

Komerční banka, a.s.

RESULTS

9M 2020

AND

UPDATED STRATEGY



Regulatory information

Komerční banka, a.s.

Komerční banka reports healthy result despite major hit from the pandemic

KB presents updated strategic plan for the time horizon to 2025

- | **Komerční banka Group is continuing to support its clients, employees, and society throughout the difficult time brought on by the global Covid-19 pandemic while contributing to the economic recovery.**
- | **KB has announced its strategic directions for the time horizon to 2025. The Bank aims to be a leader in the new era of digital banking for 2 million active clients. Its strategy builds upon the pillars of helpfulness, growth, and responsibility while setting specific objectives in several defined areas. These include erecting a new digital bank and being a data-driven company, maintaining its leadership position in services to corporations, creating an agile and effective organisation to achieve outstanding operational efficiency and sustainability, finding new revenue sources, and further upgrading its advanced risk management.**
- | **With total capital adequacy at 21.6%, Komerční banka maintains a robust capital base. Ample liquidity is based upon customer deposits, and the volume of net loans granted corresponds to 73.2% of the client deposit base.**
- | **The total volume of the Group's lending to customers expanded by 5.9% year on year to CZK 692.3 billion. The clients entrusted KB Group with CZK 930.4 billion in deposits, up by 8.2% from a year ago. Non-deposit assets under management, at CZK 187.1 billion, were higher by 4.0% CZK 930.4 billion year on year.**
- | **Since mid-March, KB Group has been offering repayment holidays for up to six months to its clients affected by the crisis. As of 30 September, KB Group companies were postponing instalments on loans totalling CZK 58.5 billion, including CZK 26.6 billion in relation to mortgages, CZK 3.0 billion to consumer loans, CZK 4.1 billion to financing of small businesses and CZK 24.7 billion to lending to corporations. Furthermore, KB has granted CZK 11.7 billion in financing to 1,864 clients through the Covid guarantee programmes launched by the Czech Republic.**
- | **The financial performance remained healthy despite significant impacts from the economic shock brought about by the pandemic. The Group reported a (8.6%) decline in revenues and 1.9% increase in operating expenditures. Net creation of credit risk provisions reached CZK 3.4 billion. Net profit attributable to shareholders decreased by (45.0%) to CZK 6.1 billion. Recurring net profit attributable to shareholders was down by (44.0%), at CZK 6.2 billion.**

Prague, 5 November 2020 – Komerční banka reported today its unaudited consolidated results for the first three quarters of 2020.

As part of the country's infrastructure, Komerční banka continues providing all its services to the clients. KB reported a healthy set of performance and solvency indicators. The capital adequacy, at 21.6%, is extremely strong even before inclusion of the current year's profit. The Bank's liquidity remains exceptional, too, as net loans correspond to just 73.2% of the client deposit base. The financial performance was resilient in spite of sharp deterioration in economic conditions relating to the Covid-19 global pandemic. Total revenues decreased by (8.6%) to CZK 22.3 billion. Net interest income was down by (8.9%), at CZK 16.1 billion, mainly due to significant decline in market interest rates that negatively affect yields from reinvested deposits. Net fee and commission income slipped by (13.1%) to CZK 3.9 billion, chiefly due to reduced transaction and sales activity but also reflecting impacts from new regulation of fees for cross-border payments. Net profit on financial operations increased by 1.9% to CZK 2.2 billion, as clients' demand for hedging of financial risks increased in the volatile environment.

Operating expenses were up by 1.9%, at CZK 11.4 billion, driven mainly by greater contribution to the Resolution and Deposit insurance funds and increase in amortisation charges connected to investments in digitalising the Bank and its services. The average number of employees declined by (0.7%) to 8,099. KB also has booked a restructuring provision anticipating accelerated structural changes based on Covid-19 experience. The net impact on operating expenses is CZK -94 million). Operating expenses adjusted for this one-off provision were higher by 1.0%, at CZK 11.3 billion.

Net creation of provisions for the first nine months of 2020 totalled CZK 3.4 billion. This amount includes charges for some expected losses caused by economic hardship ensuing from the coronavirus pandemic, as envisaged in the IFRS 9 accounting standard, as well as increased provisions for clients with deteriorated credit risk profile in a situation when actual defaulting of clients on their obligations has generally been prevented by payment moratoria.

The reported attributable net profit was down (45.0%), at CZK 6.1 billion. Excluding the one-off items,¹⁾ attributable net profit was lower by (44.0%), at CZK 6.2 billion.

Lending to clients increased by 5.9% to CZK 692.3 billion.²⁾ Within this total, financing of housing from KB and Modrá pyramida expanded by 7.8% and consumer lending from KB and ESSOX grew by 1.3%. Lending to businesses and other clients was up by 4.8%.

As of 30 September, KB Group companies were postponing instalments on loans totalling CZK 58.5 billion, including CZK 26.6 billion in relation to mortgages, CZK 3.0 billion to consumer loans, CZK 4.1 billion to financing of small businesses and CZK 24.7 billion to lending to corporations. Furthermore, KB has granted CZK 11.7 billion in financing to 1,864 clients through the Covid guarantee programmes launched by the Czech Republic.

Deposits from clients climbed by 8.2% year on year to CZK 930.4 billion.³⁾ The volume of KB Group clients' assets in mutual funds, pension savings, and life insurance expanded by 4.0% to CZK 187.1 billion.

The capital adequacy ratio reached a strong 21.6%, and Core Tier 1 capital stood at 20.9%. The liquidity coverage ratio was at 230%, significantly above the regulatory minimum of 100%.

"I would like to wish all the best to all people affected by the pandemic and to sincerely thank all those who are helping others during this crisis, and especially of course health care workers, caregivers, and other people on the front lines. Within KB, I would like to particularly thank my colleagues from the contact centres who have been supporting the health authorities with epidemiological tracing of the infection spread," remarked Jan Juchelka, KB's Chairman of the Board of Directors and Chief Executive Officer.

"Ongoing crisis will have long-term consequences, but it will reinforce our resilience and we need to look forward and beyond it. I am proud that we were able even in the midst of this situation to formulate an ambitious but achievable strategic plan that will enable the new KB to succeed in the era of digital banking," added Mr Juchelka.

The Bank had 57,068 shareholders as of 30 September 2020 (up by 6,908 year on year), 51,492 of which were private individuals from the Czech Republic (greater by 6,730 from the year earlier). Strategic shareholder Société Générale maintained its 60.4% stake while minority shareholders owned 39.0% and KB held 0.6% of the registered capital in treasury.

¹⁾ One-off items: 9M 2019: Settlement of the sale price for Komerční pojišťovna sold in 2006 (CZK 55 million in 'Profit attributable to exclusion of companies from consolidation') 9M 2020: Restructuring provision for acceleration of structural changes based on COVID19 experience, partly offset by release of residual provision for "KB Change 2020" (CZK -94 million in 'Operating expenses', of which CZK 1 million in personnel expenses and CZK -95 million in 'General administrative expenses', and CZK 18 million in 'Income tax').

²⁾ Excluding volatile reverse repo operations with clients but including debt securities issued by KB's clients and held by the Bank. Inclusive of repo operations, lending rose by 5.8% year over year to CZK 695.3 billion.

³⁾ Excluding repo operations with clients. The total volume of 'Amounts due to customers' moved up by 7.4% to CZK 966.1 billion.

Corporate social responsibility (in third quarter 2020)

Again in the third quarter, KB Group contributed to various activities addressing the current difficult situation as well as some long-term issues.

KB Jistota Foundation has provided a second round of grants to organisations grappling with Covid pandemic impacts. It contributed to 14 organisations across the country. The Foundation supported single parents in distress, long-term caregivers' families and families affected by domestic violence, as well as seniors. It also assisted non-profit organisations in developing means to assist clients from a distance.

Employees of the KB and ESSOX call centres have been helping health authorities to trace epidemiologically significant contacts of people infected with Covid-19, thus limiting spread of the disease. The companies have also provided their technical infrastructure and equipment for this tracing.

Despite the pandemic, some of KB's partners were able to carry on some of their events under strict hygienic conditions. World Cleanup Day, which is organised in more than 150 countries, took place, with more than 220 tons of waste being cleaned up by 22,000 volunteers. Deployed in a total of 25 teams, KB employees participated in this event for the third time.

The Bank introduced a new edition of payment cards reflecting Komerční banka's pursuit of sustainability in all its activities. The new EKO card has a high proportion of recycled plastic (85.5%). The card is impressive not only for its material but also with its atypical vertically oriented design. All data personalisation is contained only on the back of the card.

For the second year in a row, Komerční banka was the general partner of the Economic Olympiad, which is the largest nationwide competition in the Czech Republic for secondary school students testing knowledge of economics and finance. Because the government had relaxed its pandemic measures in summer, it was possible to conduct the final round of the Economic Olympiad in a reduced and shortened version during the new circus festival Letní Letná.

Every quality, long-term partnership is a reason to celebrate, and all the more so if it pursues a common interest in protecting the environment and preserving biodiversity for future generations. KB has created just such a great pairing with the Prague Zoo, and it is celebrating 15 years since starting that partnership. The co-operation has enabled support for many valuable rescue projects. Among the most interesting, for example, have been the return of Przewalski's horses to the Mongolian steppes, protection of gorillas in Africa (the Wandering Bus project), the "Save the Tasmanian Devil Program", and a project to protect the scavenger vulture in the Balkans.

Market environment (in third quarter 2020)¹⁾

The third quarter of 2020 was marked by temporary easing of precautionary anti-Covid measures. The data on new Covid-19 infections across Europe had been suggesting that the pandemic was coming under control.²⁾ Consequently, the monthly macroeconomic indicators had begun showing signs of recovery. In spite of the positive trends, the Czech economy still recorded a year-on-year decline during the third quarter (-5.8% and +6.2% qoq), once again driven mainly by reduced investment and lower exports. Private consumption is assumed to have remained around levels from previous years. The only component contributing positively to GDP growth was once again government consumption. Conditions on the labour market had started to ease prior to the Covid-19 outbreak, and this trend intensified in the second quarter, as wage inflation moderated to +0.5% year on year (-2.5% in real terms). Unemployment rose by one-tenth but still remained at the lowest level seen anywhere within the EU (standing at 2.8% in September, as calculated by the Eurostat methodology after seasonal adjustment).³⁾ Data from the Ministry of Labour and Social Affairs confirms that this increasing trend in the unemployment rate.⁴⁾

The economic landscape changed greatly with a new outbreak of the Covid-19 epidemic in the Czech Republic. The dynamics of industrial producer prices turned negative in 2020's second quarter and remained in this territory during the third quarter. Consumer price pressures continued, however, keeping the year-on-year dynamics of consumer prices above the 3% level, which is the upper bound of CNB's inflation tolerance band. September's CPI inflation came in at 3.2% year on year, still to some extent reflecting the previously solid income situation among households together with firms' temporarily higher costs amid the coronavirus crisis.

After a quick monetary policy reaction in February and March followed by another rates cut in May, the following months brought no further changes to monetary policy rates. Three-month PRIBOR remained anchored around the level of 0.34% (183 bps lower year to date). This stability characterised the entire interbank money market yield curve. The 10-year interest rate swap moved to 0.8%, quite similar to the level recorded at the beginning of the third quarter (92 bps lower year to date), despite that the 10-year tenor of the

¹⁾ Data sources for this section: Czech Statistical Office, Czech National Bank, KB Economic Research, unless stated otherwise. Comparisons are year on year.

²⁾ After the calm summer holiday months of July and August, the situation started to worsen with the start of September and infection rates started to pick up.

³⁾ Source: <https://ec.europa.eu/eurostat/documents/2995521/10663786/3-30102020-CP-EN.pdf/f93787e0-0b9a-e10e-b897-c0a5f7502d4e> Data up to September 2020.

⁴⁾ Source: <https://www.mpsv.cz/web/cz/mesicni>. Data as available up to September 2020.

interest rate swap curve reached a level around 1.15% at the end of August. Yields on 10-year Czech government bonds declined by 77 bps from the beginning of the year to the level of 0.86%.

During most of the third quarter, the exchange rate of the Czech crown against the euro was steadily appreciating, reaching the CZK 26.0/EUR level by the end of August. That trend has reversed with the worsening epidemiological situation, and the currency closed the quarter at CZK 27.2/EUR. As of 30 September 2020, the crown was weaker by 1.8% quarter over quarter and down by 7.1% year to date. The crown was 2.7% stronger quarter over quarter against the US dollar (that rate being CZK 23.2/USD at the end of September versus CZK 23.9/USD at the end of June 2020). The crown was 3% stronger year to date vis-à-vis the dollar.

Growth in prices of residential real estate eased somewhat in year-on-year terms during 2020's second quarter. Prices paid in the second quarter for previously owned flats were up 10.2% year on year and 8% specifically in Prague. Prices obtained for new flats (in Prague only) were higher by 9.5% from the year earlier.¹⁾

Total bank lending for the overall market (excluding repo operations) grew by 4.5% year on year in September 2020.²⁾ Lending growth was faster in retail banking, with mortgage growth proving its resilience during the current turbulent times and consumer lending being more sensitive to the present economic consequences of pandemic turmoil. Growth in lending to businesses and corporations kept its level throughout the third quarter. Lending to private business thus grew by 0.8% year on year in September. All business segments (corporates, entrepreneurs, public sector, as well as financial institutions) contributed positively to growth.

Valid as of 23 October, the CNB reported Czech banks have approved CZK 36.2 billion in guaranteed loans, of which CZK 30.6 billion has already been drawn under the following programs: CZK 13.9 billion in Covid II loans (of which CZK 12.8 billion drawn), CZK 1.4 billion under Covid Prague (CZK 1.3 billion drawn), CZK 14.3 billion for Covid III (CZK 12.1 billion drawn), and CZK 6.6 billion under Covid EGAP (CZK 4.5 billion drawn).

As of 23 October, the Czech banking sector had provided loan moratoria totalling CZK 195 billion for non-financial corporates and CZK 253 billion within the retail segment. The total, at CZK 449 billion, constitutes ca 14% of the banking sector loan book.

The volume of client deposits in Czech banks had expanded by 10.4% year over year as of September.³⁾ Deposits from individuals had grown by 10.5% while the rise in deposits from private non-financial corporations had been more dynamic (15.6%). Among the business sectors, the public entities were the most dynamic, but all segments have sustained strong momentum.

Selected new client services and awards

The new products brought out during the third quarter complemented the ecosystem of services already available to Komerční banka's clients.

MůjPodpis (MySignature) is a tool for legally binding remote closing of contracts using the KB Key authentication app. The service is available even to non-clients of KB who have their identities verified. KB's Mobilní banka app newly makes pension savings schemes available to clients from KB Penzijní fond.

KB has further extended partnerships with fintech providers of value-added services via its fully owned KB Smart Solutions platform. After acquiring a stake in a crowdfunding platform for real estate projects, Upvest, KB concluded in October a partnership with a fintech company named Roger offering a digital factoring solution for sellers who want to have money from their receivables available prior to the payment date on the invoice. The Roger mobile application launches an electronic auction whereby investors offer financing of such receivables that typically leads to very favourable conditions for the issuer of the invoice. The latest expansion was made in October through co-operation with a Czech start-up company Lemonero, which has launched a digital platform employing big data and artificial intelligence allowing it to provide effective funding for small and medium-sized e-shops. In co-operation with a German start-up, Re:ceeve, KB and ESSOX have improved efficiency of soft collection process while also improving client satisfaction levels.

A joint venture between Komerční banka and other important banks, the newly established company Bankovní identita, a.s., will provide electronic identification and electronic signature services in the Czech Republic. It is based upon the digital identities of bank clients that are used, for example, when logging into internet banking or for remote communication with the Bank. Bankovní identita as an open platform to all banks will be offering its services to public institutions as well as to private companies providing digital services.

¹⁾ Source: <https://www.czso.cz/csu/czso/real-estate-prices>. Publication code 014005-20, released 29 September 2020.

²⁾ Source of data on banking market developments: ARAD statistics of the CNB, www.cnb.cz.

³⁾ Source of data on banking market developments: ARAD statistics of the CNB, www.cnb.cz.

Another KB Group company, ESSOX, also has achieved an important expansion of its services offer to clients. ESSOX significantly reinforced its position in the Czech market for new car financing in the third quarter when it became the sole financing partner for Hyundai and Kia auto sales. That follows on from its partnership with PSA Group (Peugeot, Citroen) existing already since 2016. Car users will appreciate, too, the Carolina mobile application, newly co-owned by ESSOX, which helps to make owning a car much easier and safer. The new ESSOX Rent! service, meanwhile, makes obtaining a car more convenient and financially efficient. ESSOX rents the car from a partner company, Creditmall.cz, and the customer can subsequently repay through instalments while benefiting from important savings compared to the usual process. For communication with clients, ESSOX began using a voice assistant called EMMA (ESSOX Money Management Assistant). It helps customers to navigate through their repayment options.

In the third quarter, Komerční banka was named as The Safest Bank in CEE for 2020 and The Safest Bank in the Czech Republic for 2020 by Global Finance magazine. Meanwhile, Professional Wealth Management magazine awarded to Komerční banka, for the third time in a row, the prize for being The Best Private Bank for Digital Customer Service in CEE.

Developments in the client portfolio and distribution networks

	30 Sep 2019	30 Sep 2020	Change YoY
KB Group's clients*	2,364,000	2,299,000	(65,000)
Komerční banka	1,662,000	1,651,000	(11,000)
– individual clients	1,405,000	1,397,000	(8,000)
– internet banking clients	1,414,000	1,440,000	26,000
– mobile banking clients	744,000	904,000	160,000
Modrá pyramida	485,000	480,000	(5,000)
KB Penzijní společnost	531,000	526,000	(5,000)
ESSOX (Group)*	204,000	154,000	(50,000)
KB Retail branches	344	243	(101)
KB Business centres	10	10	0
KB Corporate divisions	5	5	0
Modrá pyramida points of sale	201	201	0
SGEF branches	9	9	0
ESSOX Group points of sale	1,094	979	(115)
ATMs	787	802	15
of which deposit-taking	375	415	40
of which contactless	227	286	59
Number of active debit cards	1,398,000	1,411,000	13,000
Number of active credit cards	179,000	182,000	3,000
Number of cards virtualized into payment apps	142,000	252,000	110,000
KB key authentication users	381,000	740,000	359,000

* Calculation methodology updated during Q3-20, decline influenced by termination of non-active credit card relationships

** Decline influenced by termination of non-active credit card relationships

Comments on business and financial results

The financial data published below are from unaudited consolidated results compiled under IFRS (International Financial Reporting Standards). The data are as of 30 September 2020 unless indicated otherwise.

Loans to customers

Total **gross volume of lending to clients** rose by 5.9% year on year to CZK 692.3 billion.¹⁾

In lending to individuals, the overall volume of housing loans grew by 7.8% from the year earlier. Within this total, the portfolio of mortgages to individuals expanded by 6.7% to CZK 241.9 billion. Modrá pyramida's loan portfolio grew by a strong 12.5% to

¹⁾ Excluding volatile reverse repo operations with clients but including debt securities issued by KB's corporate clients. If reverse repo operations are included, gross lending increased by 5.8% to CZK 695.3 billion.

CZK 61.7 billion. The volume of KB Group's consumer lending (provided by the Bank and ESSOX Group in the Czech Republic and Slovakia) was up 1.3%, at CZK 39.5 billion.

The total volume of **loans to businesses** and other lending provided by KB Group climbed by 4.8% year on year to CZK 349.1 billion. Lending to small businesses grew by 7.9% to CZK 39.5 billion. The overall CZK volume of credit granted by KB to medium-sized, large corporate, and other clients in the Czech Republic and Slovakia¹⁾ increased by 4.1% year on year to CZK 279.0 billion. At CZK 30.6 billion, the total credit and leasing amounts outstanding at SGEF were 6.6% greater year over year. The growth rate of lending to businesses was influenced also by depreciation of the Czech crown during the pandemic (by 5.4% year over year vis-à-vis the euro as of 30 September) because a part of loans to businesses is provided in euro.

Komerční banka Group stands by its clients. From mid-March, Group companies began offering voluntarily credit moratoria to clients affected by the pandemic and containment measures. The Group immediately implemented the legally mandated instalment moratorium in April. As of 30 September, KB Group was postponing instalments on loans totalling CZK 58.5 billion, including CZK 26.6 billion in relation to mortgages, CZK 3.0 billion to consumer loans, CZK 4.1 billion to financing of small businesses and CZK 24.7 billion to credit of corporations. Furthermore, KB has granted CZK 11.7 billion in financing to 1,864 clients through the Covid guarantee programmes launched by the Czech Republic.

Amounts due to customers and assets under management

The **volume of standard client deposits** within KB Group rose by 8.2% year on year to CZK 930.4 billion.²⁾

Deposits at Komerční banka from individual clients grew by 9.5% from the year earlier to CZK 309.5 billion. The deposit book at Modrá pyramida diminished by (2.0%) to CZK 60.0 billion. Total deposits from businesses and other corporations climbed by 8.8% to CZK 548.0 billion.

Client assets managed by KB Penzijní společnost were 7.6% greater, at CZK 65.7 billion. Technical reserves in life insurance at Komerční pojišťovna were up by 4.1% year on year, at CZK 49.7 billion. The volumes in mutual funds held by KB Group clients grew by 1.0% to CZK 71.8 billion, although sales of mutual funds dropped during the state of emergency.

The Group's **liquidity** as measured by the ratio of net loans³⁾ to deposits (excluding repo operations with clients but including debt securities held by KB and issued by the Bank's clients) stood at 73.2%. The Group's liquidity coverage ratio stood at 230%, well above the regulatory limit of 100%.

FINANCIAL PERFORMANCE OF KB GROUP

Income statement

Komerční banka's **revenues (net operating income)** for the first nine months of 2020 deteriorated by (8.6%) year on year to reach CZK 22,346 million. This decline was driven lower by net interest income, affected by the sharp drop in market interest rates that pressed down yields from reinvestment of deposits, and by net fees and commissions, which were impacted by a drop in client activity during the lock-down and by the new caps on fees for payments within the Single European Payments Area (SEPA). Net gains from financial operations improved slightly because a decline in clients' transaction activity in foreign currencies was offset by increased demand for hedging of financial risks.

Net interest and similar income was down by (8.9%), at CZK 16,098 million. This was caused mainly by the sharp drop in market interest rates since March 2020, which negatively impacted the yields from reinvestment of deposits and the Bank's own funds. In the first nine months of 2020, KB also recorded a modification loss of CZK 181 million from postponement of instalment payments under the loan moratorium. The net interest margin for the first three quarters of 2020, computed as the ratio of net interest income to interest-earning assets reported on the balance sheet, reached 2.0%. That compares to 2.2% a year earlier.

Net fee and commission income diminished by (13.1%) to CZK 3,860 million. The drop was related to the decline in transaction activity, as in-cash and at-branch transactions sunk significantly year over year, non-cash transactions increased modestly, and only the number of card transactions continued its solid growth. Transaction fees were also hit by the new regulation of charges for euro-denominated payments within SEPA. Maintenance fee income decreased in the third quarter due to lowering of prices for account and services packages for small business clients. KB recorded lower income from specialised financial services as issuance and syndication activity weakened. Income from bank guarantees and income from private banking services improved slightly. Fees from cross-selling were up due to income from mutual funds and life insurance, but new sales of mutual funds deteriorated during the pandemic.

Net profit on financial operations improved by 1.9% to CZK 2,218 million. Clients' demand for hedging of financial risks grew with the uncertainty and volatility of interest and exchange rates. On the other hand, the volume of foreign transactions declined due to a drop in international trade and less inbound and outbound travel. That caused a decrease in net gains on FX payment transactions.

¹⁾ Inclusive of factor finance outstanding at Factoring KB and merchant and car dealers' financing from ESSOX Group.

²⁾ Excluding volatile repo operations with clients. The total volume of 'Amounts due to customers' increased by 7.4% to CZK 966.1 billion.

³⁾ Gross volume of loans reduced by the volume of provisions for loan losses.

Dividend and other income increased by 12.7% to CZK 169 million. This line item primarily comprises revenues from property rental and ancillary services.

Operating expenses were up by 1.9%, at CZK 11,433 million. Operating expenses adjusted for one-off items were higher by 1.0%, at CZK 11,337 million. Personnel expenses diminished by a slight (0.1%) to CZK 5,814 million, as the average number of employees decreased by (0.7%) to 8,099 and the effect of higher base salaries was offset by lower accrual for variable remuneration.¹⁾ General administrative expenses (not including contributions to the regulatory funds) were down by (0.8%), at CZK 2,722 million. KB recorded in the second quarter a restructuring provision for acceleration of structural changes based on Covid-19 experience. This was partly offset by release of residual provision for “KB Change 2020” (with a net impact on operating expenses of CZK –94 million). Adjusted for this one-off cost, general administrative expenses would decline by (4.3%) to CZK 2,627 million, as expenses on marketing and travel were lower. On the other hand, there were offsetting costs for protective and IT equipment. The full-year cost of contributions to the regulatory funds (Deposit Insurance Fund, Resolution Fund) reached CZK 937 million, up 10.2% year on year. The CNB adjusted the 2024 target volume of the Resolution Fund and increased the aggregate annual contribution from Czech banks by 9.2% year on year. Depreciation and amortisation grew by 8.4% to CZK 1,959 million, driven mainly by new and upgraded software and IT equipment.

The sum of profit before allowances for loan losses, provisions for other risk, profit on subsidiaries, and income tax (**gross operating income**) was down by (17.4%), at CZK 10,913 million. Adjusted for the aforementioned one-off items, this sum would be (16.7%) lower, at CZK 11,008 million.

Cost of risk reached CZK 3,407 million (net creation of provisions) in comparison with a negative CZK (328) million (net release of provisions) in the nine months of 2019. The Group recorded a strong impact from the statutory recalibration of IFRS 9 provisioning models to reflect the ongoing macroeconomic downturn. It has also prudently provisioned the most sensitive part of the portfolio under moratoria in retail and corporate segments. Furthermore, the Group created provisions on newly defaulted corporate clients and increased provisions on existing default situations. The Instalment Moratorium Law continued to have a significant influence on development of the overall risk profile. The cost of risk in relative terms and as measured against the average volume of the lending portfolio during the first nine months of 2020 came to 68 basis points. That compares to (7) basis points for the same period a year ago.

Income from shares in associated undertakings (comprising mainly contribution from Komerční pojišťovna) was down by (10.7%) year on year, at CZK 192 million. KB Group recorded a loss of CZK 41 million on the line Profit/(loss) attributable to exclusion of companies from consolidation related to KB’s discontinued investment in the subsidiary KB MySmartLiving.

Net profits on other assets reached CZK (5) million, which amount was linked to sales of buildings in the held-for-sale portfolio and a loss from disposal of certain internal IT projects. In the previous year, this result had been CZK 16 million.

Income tax was lower by (41.7%), at CZK 1,475 million.

KB Group’s consolidated **net profit** for the first nine months of 2020 reached CZK 6,177 million, which was down by (45.3%) in comparison with the year earlier. Of this total, CZK 95 million was profit attributable to the non-controlling owners of minority stakes in KB’s subsidiaries (down by (59.7%) year on year). Net profit adjusted for one-off items would slip by (44.4%) to CZK 6,254 million.

Reported **net profit attributable to the Group’s equity holders** totalled CZK 6,082 million, which is (45.0%) less year on year. Recurring **net profit attributable to the Group’s equity holders declined by (44.0%) to CZK 6,159 million. Other comprehensive income**, which derives mainly from revaluations and remeasurements of some hedging, foreign exchange, and securities positions, reached CZK (158) million. **Consolidated comprehensive income** for the first nine months of 2020 totalled CZK 6,019 million, of which CZK 103 million was attributable to owners of non-controlling stakes.

Statement of financial position

Unless indicated otherwise, the following text provides a comparison of the balance sheet values as of 30 September 2020 with the values from the statement of financial position as of 31 December 2019.

Assets

As of 30 September 2020, KB Group’s total assets had risen by 17.3% year to date to CZK 1,263.5 billion.

Cash and current balances with central banks were up 169.2%, at CZK 47.8 billion. Financial assets at fair value through profit or loss (trading securities and derivatives) increased by 62.6% to CZK 38.0 billion. The fair value of hedging financial derivatives grew by 107.4% to CZK 20.7 billion.

Year to date, there was a 14.5% rise in financial assets at fair value through other comprehensive income totalling CZK 41.5 billion. This consisted mainly of public debt securities.

¹⁾ Recalculated to a full-time equivalent number.

Financial assets at amortised cost grew by 12.9% to CZK 1,087.5 billion. The largest portion of this consisted of (net) loans and advances to customers, which rose by 5.6% to CZK 683.7 billion. A 97.7% share in the gross amount of client loans was classified in Stage 1 or Stage 2, while 2.3% of the loans were classified in Stage 3 (non-performing loans). The volume of loss allowances created for amounts due from customers came to CZK 12.4 billion. Loans and advances to banks increased by 28.6% to CZK 314.4 billion. The majority of this item consists in reverse repos with the central bank. The value held in debt securities was up by 24.9% and reached CZK 89.4 billion at the end of September.

Revaluation differences on portfolio hedge items totalled CZK 0.4 billion. Current and deferred tax assets stood at CZK 1.0 billion. Other assets and accrued accounts, which include receivables from securities trading and settlement balances, decreased overall by (12.0%) to CZK 4.6 billion. Assets held for sale diminished by (20.4%) to CZK 0.1 billion.

Investments in subsidiaries and associates rose by 17.2% to CZK 1.5 billion.

The net book value of tangible assets declined by (5.3%) to CZK 10.0 billion. Intangible assets grew by 7.2% to reach CZK 6.5 billion. Goodwill, which primarily derives from the acquisitions of Modrá pyramida, SGEF, and ESSOX, remained unchanged at CZK 3.8 billion.

Liabilities

Total liabilities were 18.6% higher in comparison to the end of 2019 and stood at CZK 1,148.9 billion.

Financial liabilities at amortised costs were 16.7% greater, at CZK 1,075.8 billion. Amounts due to customers comprise the largest proportion of this total, and these grew by 17.6% to CZK 966.1 billion. This total included CZK 35.7 billion of liabilities from repo operations with clients and CZK 8.2 billion of other payables to customers. Amounts due to banks increased in the third quarter of 2020 by 13.1% to CZK 105.9 billion.

The volume of outstanding securities issued was down by (70.7%), at CZK 1.1 billion.

Revaluation differences on portfolios hedge items expanded to CZK 13.1 billion. Current and deferred tax liabilities diminished by (33.8%) to CZK 0.8 billion. Other liabilities and accruals, which include payables from securities trading and settlement balances, increased by 31.6% to CZK 15.8 billion.

The provisions balance was 31.2% higher, at CZK 1.8 billion. The provisions for other credit commitments are held to cover credit risks associated with credit commitments issued. The provisions for contracted commitments principally comprise those for ongoing contracted contingent commitments, legal disputes, self-insurance, and the retirement benefits plan.

Subordinated debt, at CZK 2.7 billion, was up 7.1% year to date. Because that debt is issued in euro, the change reflects the Czech crown's depreciation over the same period.

Equity

Total equity grew year to date by 5.6% to CZK 114.7 billion. The value of non-controlling interests reached CZK 3.2 billion. As of 30 September 2020, KB held in treasury 1,193,360 of its own shares constituting 0.63% of the registered capital.

Regulatory capital and requirements

Total **regulatory capital** for the capital adequacy calculation came to CZK 98.0 billion as of 30 September 2020, up 13.1% year to date. **Capital adequacy** stood at 21.6%. The Core Tier 1 capital totalled CZK 94.7 billion (12.6% higher year to date), and the Core Tier 1 ratio stood at 20.9%. Tier 2 capital totalled CZK 3.3 billion, which was 0.7% of risk-weighted assets.

Komerční banka's overall capital requirements as of 30 September 2020 reached approximately 16.2% in relation to the consolidated volume of risk-weighted assets. The minimum Core Tier 1 capital level was approximately 12.2% and the minimum Tier 1 capital ratio requirement stood at approximately 14.2%.

As of 30 September 2020, KB was required to maintain a combined capital buffer comprising, in the case of Komerční banka, the capital conservation buffer at 2.5%, the countercyclical buffer set for exposures in particular countries (in the Czech Republic at 1.75% from 1 January 2020, cut to 1.00% with effect from 1 April 2020, and further reduced to 0.50% with effect from 1 July 2020), and the systemic risk buffer at 3.00%.

KB Group's Liquidity Coverage Ratio reached 230% as of 30 September 2020, and thus it stands significantly above the regulatory minimum of 100%.

Changes in KB Group structure

KB has further extended partnerships with fintech providers of value-added services via its fully owned KB Smart Solutions platform. After acquiring a 19% stake in a crowdfunding platform for real estate projects, Upvest, KB Smart Solutions purchased in October a

25% participation in a fintech company named Roger offering a digital factoring solution for sellers. The latest expansion was made in October through acquisition of an 11% stake in the Czech start-up company MonkeyData s.r.o., which, via its subsidiary Lemonero, has launched a digital platform employing big data and artificial intelligence to provide funding for small and medium-sized e-shops.

Moreover, in the third quarter the European Commission decided not to oppose the notified operation of establishing the joint venture Bankovní identita, a.s. between Komerční banka and other important banks and declared it compatible with the internal market. The joint venture as an open platform to all banks will provide electronic identification and electronic signature services in the Czech Republic based upon the digital identities of bank clients. In October, Komerční banka participated in boosting total shareholders' equity of the joint venture by a total CZK 60 million, shared equally by all three existing shareholders.

Updated strategic directions of Komerční banka until 2025

On the occasion of announcing its results for the third quarter, Komerční banka presented today also its updated strategic directions as formulated in the KB Change 2025 plan. This follows on from successful implementation of the KB Change 2020 transformation programme announced in spring 2018 and addresses the emerging challenges and opportunities for a strong, client-focused bank.

The transformation ensuing from the KB Change 2020 plan is visible in significant simplification, digitalisation, and acceleration of key customer and operational processes. The organisational structure has been delayed both at headquarters and across the distribution network. Almost half of central functions are now developed and delivered by cross-functional teams employing agile working methods. Products and services increasingly are provided via digital channels, much to the satisfaction of clients. The offer has been further expanded in partnerships with start-up and fintech companies.

KB Group has been able to provide quality financial services and best-in-class advisory in a safe, reliable, and convenient way. This is reflected in improving client satisfaction during 2018–2020 within all main client segments as measured by Net Promoter Score. The financial targets of the KB Change 2020 plan were not achieved, however, as a direct consequence of the global coronavirus pandemic and its economic impacts.

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

The KB Change 2025 plan recognises the following five categories of challenges and opportunities existing in the new era of digital banking:

- (1) evolving customer needs – with emphasis on reliability, trust, and partnership with clients; a need for simple and fast but personalised solutions accessible anywhere and anytime;
- (2) a changing competitive landscape – characterised by considerable pressure on profit margins, disruption caused by fintech and neobanks, scale as a requisite for efficiency;
- (3) urgency of environmental, social, and governance considerations – in view of risks stemming from climate change, energy dependencies, weakened social cohesion, lack of diversity, and deficiencies in governance;
- (4) technological revolution – transforming legacy banking systems, differing client expectations and development practices, new ways of working and data analysis, generating rapid leaps in productivity, strengthening the role of technology providers across industries; and
- (5) increasing regulatory responsibilities of banks – including for preventing financial crime, consumer protection, and financial stability.

In the plan document, KB formulates its intention to build together, with its clients, a better and sustainable future through responsible and innovative financial solutions. Within the planning horizon to 2025, KB aims to be a leader in the new era of banking for 2 million active clients. The strategy builds on the pillars of helpfulness, growth, and responsibility, with specific objectives set in nine topical areas.

KB will build a New Digital Bank based on new technological and process infrastructure, introducing new services and new partners, and supported by clever innovations. As a data-driven company, KB will maximise the business value extracted from data in the

digital world even as it assures the privacy of client data. The Bank will develop a new advisory model supported by data analytics. To evolve its agile, adaptive, and effective organisation, the Bank will implement DevOps practices as well as the Smart office concept of workplace organisation. Both methodologies are expected also to support employee engagement at high levels. The new digital KB will rebalance its organisation towards fully digital sales and services. Its position on the housing finance market will be reinforced by creating a single mortgage factory delivering solutions for clients of both KB and Modrá pyramida. KB will aim to protect its already best-in-market level of client satisfaction in corporate and investment banking by focusing on speed, predictability, and efficiency of corporate customer journeys. With digitisation and automation incorporating artificial intelligence and data science components as well as advanced fraud prevention, KB's risk management will aim to identify emerging risks and contain risk losses in the new world of digital banking and within a volatile environment.

Komerční banka will position itself as a green bank and a sustainability leader on the Czech financial market and within Société Générale Group. By 2025, it will reduce its carbon dioxide footprint by 80%, and it aims further to improve its standing in such global sustainability indices as FTSE4Good and MSCI ESG.

KB will extract revenues from new and novel sources, including from the developed ecosystem of services for small business and individual clients, authentication and identification, co-operation with start-ups, bolt-on acquisitions, insurance, wealth management, and consumer financing. At the same time, the Bank will strive to reaffirm its leading position in operational efficiency within the CEE region, including by further centralising back- and head-office functions and premises across KB Group, sharing certain services even with other banks, optimising the branch network, insourcing, and implementing the DevOps concept.

Meeting the ambitious objectives of the strategic plan will be supported by a thoroughly considered and co-ordinated set of changes to the bank technologies. As a foundation for building the new digital bank, KB will deploy a new core banking system featuring 24 x 7 availability, a multi-entity setup, and a modular approach as an enabler for digitisation of its business propositions and for offering personalised and flexible products. The existing and new core banking systems will run in parallel for a certain time in order to assure smooth transition and limit operational risks. Furthermore, the Bank will launch new card management, digital hub, and payment processing systems for the new digital bank.

Komerční banka will implement several business initiatives, often enabled by the new and flexible banking technologies. In corporate segments, KB will launch a new Corporate and Investment Banking portal and a front-office solution for investment banking services that supports digitisation, data-driven sales, and a multichannel approach. It will increase penetration of investment banking services among small business customers. Utilisation of the weTrade blockchain payment platform will be extended, as will that of digital identity tools. The corporate loan granting system will be replaced, the primary goal being to shorten the Bank's time to market. KB will develop its offer of sustainable, positive-impact financing and advisory competence in the green economy area. It will roll out new methods of financing (such as crowdfunding or so called Invisible finance providing frictionless purchasing experiences, and KB will pursue its already successful strategy to increase financing with acceptable risk to an extended population of eligible clients within the state guarantee programmes (such as Covid programmes).

Developments in retail segments will include building a joint mortgage factory for KB and Modrá pyramida, an investment portal, and a new advisory and sales platform that features financial coaching. While utilising artificial intelligence capabilities, the new best-in-class digital channels will automate large parts of service and marketing tasks. The fully digital sales capabilities will include loans, banking packages, insurance, and other products in a very simple and convenient way.

The plan's operational targets are formulated for the standalone bank. It aims to increase the level of client satisfaction as measured by Net Promoter Score in the retail clients and small and medium-sized enterprises segments while stabilising that satisfaction at the already very high level (above 50 points) within the large corporations segment. Based upon organic growth, the clients' seamless omnichannel experience should help the Bank to achieve its target of 1,850,000 clients by 2025. The branch will remain an important contact point for clients, but, as the trend in providing services increasingly is towards migration to digital channels, the Bank aims to have 200 branches by the strategy's horizon. Optimisation of operations through digitisation, branch reduction and switching to cashless banking, automation of middle- and back-office and support functions, and robotics deployment will mean that the standalone bank's full operations and services will be handled by approximately 5,500 employees. The upgraded working and management methods will lead to employee empowerment and effective teamwork across the entity. Motivation, sense of importance, and recognition will improve, and effective leadership should help to achieve further gains in employee engagement levels as measured by a proprietary blended index to the level of 83 points from a strong 78 points in 2019. KB believes that pursuing sustainability in business and operations generates long-term benefits in delivering new business and value for shareholders as well as compliance with future Czech and European regulations. As a measure of maturity in the environmental, social, and governance areas, KB has selected the globally recognised FTSE4Good index of sustainably managed companies, and its target will be to exceed the level of 4 points. Its index stood at 3.3 in 2019.

The financial targets have been set on a KB Group basis. Based upon organic growth, the Group's revenues should record a dynamic average growth rate over the 2025 horizon, after bottoming out due to the pandemic in 2021. The revenue growth will be driven mainly by rising business volumes, digital sales, the advisory model supported by data analytics, and new sources of revenues. Operating expenses will grow at a much slower pace than that for revenues, and slower than the inflation. These positive operating jaws will be powered by savings from simplification and decommissioning of old technologies and decrease in the numbers of branches and

employees. The cost-to-income ratio is targeted to move below 40%, with significant improvement during 2024–25 driven by new revenues and savings from rolling out the new digital bank. With a view to reinforcing the scale of KB's existing business and thus optimising efficiency and competitiveness in high-potential business segments within the 2025 planning horizon, KB will consider to enhance its performance with non-organic growth elements. Implementation of any such ambition will be subject to further careful assessments and validations. The minimum ambition for the number of bank clients inclusive of the non-organic growth component has been set at 2,000,000. The targeted 40% cost-to-income ratio is valid also for the scenario of non-organic growth. Upon successful implementation of non-organic growth components, and assuming normalisation in the cost of risk levels at 25 basis points, KB Group targets ROE at 15% for 2025.

ANNEX: Consolidated results as of 30 September 2020 under International Financial Reporting Standards (IFRS)

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

One-off items:

- 9M 2019: Settlement of the sale price for Komerční pojišťovna sold in 2006 (CZK 55 million in Profit attributable to exclusion of companies from consolidation)
- 9M 2020: Restructuring provision for Acceleration of structural changes based on COVID19 experience partly offset by release of residual provision for "KB Change 2020" (CZK -94 mil. in OPEX, o/w CZK 1 mil. in personnel expenses and CZK -95 mil. in GAE, CZK 18 mil. in Income tax)

Statement of financial position	31 Dec 2019	30 Sep 2020	Ytd
(CZK million, unaudited)			
Assets	1,077,334	1,263,532	17.3%
Cash and current balances with central bank	17,744	47,764	169.2%
Loans and advances to banks	244,561	314,422	28.6%
Loans and advances to customers (net)	647,258	683,684	5.6%
Securities and trading derivatives	131,184	169,207	29.0%
Other assets	36,587	48,455	32.4%
Liabilities and shareholders' equity	1,077,334	1,263,532	17.3%
Amounts due to banks	93,581	105,873	13.1%
Amounts due to customers	821,506	966,117	17.6%
Securities issued	3,621	1,063	(70.6%)
Subordinated debt	2,546	2,726	7.1%
Other liabilities	47,445	73,074	54.0%
Total equity	108,635	114,680	5.6%

Key ratios and indicators	30 Sep 2019	30 Sep 2020	Change year on year
Capital adequacy (CNB)	19.4%	21.6%	▲
Tier 1 ratio (CNB)	18.9%	20.9%	▲
Total risk-weighted assets (CZK billion)	448.1	453.2	1.1%
Risk-weighted assets for credit risk (CZK billion)	371.6	375.2	1.0%
Net interest margin (NII / average interest-bearing assets) ⁱⁱⁱ	2.2%	2.0%	▼
Loans (net) / deposits ratio ^{iv}	74.8%	73.2%	▼
Cost / income ratio ^v	45.9%	51.2%	▲
Return on average equity (ROAE) ^{vi}	14.6%	7.5%	▼
Return on average Tier 1 capital ^{vii}	17.8%	9.1%	▼
Return on average assets (ROAA) ^{viii}	1.3%	0.7%	▼
Earnings per share (CZK) ^x	78	43	(45.0%)
Average number of employees during the period	8,155	8,099	(0.7%)

Business performance in retail segment – overview	30-Sep-20	Change year on year
CZK bil.		
Mortgages to individuals – volume of loans outstanding	241.9	6.7%
Building savings loans (MPSS) – volume of loans outstanding	61.7	12.5%
Consumer loans (KB + ESSOX + PSA Finance) – volume of loans outstanding	39.5	1.3%
Small business loans – volume of loans outstanding	39.5	7.9%
Insurance premiums written (KP)	6.1	(7.9%)

Financial calendar:

- 10 February 2021 - FY and 4Q 2020 results
- 5 June 2021 - 1Q 2021 results
- 3 August 2021 - 1H and 2Q 2021 results
- 5 November 2021 - 9M and 3Q 2021 results

Definitions of the performance indicators mentioned herein:

- I. **Housing loans:** mortgages to individuals provided by KB + loans to clients provided by Modrá pyramida;
- II. **Cost of risk in relative terms:** annualised 'Cost of risk' divided by the average of 'Gross amount of client loans and advances';
Average of Gross amount of client loans and advances: ('Gross amount of client loans and advances' as of the quarter end X-1 plus 'Gross amount of client loans and advances' as of the quarter end X-2 plus 'Gross amount of client loans and advances' as of the quarter end X-3 plus 'Gross amount of client loans and advances' as of the quarter end X-4) divided by 4;
- III. **Net interest margin (NIM):** 'Net interest income' divided by average interest-earning assets (IEA) year to date (IEA comprise 'Cash and current balances with central banks' [Current balances with central banks only], 'Loans and advances to banks', 'Loans and advances to customers', 'Financial assets at fair value through profit or loss' [debt securities only], 'Financial assets at fair value through profit or loss – non SPPI' [debt securities only], 'Financial assets at fair value through other comprehensive income' [debt securities only], and 'Debt securities');
- IV. **Net loans to deposits:** ('Net loans and advances to customers' inclusive of debt securities held by KB and issued by the Bank's clients less 'reverse repo operations with clients') divided by the quantity ('Amounts due to customers' less 'repo operations with clients');
- V. **Cost to income ratio:** 'Operating costs' divided by 'Net operating income';
- VI. **Return on average equity (ROAE):** annualised 'Net profit attributable to equity holders' divided by the quantity average group 'Shareholders' equity' less 'Minority equity', year to date;
- VII. **Return on average Tier 1 capital:** annualised 'Net profit attributable to equity holders' divided by average group 'Tier 1 capital', year to date;
- VIII. **Return on average assets (ROAA):** annualised 'Net profit attributable to equity holders' divided by average 'Total assets', year to date;
- IX. **Earnings per share:** annualised 'Net profit attributable to equity holders' divided by the quantity average number of shares issued minus average number of own shares in treasury.

Reconciliation of 'Net interest margin' calculation, (CZK million, consolidated, unaudited):

(source: Profit and Loss Statement)	9M 2020	9M 2019
Net interest income income, year-to-date	16,098	17,670
Of which:		
Loans and advances at amortised cost	15,324	18,046
Debt securities at amortised cost	1,288	1,327
Other debt securities	517	424
Financial liabilities at amortised cost	(2,220)	(3,089)
Hedging financial derivatives – income	11,689	12,658
Hedging financial derivatives – expense	(10,499)	(11,697)

(source: Balance Sheet)	30-Sep-20	31-Dec-19	30-Sep-19	31-Dec-18
Cash and current balances with central banks/ Current balances with central banks	38,699	7,737	21,724	16,347
Loans and advances to banks	314,422	244,561	366,063	256,268
Loans and advances to customers	683,685	647,259	646,916	624,954
Financial assets at fair value through profit of loss/ Debt securities	9,066	4,112	10,205	3,248
Financial asset at fair value through other comprehensive income (FV OCI)/ Debt securities	41,159	35,682	34,923	24,909
Debt securities	89,387	71,581	73,130	69,881
Interest-bearing assets (end of period)	1,176,417	1,010,931	1,152,962	995,608
Average interest-bearing assets, year-to-date	1,093,674		1,074,285	
NIM year-to-date, annualised	1.96%		2.19%	