase client satisfaction, we have introduced biometric signing and digital processes. Thus, we save hundreds of thousands of tonnes of paper every year. Biometric signing is used with 90% of loan contracts.

Whom and how we help

We help those who cannot help themselves, mainly people with disabilities. We support the non-profit organisation Černí koně helping athletes and children with disabilities. With our support, the organisation can manufacture more handbikes for disabled children. We continue supporting Modrý klíč o.p.s, an organisation helping people with combined disabilities. We provide mainly financial support, but we also encourage our employees to get involved. Our employees can purchase products from Modrý klíč's sheltered workshop or take bikes to go to work in order to support Černí koně. Since 2018, we organise our own Bike-To-Work project (ŠLAPE TO) from May to September involving

60 people. Forty employees participated in the Volkswagen marathon Praha to support Černí koně.

We want satisfied employees

Every year, we invite our employees to participate in an amateur volleyball league, to play football at the Golden Tour, or to participate in our Schodyáda staircase race. We are improving our working environment and organise a variety of events. Our employees can use a community space called "Blue Space" where they hold, for instance, Brain and Breakfast meetings. We regularly organise Open Days for children and family members at our headquarters.

www.modrapyramida.cz

KB Penzijní společnost, a.s.

In 2018, we adjusted our internal processes and electronic communication channels to ease our clients' access to main documents – annual statements and tax confirmations. The latest adjustments to the My Pension Account application gives clients a better overview and let them adjust their contracts more easily. We worked intensely on contract conclusion using a biometric signature in the Modrá pyramida distribution network. At the same time, contracts can be concluded outside of business premises and on the internet.

We were devoting a maximum of efforts to the protection of personal data of our clients, employees and business partners. An important milestone was the entry into force of the Regulation of the European Parliament and of the (EU) 2016/679 (GDPR), effective as of 25 May 2018. In this context, we had to modify consents with personal data processing and contracts with suppliers. When processing personal data, we apply procedures and mechanisms as to minimise risks of misuse. We do not trade in our client data. We take all these steps with the aim of remaining a credible and trustworthy partner for our clients. In connection to the GDPR implementation, we reviewed all labour documents and implemented all relevant measures.

Our employees are offered a broad range of educational activities and programmes while we encourage them to assume their own responsibility for their professional development. The extend and composition of employee benefits is updated and expanded every year. We also enhanced our Moje vitalita programme.

We are situated within the environmentally friendly building in Praha-Stodůlky. We sort waste, recycle toner cartridges and cell phones. We compete within the Bike to Work programme every year.

In partnership with the KB Jistota foundation, we supported the Anděl Strážný non-

profit organisation with 200,00 crowns. The organisation provides a help line to senior citizens living on their own. Thanks to the support, the elderly remain independent and maintain their family and other relationships.

www.kbps.cz

ESSOX s.r.o.

Safe Together

In 2018, in cooperation with volunteer fire fighters of South Bohemia, we launched our project Společně bezpečně (Safe Together). The aim of the project is to raise awareness of children safety in four key areas: financial literacy, road safety, safety at home and in nature. In cooperation with firefighters, we organised 103 visits for 2,985 children, and donated an inflatable bouncing firefighter truck for children used in awareness-raising campaigns.

Beehives

In order to help the environment and city ecosystems, we placed three beehives at the roof of our building in České Budějovice in the spring of 2018. The bees produced 85kg of honey that we had tested at the specialised QSI laboratory in Bremen, Germany. The tests determined the diastase activity that catalyses the breakdown of starch into simple sugars, potential pesticide contamination, and the presence of polychlorinated biphenyls potentially carcinogenic for humans. The honey passed the tests with flying colours and complied with all EU relevant standards. Diastase activity level according to the Schade test amounted to 26. Good quality honey usually ranges between 10 to 30 units. We now offer our honey to clients as small gifts.

Sponsoring and charity

Thanks to enthusiasm and altruism of our employees, we supported three non-profit organisations helping children with disabilities in 2018 - Život dětem, Raná péče and Krapet. All the three were supported with the proceeds collected at our Christmas party, Breakfast with ESSOX or the ESSOX Cup.

For several years, we have been financially supporting Ovečka, o.p.s., which integrates people with Down Syndrome into society. We also support international and national charity events, such as the nationwide Food Drive or the popular Movember

In early October, we organised the traditional two-day Away Day for ESSOX group's managers. Besides the working part, the managers also helped the Social-Care Centre in Tloskov where they built raised garden beds for the clients of the centre to grow vegetables for their own consumption. And, since the centre applies zootherapy, we also built a new 25-meter-long fence at their farm.

Our employees also took part in group-wide blood donations organised by Komerční banka in Prague.

ESSOX has been cooperating for several years with the Jistota Foundation. We became involved in Foundation Week, as a part of which we collect garments. We also contribute financially in the amount of 100,000 crowns. This year, the proceeds went to Charita Nový Hrozenkov, the only charity providing a comprehensive range of social services to senior citizens living in border areas. It offers home care, out-patient as well as residential services.

Electromobility

We launched green project financing with electromobility. In cooperation with Komerční banka, our new team started contacting local authorities with our offer of electric vehicle financing. Our aim is to reduce carbon footprint.

Digitalisation

In 2018, we launched digitalisation of business tools and internal processes. We focus mainly on acquisition processes where our objective is to have fully paperless conclusion of loan contracts in our branches and e-shops. To this end, we implemented SMS signature and client self-service where the client can secure a loan without the assistance of a business

partner. In the back-office, too, we implemented the Document Management System allowing effective storage and management of digital documents.

Responsible employer

We provide our employees with training that both enables them to work more efficiently and improves their qualifications on the labour market. ESSOX Group employees can also enjoy all the benefits provided within the KB and SG groups. In recent years, we have been actively supporting remote work for all positions that enable that approach. Employees can enjoy other benefits as well: five extra days of vacation, two paid sick days, subsidies for their supplementary pension and life insurance payments, the Activepass sports and culture pass, rental of spaces for various sports activities, etc. We reward our employees' ideas and activities within our My Idea and Employee of the Year contests.

Besides standard employee benefits, ESSOX provides additional benefits to its employees with disabilities, namely an extra sick day and an annual contribution of 2,700 crowns for Cafeteria.

Ethics and responsible business

We follow six key principles of responsible business: to properly assess every loan application, to say no when necessary, to protect clients by insurance, to adapt to our clients' needs, to be transparent, to listen to clients. We are members of the Czech Leasing and Financial Association, and we adhere to its Memorandum. We use actively the Banking Client Information Register (BRKI) and the Non-Banking Client Information Register (NRKI). We are a founding member of the Association for the Protection of Leasing and Consumer Loans (SOLUS). Client can contact Komerční banka's ombudsman with any grievance that may have.

The Environment

Our branches are situated in smart low-energy buildings in Praha-Stodůlky and České Budějovice. We try to use green energy and sort waste (recycling toner cartridges, old cell phones

and laptops) as much as possible. We participate in the Bike to Work contest every year.

www.essox.cz

SG Equipment Finance Czech Republic s.r.o.

Sponsoring and charity

We donated 120,000 crowns to the KB Jistota foundation and supported intergenerational cohabitation and social activation of seniors in Český Brod.

Our employees donated nearly 20,000 crowns to the Modrý hroch foundation helping children who had a serious injury. The little patients hospitalised at the paediatric unit of the Brno Hospital produced pictures of commodities financed by us which we consequently purchased together with other products from the Foundation.

In Slovakia, we as a legal entity donated 1% of our income tax to the non-profit sector. The employees of our Bratislava branch select the beneficiaries themselves and decide where their assistance is to be directed. For instance, the Vstúpte and Dom Svitania non-profit organisations received nearly 9,500 EUR in the course of the last seven years through tax assignations.

We joined Komerční banka's campaigns such as blood drives and the collecting of used textiles or Bike to Work event.

The environment

We lent roughly 988 million crowns to public transport and railway transportation projects in 2018, of which 312 million CZK were extended in the framework of the European Investment Bank's Climate Action programme.

The support had the following positive impacts:

- Total emission reduction by changing the transportation mode (from road to railway transportation), or making operations more efficient while preserving the existing mode,

- Replacement of older, less efficient transportation means with more energy-efficient vehicles (vehicle fleet replacement),
- Improving connectivity.

www.equipmentfinance.societegenerale.cz

Komerční banka's business model and other information to be published under Act No 563/1991 on Accounting are described and set out in KB's Annual Report for 2018.



A complex network graph serves as the background, consisting of numerous small, semi-transparent grey dots (nodes) connected by thin grey lines (edges). A prominent feature is a large, smooth, light-grey ribbon or wave that cuts through the center of the graph, curving from the bottom left towards the top right.

NON-FINANCIAL REPORT 2018

