

# Half-yearly report 2021



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## Further information

Detailed financial and operational information about Komerční banka Group is available in other publications on KB's website for shareholders and investors, [www.kb.cz/investors](http://www.kb.cz/investors). Additional information on corporate social responsibility and ethics at KB as well as KB's corporate governance is available at <https://www.kb.cz/en/about-the-bank/about-kb>. Information about KB's products and services is accessible from the homepage, [www.kb.cz/en](http://www.kb.cz/en).

This document contains a number of forward-looking statements relating to the targets and strategies of Komerční banka Group. These statements are based on numerous assumptions, both

general and specific. As a result, there is a risk that these projections will not be fulfilled. Forward-looking statements are valid only as of the date they are made, and it should not be assumed that they will be revised or updated in the light of new information or future events. Readers are therefore advised not to rely on this information 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.

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# | Company profile

Komerční banka, a.s. (hereinafter also “KB” or the “Bank”) is the parent company of KB Group (hereinafter also the “Group”) and a member of the Société Générale international financial group. KB ranks among the leading banking institutions in the Czech Republic, as well as in Central and Eastern Europe. It is a universal bank providing a wide range of services in retail, corporate, and investment banking. Member companies of Komerční banka Group provide additional specialised financial services, such as pension savings and building society schemes, leasing, factoring, consumer lending, and insurance. These are accessible through KB’s branch network, its direct banking channels, and the subsidiaries’ own sales networks. Via its fully owned subsidiary KB Smart Solutions, the Bank also co-operates with fintech companies in developing the financial services of the future. Komerční banka additionally provides services in the Slovak Republic through its branch focused on serving corporate clients as well as through selected subsidiaries.

In 2018, the Bank launched a transformation programme, KB Change, which comprised, among other things, simplification of the management and distribution structures and switching of important central functions to agile working methodology. Komerční banka followed upon full implementation of the transformation steps from that plan by announcing in 2020 the successive KB Change 2025 strategic programme, which will assure KB’s leading position in the new era of digital banking.

Komerční banka is a vibrant promoter of green financing and at the same time is focusing ever more comprehensively on the environmental, social, and governance (ESG) aspects of its own operations. As a result, Komerční banka is a constituent company in the FTSE4Good Index Series of companies demonstrating strong ESG practices.

Komerční banka was established in 1990 as a state institution, and in 1992 it was transformed into a joint-stock company. KB’s shares have been listed on the Prague Stock Exchange since its inception in 1993, as well as within the RM-SYSTÉM Czech Stock Exchange. The Bank had 57,851 shareholders as of 30 June 2021 (up by 1,664 year on year), of which 52,146 were private individuals from the Czech Republic (greater by 1,502 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.

# | Highlights from 2021's first half

## January

From January 2021, ESSOX has become the exclusive partner for financing of Hyundai and Kia cars. Alongside its partnership with the PSA Group (Peugeot, Citroen), existing already since 2016, this significantly reinforces ESSOX's position on the market for financing new cars.

Komerční banka successfully sold the premiere issue of mortgage bonds in the amount of EUR 500,000,000 issued as part of its newly established EUR 5 billion mortgage bonds programme. The bonds are rated AAA (Fitch), have a maturity of 5 years with the possibility for extension by 1 year (so-called soft bullet), and are traded on the Luxembourg Stock Exchange. There is currently no similar international issue on the Czech market of secured euro bonds from Czech banks.

In co-operation with Direct Fidoo a.s., a company focused on digitising corporate finances and eliminating unnecessary paperwork, KB offered its corporate clients on favourable terms a modern application for digitising the processing and billing of all corporate outlays. With Fidoo prepaid cards, clients can send money to anyone in their companies and thus get rid of cash handling while simplifying the accounting for cash advances, card payments, or travel orders.

Komerční banka launched a new generation of its digital Open Banking platform, which makes KB's and its partners' products available to KB's clients. In combination with the innovative 'Bank-as-a-Platform' and 'Bank-as-a-Service' directives, this additionally expanded services using banking identities.

The Bank provided complete assistance in processing subsidies from the new EU Modernisation Fund, which will help national energy companies in transitioning to clean resources.

## February

A personal loan can be arranged in a fully digitally manner via mobile banking (Mobilní banka) or internet banking. This means clients can have money in their accounts within just a few minutes. In addition, this product was awarded 1st place in the unsecured consumer loan category of the Financial Product of the Year awards organised by the specialised web portal Finparada.cz.

Komerční banka Group received additional awards in February. In the building savings category of that same contest, Modrá pyramida's Wise Savings (Moudré spoření) product won 3rd place. As an employer, KB took first place in the banking and investments category's 'Top Employer' survey among university

students organised by the Students and Graduates Association and conducted by GfK. Mobilní banka ranked 1st in the evaluation of mobile applications on the Czech banking market within the TOP APP Award, an independent award for the best mobile applications in the Czech Republic and Slovakia.

ESSOX also offered a new cash loan, the closing of which takes place completely online at [www.CashShop.cz](http://www.CashShop.cz).

KB MojeBanka's internet banking was enabled with full-text search capabilities.

Komerční banka began issuing ecological payment cards to owners of G2 student accounts. The embossed card with a unique design is produced 85% from recycled materials and thus each reduces the carbon footprint by 7 grams. In future, the Bank plans to replace its entire payment card portfolio in this way.

## March

KB launched an electronic authentication based on banking identity for access to public services. The method, which uses the KB Key digital tool, was immediately used by scores of clients for their participation in the 2021 national census, submitting tax returns, checking driver's records, and other official services.

KB inaugurated a new Sustainably Together (Společně udržitelně) web portal that provides examples of good practice and advice on transition to more sustainable business undertakings.

The KB Jistota Foundation started new long-term co-operation with INCIEN (Institute for the Circular Economy) focused on developing the circular economy. They will work together to establish better conditions in public and private procurement. The Foundation also launched a campaign of support for single parents in difficult life and health situations.

Komerční banka launched a new service for its clients that will help them with investments while at the same time saving them the trip to the branch. Known as 'Investment Specialist via Skype for the Living Room', it is intended primarily for clients who want to know the possibilities for growing or securing their savings in Komerční banka, and it is as simple as making a video call.

KB SmartSolutions established Finbricks, s.r.o., a wholly owned subsidiary with registered capital of CZK 1.5 million. Finbricks operates an aggregation platform for financial services offered under the PSD 2 directive.

## April

The General Meeting approved the Board of Directors' report on the Bank's business activities and the state of its assets for the year 2020, as well as the individual and consolidated financial statements for 2020, and it decided to transfer the entire profit to the account of retained earnings of previous years. On the proposal of the Nomination Committee, the General Meeting elected Mr Petr Dvořák, Mr Alvaro Huete Gomez, Mr Giovanni Luc Somo, and Mrs Jarmila Špůrová as members of the Supervisory Board. Mr Somo was also elected a member of the Audit Committee. The General Meeting furthermore approved an amendment to the Articles of Association and the Remuneration Policy.

Komerční banka joined the Covered Bond Label, a designation emphasising the security and quality of covered bond programmes. KB is the first bank in the Czech Republic to receive this international certification of issuers and thus joins a community of another 117 issuers who have undertaken to uphold standards of transparency in relation to international investors in covered bonds.

In the MasterCard Awards 2020 for the Czech Republic, the 4U credit card from KB was named 'The Fastest Growing Card'.

In accordance with the initial strategy, Komerční banka reduced its ownership stake in Bankovní identita, a.s. to 17%, thus enabling other banks to enter this national platform for the provision of digital identification services.

The KB SmartPay joint venture with Worldline received an 'Advisors' Special Mention' from MasterCard for the 'Czechia pays by card' project during the pandemic.

## May

Modrá pyramida opened the possibility of drawing a Quick Loan (Rychloúvěř) and Hypo Loan (Hypúvěř) for housing via the MP Home mobile application. Within the application, one not only can submit the loan application itself but also upload all the necessary documents.

Komerční banka has started accepting applications for new Covid Invest investment loans with guarantee from the Bohemian–Moravian Guarantee and Development Bank (ČMZRB). Companies with a maximum of 500 employees can obtain financing for new investments in tangible and intangible assets. KB thus continued the previous successful COVID programmes to support the Czech economy during the coronavirus crisis.

In addition to its strategic steps with a view to reaching carbon neutrality in its own operations by 2026, Komerční banka has committed to progressively reduce to zero by 2030 its exposure to projects actively associated with the coal sector. On this basis, Komerční banka is no longer providing new financial products to clients more than 50% of whose revenues are linked to coal. For current clients who have more than 25% of their revenues linked to the thermal coal sector, KB refrains from providing new products or services unless there is a public, time-bound transition plan to exit this sector.

## June

Within the Société Générale Group, KB committed itself to an action plan favouring gender diversity. The Group is striving to achieve the fundamental goal of having at least a 30% share of women in the Group's governing bodies by 2023. On 1 June, Frédéric Oudéa, CEO of SG, and other top managers of the SG Group undertook not to attend any event, meeting, or media appearance with more than three participants if there will not be at least one woman among them (and not solely in the role of moderator). The following day, Jan Juchelka, CEO of Komerční banka, joined in this commitment.

As part of its Green Strategy, whereby KB supports sustainable economy projects and energy savings programmes, KB supported making of the time-lapse documentary film Be Water. It will introduce the S.A.W.E.R. (Solar Air Water Earth Resource) system for transforming desert into a green landscape using water extracted from the air and solar energy, a technology developed by the University Centre for Energy Efficient Buildings of the Czech Technical University.

KB SmartSolutions s.r.o. increased its stake in upvest s.r.o. from the previous 18.9% to 31.06%.

## Post-balance sheet date events

In July, Komerční banka has received a prestigious international award in the Pioneer category of The Covered Bond Report Awards for Excellence 2021 for its inaugural issue in January of euro-denominated mortgage bonds. According to this specialised online publication, the issue was one of the best in class and contributed to the development of the market by its difference from standard deals.

# I Macroeconomic development

In the first quarter of this year, the economy was paralysed by tough restrictive measures. From a pandemic point of view, this period was even worse than the spring of 2020. The per capita numbers of new infections and deaths in the Czech Republic were among the highest in the world. Even so, in the end the economy contracted in 1Q by only 0.3% compared with the previous quarter and by 2.1% year on year.<sup>1)</sup> This was a favourable result given the scale of the anti-pandemic measures. Importantly, the industrial facilities were not closed down. In the context of growing foreign demand, that enabled the continued expansion of production. Meanwhile, on the demand side, the main driver of GDP was investment, and especially in inventories. Household consumption continued to decline quarter on quarter in 1Q, although the pace of decline has already diminished significantly. The inventory and investment-led growth surge that started at the beginning of the year is only natural in the initial phase of a recovery, but this time it is being held back by a shortage of production components and materials.

On the contrary, the second quarter saw significant improvement in the pandemic situation and hence also an easing of the restrictive measures that was much quicker than expected. This also resulted in a turnaround in the real economy. The recovering economic activity began to yield impressive macroeconomic data that were further enhanced by the ‘magic’ of a low statistical base. Even so, economic performance in the second quarter fell short of expectations. GDP showed a quarter-on-quarter gain of only 0.6% after previously declining by 0.3%.<sup>2)</sup> Compared to KB’s forecast, which had expected growth of 2.1%, and also compared to the market consensus of 2%, this was a rather significant negative surprise. It should be added, however, that the uncertainty of the Czech Statistical Office estimate remains high, and it will be no surprise if we see significant revisions in future. In a year-on-year comparison, the economy recorded record growth of 7.8%, although that was largely related to the effect of last year’s low base. The level of economic activity in the second quarter reached 95% of the economy’s pre-crisis output (as measured against the last quarter of 2019).

The second half of this year should be marked by accelerating economic growth driven by domestic demand. Investment activity should contribute to this, not only from the private but also from the public sector. A strong injection for the next few years will be funding from the new programming period of the EU funds or the Recovery Plan, which the European Commission already has approved for the Czech Republic. After a recession drop of 5.8% recorded last year, the pre-crisis level of real GDP should be reached in the fourth quarter this year.

Inflation remained close to the Czech National Bank’s upper inflation tolerance band throughout the first half of this year (at 2.8% in June).<sup>3)</sup> The currently visible increase in inflation is not surprising given the extremely easy monetary and fiscal policy during the pandemic. A significant part of the inflationary pressures arises from problems on the supply side, most of which stem from the effects of the pandemic. It is apparent in the services sector that the companies and businesses are using the reopening of their service operations to hike prices, which otherwise could have been spread over the year. The recovery across the global economy has resulted in higher prices for commodities that are used as inputs to production. Nevertheless, we expect that within the monetary policy horizon (i.e. the end of 2022) the problems on the supply side will be resolved and that, as interest rates rise, inflation will return to around its target.

The unemployment rate in the middle of this year reached 3.7% in accordance with the Ministry of Labour and Social Affairs (MLSA) methodology.<sup>4)</sup> This is a year-on-year deterioration of exactly one percentage point. June already shows a decline in the unemployment rate after seasonal adjustment. According to the MLSA, the number of vacancies nevertheless increased to almost 356,000 in June. This is even slightly above the level of 2019, when staff shortages and a tight labour market constituted a major issue. In summary, we expect a nearly stable unemployment rate in the second half of the year and a gradual decline next year.

In June, the CNB hiked rates for the first time since the Covid pandemic began.<sup>5)</sup> It raised the key repo rate to 0.50% from 0.25%, where it had been since the central bank cut it by 2 percentage points in May 2020 in response to the Covid-19 pandemic. The CNB justified the higher rates by significantly reduced uncertainty about the pandemic due to the growing vaccination rate. The rapid easing of virus-related measures likely led to a strong economic rebound and contributed to the return of inflation to the upper limit of the CNB’s tolerance band, where it has been hovering for more than 2 years. The June rate hike was not the last. We expect another three increases this year to bring the repo rate to 1.25% at year end and for a further rise to 2.25% by the end of 2022.

In the first six months of this year, the government ran a deficit of CZK 265.1 billion (4.3% of GDP).<sup>6)</sup> Total state revenues grew by 1.9% year on year and expenditures by 9.3%. After a sharp deterioration in April and May, the state budget was under less pressure in June, as expected. This was mainly due to improved

<sup>1)</sup> <https://www.czso.cz/csu/czso/ari/gdp-resources-and-uses-1-quarter-of-2021>

<sup>2)</sup> <https://www.czso.cz/csu/czso/ari/gdp-preliminary-estimate-2-quarter-of-2021>

<sup>3)</sup> <https://www.czso.cz/csu/czso/ari/consumer-price-indices-inflation-june-2021>

<sup>4)</sup> <https://www.mpsv.cz/web/cz/mesicni>

<sup>5)</sup> <https://www.cnb.cz/en/monetary-policy/bank-board-decisions/CNB-Board-decisions-1624459680000/>

<sup>6)</sup> <https://www.mfcr.cz/cs/aktualne/tiskove-zpravy/2021/pokladni-plneni-sr-42348>

revenues, and especially from direct taxes. A key item was the half-year advance corporate income tax payment, which exceeded the Ministry of Finance's expectation and reached 90% of the full-year plan. Personal income tax and insurance premiums also helped to boost revenues. By contrast, VAT and excise collections continue to lag significantly. Overall, however, revenues exceeded the government's expected figure by CZK 16.2 billion. On the expenditure side, transfers to the business and municipal sectors, inclusive of COVID programmes to support the economy, remained burdensome. These are largely completed, however, and will not be repeated in the second half of the year. On the other hand, government investment, which traditionally lags in the first half of the year, should pick up. Overall, expenditure is running ahead of the Ministry of Finance's plan by CZK 31.2 billion. As we expected, the pressure on the state budget has eased in the middle of the year. Our forecast for the 2021 state budget deficit remains CZK 400 billion (6.5% of GDP).

# I Updated information on impact of Covid-19 during the first half of 2021

During the year's first half, KB's operations and performance continued to be affected by the Covid-19 pandemic and related restrictive measures, including by the impacts on confidence and preferences of consumers and businesses. The Czech Republic was in a state of emergency from 5 October 2020 until 11 April 2021, with tight restrictive measures being adopted in response to the high numbers of infected people and severe burdens on the country's health care system. These included strict limitations on the gathering of people and their mobility, closure of non-essential shops and services, distance learning for pupils and students, mandatory preference for working from home, and others. The economic impacts on citizens and businesses were mitigated by programmes of new lending with guarantees extended by state agencies, and an extensive set of government support measures, comprising wage subsidies, caretaker benefits, compensations to the self-employed, subsidies to businesses from affected sectors, and waivers on advance payments of some taxes and fees. The Czech National Bank maintained most measures adopted just after the first outbreak of the pandemic in March 2020, including to keep the two-week policy repo rate at 0.25% (until 23 June 2021), relaxing macroprudential limits for mortgage lending, and prohibiting banks from paying dividends.

The KB Group companies maintained operations throughout the state of emergency declared by the government, and they maintained the full scope of the services offer to clients, including financing. The branches remained open, with measures adopted to protect clients and employees, such as installation of glass partitions and use of respirators and disinfectants. A model of remote client service utilising digital identity verified by KB Key was introduced. Most members of staff were working from home at least on a rotational basis, which required significant investment in purchasing IT equipment. The Bank was providing for preventive testing of employees by health professionals even before testing was required by the authorities and for vaccinating a part of key operational staff. Capacities of office premises and canteens were reduced in order to meet heightened sanitary standards.

The financial performance continued to be affected also in the first half of 2021, as detailed in a later section. Compared to the comparison base last year, there was a sharp drop in market interest rates linked to decrease in the Czech National Bank's monetary policy rates and that negatively affected net interest income due to lower yields from reinvestment of liquidity and capital. The subdued economic activity in the country was reflected in smaller fee income. Net gains from financial operations offset a negative contribution from a drop in numbers of currency conversions linked to diminished foreign trade volumes along with reduced tourism and business travel. These gains came from additional demand among some clients for hedging of financial risks in the environment of greater

volatility and uncertainty. Operating expenditures were managed in accordance with the approved budget. The majority of the pandemic's impact on the cost of risk was recorded already in 2020. During 2021, KB Group benefited from the resilient quality of its loan portfolio and a solid recovery performance. In spite of the challenging market environment and continued pandemic context, KB achieved even in the first half of 2021 a healthy level of profitability and maintained its robust capital adequacy and strong liquidity.

The crisis influenced clients' borrowing demand to various extents within different loan categories. The prevailing uncertainty affected mainly unsecured consumer lending and, in business segments, clients were limiting or postponing their investment projects and thus demanded less long-term financing. On the other hand, demand for mortgages remained strong, underpinned by low interest rates and perception of housing as an asset providing safety. Financing of working capital needs expanded and business lending was bolstered also by the state guarantee programmes launched as a part of the government's counter-crisis measures. Growth in deposits was strong from both retail and business clients, as deposits absorbed also what can be termed 'forced savings' from limited spending opportunities during the lockdown and postponement of some preplanned investment projects. Increased volatility and the effects of central banks' monetary policy reaction led more clients to invest in mutual funds focused on equity instruments.

All risks have been managed in accordance with the approved Risk Appetite Statement. Although quality of the loan portfolio and cost of risk were affected by the sharp economic downturn caused by the pandemic, these remained firmly under control as the Group benefited from its historically prudent underwriting standards, dynamic portfolio monitoring supported by advanced risk indicators and tools, as well as avoidance of excessive concentration in sensitive sectors. In the area of compliance, KB has reiterated its zero-tolerance policy towards potential misconduct. Among other activities, KB has continued its thorough review of its portfolio of clients in order to meet the highest risk standards in the customer profiles. This process has led to cancellation of several tens of thousands of accounts of those clients who did not provide the Bank with necessary information.



# I Steps for the climate and environment

Komerční banka intends to do its part to protect the climate by supporting a fair, environmentally friendly, and inclusive energy transition, even as it acknowledges that not all sources of energy are equivalent in their costs to consumers and the energy sector represents thousands of jobs.

The Bank has been committed to limiting global warming and to reducing its direct emissions (scopes 1 and 2) in accordance with a 1.5°C scenario from the Paris Agreement. KB will contribute to carbon removal projects with a view to reaching carbon neutrality by 2026.

Furthermore, Komerční banka has committed to progressively reduce to zero by 2030 its exposure to projects actively associated with the coal sector. On this basis, the Bank is no longer providing new financial products to clients having more than 50% of their revenues linked to coal. For current clients who have more than 25% of their revenues linked to the thermal coal sector, KB refrains from providing new products or services unless there is a public, time-bound transition plan to exit this sector.

As part of its risk management framework, KB has implemented an environmental and social risks management (ESRM) system that begins by identifying these risks in the financing of corporate clients. The system also takes into account requirements of the Equator Principles for assessing larger projects and evaluates specific climate vulnerability indicators.

Komerční banka's sustainable and responsible finance offer consists of Sustainable and Positive Impact Finance (SPIF), Sustainable Positive Impact Investments (SPII), and advisory services focused on sustainability. Recently added products protecting climate include discounted loans for household photovoltaic installations; environmental, social, and corporate governance (ESG) oriented mutual funds; preferential rates for loans with sustainable positive impact; solar energy as a service; and more.

In summer, KB launched a 'O CO<sub>2</sub> jde' (What CO<sub>2</sub> is about) web and outdoor communication campaign promoting open discussion about sustainability, related risks, costs, and solutions, as well as the role of banks in this area. KB also runs a new Společně udržitelně (Sustainably Together) web portal that provides examples of good practices and advice on transition to more sustainable business. KB supported the making of the time-lapse documentary film Be Water. The film introduces the S.A.W.E.R. (Solar Air Water Earth Resource) system for transforming desert into a green landscape using water extracted from the air and solar energy. Developed by the University Centre for Energy Efficient Buildings of the Czech Technical University, this technology will also be a part of the Czech Republic's presentation at the EXPO 2021 world exhibition in Dubai.

The KB Jistota Foundation has started new long-term co-operation with INCIEN (Institute for the Circular Economy) focused on developing the circular economy. Along with scores of the Group's employees, the Jistota Foundation has also contributed to mitigating damages caused by the tornado that struck Southern Moravia at the beginning of July. Komerční banka has been chairing the Sustainable Finance Committee at the Czech Banking Association, and thus it is contributing significantly to the creation of ESG standards for the Czech banking sector.

In June, KB's inclusion was affirmed in the FTSE4Good Index series, designed to identify companies that demonstrate strong ESG practices as measured against international standards.

# | Business performance of KB Group

## Developments in the client portfolio and distribution networks

	30 Jun 2020	30 Jun 2021	Change year on year
KB Group's clients <sup>1), 2)</sup>	2,312,000	2,244,000	(68,000)
Komerční banka <sup>1)</sup>	1,657,000	1,621,000	(36,000)
– individual clients <sup>1)</sup>	1,402,000	1,378,000	(24,000)
– internet banking clients	1,433,000	1,447,000	15,000
– mobile banking clients	868,000	980,000	112,000
Modrá pyramida	483,000	487,000	4,000
KB Penzijní společnost	527,000	523,000	(4,000)
ESSOX (Group) <sup>2)</sup>	159,000	142,000	(17,000)
KB branches (CZ)	275	243	(32)
Modrá pyramida points of sale	200	200	0
SGEF branches	9	9	0
ATMs	802	846	44
of which deposit-taking	406	477	71
of which contactless	268	552	284
Number of active debit cards	1,406,000	1,408,000	2,000
Number of active credit cards	181,000	183,000	1,000
Number of cards virtualised into payment apps	226,000	329,000	103,000
KB key authentication users	670,000	904,000	234,000

<sup>1)</sup> Year on year decline affected by termination of accounts as a result of know-your-client remediation process.

<sup>2)</sup> Year on year decline influenced by termination of non-active credit card relationships.

## Selected achievements and initiatives in the first half of 2021

Komerční banka continued implementing its KB Change 2025, introduced in November 2020, which is described in the 2020 Annual Report.

KB Group products have gained several recognitions. KB's personal loan was awarded 1st place in the unsecured consumer loan category of the Financial Product of the Year award organised by the specialised web portal Finparada.cz. In the building savings category of the same contest, Modrá pyramida's Wise Saving product won 3rd place. In the MasterCard Awards 2020 for the Czech Republic, the 4U credit card from KB was named 'The Fastest Growing Card'. And the KB SmartPay joint venture with Worldline received an 'Advisors Special Mention' by MasterCard for the 'Czechia pays by card' project during the pandemic. As an employer, KB won first place in the banking and investments category of the 'Top Employer' survey among university students organised by the Students and Graduates Association and conducted by GfK.

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### Loans to customers

Total **gross volume of lending to clients** rose by 4.7% year on year to CZK 708.1 billion.<sup>1)</sup>

In lending to individuals, the overall volume of housing loans grew by 8.9% from the year earlier. Within this total, the portfolio of mortgages to individuals expanded by 7.0% to CZK 253.0 billion. Modrá pyramida’s loan portfolio grew by a strong 16.2% to CZK 69.0 billion. The volume of KB Group’s consumer lending (provided by the Bank and ESSOX Group in the Czech Republic and Slovakia) was down (0.6%), at CZK 32.9 billion.

The total volume of **loans to businesses** and other lending provided by KB Group was up by 1.6% year on year, at CZK 353.2 billion. Lending to small businesses grew by 6.3% to CZK 47.0 billion. The overall CZK volume of credit granted by KB to medium-sized, large corporate, and other clients in the Czech Republic and Slovakia<sup>2)</sup> improved by 1.0% year on year to CZK 275.7 billion. At CZK 30.5 billion, the total credit and leasing amounts outstanding at SGEF were up by 0.9% year over year.

### Amounts due to customers and assets under management

The **volume of standard client deposits** within KB Group rose by 11.0% year on year to CZK 996.9 billion.<sup>3)</sup> Deposits at Komerční banka from individual clients grew by 15.6% from the year earlier to CZK 349.7 billion. The deposit book at Modrá pyramida increased by 0.3% to CZK 60.5 billion. Total deposits from businesses and other corporations climbed by 7.4% to CZK 568.3 billion.

Client assets managed by KB Penzijní společnost were 7.4% greater, at CZK 69.3 billion. Technical reserves in life insurance at Komerční pojišťovna were up by 2.9% year on year, at CZK 50.8 billion. The volumes in mutual funds held by KB Group clients grew by 2.5% to CZK 73.3 billion.

The Group’s liquidity as measured by the ratio of net loans<sup>4)</sup> to deposits (excluding repo operations with clients but including debt securities held by KB and issued by the Bank’s clients) stood at 69.5%. The Group’s liquidity coverage ratio stood at 203%, well above the regulatory limit of 100%.

<sup>1)</sup> 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 4.1% to CZK 708.1 billion.

<sup>2)</sup> Inclusive of factor finance outstanding at Factoring KB and merchant and car dealers’ financing from ESSOX Group.

<sup>3)</sup> Excluding volatile repo operations with clients. The total volume of ‘Amounts due to customers’ increased by 10.6% to CZK 1,032.8 billion.

<sup>4)</sup> Gross volume of loans reduced by the volume of provisions for loan losses.

# | Financial performance of KB Group

## Income statement

Komerční banka's **revenues (net operating income)** for the first half of 2021 decreased by (1.8%) year on year to reach CZK 14,805 million. This decline was driven by lower net interest income due to a significant year-on-year drop in market interest rates related to economic impacts of the pandemic crisis, including decrease in the Czech National Bank's basic monetary rate to 0.25% from 2.25% between March and May 2020. The CNB only started to renormalise its policy rates on 23 June 2021. Income from fees and commissions increased thanks to improved customer activity since April, higher revenues from services provided to clients on capital markets (such as bond issuance and loan syndications), and higher income from cross-selling. Net gains from financial operations improved because of clients' greater demand for hedging of financial risks linked to volatility of both interest and exchange rates, as well as new financing deals executed by KB for its clients and correct inventory positioning.

**Net interest income** was down by (8.2%), at CZK 9,956 million. Although loan and deposit volumes were growing, average market interest rates decreased significantly year on year, thus affecting the yields from reinvesting deposits and the Bank's own funds. The net interest margin for the first half of 2021, computed as the ratio of net interest income to interest-earning assets reported on the balance sheet, reached 1.7%. That compares to 2.0% a year earlier.

**Net fee and commission income** increased by 6.3% to CZK 2,792 million. Clients' transaction activity began to recover only in the second quarter after the partial lockdown of the economy had been lifted. The deposit product fees were stable. Fees from cross-selling were up due to income from mutual funds and life insurance products. Income from loan services was down year over year, affected by commissions paid for guarantees provided in COVID programmes. KB recorded higher income from specialised financial services, mainly due to strong activity in issuance of debt instruments by clients, loan syndication, and related advisory activities.

**Net profit on financial operations** improved by 29.6% to CZK 1,955 million. Clients' demand for hedging of financial risks was driven by expectations of rising interest rates and exchange rates volatility. KB played leading roles in several important capital market deals of its clients and often provided financial hedging to such deals. Trading volumes in government bonds increased along with larger supply. Although net gains on FX payment transactions for the first half remained lower year on year due to constraints on international travel and a drop in related payments, the Bank did record a certain rebound in the second quarter.

**Dividend and other income** declined by (3.8%) to CZK 102 million. This line item primarily comprises revenues from property rental and ancillary services.

**Operating expenses** were reduced by (1.5%) to CZK 7,832 million. Personnel expenses declined by (5.7%) to CZK 3,667 million, reflecting decrease in the number of employees by (4.9%) to 7,748.<sup>1)</sup> KB also agreed with the trade unions on maintaining stable base salaries in 2021. General administrative expenses (not including contributions to the regulatory funds) were down by (5.7%), at CZK 1,739 million, as the base from the previous year included a CZK 95 million provision for transformation costs. Underlying administrative costs were stable, as higher expenses related to IT and marketing were offset by lower real estate costs. The full-year cost of contributions to the regulatory funds (Deposit Insurance Fund, Resolution Fund) reached CZK 1,031 million, up 10.4% year on year. The CNB adjusted the target volume of the Resolution Fund for 2024 and boosted the aggregate annual contribution from Czech banks by 15.1% year on year. Depreciation and amortisation grew by 8.6% to CZK 1,395 million, driven mainly by new and upgraded software and IT equipment acquired in pursuit of KB's digitalisation strategy.

The sum of profit before allowances for loan losses, provisions for other risk, profit on subsidiaries, and income tax (**operating profit**) was down by (2.2%), at CZK 6,973 million.

**Cost of risk** reached CZK 668 million, lower by (61.4%) in comparison with the first half of 2020. The provisions creation mainly related to corporate portfolios, where it was concentrated in a small number of client situations. The Group also booked portfolio provisions for selected Covid-sensitive sectors, and is reporting limited reversals on IFRS 9 provisioning model reserves. The cost of risk on the retail portfolio was low, in accordance with the contained risk profile of terminated moratorium portfolios. The cost of risk in relative terms and as measured against the average volume of the lending portfolio during the first half of 2021 came to 19 basis points. That compares with 52 basis points for the same period a year ago.

**Income from shares in associated undertakings** (i.e. Komerční pojišťovna) was down (25.9%) year on year, at CZK 106 million, influenced by the development of yields and increase creation of technical reserves at KP.

**Profit attributable to exclusion of companies from consolidation** totalled CZK 25 million, and it included decrease in KB's participation in Bankovní identita, a.s.

<sup>1)</sup> Recalculated to a full-time equivalent number.

**Net profits on other assets** reached CZK 25 million, which amount was linked mainly to sales of buildings in the held-for-sale portfolio. In the previous year, this result had been CZK 2 million.

**Income tax** was higher by 12.4%, at CZK 1,203 million.

KB Group's consolidated **net profit** for the first half of 2021 reached CZK 5,258 million, up by 17.4% in comparison with a year earlier. Of this total, CZK 132 million was profit attributable to the non-controlling owners of minority stakes in KB's subsidiaries (from CZK 42 million a year earlier).

Reported **net profit attributable to the Group's equity holders** totalled CZK 5,126 million, which is 15.5% more year on year.

**Other comprehensive income**, which derives mainly from revaluations and remeasurements of some hedging, foreign exchange, and securities positions, reached CZK 503 million.

**Consolidated comprehensive income** for the first half of 2021 totalled CZK 5,761 million, of which CZK 129 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 June 2021 with the values from the statement of financial position as of 31 December 2020.*

### Assets

As of 30 June 2021, KB Group's total assets had grown by 13.0% year to date to CZK 1,318.6 billion.

Cash and current balances with central banks were up 3.1%, at CZK 24.3 billion. Financial assets held for trading at fair value through profit or loss (trading securities and derivatives) increased by 15.9% to CZK 29.7 billion. The fair value of hedging financial derivatives diminished by (45.1%) to CZK 7.3 billion.

Year to date, there was a (3.7%) decline in financial assets at fair value through other comprehensive income totalling CZK 38.7 billion. This item consisted mainly of public debt securities.

Financial assets at amortised cost increased by 14.9% to CZK 1,189.7 billion. The largest portion of this consisted of (net) loans and advances to customers, which grew by 1.9% to CZK 692.8 billion year to date. A 97.1% share in the gross amount of client loans was classified in Stage 1 or Stage 2, while 2.9% of the loans were classified in Stage 3 (non-performing). The volume of loss allowances created for amounts due from customers came to CZK 13.8 billion. Loans and advances to banks increased by 43.9% to CZK 377.8 billion. The majority of this item consists in reverse repos with the central bank. The value held in debt securities was up by 28.2% and reached CZK 119.0 billion at the end of 2021's first half.

Revaluation differences on portfolio hedge items totalled CZK 0.0 billion. Current and deferred tax assets stood at CZK 1.8 billion. Prepayments, accrued income, and other assets, which include receivables from securities trading and settlement balances, decreased overall by (8.0%) to CZK 4.7 billion. Assets held for sale diminished by (32.5%) to CZK 0.1 billion.

Investments in associates rose by 3.8% to CZK 1.6 billion.

The net book value of tangible assets declined by (1.6%) to CZK 9.6 billion. Intangible assets grew by 6.0% to reach CZK 7.3 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 13.9% higher in comparison to the end of 2020 and stood at CZK 1,195.7 billion.

Financial liabilities at amortised cost went up by 15.2% to CZK 1,148.2 billion. Amounts due to customers comprise the largest proportion of this total, and these grew by 14.0% to CZK 1,032.8 billion. This total included CZK 35.9 billion of liabilities from repo operations with clients and CZK 7.6 billion of other payables to customers. Amounts due to banks increased in the first half of 2021 by 14.0% to CZK 98.7 billion.

The volume of outstanding securities issued expanded significantly to CZK 14.0 billion. That reflected the successful EUR 500 million placement of a first tranche of euro-denominated mortgage covered bonds under the EUR covered bond programme newly opened in the first quarter of 2021.

Revaluation differences on portfolios hedge items were negative CZK (8.5) billion. Current and deferred tax liabilities rose to CZK 0.9 billion. Accruals and other liabilities, which include payables from securities trading and settlement balances, increased by 62.3% to CZK 18.5 billion.

The provisions balance was lower by (22.5%), at CZK 1.6 billion. 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 2.6 billion, was down (2.9%) year to date. Because that debt is issued in euro, the change reflects appreciation of the Czech crown over the same period.

### Equity

Total equity grew year to date by 5.0% to CZK 122.9 billion. The value of non-controlling interests reached CZK 3.4 billion. As of 30 June 2021, KB held in treasury 1,193,360 of its own shares constituting 0.63% of the registered capital.

## Regulatory capital and requirements for capital and liquidity

Total **regulatory capital** for the capital adequacy calculation came to CZK 108.3 billion as of 30 June 2021. **Capital adequacy** stood at 23.2%. The Core Tier 1 capital totalled CZK 105.8 billion, and the Core Tier 1 ratio stood at 22.6%. Tier 2 capital totalled CZK 2.5 billion, which was 0.5% of risk-weighted assets.

Komerční banka is required to maintain the total SREP (Supervisory Review and Evaluation Process) capital ratio on a consolidated basis at the minimum level of 10.2% (TSCR - Total SREP Capital Ratio) with effect from 1 January 2021.

That is unchanged from the ratio required in 2020. This requirement includes:

1. A minimum capital requirement according to Article 92 (1) of the EU regulation on prudential requirements for credit institutions and investment firms. That means maintaining a Tier 1 core capital ratio of 4.5%, a Tier 1 capital ratio of 6%, and a capital ratio of 8%; and

2. An additional requirement of 2.2% set in Pillar 2 above the aforementioned requirements. This additional requirement must be covered fully by Tier 1 capital, and at least 75% of this requirement must be covered by Core Tier 1 capital.

Moreover, credit institutions in the Czech Republic are simultaneously subject to the combined capital requirements, which are additive to the TSCR requirement set by the aforementioned joint decision.

As of 1 January 2021, as well as of 30 June 2021, KB was required to maintain a combined capital buffer comprising the capital conservation buffer at 2.5%, the countercyclical buffer set for exposures in particular countries (in the Czech Republic currently at 0.5%), and the capital systemic buffer at 3.0%.

Thus, Komerční banka's overall capital requirements 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 stood at approximately 14.2%.

The regulatory requirements will increase by 0.5% from July 2022 due to a rise in the countercyclical buffer requirement on Czech exposures announced by the Czech National Bank in May 2021.

KB Group's Liquidity Coverage Ratio (LCR) reached 203% as of 30 June 2021. The applicable regulatory minimum is 100%.

The Bank received information from the CNB on a Joint Decision by the Resolution College (led by SRB as the resolution authority of Société Générale Group) on minimum requirements for own

funds and eligible liabilities (MREL). According to this Joint Decision, the Bank shall satisfy MREL on a sub-consolidated basis at 20.4% of the total risk exposure amount (TREA) and 5.91% of the total exposure according to the leverage ratio (LRE) from 1 January 2024. The Joint Decision also contains an interim legally binding target with which the Bank will be obliged to comply from 1 January 2022 (14.4% TREA and 4.46% LRE). The MREL requirement consists of a loss absorption amount (LAA) component and a recapitalisation amount (RCA) component. The LAA according to TREA is set as a sum of the minimum requirement under Pillar 1 (8%) and an additional requirement under Pillar 2 (2.2%). Thus, the final RCA valid from January 2024 is set in the same amount (i.e. 10.2%). Under the general approach, the combined buffer requirement (CBR) is reflected neither in the LAA nor in the RCA and must be met in addition to the MREL expressed as a percentage of the TREA.

In accordance with the resolution strategy of the Société Générale Group, the MREL requirement will be met in such a way that at no time would it lead to the loss of Société Générale's control over Komerční banka.

Furthermore, and in accordance with this Joint Decision, the Bank intends to fulfil these requirement in such a way that does not limit future dividend payments beyond the capital requirements already in place (i.e. RCA is expected to be met with senior non-preferred instruments). The expected volume of these instruments by 2023 should reach approximately EUR 2.3 billion (as based upon the forecast of risk-weighted assets at the end of 2023).

Key ratios and indicators	30 Jun 2020	30 Jun 2021	Change year on year
Capital adequacy (CNB)	21.9%	23.2%	▲
Tier 1 ratio (CNB)	21.3%	22.6%	▲
Total risk-weighted assets (CZK billion)	446.7	467.3	4.6%
Risk-weighted assets for credit risk (CZK billion)	368.5	387.6	5.2%
Net interest margin (NII / average interest-bearing assets) <sup>iii</sup>	2.0%	1.7%	▼
Loans (net) / deposits ratio <sup>iv</sup>	74.3%	69.5%	▼
Cost / income ratio <sup>v</sup>	52.7%	52.9%	▲
Return on average equity (ROAE) <sup>vi</sup>	8.2%	8.8%	▲
Return on average Tier 1 capital <sup>vii</sup>	9.9%	10.1%	▲
Return on average assets (ROAA) <sup>viii</sup>	0.8%	0.8%	▲
Earnings per share (CZK) <sup>ix</sup>	47	54	15.5%
Average number of employees during the period	8,150	7,748	(4.9%)

# I 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 'Allowances for loan losses' divided by the average of 'Gross amount of client loans and advances', year to date;
- 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 held for trading at fair value through profit or loss' [debt securities only], 'Non-trading financial assets at fair value through profit or loss' [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 the Group's 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 the Group's equity holders' divided by average group 'Tier 1 capital', year to date;
- VIII. **Return on average assets (ROAA):** annualised 'Net profit attributable to the Group's equity holders' divided by average 'Total assets', year to date;
- IX. **Earnings per share:** annualised 'Net profit attributable to the Group's 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)	1H 2021	1H 2020
<b>Net interest income income, year-to-date</b>	<b>9,956</b>	<b>10,843</b>
Of which:		
Loans and advances at amortised cost	8,862	10,904
Debt securities at amortised cost	961	851
Other debt securities	349	338
Financial liabilities at amortised cost	(828)	(1,777)
Hedging financial derivatives – income	4,792	8,800
Hedging financial derivatives – expense	(4,180)	(8,273)

(source: Balance Sheet)	30 Jun 21	31 Dec 20	30 Jun 20	31 Dec 19
Cash and current balances with central banks/ Current balances with central banks	14,284	15,050	18,983	7,737
Loans and advances to banks	377,833	262,606	319,222	244,561
Loans and advances to customers	692,814	679,956	671,699	647,259
Financial assets held for trading at fair value through profit or loss/ Debt securities	12,311	3,342	16,628	4,112
Non-trading financial assets at fair value through profit or loss/ Debt securities	0	279	0	0
Financial asset at fair value through other comprehensive income/ Debt securities	38,670	40,151	44,526	35,682
Debt securities	119,024	92,839	88,632	71,581
<b>Interest-bearing assets (end of period)</b>	<b>1,254,936</b>	<b>1,094,223</b>	<b>1,159,690</b>	<b>1,010,931</b>
<b>Average interest-bearing assets, year to date</b>	<b>1,174,579</b>		<b>1,085,310</b>	
<b>NIM year to date, annualised</b>	<b>1.70%</b>		<b>2.00%</b>	

# | Expected development and main risks to that development in 2021

Komerční banka presented its initial outlook for KB's business and financial results in 2021 along with its announcement of the full-year 2020 results on 10 February 2021. The following text updates that outlook according to recent developments in the economic conditions and business performance as well as in view of current expectations concerning the pandemic, economic, regulatory, and competitive situation.

Given the high level of uncertainty surrounding the pandemic situation that is in addition to the usual risks related to projecting future business results, investors should exercise caution and judgement before making their investment decisions while considering these forward-looking estimates and targets.

In its updated baseline macroeconomic scenario for 2021, first published on 3 August 2021, KB expects that the Czech economy will grow by approximately 4% in 2021. The growth should be mainly driven by recovering household consumption, while fixed investments should contribute as well. The average inflation rate in 2021 is expected to reach 2.8%, due mainly to higher oil prices and relatively slower deceleration of core inflation. KB assumes that the Czech National Bank will continue its process of normalising monetary policy commenced in June. Two further rate hikes are expected in 2021.

The Czech National Bank informed KB in March that it has set quantitative limits for maximum volume of dividends from profits generated in the years 2019 and 2020. The limits are applicable for all banks under the CNB's supervision. Among the announced limits, the lowest and thus most relevant for Komerční banka is the value equal to 100 basis points of the total risk-weighted assets as of 31 December 2020. That corresponds to approximately CZK 4.5 billion, or CZK 23.71 per share. In a following step, the CNB will assess on an individual basis the risk profiles of the institutions, their business models, and other relevant factors. The evaluation and review process may lead to further decrease from the generally applicable limits. The CNB expected that it would be ready during the third quarter of 2021 to communicate to institutions the results of its assessing their proposals for dividend payments. Komerční banka's Board of Directors intends to call a general shareholders' meeting in the fourth quarter once the payment of dividends is validated by the regulator.

On 27 May, the CNB Bank Board decided to increase to 1% the countercyclical capital buffer rate (i.e. the rate covering the usual level of risks) with effect from 1 July 2022. The CNB also informed in its Financial Stability Report that, in view of the still limited extent of systemic risk, it decided to keep the loan-to-value limit regarding mortgages unchanged at 90%, with the option of applying a 5% volume exemption. The CNB Bank Board did not deem it necessary to set debt-to-income and debt service-to-income limits or to tighten the other parameters of the existing

recommendations regarding mortgage lending. It nevertheless pointed out to lenders that it considered credit standards to be as relaxed as could be acceptable.

In 2021, KB will begin gradually taking loans from Société Générale in order to meet the regulatory requirements for own funds and eligible liabilities (MREL) from the EU's banks recovery and resolution directive, as the concept of single point of entry is applied within the SG Group.

Although the banking market will be positively influenced by the recovering economy, it will still reflect distortions in economic life caused by the pandemic. Total lending on the market should increase at a mid-single-digit percentage rate. Housing loans will continue to expand even relatively faster. Consumer credit and business lending is expected to grow at a slower pace, with a possible acceleration later in the year after consumers and companies gain more confidence and visibility into the future. Clients' bank deposits will probably continue to grow strongly – albeit faster than lending – in both retail and corporate segments.

Komerční banka will continue implementing changes in accordance with its KB Change 2025 programme that had been announced in November 2020. Building up of the new digital bank will be among the most important projects. KB will also continue in digitalisation of its processes, transformation of IT infrastructure, and identification of new revenue opportunities. Furthermore, KB will finalise during the second half of 2021 its process for remediating the client portfolio for upgraded know-your-customer guidelines. This may lead to further decrease in the number of accounts among those clients who do not supply the required information.

In this context, KB management expects that the Group's loan portfolio will record during 2021 an upper-single-digit growth rate in retail lending and mid-single-digit growth in corporate lending. Growth in total deposit balances should reach a high-single-digit pace, except that there will be flattish development at Modrá pyramida as deposit remuneration is adjusted to the current market conditions.

KB Group's total net banking income for 2021 should reach a level similar to that in 2020. Net interest income for the year will be lower year on year due to lower market interest rates that affect reinvestment yields. Net fees and commissions should rebound by mid-single digits upon improved economic activity and cross-selling. The net profit from financial operations should improve by a figure in the low teens on the back of solid demand for hedging of financial risks and, somewhat later, expected recovery in long-term lending for investment projects and return of travel-related currency flows.



Operating expenditures will remain under tight control and continue more or less stable year on year. The number of employees will be lower year on year, and the Bank has agreed with the trade unions to keep basic salaries stable in 2021. KB will book higher expenses related to digital transformation, which effect will be mitigated by simplification and optimisation implemented at headquarters and in the branch network. The guidance for operating expenditures in 2021 thus remains unchanged despite that the CNB's prescribed increase in the mandatory contribution of banks to the Resolution Fund is larger than expected.

Given the expected economic recovery and effects of the large-scale government support programmes for businesses, cost of risk will significantly decline in 2021 in comparison with the level recorded in the previous year.

Among the key risks to the expectations described above is the potential for an unresolved pandemic situation in the Czech Republic that would require reinstating restrictions on people's mobility and certain economic activities. The open Czech economy will also be sensitive to a worsening external economic environment or major disruptions in supply chains caused by lack of important input materials and components, such as semiconductors. Given the significantly heightened role of government in the economy during the pandemic crisis, an abrupt change from the current expansionary fiscal policy or a withdrawal of the fiscal stimuli would negatively affect the economic outlook and thus demand for banking services, particularly loans. A risk specific to the Czech banking sector consists in further marked decline in interest yields on Czech crown-denominated financial assets.

The management expects that KB's operations will remain profitable in 2021, and it intends to resume dividend payments during this year in the amount allowed by the CNB.

## | Changes in corporate governance

The Annual General Meeting held on 21 April 2021 approved retention of the whole net profit of Komerční banka, a.s. (the parent bank of KB Group) for the year 2020 in the amount of CZK 6,928,610,374.90. That is in accordance with the recommendation of the Czech National Bank to all banks under its supervision due to persisting uncertainty regarding economic impacts of the ongoing Covid-19 pandemic. The general meeting further approved the Board of Directors' report on the Bank's business activity and state of its assets for the year 2020, separate as well as consolidated financial statements of Komerční banka, a.s. for the year 2020, and the report on remuneration. It also approved amendments to the Articles of Association in the wording submitted by the Board of Directors. The general meeting elected Mr Petr Dvořák, Mr Alvaro Huete Gomez, Mr Giovanni Luca Soma, and Ms Jarmila Špůrová as members of the Supervisory Board. Mr Giovanni Luca Soma was elected also as a member of the Audit Committee.

## | Changes in Group structure

In March, KB SmartSolutions established Finbricks, s.r.o., a wholly owned subsidiary with registered capital of CZK 1.5 million. Finbricks operates an aggregation platform for financial services offered under the PSD 2 directive.

In accordance with the initial strategy, Komerční banka reduced its ownership stake in Bankovní identita, a.s. to 17%, thus enabling other banks to enter this national platform for the provision of digital identification services.

In June, KB SmartSolutions s.r.o. increased its stake in upvest s.r.o. from the previous 18.9% to 31.06%. Upvest s.r.o. is a fintech company that intermediates real estate crowdfunding investments in the form of participation in debt financing of development projects.

## | Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

As of 30 June 2021, the Group was controlled by Société Générale, which owns 60.35% (31 December 2020: 60.35%) of the Bank's issued share capital.

A number of banking transactions are entered into with related parties in the normal course of business. These specifically include loans, deposits, transactions with derivative financial instruments, and other types of transactions. These transactions were carried out on an arm's length basis.

### Amounts due to and from the Group companies

As of 30 June 2021, the Group had deposits of CZK 1,183 million (31 December 2020: CZK 1,011 million) due to the associate Komerční pojišťovna, a.s. and the Bank had provided it a subordinated loan in the amount of CZK 452 million (31 December 2020: CZK 446 million). The positive fair value of financial derivatives in relation to the associate Komerční pojišťovna, a.s. totalled CZK 416 million (31 December 2020: CZK 593 million) and the negative fair value CZK 232 million (31 December 2020: CZK 263 million). The book value of mortgage bonds issued by the Bank was CZK 812 million (31 December 2020: CZK 802 million) and interest expense from mortgage bonds for the first six months totalled CZK 10 million (30 June 2020: CZK 10 million).

During the half year ended 30 June 2021, interest income from financial derivatives of Komerční pojišťovna, a.s. to the Group totalled CZK 276 million (30 June 2020: CZK 334 million) and interest expense on financial derivatives amounted to CZK 222 million (30 June 2020: CZK 228 million). Interest income from the subordinated loan was CZK 6 million (30 June 2020: CZK 0 million), interest expense from deposits totalled CZK 1 million (30 June 2020: CZK 13 million), fee income of the Group arising from intermediation was CZK 247 million (30 June 2020: CZK 216 million), fee expense totalled CZK 55 million (30 June 2020: CZK 46 million), insurance expenses were CZK 4 million (30 June 2020: CZK 7 million), and other income totalled CZK 8 million (30 June 2020: CZK 13 million).

## Amounts due to and from Société Générale Group entities

### Principal balances due from Société Générale Group entities include:

(CZKm)	30 Jun 2021		31 Dec 2020	
	Total	Of which derivatives	Total	Of which derivatives
ALD Automotive s.r.o.	6,297	0	6,594	0
ALD Automotive Slovakia s.r.o.	104	0	31	0
BRD – Groupe Société Générale SA	72	0	22	0
PJSC Rosbank	159	0	170	0
SG Bruxelles	1	0	1	0
SG Zurich	279	0	219	0
Société Générale China Limited	0	0	0	0
Société Générale International Limited	2	0	2	0
Société Générale London	0	0	0	0
Société Générale New York	0	0	10	0
Société Générale oddział w Polsce	397	0	179	0
Société Générale Paris	16,869	3,577	18,517	4,317
<b>Total</b>	<b>24,180</b>	<b>3,577</b>	<b>25,745</b>	<b>4,317</b>

### Principal balances due to Société Générale Group entities include:

(CZKm)	30 Jun 2021		31 Dec 2020	
	Total	Of which derivatives	Total	Of which derivatives
ALD Automotive s.r.o.	374	0	371	0
BRD – Groupe Société Générale SA	10	0	3	0
Crédit du Nord	11	0	245	0
SG Amsterdam	4	0	8	0
SG Bruxelles	1	0	0	0
SG Frankfurt	595	0	12	0
Société Générale Luxembourg	7	0	11	0
SG Milan	7	0	10	0
SG Option Europe	1	0	1	0
SG Private Banking (Suisse)	51	0	116	0
SG Zurich	65	0	12	0
Société Générale Factoring	47	0	102	0
Société Générale London	153	0	47	0
Société Générale New York	5	0	0	0
Société Générale oddział w Polsce	1	0	3	2
Société Générale Paris	46,073	9,472	47,724	11,295
Société Générale Succursal en Espana	27	0	31	0
SOGEPROM Czech Republic s.r.o.	4	0	4	0
<b>Total</b>	<b>47,436</b>	<b>9,472</b>	<b>48,700</b>	<b>11,297</b>

Amounts due to and from the Société Générale Group entities principally comprise balances of current and overdraft accounts, nostro and loro accounts, subordinated debt, issued loans, interbank market loans and placements, deposited margins in favour of a counterparty and fair values of derivatives.

As of 30 June 2021, the Group also carried off-balance sheet exposures to Société Générale Group entities, of which off-balance sheet nominal assets and liabilities totalled CZK 561,442 million (31 December 2020: CZK 479,253 million) and CZK 523,958 million (31 December 2020: CZK 431,811 million), respectively. These amounts principally relate to currency spots and forwards, interest rate forwards and swaps, options, commodity derivatives, emission allowances, and guarantees for credit exposures.

As of 30 June 2021 and 31 December 2020, the Group also recorded other accounts receivable and payable from and to Société Générale Group entities the amounts of which are not significant.

During the half year ended 30 June 2021, the Group had total income of CZK 41,874 million (30 June 2020: CZK 30,400 million) and total expenses of CZK 40,056 million (30 June 2020: CZK 32,473 million) in relation to Société Générale Group entities. That income includes income from interbank deposits, fees from transactions with securities, profit from financial operations, and interest income on hedging derivatives. Expenses comprise those of interbank deposits and subordinated debt, a loss from financial operations, interest expense on hedging derivatives, and expenses related to the provision of management, consultancy, and software services.

#### In connection with lease contracts the Group records:

(CZKm)	30 Jun 2021				31 Dec 2020			
	Right-of-use assets	Lease liabilities	Depreciation expense	Interest expense	Right-of-use assets	Lease liabilities	Depreciation expense	Interest expense
ALD Automotive s.r.o.	116	73	12	0	117	74	22	1
ALD Automotive Slovakia s. r. o.	1	0	0	0	1	1	1	0
<b>Total</b>	<b>117</b>	<b>73</b>	<b>12</b>	<b>0</b>	<b>118</b>	<b>75</b>	<b>23</b>	<b>1</b>

As of 30 June 2021, the Group reported a loss of CZK 2 million (30 June 2020: CZK 2 million) on terminated contracts.

#### Amounts due from members of the Board of Directors and Supervisory Boards

In respect of loans and guarantees as of 30 June 2021, the Group recorded loan receivables from loans granted to members of the Board of Directors and Supervisory Board totalling CZK 48 million (31 December 2020: CZK 47 million). During the first half of 2021, drawings of CZK 2 million (30 June 2020: CZK 13 million) were made under the loans granted. During the first half of 2021, loan repayments totalled CZK 1 million (30 June 2020: CZK 0 million).



# | Report of Financial Results as of 30 June 2021

## Contents

### **CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

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# Consolidated Income Statement and Statement of Comprehensive Income

Period ended 30 June 2021

(CZKm)	Note	30 Jun 2021	30 Jun 2020
Interest income		14,964	20,894
Interest expense		(5,008)	(10,051)
<b>Net interest income</b>		<b>9,956</b>	<b>10,843</b>
Net fee and commission income		2,792	2,626
Net profit/(loss) on financial operations		1,955	1,508
Dividend income		2	4
Other income		100	102
<b>Net operating income</b>		<b>14,805</b>	<b>15,083</b>
Personnel expenses		(3,667)	(3,887)
General and administrative expenses		(2,770)	(2,779)
Depreciation, amortisation, and impairment of operating assets		(1,395)	(1,284)
<b>Total operating expenses</b>		<b>(7,832)</b>	<b>(7,950)</b>
<b>Operating profit</b>		<b>6,973</b>	<b>7,133</b>
Impairment losses		(693)	(1,830)
Net gain from loans and advances transferred and written off		25	101
<b>Cost of risk</b>		<b>(668)</b>	<b>(1,729)</b>
Income from share of associated undertakings		106	143
Profit/(loss) attributable to exclusion of companies from consolidation		25	0
Gain on a bargain purchase		0	0
Net profits on other assets		25	2
<b>Profit before income tax</b>		<b>6,461</b>	<b>5,549</b>
Income tax		(1,203)	(1,070)
<b>Net profit for the period</b>		<b>5,258</b>	<b>4,479</b>
Profit attributable to the Non-controlling owners		132	42
Profit attributable to the Group's equity holders		5,126	4,437
<b>Earnings per share/diluted earnings per share (in CZK)</b>		<b>27.14</b>	<b>23.49</b>

(CZKm)	Note	30 Jun 2021	30 Jun 2020
<b>Net profit for the period</b>		<b>5,258</b>	<b>4,479</b>
<b>Items that will not be reclassified to the Statement of Income</b>			
Remeasurement of retirement benefits plan, net of tax		0	0
Revaluation of equity securities at FVOCI option*, net of tax		0	8
<b>Items that may be reclassified subsequently to the Statement of Income</b>			
Cash flow hedging			
– Net fair value gain/(loss), net of tax		223	175
– Transfer to net profit/(loss), net of tax		265	(235)
Hedge of a foreign net investment		22	(37)
Foreign exchange difference on translation of a foreign net investment		(28)	45
Revaluation of debt securities at FVOCI**, net of tax		84	(327)
Revaluation of debt securities at FVOCI** (associated undertakings), net of tax		(63)	56
Other income from associated undertakings		0	0
<b>Other comprehensive income for the period, net of tax</b>		<b>503</b>	<b>(315)</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>5,761</b>	<b>4,164</b>
Comprehensive income attributable to the Non-controlling owners		129	49
Comprehensive income attributable to the Group's equity holders		5,632	4,115

\* Revaluation of equity securities at fair value through other comprehensive income option

\*\* Revaluation of debt securities at fair value through other comprehensive income

The accompanying Notes are an integral part of this Consolidated Income Statement and Statement of Comprehensive Income.



# Consolidated Statement of Financial Position

As of 30 June 2021

(CZKm)	Note	30 Jun 2021	31 Dec 2020
<b>ASSETS</b>			
Cash and current balances with central banks		24,279	23,547
Financial assets held for trading at fair value through profit or loss		29,670	25,600
Other assets held for trading at fair value through profit or loss		0	0
Non-trading financial assets at fair value through profit or loss		0	279
Positive fair value of hedging financial derivatives		7,307	13,317
Financial assets at fair value through other comprehensive income	4	38,729	40,198
Financial assets at amortised cost	5	1,189,671	1,035,401
Revaluation differences on portfolios hedge items		44	283
Current tax assets		1,725	1,183
Deferred tax assets		71	78
Prepayments, accrued income, and other assets		4,693	5,103
Investments in associates		1,647	1,587
Intangible assets		7,315	6,898
Tangible assets		9,602	9,758
Goodwill		3,752	3,752
Assets held for sale		99	147
<b>Total assets</b>		<b>1,318,604</b>	<b>1,167,131</b>
<b>LIABILITIES AND EQUITY</b>			
Amounts due to central banks		0	0
Financial liabilities held for trading at fair value through profit or loss		22,241	25,170
Negative fair value of hedging financial derivatives		10,275	8,760
Financial liabilities at amortised cost	7	1,148,199	996,594
Revaluation differences on portfolios hedge items		(8,533)	2,721
Current tax liabilities		68	50
Deferred tax liabilities		839	708
Accruals and other liabilities		18,522	11,415
Provisions	8	1,570	2,026
Subordinated debt		2,553	2,629
<b>Total liabilities</b>		<b>1,195,734</b>	<b>1,050,073</b>
Share capital		19,005	19,005
Share premium, funds, retained earnings, revaluation, and net profit for the period		100,493	94,811
Non-controlling interest		3,372	3,242
<b>Total equity</b>		<b>122,870</b>	<b>117,058</b>
<b>Total liabilities and equity</b>		<b>1,318,604</b>	<b>1,167,131</b>

The accompanying Notes are an integral part of this Consolidated Statement of Financial Position.

# Consolidated Statement of Changes in Shareholders' Equity

Period ended 30 June 2021

(CZK m)	Share capital	Own shares	Capital funds and retained earnings*	Share based payment	Remeasurement of retirement benefits plan	Revaluation of equity securities at FVOCI option	Cash flow hedging	Hedge of a foreign net investment	Revaluation of debt securities at FVOCI	Shareholders equity	Non-controlling interest	Total equity, including non-controlling interest
<b>Balance as of 31 Dec 2020</b>	<b>19,005</b>	<b>(577)</b>	<b>94,414</b>	<b>526</b>	<b>(230)</b>	<b>4</b>	<b>(90)</b>	<b>(9)</b>	<b>773</b>	<b>113,816</b>	<b>3,242</b>	<b>117,058</b>
Treasury shares, other	0	0	39	11	0	0	0	0	0	50	1	51
Payment of dividends	0	0	0	0	0	0	0	0	0	0	0	0
<b>Transactions with owners</b>	<b>0</b>	<b>0</b>	<b>39</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50</b>	<b>1</b>	<b>51</b>
Profit for the period	0	0	5,126	0	0	0	0	0	0	5,126	132	5,258
Other comprehensive income for the period, net of tax**	0	0	(63)	0	0	0	488	(3)	84	506	(3)	503
<b>Comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>5,063</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>488</b>	<b>(3)</b>	<b>84</b>	<b>5,632</b>	<b>129</b>	<b>5,761</b>
<b>Balance as of 30 June 2021</b>	<b>19,005</b>	<b>(577)</b>	<b>99,516</b>	<b>537</b>	<b>(230)</b>	<b>4</b>	<b>398</b>	<b>(12)</b>	<b>857</b>	<b>119,498</b>	<b>3,372</b>	<b>122,870</b>

\* Capital funds and retained earnings consist of other funds created from profit in the amount of CZK 5,211 million (31 Dec 2020: CZK 5,211 million), net profit from the period in the amount of CZK 5,126 million (31 Dec 2020: CZK 8,156 million), and retained earnings in the amount of CZK 89,179 million (31 Dec 2020: CZK 81,047 million).

\*\* Amounts in column Capital funds and retained earnings represent gain from revaluation of debt securities due to consolidation of an associated company using the equity method.

(CZK m)	Share capital	Own shares	Capital funds and retained earnings*	Share based payment	Remeasurement of retirement benefits plan	Revaluation of equity securities at FVOCI option	Cash flow hedging	Hedge of a foreign net investment	Revaluation of debt securities at FVOCI	Shareholders equity	Non-controlling interest	Total equity, including non-controlling interest
<b>Balance as of 31 Dec 2019</b>	<b>19,005</b>	<b>(577)</b>	<b>85,924</b>	<b>505</b>	<b>(215)</b>	<b>288</b>	<b>(82)</b>	<b>(8)</b>	<b>700</b>	<b>105,540</b>	<b>3,095</b>	<b>108,635</b>
Treasury shares, other	0	0	0	11	0	0	0	0	0	11	0	11
Payment of dividends	0	0	0	0	0	0	0	0	0	0	0	0
<b>Transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>0</b>	<b>11</b>
Profit for the period	0	0	4,437	0	0	0	0	0	0	4,437	42	4,479
Other comprehensive income for the period, net of tax**	0	0	56	0	0	8	(60)	1	(327)	(322)	7	(315)
<b>Comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>4,493</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>(60)</b>	<b>1</b>	<b>(327)</b>	<b>4,115</b>	<b>49</b>	<b>4,164</b>
<b>Balance as of 30 June 2020</b>	<b>19,005</b>	<b>(577)</b>	<b>90,417</b>	<b>516</b>	<b>(215)</b>	<b>296</b>	<b>(142)</b>	<b>(7)</b>	<b>373</b>	<b>109,666</b>	<b>3,144</b>	<b>112,810</b>

\* Capital funds and retained earnings consist of other funds created from profit in the amount of CZK 5,211 million (31 Dec 2019: CZK 5,211 million), net profit from the period in the amount of CZK 4,437 million (31 Dec 2019: CZK 14,901 million), and retained earnings in the amount of CZK 80,769 million (31 Dec 2019: CZK 65,812 million).

\*\* Amounts in column Capital funds and retained earnings represent gain from revaluation of debt securities due to consolidation of an associated company using the equity method.

The accompanying Notes are an integral part of this Consolidated Statement of Changes in Shareholders' Equity.

# Consolidated Cash Flow Statement

Period ended 30 June 2021

(CZKm)	30 Jun 2021	30 Jun 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	6,461	5,549
Non-cash and other adjustments		
Movement of allowances/provisions (including impact of loans and advances transferred and written off)	819	1,855
Depreciation and amortisation expense on tangible and intangible fixed assets	1,398	1,292
Gains/(losses) from the sale of assets	(25)	(2)
Revaluation of derivatives	1,636	(2,165)
Accrued interest, amortisation of discount and premium	(270)	220
Profit/(loss) on subsidiaries and associates	(133)	(147)
Foreign exchange differences	(302)	1,230
Other changes	267	449
<b>Operating profit before change in operating assets and liabilities</b>	<b>9,851</b>	<b>8,281</b>
<b>Changes in assets and liabilities from operating activities after non-cash adjustments</b>		
Amounts due from banks (received/paid)	(116,797)	(74,614)
Loans and advances to customers	(14,928)	(24,224)
Debt securities at amortised cost	(27,259)	(15,388)
Financial assets at fair value through other comprehensive income	(288)	(6,266)
Financial assets held for trading at fair value through profit or loss	(8,894)	(12,542)
Other assets held for trading at fair value through profit or loss	0	(83)
Non-trading financial assets at fair value through profit or loss	297	0
Other assets	617	543
Amounts due to banks (received/paid)	14,427	29,259
Amounts due to customers	127,883	108,973
Financial liabilities held for trading at fair value through profit or loss	551	(783)
Other liabilities	6,299	2,216
<b>Net cash flow from operating assets and liabilities</b>	<b>(18,092)</b>	<b>7,091</b>
<b>Net cash flow from operating activities before tax</b>	<b>(8,241)</b>	<b>15,372</b>
Income tax paid	(1,724)	(1,659)
<b>Net cash flow from operating activities</b>	<b>(9,965)</b>	<b>13,713</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Dividends received (including associated undertakings)	2	4
Purchase of tangible and intangible assets	(1,394)	(1,206)
Sale of tangible and intangible assets	64	24
Purchase of investments in subsidiaries and associates	(47)	(7)
Sale/decrease of investments in subsidiaries and associates	26	0
<b>Net cash flow from investment activities</b>	<b>(1,349)</b>	<b>(1,185)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	52	0
Dividends paid to non-controlling interest	0	0
Purchase of own shares	0	0
Securities issued	13,236	0
Securities redeemed	(44)	(1,068)
Lease liabilities	(227)	(243)
Subordinated debt	(77)	135
Increase in minority equity	0	0
<b>Net cash flow from financing activities</b>	<b>12,940</b>	<b>(1,176)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,626</b>	<b>11,352</b>

(CZKm)	30 Jun 2021	30 Jun 2020
Cash and cash equivalents at the beginning of the year	20,512	13,518
Foreign exchange differences on cash and cash equivalents at the beginning of the year	(184)	260
Adjustment of cash and cash equivalents at the beginning of the year due to acquisition	0	0
<b>Cash and cash equivalents at the end of the year</b>	<b>21,954</b>	<b>25,130</b>
Interest received	14,963	20,827
Interest paid	(5,277)	(9,764)

The accompanying Notes are an integral part of this Consolidated Cash Flow Statement.

# Notes to the Consolidated Financial Statements

Period ended 30 June 2021

## 1 Events for the period ended 30 June 2021

### Changes in the Bank's financial group

During 2021, the Bank increased the equity of KB SmartSolutions, s.r.o. by CZK 46.4 million through a financial contribution into other capital funds. KB SmartSolutions, s.r.o. is a fully consolidated unit of KB Group.

In March 2021, KB SmartSolutions, s.r.o. established the company Finbricks, s.r.o., funding it with CZK 1.5 million of equity. The company develops payment solutions based on PSD2. Finbricks, s.r.o. is currently not consolidated due to its insignificant impact on the consolidated financial statements.

As of 12 April 2021, the Bank sold 490 shares of Bankovní identita, a.s. to seven other banks (Air Bank a.s., Equa bank a.s., Fio banka, a.s., mBank S.A., MONETA Money Bank, a.s., Raiffeisenbank a.s., and UniCredit Bank Czech Republic and Slovakia, a.s.). The Bank currently holds a 17% share in Bankovní identita, a.s.

As of 14 June 2021, KB SmartSolutions, s.r.o. increased shareholders' equity of upvest s.r.o. by CZK 14 million while raising its share from the previous 18.9% to the current 31.06%. Upvest s.r.o. is currently not consolidated due to its insignificant impact on the consolidated financial statements.

### Seasonality and unusual items

The Group's principal activities are not significantly influenced by seasonality and in the first half of 2021 no unusual transaction occurred.

## 2 Principal accounting policies

These Consolidated Financial Statements were neither audited nor reviewed by an auditor. The presented information is consistent with IAS 34 Interim Financial Reporting requirements.

During the second quarter of 2021, the Group updated its IFRS 9 provisioning models for the Stage 1 and Stage 2 portfolios while taking into account the current macroeconomic outlook. The cost of risk impact was CZK 44 million net release. In accordance with IFRS 9 methodology, the update was based upon a so-called multi-scenario approach. Four scenarios were considered: a baseline scenario with 65% probability, a prolonged stress scenario with 10% probability, a severe stress scenario with 15% probability and an optimistic scenario with 10% probability.

Because the impact of Covid-19 on credit risk is affected and delayed by various state support programmes, the Group used for purposes of IFRS 9 the smoothed version of scenarios (smoothed baseline scenario with 4.4% year-on-year GDP contraction for 2021 and 2.7% contraction for 2022).

The scenarios were developed internally while using the best available estimates and closely monitoring prognoses published by state, regulatory, and other bodies.

The Group has been closely following the development of exposures that were under the payment moratoria regime during 2020. The most sensitive parts of former retail moratoria exposures are transferred into Stage 2 (the volume of additional provisions on these exposures totalled CZK 437 million as of June 2021).

In accordance with EBA recommendations, the granting of both Group private and public moratoria was not itself a reason for reclassification of a credit exposure to a poorer stage. Nevertheless, exposures that were under the Bank's private moratorium are reported as forborne, albeit without automatic reclassification to a poorer stage.

In addition the Group has been closely monitoring sectors with heightened vulnerabilities to Covid-19 impacts (hotels, restaurants, transport, real estate investors and developers, etc.). For sectors hit very negatively by Covid-19 (hotels, restaurants, catering, real estate investors and developers active in offices and retail segments), the Group applies a specific and prudent sectorial approach in its IFRS 9 models (the volume of additional provisions on these sectors totalled CZK 227 million as of June 2021). For all other sectors, the Group deems that the expected credit risk in the sectors is included in the forward-looking components and the risk staging algorithm used in the IFRS 9 models. Therefore, the Group applies no additional portfolio overlay for them.

In accordance with the IFRS 9 concept, the Group identified non-retail exposures with worsened credit risk profile. In particular, these were exposures of clients whose ratings were downgraded by at least one notch during the second half of 2020. Because the downgrade in the second half of 2020 had been made at a time of a significantly more positive outlook for the epidemic situation and did not take into account the subsequent lockdowns in the first half of 2021, the Group decided to create additional provisions for these portfolios in the first quarter of 2021 (the volume of additional provisions on these exposures totalled CZK 105 million as of June 2021).

### 3 Segment reporting

(CZKm)	Retail banking		Corporate banking		Investment banking		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net interest income	6,343	7,105	3,055	3,225	235	464	323	49	9,956	10,843
Net fee and commission income	1,940	1,890	912	766	100	20	(160)	(50)	2,792	2,626
Net profit/(loss) on financial operations	568	517	1,120	1,072	158	(164)	109	83	1,955	1,508
Dividend income	0	0	0	0	0	0	2	4	2	4
Other income	64	64	(19)	(24)	153	78	(98)	(16)	100	102
<b>Net operating income</b>	<b>8,915</b>	<b>9,576</b>	<b>5,068</b>	<b>5,039</b>	<b>646</b>	<b>398</b>	<b>176</b>	<b>70</b>	<b>14,805</b>	<b>15,083</b>

Given the specifics of banking activities, the Board of Directors of the Bank (the chief operating decision maker) is provided with information on income, recognition of allowances, write-offs, and income tax only for selected segments rather than consistently for all segments. For this reason, this information is not reported for segments.

As most of the income of segments arises from interest and, in assessing the performance of segments and deciding on allocation of resources for segments the Board of Directors primarily refers to net interest income, the interest for segments is reported on a net basis (i.e. reduced by interest expense).

Transfer prices between operating segments are based on transfer interest rates representing actual market interest rates conditions, including the liquidity component, reflecting the opportunities existing to acquire and invest financial resources.

The Groups's income is primarily – more than 98% (30 June 2020: more than 99%) – generated on the territory of the Czech Republic.

### 4 Financial assets at fair value through other comprehensive income

**Financial assets at fair value through other comprehensive income comprise the following:**

(CZKm)	30 Jun 2021	31 Dec 2020
Equity instruments at FVOCI option	59	47
Debt securities at FVOCI	38,670	40,151
<b>Total financial assets at fair value through other comprehensive income</b>	<b>38,729</b>	<b>40,198</b>

For detailed information on 'Debt securities', broken out by sector, currency, and country of issuer, refer to Note 6.

### 5 Financial assets at amortised cost

**Financial assets at amortised cost comprise the following:**

(CZKm)	30 Jun 2021	31 Dec 2020
Loans and advances to banks	377,833	262,606
Loans and advances to customers	692,814	679,956
Debt securities	119,024	92,839
<b>Total financial assets at amortised cost</b>	<b>1,189,671</b>	<b>1,035,401</b>

For detailed information on 'Debt securities', broken out by sector and currency, refer to Note 6.

**As of 30 June 2021, 'Financial assets at amortised cost' comprise the following, as broken down by Staging:**

(CZKm)	Gross carrying value				Allowances				Carrying value
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Central banks	314,022	0	0	314,022	0	0	0	0	314,022
General governments	26,074	7	229	26,310	(21)	0	(22)	(43)	26,267
Credit institutions	63,364	449	0	63,813	(2)	0	0	(2)	63,811
Other financial corporations	38,085	860	287	39,232	(109)	(21)	(48)	(178)	39,054
Non-financial corporations	229,032	27,622	12,246	268,900	(912)	(1,700)	(6,186)	(8,798)	260,102
Households*	349,012	15,764	7,434	372,210	(326)	(815)	(3,678)	(4,819)	367,391
<b>Total loans</b>	<b>1,019,589</b>	<b>44,702</b>	<b>20,196</b>	<b>1,084,487</b>	<b>(1,370)</b>	<b>(2,536)</b>	<b>(9,934)</b>	<b>(13,840)</b>	<b>1,070,647</b>
Central banks	0	0	0	0	0	0	0	0	0
General governments	110,748	0	0	110,748	(14)	0	0	(14)	110,734
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	1,047	0	0	1,047	0	0	0	0	1,047
Non-financial corporations	7,244	0	0	7,244	(1)	0	0	(1)	7,243
Households*	0	0	0	0	0	0	0	0	0
<b>Total debt securities</b>	<b>119,039</b>	<b>0</b>	<b>0</b>	<b>119,039</b>	<b>(15)</b>	<b>0</b>	<b>0</b>	<b>(15)</b>	<b>119,024</b>

\* This item also includes loans granted to individual entrepreneurs.

**As of 31 December 2020, 'Financial assets at amortised cost' comprise the following, as broken down by Staging:**

(CZKm)	Gross carrying value				Allowances				Carrying value
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Central banks	216,388	0	0	216,388	0	0	0	0	216,388
General governments	25,607	18	234	25,859	(17)	0	(23)	(40)	25,819
Credit institutions	45,687	533	0	46,220	(2)	0	0	(2)	46,218
Other financial corporations	35,953	26	303	36,282	(80)	(1)	(49)	(130)	36,152
Non-financial corporations	233,965	26,763	10,767	271,495	(783)	(1,556)	(5,470)	(7,809)	263,686
Households*	335,197	17,201	6,874	359,272	(317)	(1,074)	(3,582)	(4,973)	354,299
<b>Total loans</b>	<b>892,797</b>	<b>44,541</b>	<b>18,178</b>	<b>955,516</b>	<b>(1,199)</b>	<b>(2,631)</b>	<b>(9,124)</b>	<b>(12,954)</b>	<b>942,562</b>
Central banks	0	0	0	0	0	0	0	0	0
General governments	89,743	0	0	89,743	(11)	0	0	(11)	89,732
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	348	0	0	348	0	0	0	0	348
Non-financial corporations	2,759	0	0	2,759	0	0	0	0	2,759
Households*	0	0	0	0	0	0	0	0	0
<b>Total debt securities</b>	<b>92,850</b>	<b>0</b>	<b>0</b>	<b>92,850</b>	<b>(11)</b>	<b>0</b>	<b>0</b>	<b>(11)</b>	<b>92,839</b>

\* This item also includes loans granted to individual entrepreneurs.

**Set out below is the breakdown of loans and advances to non-financial corporations by sector:**

(CZKm)	30 Jun 2021	31 Dec 2020
Agriculture, forestry, and fishing	12,667	12,731
Mining and quarrying	3,020	3,193
Manufacturing	72,004	71,631
Electricity, gas, steam, and air conditioning supply	10,959	14,005
Water supply, sewerage, waste management, and remediation activities	2,226	2,199
Construction	14,971	12,163
Wholesale and retail trade, repair of motor vehicles and motorcycles	41,747	43,792
Transportation and storage	19,399	17,815
Accommodation and food service activities	2,311	2,430
Information and communication	6,673	6,331
Real estate activities	51,970	52,807
Professional, scientific, and technical activities	7,718	9,264
Administrative and support service activities	7,558	6,733
Public administration and defence, compulsory social security	609	349
Education	553	565
Human health and social work activities	3,190	3,061
Arts, entertainment, and recreation	3,080	1,984
Other service activities	8,245	10,442
<b>Total loans and advances to non-financial corporations</b>	<b>268,900</b>	<b>271,495</b>

**Broken out below are the types of collateral held in support of loans and advances to customers as stated in the Consolidated Statement of Financial Position as of 30 June 2021:**

(CZKm)	Applied loans and advances to customers collateral value*				
	Loans collateralised by residential property	Loans collateralised by commercial property	Other loans collateralised by cash instruments	Other loans collateralised by other collaterals	Financial guarantees received
<b>Loans and advances to customers</b>	<b>282,125</b>	<b>32,311</b>	<b>6,445</b>	<b>14,889</b>	<b>35,677</b>
of which:					
– Other financial corporations	60	1,223	0	2,191	6,640
– Non-financial corporations	2,723	27,022	1,105	11,955	24,888
– Households**	279,310	4,060	5,314	614	1,091

\* The amount of the collateral is reduced by a coefficient taking into account the time value of money, cost of selling the collateral, risk of declining market prices, risk of insolvency, etc. and reduced to the actual balance of the collateralised exposure.

\*\* This item also includes loans granted to individual entrepreneurs.

**Broken out below are the types of collateral held in support of loans and advances to customers as stated in the Consolidated Statement of Financial Position as of 31 December 2020:**

(CZKm)	Applied loans and advances to customers collateral value*				
	Loans collateralised by residential property	Loans collateralised by commercial property	Other loans collateralised by cash instruments	Other loans collateralised by other collaterals	Financial guarantees received
<b>Loans and advances to customers</b>	<b>269,278</b>	<b>30,273</b>	<b>10,355</b>	<b>17,004</b>	<b>37,353</b>
of which:					
– Other financial corporations	70	1,250	0	2,234	8,412
– Non-financial corporations	2,601	25,171	3,087	13,447	24,532
– Households**	266,566	3,843	7,240	1,216	964

\* The amount of the collateral is reduced by a coefficient taking into account the time value of money, cost of selling the collateral, risk of declining market prices, risk of insolvency, etc. and reduced to the actual balance of the collateralised exposure.

\*\* This item also includes loans granted to individual entrepreneurs.



## 6 Debt securities

The Group's debt securities, broken out by sector and currency, comprise the following as of 30 June 2021:

(CZKm)	Fair value through profit or loss			Fair value through other comprehensive income			Amortised cost		
	CZK	Other	Total	CZK	Other	Total	CZK	Other	Total
Central banks	0	0	0	0	0	0	0	0	0
General governments	12,219	20	12,239	25,404	13,036	38,440	110,730	4	110,734
Credit institutions	61	0	61	0	230	230	0	0	0
Other financial corporations	10	0	10	0	0	0	1,047	0	1,047
Non-financial corporations	1	0	1	0	0	0	6,848	395	7,243
Households*	0	0	0	0	0	0	0	0	0
<b>Total debt securities</b>	<b>12,291</b>	<b>20</b>	<b>12,311</b>	<b>25,404</b>	<b>13,266</b>	<b>38,670</b>	<b>118,625</b>	<b>399</b>	<b>119,024</b>

\* This item also includes individual entrepreneurs.

The Group's debt securities, broken out by sector and currency, comprise the following as of 31 December 2020:

(CZKm)	Fair value through profit or loss			Fair value through other comprehensive income			Amortised cost		
	CZK	Other	Total	CZK	Other	Total	CZK	Other	Total
Central banks	0	0	0	0	0	0	0	0	0
General governments	3,246	12	3,258	24,503	15,411	39,914	85,054	4,678	89,732
Credit institutions	81	0	81	0	237	237	0	0	0
Other financial corporations	3	0	3	0	0	0	280	68	348
Non-financial corporations	0	0	0	0	0	0	2,759	0	2,759
Households*	0	0	0	0	0	0	0	0	0
<b>Total debt securities</b>	<b>3,330</b>	<b>12</b>	<b>3,342</b>	<b>24,503</b>	<b>15,648</b>	<b>40,151</b>	<b>88,093</b>	<b>4,746</b>	<b>92,839</b>

\* This item also includes individual entrepreneurs.

## 7 Financial liabilities at amortised cost

Financial liabilities at amortised cost comprise the following:

(CZKm)	30 Jun 2021	31 Dec 2020
Amounts due to banks	98,706	86,572
Amounts due to customers	1,032,789	906,217
Securities issued	14,014	1,148
Lease liabilities	2,690	2,657
<b>Total financial liabilities at amortised cost</b>	<b>1,148,199</b>	<b>996,594</b>

Amounts due to banks and customers, broken out by sector, comprise the following:

(CZKm)	30 Jun 2021	31 Dec 2020
Central banks	0	0
General governments	173,789	94,983
Credit institutions	98,706	86,572
Other financial corporations	59,522	47,325
Non-financial corporations	322,789	320,186
Households*	476,689	443,723
<b>Total amounts due to banks and customers</b>	<b>1,131,495</b>	<b>992,789</b>

\* This item also includes amounts due to individual entrepreneurs.

## Securities issued

### Securities issued comprise the following:

(CZKm)	30 Jun 2021	31 Dec 2020
Mortgage bonds	13,912	1,003
Depository bills of exchange	102	145
<b>Total securities issued</b>	<b>14,014</b>	<b>1,148</b>

The Bank issued its inaugural EUR Mortgage Covered Bond (mortgage bonds, ISIN XS2289128162) in the nominal volume of EUR 500 million on the issue date of 20 January 2021. The bond bears a fixed rate of interest, paid annually, until its redemption on the maturity date of 20 January 2026. The maturity of the bond is extendable by one year according to the terms and conditions of the bond (a so-called soft bullet) and it received an AAA rating from the rating agency Fitch.

The Group issues mortgage bonds to fund its mortgage activities.

### Mortgage bonds according to their remaining time to maturity break out as follows:

(CZKm)	30 Jun 2021	31 Dec 2020
In less than one year	0	0
In one to five years	13,912	1,003
In five to ten years	0	0
In ten to twenty years	0	0
More than twenty years	0	0
<b>Total mortgage bonds</b>	<b>13,912</b>	<b>1,003</b>

### The issued securities detailed above include the following mortgage bonds issued by the Group:

Name	Interest rate	Currency	Issue date	Maturity date	30 Jun 2021 (CZKm)	31 Dec 2020 (CZKm)
HZL Komerční banky, a.s., CZ0002002801	2.55%	CZK	21 Dec 2012	21 Dec 2022	1,015	1,003
HZL Komerční banky, a.s., XS2289128162	0.01%	EUR	20 Jan 2021	20 Jan 2026	12,897	
<b>Total mortgage bonds</b>					<b>13,912</b>	<b>1,004</b>

## 8 Provisions

### Provisions comprise the following:

(CZKm)	30 Jun 2021	31 Dec 2020
Provisions for contracted commitments	613	584
Provisions for other credit commitments	921	1,361
Provisions for restructuring	36	81
<b>Total provisions</b>	<b>1,570</b>	<b>2,026</b>

The provisions for other credit commitments are held to cover credit risks associated with credit commitments issued. The provisions for contracted commitments principally comprise the provisions for ongoing contracted contingent commitments, legal disputes, self-insurance, and those for loyalty and jubilee bonuses and the retirement benefits plan.

During 2020, the Group adjusted the amount of provisions for restructuring related to the transformation project "KB Change" and created provisions for restructuring related to the structural changes based upon the Covid-19 experience.

## Movements in the provisions for contracted commitments and for restructuring were as follow:

(CZKm)	Retirement benefits plan	Provisions for loyalty and jubilee bonuses	Other provisions for contracted commitments	Provisions for restructuring	Total
<b>Balance as of 31 December 2020</b>	<b>473</b>	<b>0</b>	<b>111</b>	<b>81</b>	<b>665</b>
Charge	18	5	10	0	33
Release	0	0	0	0	0
Use	(2)	0	(3)	(45)	(50)
Accrual	0	0	0	0	0
Remeasurement	0	0	0	0	0
Foreign exchange difference	1	0	0	0	1
<b>Balance as of 30 June 2021</b>	<b>490</b>	<b>5</b>	<b>118</b>	<b>36</b>	<b>649</b>

(CZKm)	Retirement benefits plan	Provisions for loyalty and jubilee bonuses	Other provisions for contracted commitments	Provisions for restructuring	Total
<b>Balance as of 31 December 2019</b>	<b>470</b>	<b>0</b>	<b>109</b>	<b>113</b>	<b>692</b>
Charge	17	0	9	150	176
Release	0	0	(3)	(56)	(59)
Use	(4)	0	(11)	(43)	(58)
Accrual	2	0	0	0	2
Remeasurement	0	0	0	0	0
Foreign exchange difference	0	0	0	0	0
<b>Balance as of 30 June 2020</b>	<b>485</b>	<b>0</b>	<b>104</b>	<b>164</b>	<b>753</b>

## 9 Commitments and contingent liabilities

### Legal disputes

The Group conducted a review of legal proceedings outstanding against it as of 30 June 2021. Pursuant to the review of significant litigation matters in terms of the risk of losses and litigated amounts, the Group has recorded a provision of CZK 19 million (31 December 2020: CZK 14 million) for these legal disputes. The Group has also recorded a provision of CZK 3 million (31 December 2020: CZK 5 million) for costs associated with potential payment of interest on the pursued claims.

As of 30 June 2021, the Group conducted a review of legal proceedings filed against other entities. The Group has been notified that certain parties against which it is taking legal action may file counterclaims against it. The Group will contest any such claims and, taking into consideration the opinion of its internal and external legal counsel, believes that any asserted claims made will not materially affect its financial position. No provision has been made in respect of these matters.

### Financial commitments and contingencies comprise the following:

(CZKm)	30 Jun 2021	31 Dec 2020
Non-payment guarantees including commitments to issued non-payment guarantees	42,308	39,881
Payment guarantees including commitments to issued payment guarantees	19,054	18,876
Committed facilities and unutilised overdrafts	14,797	16,220
Undrawn credit commitments	122,802	102,603
Unutilised overdrafts and approved overdraft loans	18,436	17,022
Unutilised limits under framework agreements to provide financial services	4,700	6,161
Open customer/import letters of credit not covered	455	550
Standby letters of credit not covered	2,878	3,061
Confirmed supplier/export letters of credit	799	268
<b>Total commitments and contingencies</b>	<b>226,229</b>	<b>204,642</b>

**As of 30 June 2021, the financial commitments and contingencies of the Group were comprised of the following, as broken down by classification:**

(CZK <sup>m</sup> )	Carrying value				Provisions			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Central banks	0	0	0	0	0	0	0	0
General governments	25,265	5	0	25,270	12	0	0	12
Credit institutions	7,599	7	0	7,606	2	0	0	2
Other financial corporations	9,019	46	0	9,065	20	2	0	22
Non-financial corporations	116,355	5,949	1,226	123,530	178	150	439	767
Households*	59,670	972	116	60,758	52	29	37	118
<b>Total commitments and contingencies</b>	<b>217,908</b>	<b>6,979</b>	<b>1,342</b>	<b>226,229</b>	<b>264</b>	<b>181</b>	<b>476</b>	<b>921</b>

\* This item also includes financial commitments and contingencies granted to individual entrepreneurs.

**As of 31 December 2020, the financial commitments and contingencies of the Group were comprised of the following, as broken down by classification:**

(CZK <sup>m</sup> )	Carrying value				Provisions			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Central banks	0	0	0	0	0	0	0	0
General governments	24,136	5	0	24,141	10	0	0	10
Credit institutions	4,734	8	0	4,742	2	0	0	2
Other financial corporations	11,932	22	0	11,954	21	1	0	22
Non-financial corporations	112,541	7,277	1,722	121,540	146	264	816	1,226
Households*	41,319	855	91	42,265	42	35	24	101
<b>Total commitments and contingencies</b>	<b>194,662</b>	<b>8,167</b>	<b>1,813</b>	<b>204,642</b>	<b>221</b>	<b>300</b>	<b>840</b>	<b>1,361</b>

\* This item also includes financial commitments and contingencies granted to individual entrepreneurs.

**Set out below is a breakdown of financial commitments and contingencies to non-financial corporations by sector:**

(CZK <sup>m</sup> )	30 Jun 2021	31 Dec 2020
Agriculture, forestry, and fishing	3,386	3,146
Mining and quarrying	1,645	1,110
Manufacturing	33,109	30,843
Electricity, gas, steam, and air conditioning supply	3,497	6,110
Water supply, sewerage, waste management, and remediation activities	1,225	1,100
Construction	36,679	34,633
Wholesale and retail trade, repair of motor vehicles and motorcycles	16,151	13,460
Transportation and storage	5,391	6,446
Accommodation and food service activities	652	640
Information and communication	2,661	4,343
Real estate activities	5,110	6,488
Professional, scientific, and technical activities	10,891	9,659
Administrative and support service activities	1,379	1,055
Public administration and defence, compulsory social security	84	253
Education	176	187
Human health and social work activities	342	510
Arts, entertainment, and recreation	863	1,356
Other service activities	289	201
<b>Total commitments and contingencies to non-financial corporations</b>	<b>123,530</b>	<b>121,540</b>

The majority of commitments and contingencies originate on the territory of the Czech Republic.

## 10 Estimated fair value of assets and liabilities of the Group

The following table summarises the carrying values and fair values of those financial assets and liabilities not presented on the Group's Statement of Financial Position at their fair values:

(CZKm)	30 Jun 2021		31 Dec 2020	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Cash and current balances with central banks	24,279	24,279	23,547	23,547
Financial assets at amortised cost	1,189,671	1,178,803	1,035,401	1,060,300
– Loans and advances to banks	377,833	377,860	262,606	262,649
– Loans and advances to customers	692,814	682,072	679,956	702,874
– Debt securities	119,024	118,871	92,839	94,777
<b>Financial liabilities</b>				
Amounts due to central banks	0	0	0	0
Financial liabilities at amortised cost	1,148,199	1,147,976	996,594	996,426
– Amounts due to banks	98,706	98,716	86,572	86,568
– Amounts due to customers	1,032,789	1,032,787	906,217	906,217
– Securities issued	14,014	13,783	1,148	984
– Lease liabilities	2,690	2,690	2,657	2,657
Subordinated debt	2,553	2,553	2,629	2,629

The following table presents the hierarchy of fair values for those financial assets and liabilities not presented on the Group's Statement of Financial Position at their fair values:

(CZKm)	30 Jun 2021				31 Dec 2020			
	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>								
Cash and current balances with central banks	24,279	9,995	0	14,284	23,547	8,497	0	15,050
Financial assets at amortised cost	1,178,803	110,310	0	1,068,493	1,060,300	91,073	0	969,227
– Loans and advances to banks	377,860	0	0	377,860	262,649	0	0	262,649
– Loans and advances to customers	682,072	0	0	682,072	702,874	0	0	702,874
– Debt securities	118,871	110,310	0	8,561	94,777	91,073	0	3,704
<b>Financial liabilities</b>								
Amounts due to central banks	0	0	0	0	0	0	0	0
Financial liabilities at amortised cost	1,147,976	0	0	1,147,976	996,426	0	0	996,426
– Amounts due to banks	98,716	0	0	98,716	86,568	0	0	86,568
– Amounts due to customers	1,032,787	0	0	1,032,787	906,217	0	0	906,217
– Securities issued	13,783	0	0	13,783	984	0	0	984
– Lease liabilities	2,690	0	0	2,690	2,657	0	0	2,657
Subordinated debt	2,553	0	0	2,553	2,629	0	0	2,629

## 11 Transfers between levels of the fair value hierarchy

During the first half of 2021 there were no transfers between levels.

## 12 Events after the reporting period

In the subsequent period, the Group will carefully monitor future macroeconomic development and adjust its IFRS 9 models in case new macroeconomic forecasts differ from the current forecasts. The Group uses internal forecasts for its IFRS 9 models, but it also carefully monitors external forecasts (CNB, ECB, etc.). In particular, the Group uses the macroeconomic forecasts published by the Czech National Bank to benchmark its IFRS 9 models. The Group will also monitor the pandemic's ongoing development, as well as the government measures in response to it, and will assess its potential impacts on the Group's financial situation.

# | Ratings

## Ratings of Komerční banka as of 30 June 2021\*

	Short-term	Long-term
Standard & Poor's	A-1	A
Moody's	Prime-1	A1
Fitch	F1	A

Note: \* KB was assigned a credit rating by rating agencies registered under Regulation of the European Parliament and Council (EC) No. 462/2013. KB has considered appointment of rating agencies in accordance with Article 8d of this Regulation and decided not to appoint a rating agency whose market share is smaller than 10%.

# | Shareholder structure

The share capital of Komerční banka totals CZK 19,004,926,000 and is divided into 190,049,260 ordinary shares admitted to trading on the European regulated market, each with a nominal value of CZK 100. All the Bank's shares carry the same rights.

As of 30 June 2021, the shareholders consisted of 57,851 legal entities and private individuals, of which 52,146 were private individuals from the Czech Republic. KB held in treasury 1,193,360 of its own shares, constituting 0.6% of the registered capital. Strategic shareholder Société Générale maintained a 60.4% stake, and minority shareholders held 39.0% of KB's equity.

## Major shareholders of Komerční banka owning more than 1% of the share capital as of 30 June 2021: (per the extract from the issuers register taken from the Central Securities Depository)

Shareholder	Proportion of share capital
Société Générale S.A.	60.35%
Chase Nominees Limited	4.21%
Nortrust Nominees Limited	3.82%
Clearstream Banking S.A.	2.31%
J.P. Morgan Bank Luxembourg S.A.	1.00%
Other shareholders	28.31%

# | Management affidavit

To the best of our knowledge, we believe that this half-yearly report gives a fair and true view of the Bank's and Group's financial position, business activities and results from the first half of 2021, as well as of the outlook for the development of the Bank's and Group's financial situation, business activities and results in the second half of 2021.

Prague, 30 August 2021

Signed on behalf of the Board of Directors:



**Jan Juchelka m. p.**  
Chairman of the Board of Directors  
and Chief Executive Officer  
Komerční banka, a.s.



**Jitka Haubová m. p.**  
Member of the Board of Directors  
and Senior Executive Director, Chief Operations Officer  
Komerční banka, a.s.