

PRAGUE, 6 MAY 2020

# KOMERČNÍ BANKA GROUP RESULTS

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First quarter 2020

According to IFRS, Consolidated, Unaudited

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

# DISCLAIMER

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

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

Results and ratios in this presentation are as of 31 March 2020, unless stated otherwise.

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

# CONTENTS

## Summary of KB's crisis response

Macroeconomic environment

Corporate social responsibility

Selected high-frequency business indicators

Business performance

Financial performance

Asset quality & cost of risk

Updated outlook for 2020

Appendix

# RESILIENCE & RESPONSIBILITY

- Throughout the emergency, Komerční banka maintained the full scope of services to clients, with around 230 open branches, 800 ATMs and via digital banking channels.
- KB rapidly procured hundreds of thousands of respirators, face masks, gloves, hundreds of litres of disinfection, glass partitions to protect the clients and employees. It purchased hundreds additional notebooks and doubled capacity of data lines to facilitate working from home, while reinforcing cyber security.
- KB Group keeps providing new loans to its clients. On 13 March, KB introduced a voluntary payment holiday offer to clients. It has implemented the legal payment moratorium once it took effect.
- KB helped clients to get funding with guarantees from CMZRB and it is ready to lend within the Covid III programme, which will provide CZK 150 billion in state guarantees for CZK 500 billion of commercial loans.
- KB continues its KB Change transformation programme and it is elaborating its strategic plan for the future. The crisis accelerated shift to digital banking and reduction of the branch network, highlighted need for streamlined, effective operations
- Financial and material assistance donated to senior homes and children homes, KB partnered benefit cultural events. The Group continues its support of projects addressing long-term social issues.
- Lending to clients up by 4.9% year on year, client deposits grew by 8.3%, attesting to trust of clients in KB
- Revenues in 1Q 2020 lower by -1.4%, OPEX up 5.2% driven by Resolution Fund contributions. Net provisions of CZK 0.2 billion before full impact of the downturn. Net profit -16.3% YoY at CZK 2.7 billion.
- The indicators of KB Group's capital adequacy and liquidity significantly exceed the applicable regulatory requirements.
- After the Board of Directors proposed in March to retain the full 2019 profit, in accordance with instruction of the Czech National Bank, the Board postponed also any decision on 2020 dividends at least until October '20.

- **Full scope of services maintained**
- **Assuring protection of clients and employees**
- **Voluntary payment holidays offered**
- **Capacity to provide new financing**
- **Accelerated strategic transformation**
- **Charitable activities expanded**
- **Result of Q1 partially reflecting the Covid-19 downturn**
- **Solid financial position**
  - **Dividend guidance postponed**

# CONTENTS

Summary of KB's crisis response

**Macroeconomic environment**

Corporate social responsibility

Selected high-frequency business indicators

Business performance

Financial performance

Asset quality & cost of risk

Updated outlook for 2020

Appendix

# SOLID PRE-CRISIS FUNDAMENTALS TO CUSHION THE HIT TO THE ECONOMY

- GDP in 2020 expected to drop by 6.5%. The gradual opening of the economy should drive a relatively fast recovery, but not reaching back to the pre-crisis activity levels
- Car production resilient at beginning of 2020 (Jan+Feb +3.2% YoY), followed by shutdowns in March. Hyundai restarted on 14 April, Skoda on 27 April and Toyota on 18 May including a technological break
- Unemployment remained lowest in the EU at 2.0% in March<sup>1</sup>, relatively moderate increase indicated by jobless claims
- CPI inflation at 3.4% YoY in March, still well above the 1%-3% tolerance band of the CNB, expected to ease quickly due to weak demand and effect of low oil prices<sup>2</sup>
- CZK depreciated quickly in March, CZK/EUR -5.9% YoY, -7.5% QoQ
- CZK yield curve remained inverted (as of 31 March 2020): 3M PRIBOR at 1% (-99 bps YoY), but 10Y IRS at 0.75% (-99 bps YoY)

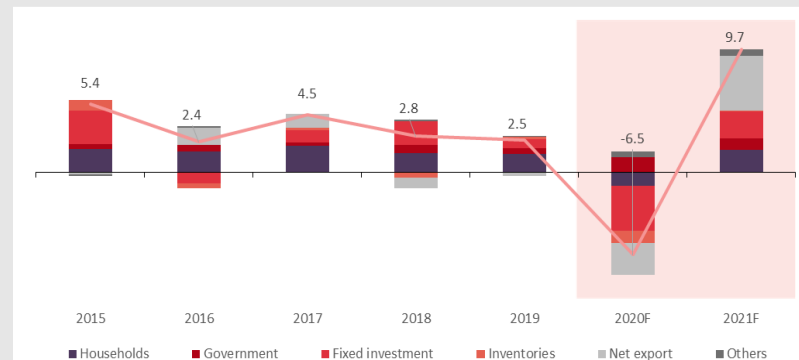
Notes: Source of indicators Czech Statistical Office, CNB, unless stated otherwise

1) According to Eurostat, seasonally adjusted

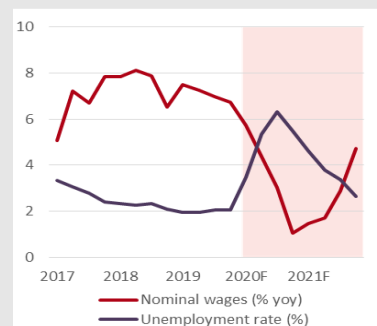
2) Source: KB Economic Research estimate

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

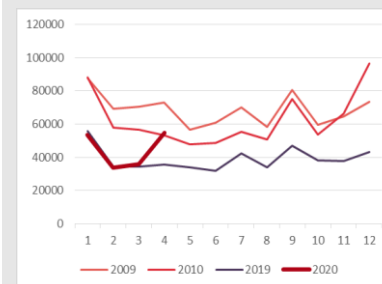
## Czech GDP growth (% yoy)<sup>3</sup>



## Labour market - forecast



## Initial jobless claims



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

# COMPREHENSIVE REACTION OF THE CENTRAL BANK

## Monetary policy

### Policy rate -125 bps to 1.00%

- A 25 bps increase to 2.25% on 6 February, followed by two cuts, by 50 bps on 16 March and further by 75 bps on 26 March to current 1.00%
- Further easing suggested by some CNB Board members

### Managed float FX regime with capacity to limit CZK volatility

- USD 147 billion of CNB's FX reserves

## Macroprudential policy and stabilisation measures

### Countercyclical buffer requirement -75 bps to 1.00%

- Planned increase to 2% cancelled on 16 March, decrease to 1% announced on 26 March with effect from 1 April

### Relaxation of limits on housing loans

- Maximum Loan-To-Value increased to 90% (from 80%), Debt-Service-To-Income to 50% (from 45%), Debt-To-Income cancelled, from 1 April 2020

### Restriction of dividends and buybacks

### Allowed postponement of loan instalments

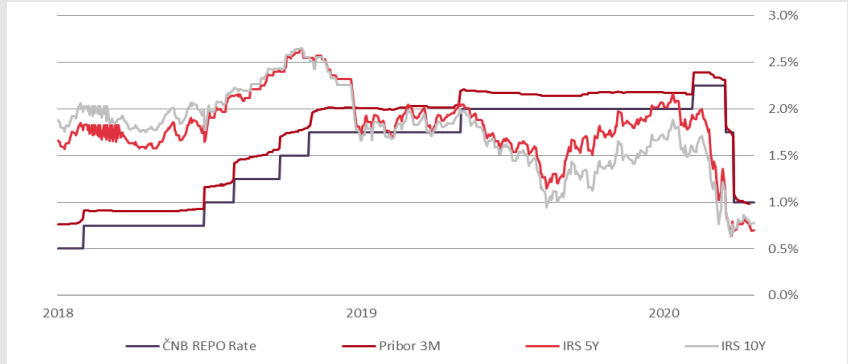
- Accepted as a loss-prevention step even before enactment of the loan moratorium
- Aligned with EBA guidelines for Covid-19 loan repayments moratoria

### Liquidity provisions

- Introduction of zero-spread fixed rate liquidity-providing repo operations three times a week



## Interest rates (until 20 Apr 2020)



## New tools granted to the CNB

### Open market operations

- Authorisation for CNB to purchase also long-term securities, opening doors to conduct QE

### Broader definition of eligible counterparties

- CNB newly authorised to provide liquidity even to insurance companies and pension funds

### Limited validity of the new mandate by 31 December 2021

# ROBUST FISCAL CAPACITY OF THE GOVERNMENT

## Guarantee programmes

**COVID programmes** wave I (interest-free loan), COVID II (guarantee scheme) and COVID Prague funded from EU at a total capacity of CZK 10+ billion

**COVID III of CZK150 billion of guarantees to cover CZK 500 billion of lending:**

- Target: SMEs up to 500 employees, maximum loan CZK 50 million, type of loan: working capital loan, overdraft, revolving; guarantee duration: 3 years;
- Guarantee parameters : portfolio cap 30% and individual guarantee 90% for companies up to 250 employees or individual guarantee 80% for companies with 251-500 employees

**COVID export** – a programme under preparation by EGAP state export insurer for exporting corporations, indicative capacity of CZK 142 billion of guarantees

## Direct cash support

**Employers** – subsidising 60 - 100% of salary costs of employees in closed or financially distressed businesses, quarantined, or taking care of others

**Employees and self-employed** - 60% of previous income as caretaker benefits (including those caring for children due to school closure)

**Self-employed** – CZK 25,000 direct cash payment for April. May in discussion

**Postponement of certain tax, social and health insurance duties**

## State budget adjustments in response to Covid-19

	Original	24-Mar	20-Apr
Revenues (bnCZK)	1,578	1,488	1,428
Expenditures (bnCZK)	1,618	1,688	1,728
Deficit (bnCZK)	40	200	300
Deficit (% GDP)	-0.1	-4.0	-5.9
Debt (% GDP)	30.2	36.1	37.9

## Legally mandated debt moratorium

**Credit moratorium** – upon application of a client, banks provide 3 to 6 month instalment break for mortgages, consumer & business loans

- Not applicable for credit cards, overdrafts, operating leases and revolving loans
- Interest keeps accruing with a cap of repo rate + 8 p.p. for consumer loans
- Payments of interest only postponed for retail loans but not business

**Postponement of residential and retail premises rents**

- A ban on termination of certain tenancy contracts and on residential rent increase



# CONTENTS

Summary of KB's crisis response

Macroeconomic environment

**Corporate social responsibility**

Selected high-frequency business indicators

Business performance

Financial performance

Asset quality & cost of risk

Updated outlook for 2020

Appendix

# RESPONDING EFFECTIVELY TO CURRENT AND LONG-TERM NEEDS

## INSTANT SUPPORT TO CLIENTS AFFECTED BY THE COVID-19 OUTBREAK

- From 13 March, KB introduced voluntary instalment grace period for individual and small business clients
- Full implementation of the instalment moratorium legally mandated in April
- KB active through CBA on setting up CMZRB guarantee programmes for businesses impacted by the crisis

## HELPING THE VULNERABLE AND FIRST-LINE

- KB Jistota Foundation provided financial gifts to 20 senior and children homes to supplement their capacity to resist the infection
- KB donated 30,000 face masks to senior homes
- KB was the general partner of 'Together with one voice' joint online benefit concert of leading Czech music performers to raise funds for protective equipment for people in the first-line



- KB joined the initiative of the Czech chefs 'We cook for the indispensable' to distribute meals for the deployed members of rescue forces and police

## NOT FORGETTING LONG-TERM ISSUES



- KB Jistota foundation awarded a year-long support to six providers of early and pre-school care for children with specific needs
- The Jistota foundation also supported six projects for prevention, diagnosis and therapy of violence and abuse of children
- KB facilitated a survey on the state and challenges of digital education in the Czech high school system conducted by INEV institute with 6,500 students

## ADVANTAGEOUS SME & GREEN FINANCING



- In cooperation with European Investment Bank, KB offers financing with subsidised interest rate to SME companies in the Europremium programme with a total capacity of CZK 3 billion
- Dedicated allocation of funds at preferential terms for sustainable positive impact financing, mainly for energy transition projects, of CZK 10 billion

## PROTECTING CLIMATE IN INNOVATIVE WAYS



- In partnership of KB, SGEF and ČEZ ESCO, a new product - solar energy as a service - is available to industrial companies that can provide roofs of their buildings for panel installations

# CONTENTS

Summary of KB's crisis response

Macroeconomic environment

Corporate social responsibility

**Selected high-frequency business indicators**

Business performance

Financial performance

Asset quality & cost of risk

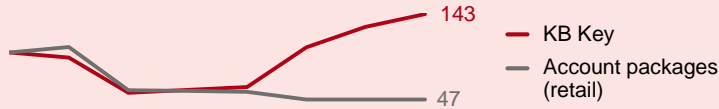
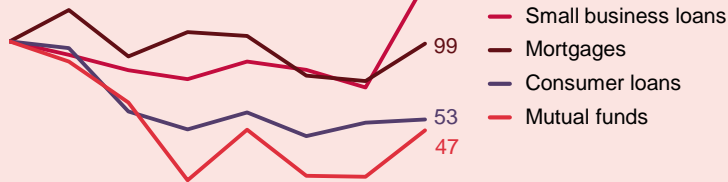
Updated outlook for 2020

Appendix

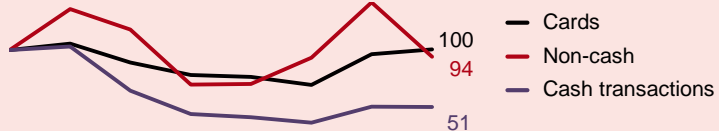
# DISTRIBUTED IMPACTS ON CLIENT ACTIVITY

## Client activity indicators (% v. pre-Covid average, weekly)

### Sales of retail products



### Transaction activity



W6 W11 W12 W13 W14 W15 W16 W17  
-10

- KB has maintained the **full scope of services offer** to clients, including financing, throughout the state of emergency.
- The bank kept approximately **230 branches open** in the weeks following implementation of the Covid-19 restrictions, i.e. 70% of the branch network. The ATM network and digital channels have remained fully operational.
- The number of **employees working from home** swiftly increased to approx. 5,000 (KB standalone bank), while other colleagues in the branch network and in some operational functions work from the standard or backup workplaces in a rotational mode.
- To **increase capacity for remote working**, the Bank has purchased 750 additional notebook computers and activated a virtual desktop infrastructure. It has expanded capacity of its VPN solutions and data lines.
- To **mitigate the cyber security risk**, KB has reinforced several security measures, including two-factor authentication for employees (employing KB Key), enhance data leakage prevention capabilities, and heighten Security Operating Centre detection capabilities and capacities.
- KB has implemented a strict validation process and vigilant monitoring for all necessary changes in order to maintain **strong oversight of the internal control system**.
- From 13 March, KB began offering voluntary **instalment holidays** to individual and small business clients. Negotiations with affected corporate clients began upon spotting any relevant issue. The subsidiaries launched similar offers on 13 or 16 March. The legally mandated loan moratorium has been implemented once effective.



# DRIFT TO DIGITAL BANKING CONTINUES

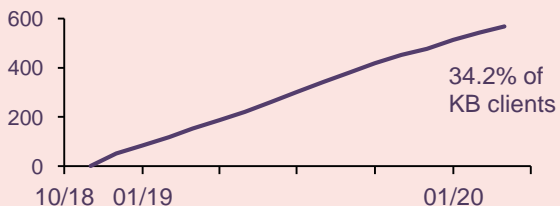
## DIGITAL IDENTITY

Approval of Bank ID law in February opened third path for utilisation of bank authentication (KB Key):

- Government services, next to already existing
- KB services to clients
- Identity verification as a service to third parties

**Bank ID joint venture** - KB signed a LOI with Česká spořitelna and ČSOB on a joint venture to provide digital identification services, available on equal terms to all banks in Czechia. Pending EC competition approval.

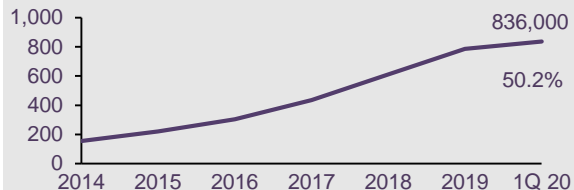
### KB Key penetration\*



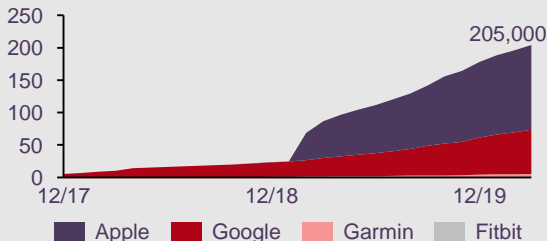
\* number of clients with active authentication via app, thousands

## DIGITAL ACCESS

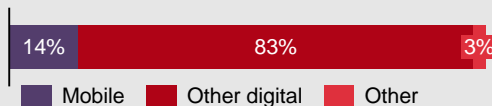
### Mobile banking penetration



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



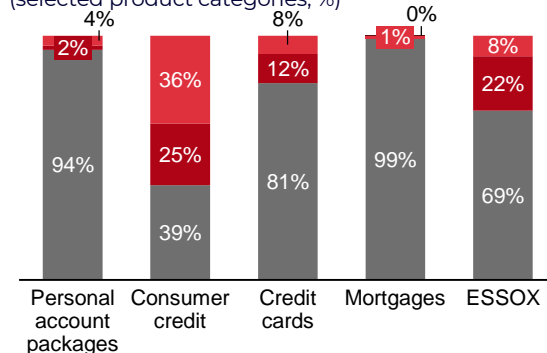
### Transaction channels (average share on total number of payment instructions, for 1-3/2020)



## DIGITAL SALES

### Share of sales by channel\*

(selected product categories, %)



\* Share of sales by distribution channel on total number of sold products in Jan to Mar 2020

■ End-to-end digital  
■ Partially digital  
■ Physical

## BRANCH NETWORK OPTIMISATION

KB's management has decided to accelerate optimization of the branch network. The bank plans to operate 241 branches as of August 2020 (from 332 as of March 2020)

# CONTENTS

Summary of KB's crisis response

Macroeconomic environment

Corporate social responsibility

Selected high-frequency business indicators

**Business performance**

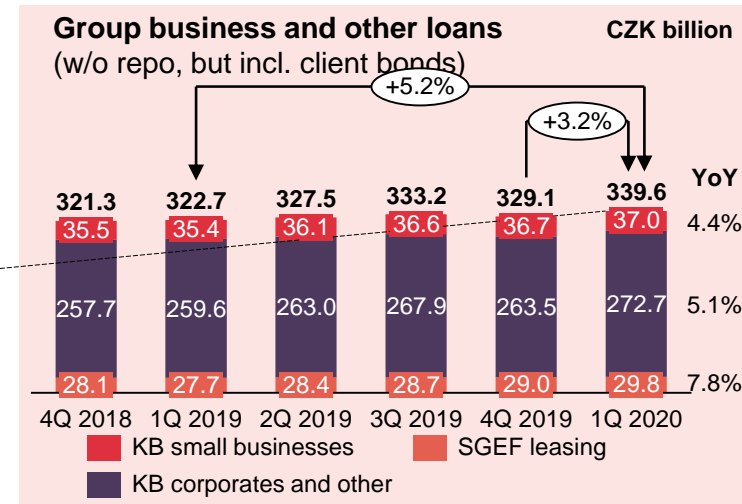
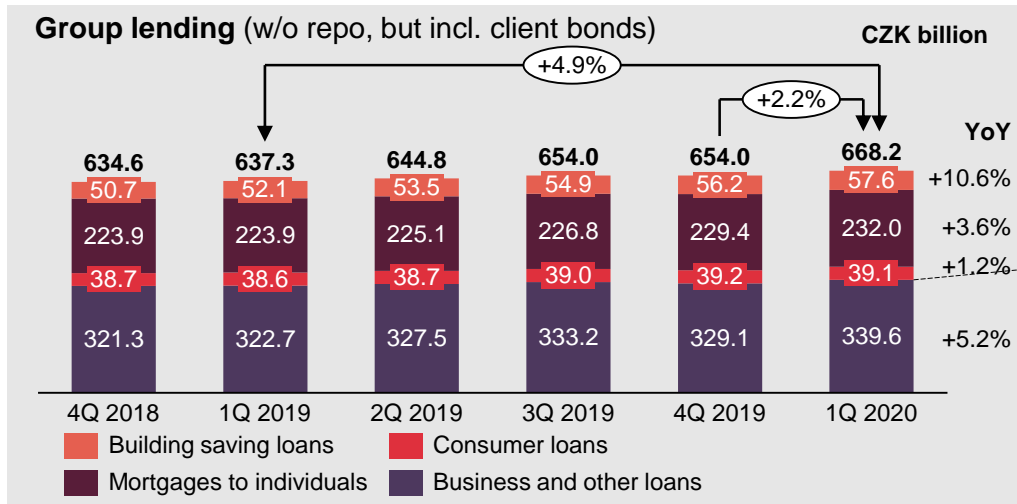
Financial performance

Asset quality & cost of risk

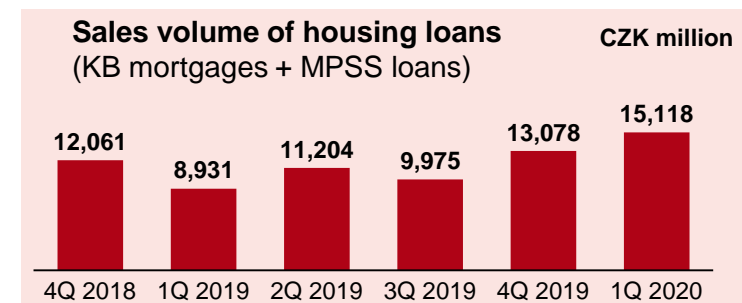
Updated outlook for 2020

Appendix

# GROSS LENDING EXCLUDING REPO UP 4.9% YOY



- Gross amounts due from clients (including repo operations and debt securities issued by KB's corporate clients) +4.8% YoY, +2.2% QoQ to CZK 671.1 billion
- Net loans to deposits ratio at 73.6%. Liquidity coverage ratio 241%
- The net volume of loans denominated in EUR reached EUR 4.4 billion (+8.2% YoY). The CZK value of EUR denominated (net) loans reached CZK 120.3 billion (+14.6% YoY). Contribution from 5.9% year on year depreciation of CZK v. EUR represents CZK 6.7 billion, or 1.0% of consolidated gross loan portfolio.



# SELECTED DEALS OF THE FIRST QUARTER OF 2020

## RAILWAY RESEARCH & TESTING



VÚKV a.s.

Investment Financing

**CZK 135,000,000**

Complex bank services provider

**2020**

## GLASS AND CERAMICS



P-D REFRACTORIES CZ a.s.

Investment Financing

**EUR 3,900,000**

Complex bank services provider

**2020**

## SUPPORT SERVICES



ARMEX GLOBAL a.s.

Investment Financing

**CZK 180,000,000**

Complex bank services provider

**2020**

## MOTOR VEHICLES MANUFACTURING



SOR LIBCHNAVY spol. s r.o.

Financing

**CZK 1,250,000,000**

Arranger, Lender, Agent

**2020**

## REAL ESTATE



TPG REAL ESTATE PARTNERS

Real Estate Financing

**EUR 155,000,000**

Arranger, Lender

**2020**

## ELECTRICAL EQUIPMENT



ELEKTRIZACE ŽELEZNIC PRAHA a.s.

Syndicated Credit Facility

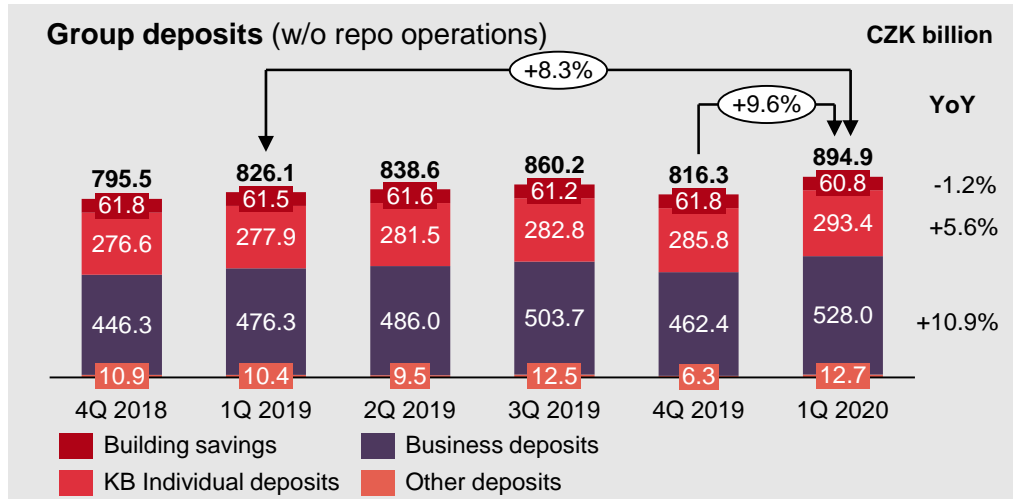
**CZK 3,165,000,000**

Arranger, Original Lender

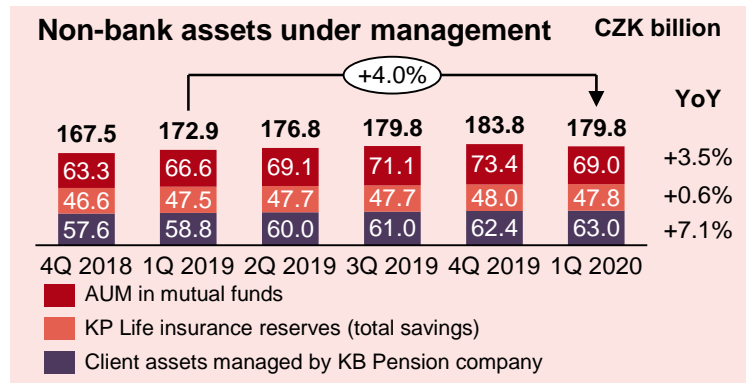
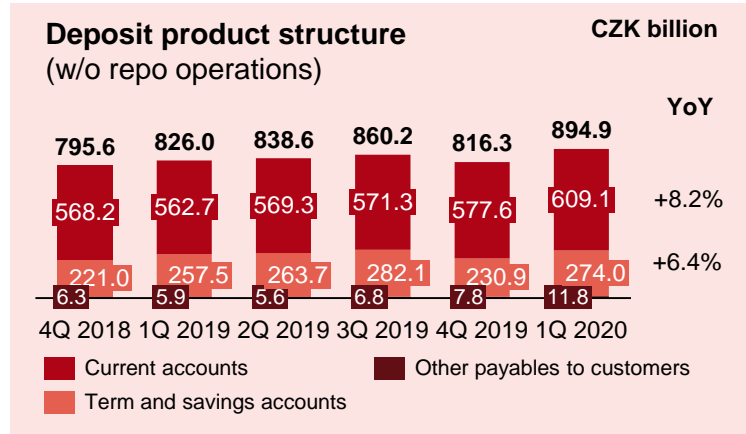
**2020**



# CLIENT DEPOSITS ROSE BY 8.3% YOY



- Total amounts due to clients (including repo operations with clients) +7.8% YoY, +12.4% QoQ to CZK 923.7 billion
- The volume of deposits denominated in EUR reached EUR 3.6 billion (+16.4% YoY). The CZK value of EUR denominated deposits reached CZK 99.6 billion (+23.3% YoY). Contribution from 5.9% year on year depreciation of CZK v. EUR represents CZK 5.6 billion, or 0.6% of consolidated deposits.



# CONTENTS

Summary of KB's crisis response

Macroeconomic environment

Corporate social responsibility

Selected high-frequency business indicators

Business performance

**Financial performance**

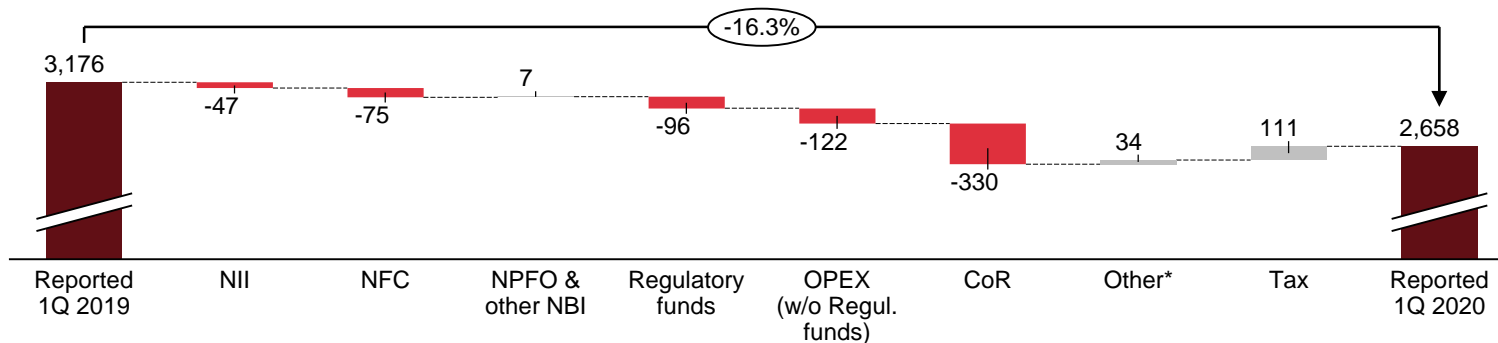
Asset quality & cost of risk

Updated outlook for 2020

Appendix

# INITIAL IMPACTS FROM COVID-19

Drivers for year on year change in attributable net income (as of 31 March 2020)



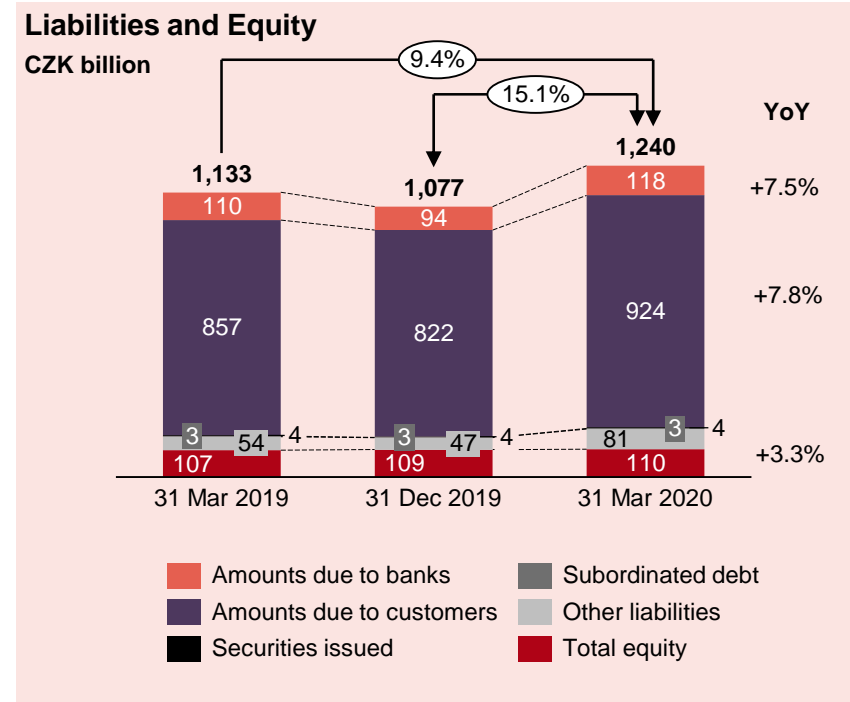
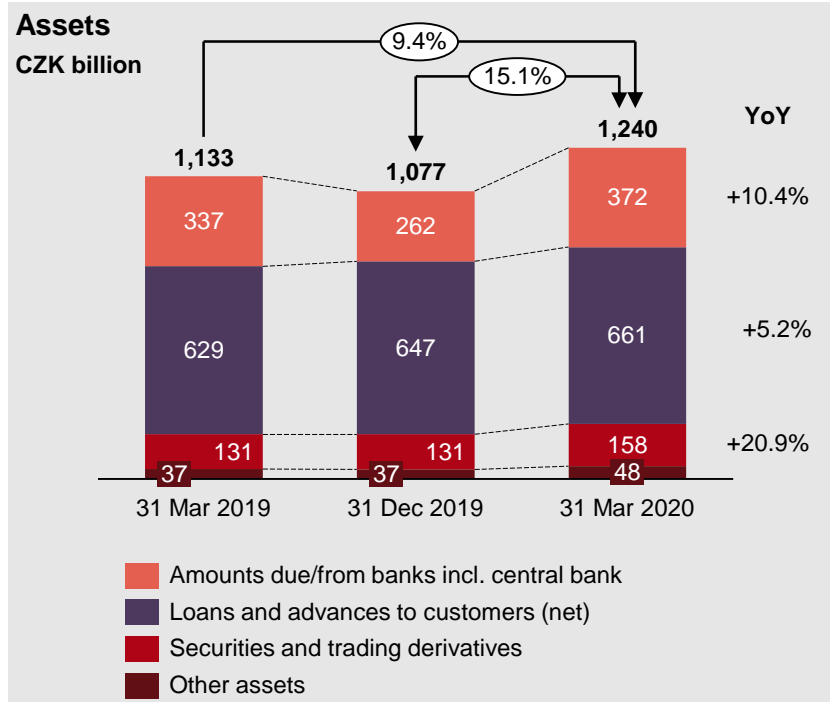
\***Other** includes: Income from share of associated companies, Profit/(loss) attributable to exclusion of companies from consolidation, Net profits on other assets and Profit attributable to the Non-controlling owners

## Profitability indicators for 1Q 2020 (annualised)

Return on average equity	Return on average Tier 1 capital	Return on average assets
<b>10.0%</b>	<b>12.1%</b>	<b>0.9%</b>
12.1%**	14.7%**	1.1%**

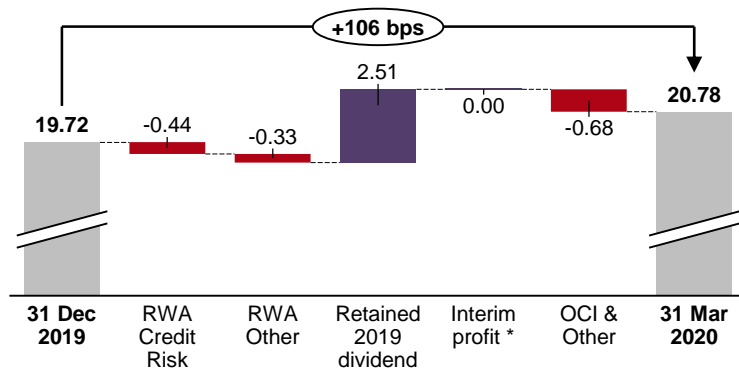
\*\* Assuming linear accrual of regulatory funds charges over the whole year (IFRIC 21 linearisation)

# HEALTHY BALANCE SHEET GROWTH



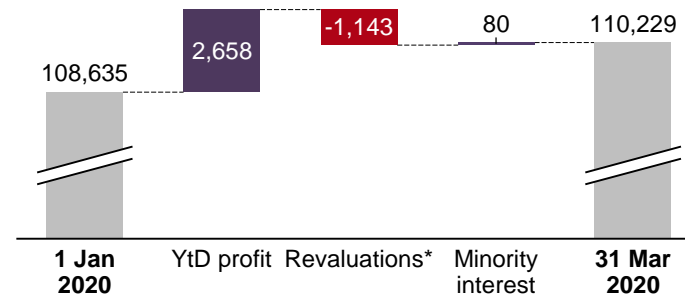
# STRONG CAPITAL BASE

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



\* For Q1, neither interim profit nor dividend provision have been included in KB's regulatory capital base.

## Contributions to equity in 2020 (CZK million)



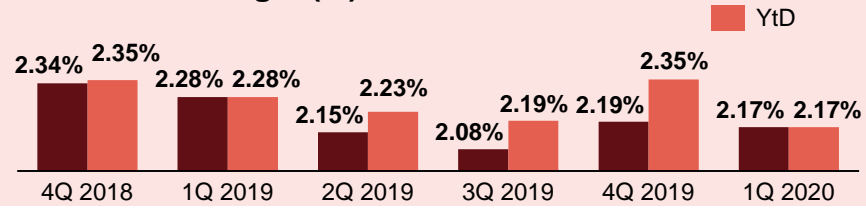
\* Remeasurement of securities, cash flow hedges, FX positions and pension benefits

## Regulatory capital indicators

	Total capital adequacy	Core Tier 1 ratio	Total capital (CZK billion)	CET1 capital (CZK billion)	Total RWA (CZK billion)	Credit RWA (CZK billion)	RWA / Total assets
Current	20.8%	20.2%	94.7	91.9	455.6	376.6	36.7%
31 Dec 2019	19.7%	19.1%	86.6	84.1	439.2	367.6	40.8%
31 Mar 2019	18.9%	18.4%	84.4	81.8	445.5	369.2	39.3%

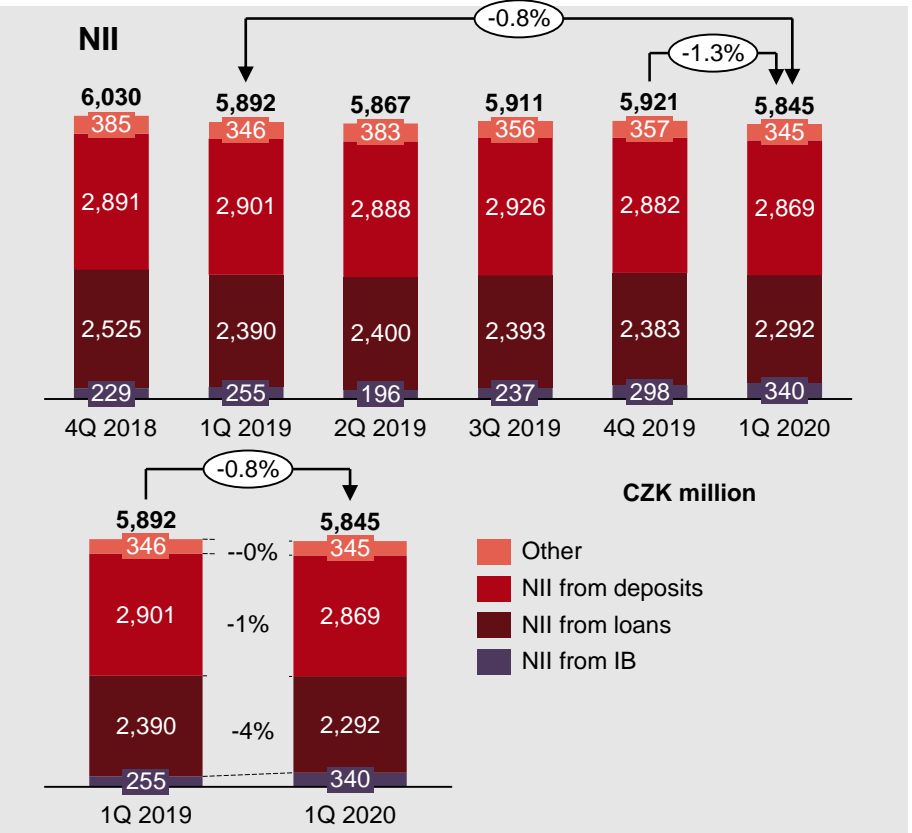
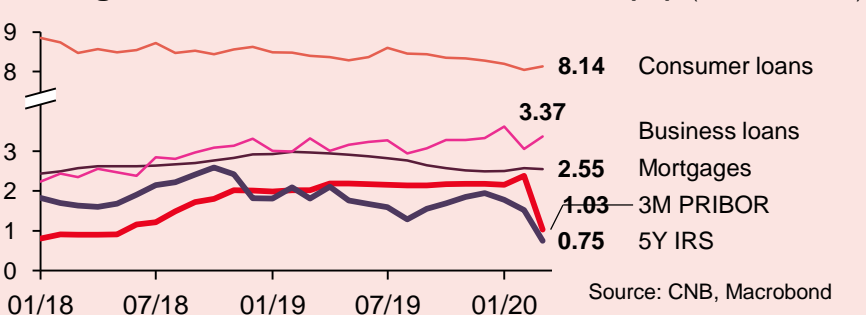
# NII PARTLY REFLECTING DROP IN RATES

Net interest margin (%)



- Sharp drop in short-term rates in March to affect interest income in coming quarters
- Pressure on spreads in retail lending continued in Q1

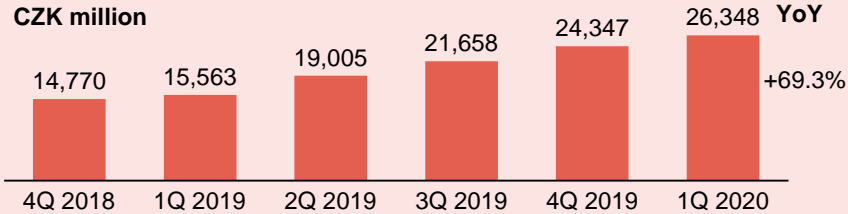
Average market rates on new CZK loans (%) (until March 2020)



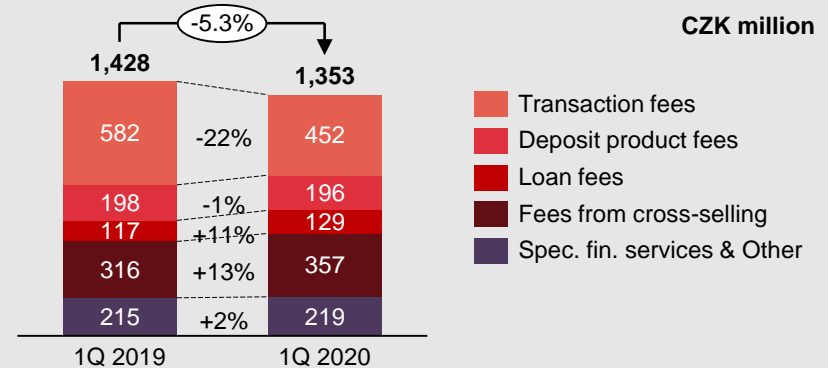
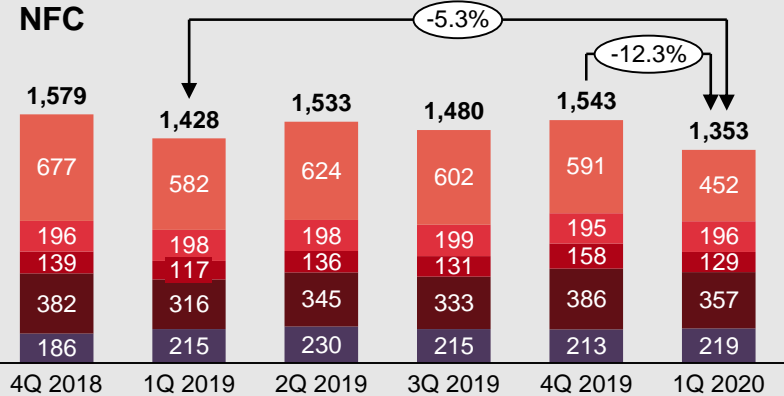
# FEES IMPACTED BY SEPA PAYMENTS REGULATION

- **Transaction fees** – the drop caused by the new regulation of charges for EUR payments within SEPA (effective from 15 Dec 2019), and by a lower number of transactions in March.

## Volume of payments through mobile banking



- **Deposit product fees** – in line with the stable number of clients
- **Loan fees** – nice increase on the back of increased production of mortgages and consumer loans
- **Fees from cross-selling** – solid growth in income from mutual funds and life insurance
- **Specialised financial services and other fees** – high issuance of debt instruments by clients, improved demand for bank guarantees, and better income from private banking services



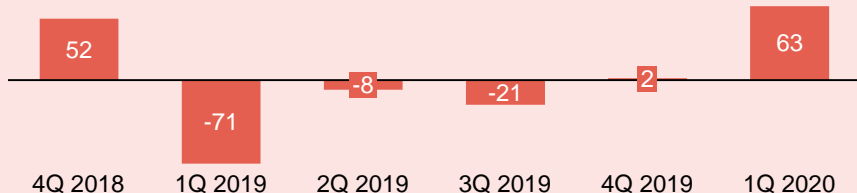
# HIGHER DEMAND FOR HEDGING BUT HIGHER CREDIT VALUE ADJUSTMENTS

NET PROFIT FROM FINANCIAL OPERATIONS

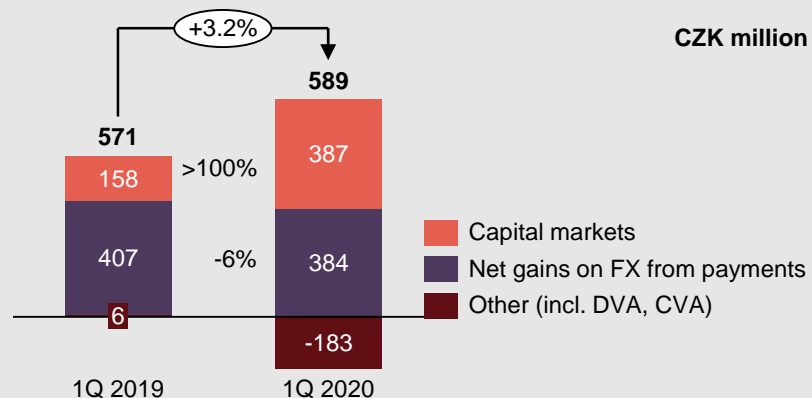
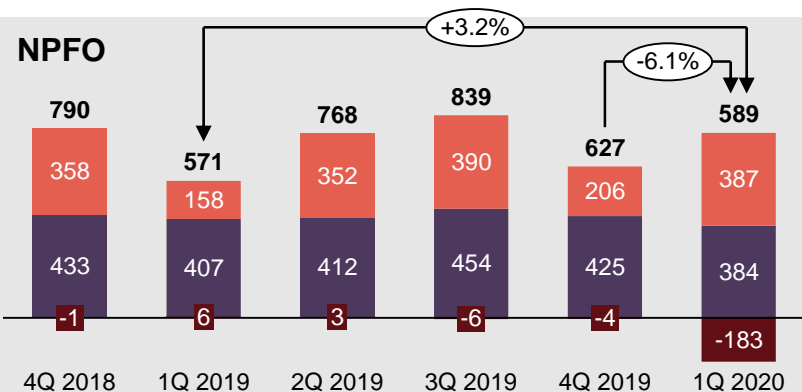
- Clients' demand for hedging of financial risks increased with the uncertainty and volatility of interest and exchange rates
- A bigger part of gains from market operations booked in interest income
- Increase in risk premia at the end of March lead to higher credit value adjustments for counterparty risk, partly offset by higher DVA adjustment for derivative liabilities

## Quarterly DVA contribution to NPFO

CZK million



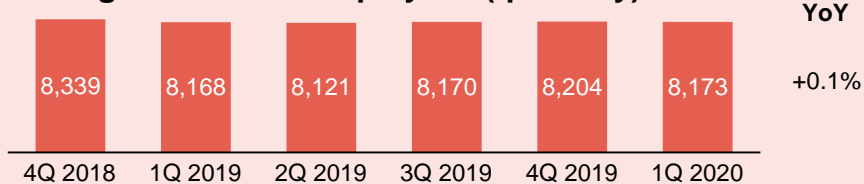
- Lower gains on FX from payments due to decrease in foreign transaction activity





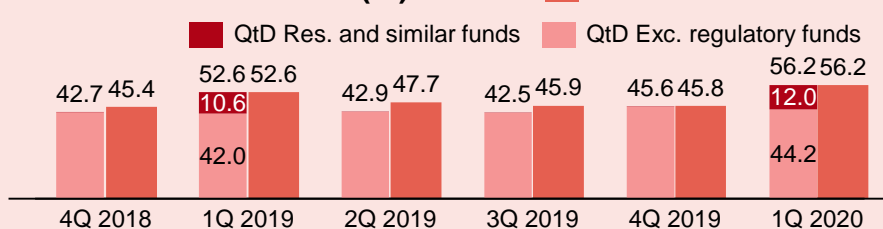
# HIGHER RESOLUTION FUND CHARGE EXTRAORDINARY PURCHASES DUE TO COVID-19

## Average number of employees (quarterly)

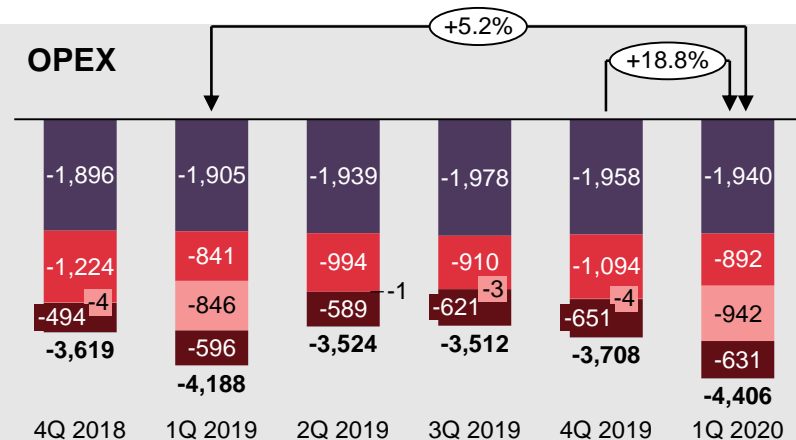


- Personnel cost growth reflecting changing staff compositions and salary increases
- The CNB adjusted target volume of the Resolution Fund for 2024 and raised the 2020 contribution from Czech banks by 9.2% YoY
- Administrative costs driven mainly by higher cost for IT support, including costs of switching to homeworking from March
- D&A driven by new and upgraded software and IT equipment

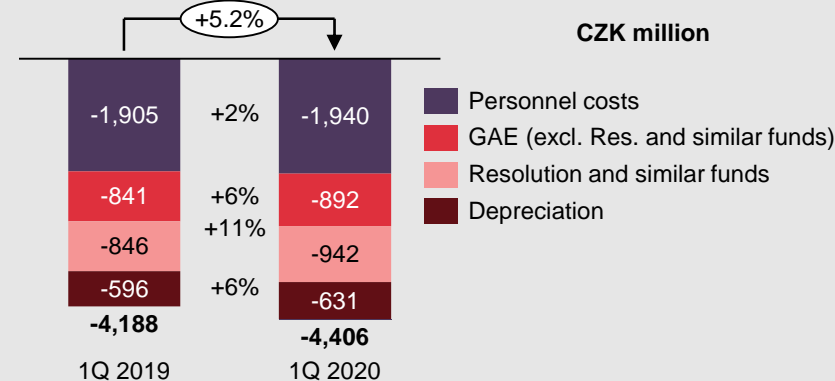
## Cost to Income ratio (%)



## OPEX



CZK million



# CONTENTS

Summary of KB's crisis response

Macroeconomic environment

Corporate social responsibility

Selected high-frequency business indicators

Business performance

Financial performance

**Asset quality & cost of risk**

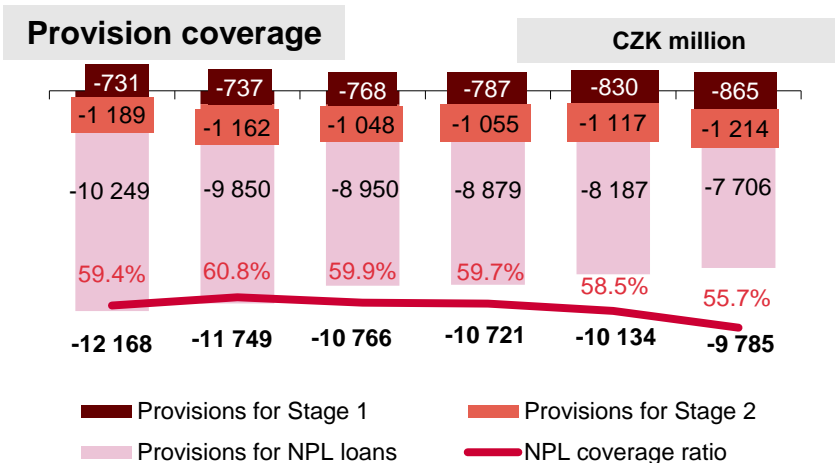
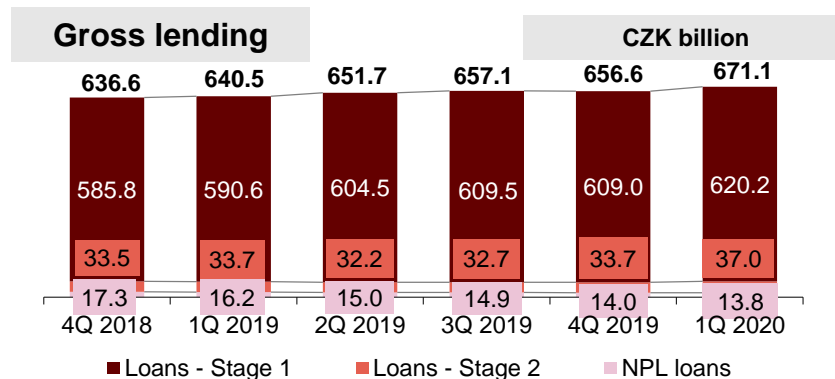
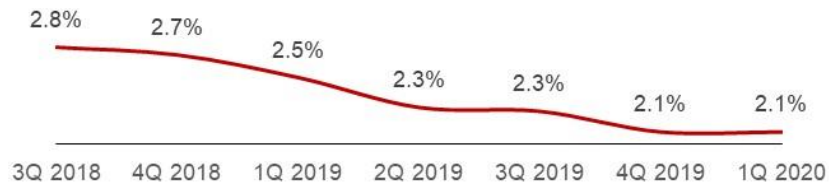
Updated outlook for 2020

Appendix

# 1Q 2020 ASSET QUALITY

- Loan exposure up by 4.8 % YoY, by 2.2% QoQ
- NPL exposure ratio YoY stable at 2.1% (vs. 2.5% in 1Q 2019) driven by historically low default rates, strong recovery performance, NPL sales and write-off activities
- NPL provision coverage ratio recorded at 56% (from 61% in 1Q 2019), reflecting the resolution of a few large NPL exposures in 4Q 2019 and 1Q 2020

## Share of NPL exposure

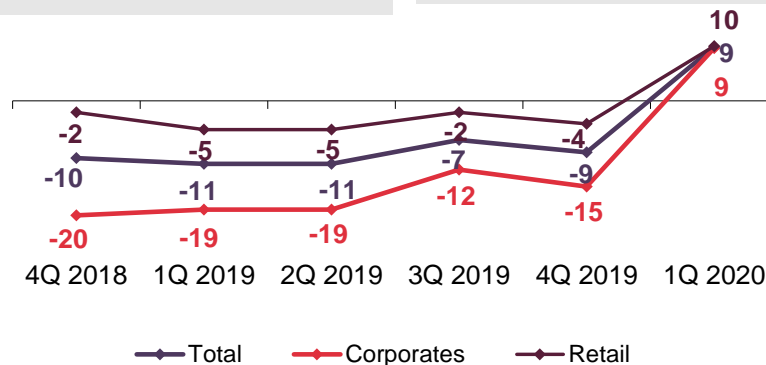


# 1Q 2020 COST OF RISK

- Impact of Covid19 only marginally reflected in 1Q 2020 due high level of uncertainty but included in 2020 CoR guidance
- 1Q 2020 CoR net creation at CZK 154 million (vs. net release at CZK 176 million in 1Q 2019).
- CoR on corporate loan portfolio at 9 bps in 1Q 2020 (vs. -19 bps in 1Q 2019), driven by provisions on a small number of client situations (Covid-19 impact) and by successful closures of legacy recovery cases
- CoR on retail loan portfolio at low 10 bps in 1Q 2020 (vs. -5 bps for 1Q 2019), reflecting expected normalization

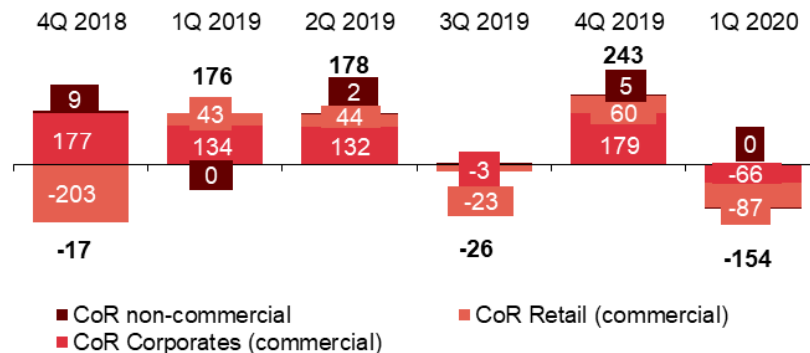
## Total Cost of Risk

(Year-to-date, in basis points)



## Total Cost of Risk development

CZK million



# KEY FEATURES OF CREDIT RISK SETUP

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- Credit origination policies and drivers
  - ✓ Expected benefits from historically prudent underwriting standards and from smart adjustments going forward
  - ✓ Support to Czech economy (deferrals of loan instalments, Czech State support, etc.)
- Capacity for early detection of risk profile deterioration
  - ✓ Multi-dimensional (product views, segment views, sector views)
  - ✓ Supported by recent investments in IT infrastructure, extended data usage and AI-based modeling
  - ✓ Dynamic monitoring of advanced risk indicators for both retail and non retail portfolios
- Monitoring of Covid19-sensitive sectors
  - ✓ Sector tracker set-up in place
  - ✓ No excessive concentration in sensitive sectors (automotive, car dealership, hospitality & entertainment, transport)
- Readiness of asset recovery function
  - ✓ Very sound pre-Covid situation for both retail and corporate portfolios
  - ✓ Historically strong recovery performance track record to be enhanced with the implementation of AI tools

# 2020-2021 COST OF RISK OUTLOOK

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- Central macroeconomic scenario
  - ✓ 6.5% GDP contraction expected for 2020
  - ✓ 320 bps unemployment increase expected for 2020
  - ✓ 9.7% GDP recovery expected for 2021
  
- CoR expected to be contained in the range of 70 bps, under the bank's central macroeconomic scenario
  - ✓ IFRS9 model recalibration expected to reach 25 bps for 2020
  - ✓ Underlying CoR expected to grow from 1Q 2020 level of 10 bps to 2020 YE level of 40-50 bps
  
- Some timing uncertainty
  - ✓ Delayed transmission of the Covid19 crisis effects into the bank's credit risk profile reflecting the Czech Government support measures (deferrals of loan instalments, Czech State guarantee schemes, etc.)
  - ✓ Provisioning impact expected to be spread in time (both in 2020 and 2021)

# CONTENTS

Summary of KB's crisis response

Macroeconomic environment

Corporate social responsibility

Selected high-frequency business indicators

Business performance

Financial performance

Asset quality & cost of risk

**Updated outlook for 2020**

Appendix

# BASELINE OUTLOOK FOR 2020 UPDATE FOR COVID-19

*This is replacing the outlook presented on 6 February 2020, which should no longer be relied upon. Investors are advised to consider higher than usual level of uncertainty and risks*

## Macroeconomic assumptions

- Czech economy will record a full-year GDP decline of 6.5% in 2020, driven down by foreign trade, investments, and, to some extent, household consumption. Risks are more to the downside.
- Inflation to fall below the CNB's target over a one-year horizon, unless CZK weakens significantly. Monetary policy 2W repo assumed to be cut by additional 50 bps to 0.5%

## Banking market outlook

- Lending market may record some growth as financing needs increase and risk profile deterioration may be limited by guarantee programmes
- Bank deposits in retail will moderate growth compared to 2019, deposits from non-financial clients may even somewhat decline due to the hit to operating profitability

## KB business outlook

- KB Group lending to grow at low-single digit pace, with part of retail clients relatively resilient and borrowing by businesses shielded by state guarantees
- Deposit growth approximately in line with the market
- KB continues preparing a new strategic plan, presentation postponed to second half of 2020

## KB financial outlook

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

## Potential risks to the outlook

- Second pandemic wave, prolonged shutdown of the local economy, disruption of international trade, major drop of export markets, large decline in CZK interest rates



# CONTENTS

Summary of KB's crisis response

Macroeconomic environment

Corporate social responsibility

Selected high-frequency business indicators

Business performance

Financial performance

Asset quality & cost of risk

Updated outlook for 2020

**Appendix**

# NUMBER OF CLIENTS AND DISTRIBUTION NETWORK

## Number of clients

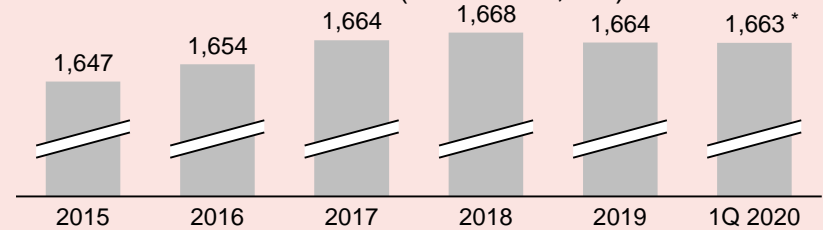
	1Q 2019	1Q 2020	YoY
KB Group's clients	2,379,000	2,354,000	-25,000
Komerční banka	1,662,000	1,663,000	1,000
– individual clients	1,405,000	1,407,000	2,000
– internet banking clients	1,396,000	1,431,000	35,000
– mobile banking clients	656,000	836,000	180,000
Modrá pyramida	491,000	488,000	-3,000
KB Penzijní společnost	532,000	530,000	-2,000
ESSOX (Group)	211,000	195,000	-16,000

## Distribution network

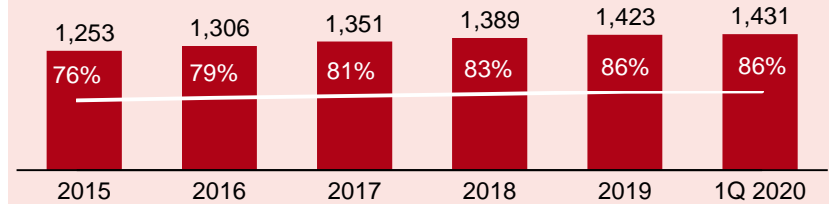
KB Retail branches	345	332 *	-13
KB Business centres	10	10	0
KB Corporate divisions	5	5	0
Modrá pyramida points of sale	201	202	1
SGEF branches	9	9	0
ESSOX Group points of sale	946	883	-63
ATMs	779	800	21
of which deposit-taking	336	395	59
of which contactless	0	253	253
Number of active debit cards	1,393,000	1,403,000	10,000
Number of active credit cards	177,000	181,000	4,000
Number of cards virtualized into payment apps	87,000	204,000	117,000
KB key authentication users	153,000	568,000	415,000

\* Out of which 224 open as of 31 March, remaining temporarily closed

## Number of bank clients (thousands, CZ)

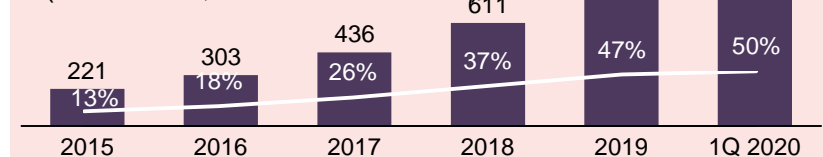


## KB Internet banking clients (thousands, % of total)



## KB mobile banking clients

(thousands, % of total number)



# INCOME STATEMENT

## Profit and Loss Statement

(CZK million, unaudited)

	Reported				
	1Q 2019	4Q 2019	1Q 2020	Change YoY	Change QoQ
Net interest income and similar income	5,892	5,921	5,845	-0.8%	-1.3%
Net fee & commission income	1,428	1,543	1,353	-5.3%	-12.3%
Net profit of financial operations	571	627	589	3.2%	-6.1%
Dividend and other income	65	45	55	-15.4%	22.2%
<b>Net banking income</b>	<b>7,956</b>	<b>8,136</b>	<b>7,841</b>	<b>-1.4%</b>	<b>-3.6%</b>
Personnel expenses	-1,905	-1,958	-1,940	1.8%	-0.9%
General admin. expenses (excl. regulatory funds)	-841	-1,094	-892	6.1%	-18.5%
Resolution and similar funds	-846	-4	-942	11.3%	>100%
Depreciation, amortisation & impairment of op. assets	-596	-651	-631	5.9%	-3.1%
<b>Total operating expenses</b>	<b>-4,188</b>	<b>-3,708</b>	<b>-4,406</b>	<b>5.2%</b>	<b>18.8%</b>
<b>Gross operating income</b>	<b>3,768</b>	<b>4,428</b>	<b>3,435</b>	<b>-8.8%</b>	<b>-22.4%</b>
Cost of risk	176	243	-154	+/-	+/-
<b>Net operating income</b>	<b>3,944</b>	<b>4,671</b>	<b>3,281</b>	<b>-16.8%</b>	<b>-29.8%</b>
Income from share of associated companies	62	91	78	25.8%	-14.3%
Profit/(loss) attributable to exclusion of companies from consolidation	0	0	0	n.a.	n.a.
Impairment losses on goodwill	0	0	0	n.a.	n.a.
Net profits on other assets	0	2	15	n.a.	>100%
<b>Profit before income taxes</b>	<b>4,007</b>	<b>4,764</b>	<b>3,374</b>	<b>-15.8%</b>	<b>-29.2%</b>
Income taxes	-757	-889	-646	-14.7%	-27.3%
<b>Net profit</b>	<b>3,249</b>	<b>3,875</b>	<b>2,728</b>	<b>-16.0%</b>	<b>-29.6%</b>
Profit attributable to the Non-controlling owners	73	35	70	-4.1%	100.0%
<b>Profit attributable to the Group's equity holders</b>	<b>3,176</b>	<b>3,840</b>	<b>2,658</b>	<b>-16.3%</b>	<b>-30.8%</b>

# BALANCE SHEET

<b>Balance Sheet</b> (CZK million, unaudited)	31 Mar 2019	31 Dec 2019	31 Mar 2020	YoY rel.	YoY abs.	Ytd rel.	Ytd abs.
<b>Assets</b>	<b>1,133,345</b>	<b>1,077,334</b>	<b>1,240,106</b>	<b>9.4%</b>	<b>106,761</b>	<b>15.1%</b>	<b>162,772</b>
Cash and current balances with central bank	18,164	17,744	29,445	62.1%	11,281	65.9%	11,701
Loans and advances to banks	319,000	244,561	342,931	7.5%	23,931	40.2%	98,370
Loans and advances to customers (net)	628,571	647,258	661,387	5.2%	32,816	2.2%	14,129
Securities and trading derivatives	130,762	131,184	158,048	20.9%	27,286	20.5%	26,864
Other assets	36,848	36,587	48,294	31.1%	11,446	32.0%	11,707
<b>Liabilities and shareholders' equity</b>	<b>1,133,345</b>	<b>1,077,334</b>	<b>1,240,106</b>	<b>9.4%</b>	<b>106,761</b>	<b>15.1%</b>	<b>162,772</b>
Amounts due to banks	109,720	93,581	117,905	7.5%	8,185	26.0%	24,324
Amounts due to customers	856,629	821,506	923,663	7.8%	67,034	12.4%	102,157
Securities issued	3,727	3,621	4,156	11.5%	429	14.8%	535
Subordinated debt	2,586	2,546	2,738	5.9%	152	7.5%	192
Other liabilities	54,020	47,445	81,415	50.7%	27,395	71.6%	33,970
Total equity	106,663	108,635	110,229	3.3%	3,566	1.5%	1,594
o/w Minority equity	3,472	3,095	3,175	-8.6%	-297	2.6%	80

The item Other assets includes Right of used Tangible assets of CZK 3 billion as of 31 March 2020.

The item Other liabilities includes Lease liabilities of CZK 3 billion as of 31 March 2020

# CAPITAL & PROFITABILITY INDICATORS

(year-to-date, IFRS 9)	Reported			Adjusted for IFRIC 21*	
	31/03/2019	31/12/2019	31/03/2020	31/03/2019	31/03/2020
Capital adequacy	18.9%	19.7%	20.8%		
Tier 1 ratio = Core Tier 1 ratio	18.4%	19.1%	20.2%		
Risk weighted assets for credit risk (CZK billion)	369.2	367.6	376.6		
Net interest margin, annualised	2.3%	2.4%	2.2%		
Loan (net) / deposit ratio (excl. repo with clients)	75.7%	79.0%	73.6%	75.7%	73.6%
Cost / income ratio	52.6%	45.8%	56.2%	44.7%	47.2%
Return on average equity (ROAE), annualised	12.5%	14.5%	10.0%	14.5%	12.1%
Return on average Tier 1 capital	15.6%	18.1%	12.1%	18.2%	14.7%
Return on average assets (ROAA), annualised	1.2%	1.4%	0.9%	1.3%	1.1%
Earnings per share (CZK), annualised	67	79	56	78	68
Average number of employees during the period	8,167	8,167	8,173		

\* **Adjusted for** linearised IFRIC 21 charges for regulatory funds

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

# LOAN REPAYMENT HOLIDAYS LENDING WITH STATE COVID GUARANTEE

CREDIT MORATORIUM

LENDING WITH GUARANTEES

As of 30 April 2020

Repayment moratorium		Number of applications	Related outstanding volume (CZK bil.)
KB	Mortgages	7,126	12.2
	Consumer loans	7,058	1.3
	Small business loans	5,898	5.5
	Corporate loans	306	5.3
MPSS	Housing loans	5,100	5.4
ESSOX	Consumer loans	6,000	1.0

Loans with Covid state guarantees		Number of contracts	Contractual volume (CZK million)
KB		126	284

# BUSINESS PERFORMANCE OF SUBSIDIARIES

## 1/2

	1Q 2019	1Q 2020	YoY
<b>Modrá pyramida (100%), #2 building savings &amp; loans company</b>			
Volume of new loans (CZK million)	2,008	3,805	90%
Volume of total loans (gross, CZK million)	52,087	57,583	11%
Volume of deposits (CZK million)	61,507	60,798	-1%
Number of clients	491,154	487,580	-1%
Average number of FTEs	323	330	2%
Number of points of sale	201	202	0%
<b>KB Penzijní společnost (100%), a manager of pension funds</b>			
Number of new contracts	9,442	9,297	-2%
Number of clients	532,267	529,921	0%
Assets under management (CZK million)	58,811	62,991	7%
of which in Transformed fund	52,858	55,296	5%
Average number of FTEs	49	47	-4%
<b>ESSOX (50.93%), #2 non-bank consumer lender and car financing company*</b>			
Volume of new contracts (CZK million)			
Volume of total loans (gross, CZK million)	17,453	17,085	-2%
Number of active clients	210,512	194,889	-7%
Average number of FTEs	394	390	-1%

# BUSINESS PERFORMANCE OF SUBSIDIARIES

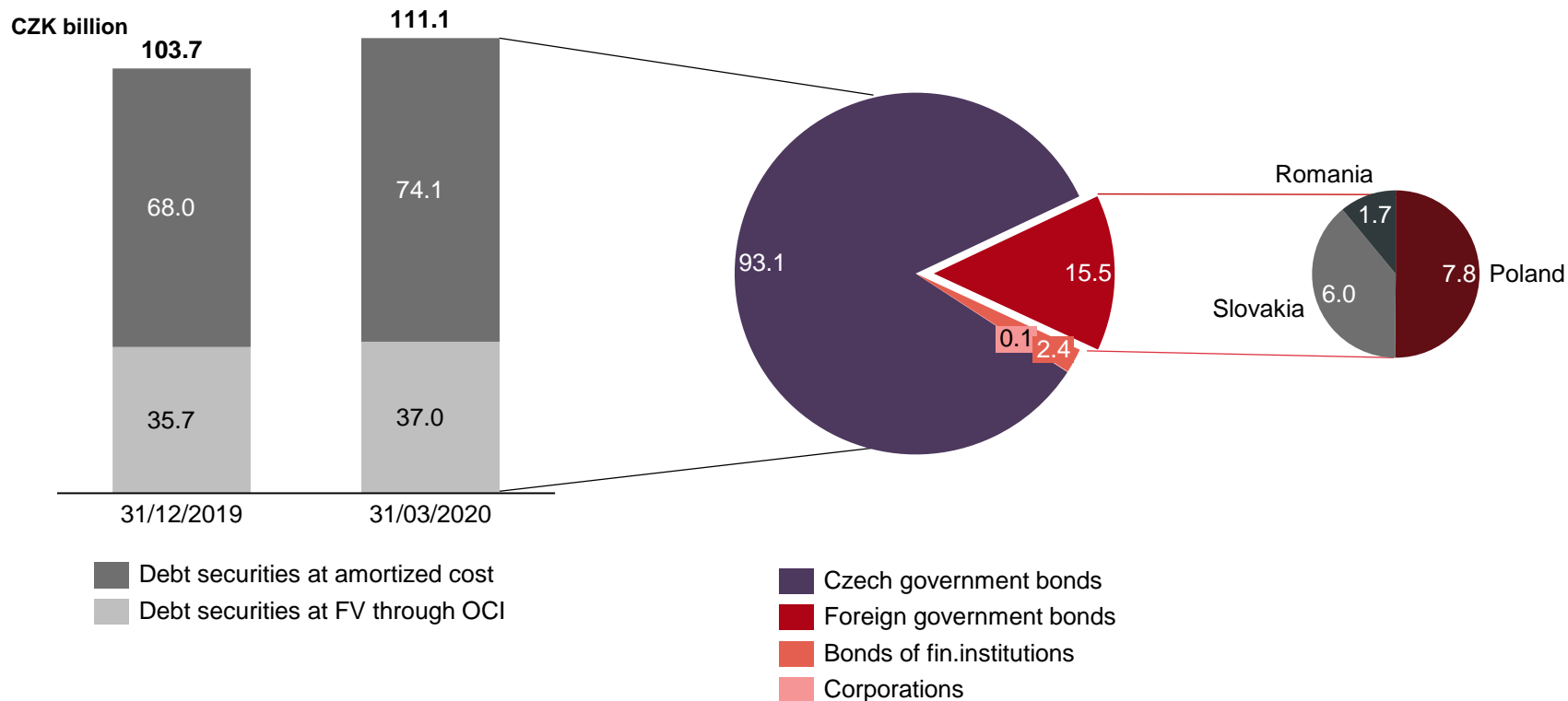
## 2/2

OVERVIEW OF KB SUBSIDIARIES

	1Q 2019	1Q 2020	YoY
<b>Factoring KB (100%), #1 on the Czech factoring market</b>			
Factoring turnover (CZK million)	11,652	12,541	8%
Volume of total financing (gross, CZK million)	8,075	8,575	6%
Average number of FTEs	43	43	-1%
<b>Komerční pojišťovna (49%), a universal insurance company</b>			
Volume of technical reserves - Saving (CZK million)	47,495	47,791	1%
Gross written premium (CZK million)	2,066	2,135	3%
of which in life insurance	1,841	1,889	3%
of which in non-life insurance	225	246	9%
Average number of FTEs	222	234	5%
<b>SGEF Czech Republic (50.1%), a provider of asset-backed financing in Czech Rep. and Slovakia</b>			
Volume of new financing (CZK million)	2,674	2,379	-11%
Volume of total financing (gross, CZK million)	27,697	29,847	8%
Average number of FTEs	138	142	4%



# DEBT SECURITIES PORTFOLIO IN THE BANKING BOOK



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

# MACROECONOMIC ENVIRONMENT – CZECHIA

Macroeconomic Indicators	2016	2017	2018	2019	2020*	2021*
Real GDP (% , average)	2.4	4.5	2.8	2.5	-6.5	9.7
Inflation (% , average)	0.7	2.5	2.1	2.8	3.4	1.4
Household consumption (% , average)	3.5	4.4	3.2	3.0	-2.6	3.6
Unemployment (% , av., ILO meth.)	5.4	4.1	2.2	2.0	5.2	3.6
M2 (% , average)	8.6	9.5	5.3	7.0	7.5	6.6
3M PRIBOR (% , average)	0.3	0.4	1.3	2.1	0.8	1.1

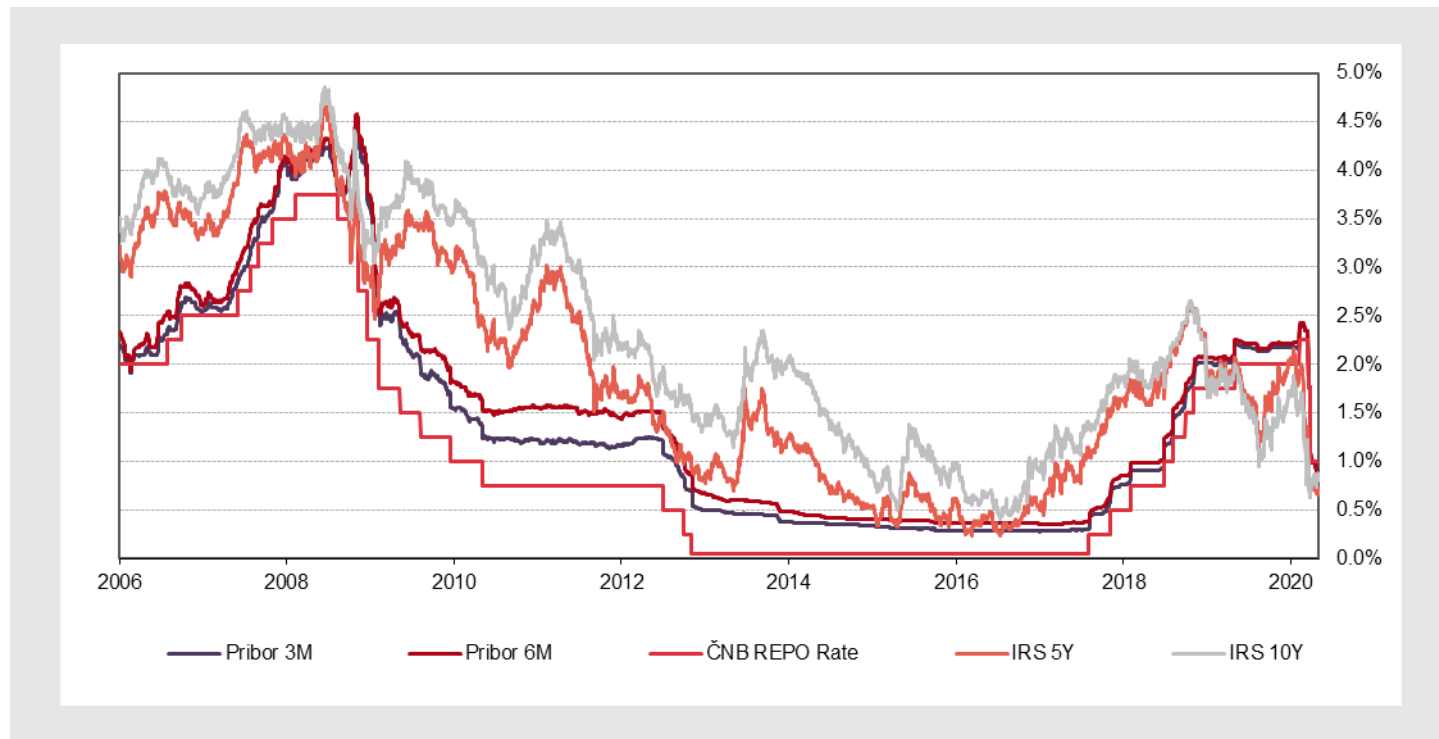
Potential of the market **	2016	2017	2018	2019
Loans / GDP (year-end)	61.9	61.1	62.0	61.4
Real estate loans / GDP (year-end)	22.1	22.7	23.4	23.4
Deposits / GDP (year-end)	79.0	82.5	83.4	88.0
Household loans / GDP (year-end)	27.9	28.4	29.1	29.0

\* KB estimate

\*\* Banking sector

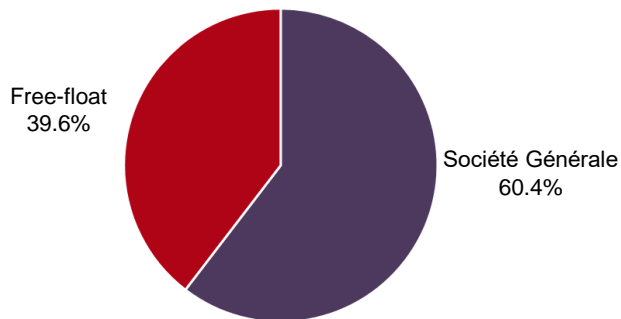
# INTEREST RATES EVOLUTION

For the period 1 Jan 2006 – 30 April 2020



# KB #1 LISTED CZECH BANK

## Shareholder structure



## Development of KB share price and PX index (1 January 2001 – 30 April 2020)



- The number of shareholders comprised 53,943 corporate entities and private individuals.
- Of the Bank's total share capital of CZK 19,004,926,000 divided into 190,049,260 shares with a nominal value of CZK 100 each, Société Générale S.A. held 60.35%.
- KB held 1,193,360 own shares in treasury, representing 0.63% stake on registered capital

# INVESTOR RELATIONS

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