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The issuer Komerční Banka, a.s. is part of the international Société Générale Group (SG share in Komerční Banka: 60.4%) and operates as one of the country's leading credit institutions with almost 1.7 million customers in the Czech Republic alone (around 8,000 employees and more than 240 branches). The institution ranked third in 2019 in terms of both national market shares of loans outstanding (market share 18.4%) and deposits (16.8%). Komerční Banka is also present in the CEE region. As part of their risk assessment, the agencies S&P and Fitch have each derived a long-term rating of A (outlook: negative), while Moody's long-term rating is given as A1 (stable). As at 30 September 2020, the credit institution was also able to report a Core Tier 1 ratio of 20.9% (31 December 2019: 19.1%). The LCR indicated a high level of liquidity at 230%. The cost-to-income ratio was moderate at 51.2%. Total assets amounted to CZK 1.263 billion (approximately EUR 48 billion) on the same date. The loan portfolio totalled CZK 684 billion (approximately EUR 26 billion). In general, Komerční Banka was not immune to the distortions caused by the COVID-19 pandemic, which had a corresponding effect on new business as well as risk provisions and loans in arrears. Nevertheless, the NPL ratio of 2.3% (30 September 2020), for example, can still be described as moderate and is more than 50% covered by provisions.

Ratings

	Rating	Outlook
Fitch	A	Negative
Moody's	A1	Stable
S&P	A	Negative

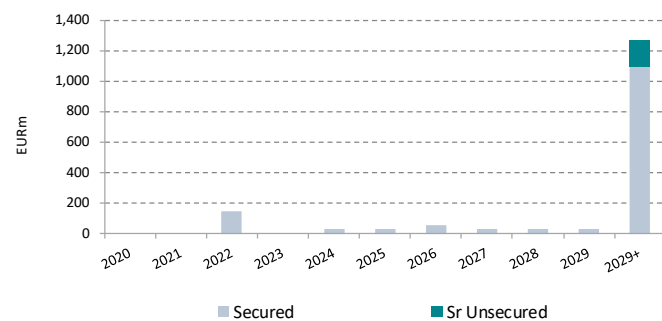
Homepage

www.kb.cz/en

Balance Sheet

(EURm)	2018Y	2019Y	2020Q3
Net Loans to Customers	24,286	25,460	25,284
Total Securities	5,050	5,539	7,039
Total Deposits	31,572	32,314	35,729
Tier 1 Common Capital	3,139	3,307	3,500
Total Assets	41,189	42,378	46,727
Total Risk-weighted Assets	17,528	17,278	16,761

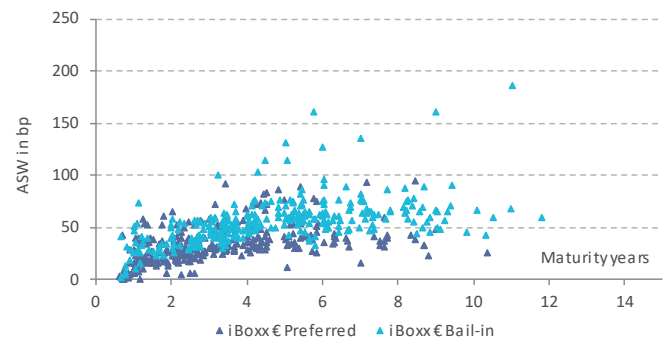
Redemption Profile



Income Statement

(EURm)	2018Y	2019Y	2020Q3
Net Interest Income	885	919	198
Net Fee & Commission Income	235	233	47
Net Trading Income	125	109	27
Operating Expense	558	581	132
Credit Commitments Impairment	-25	-22	63
Pre-tax Profit	722	724	79

Senior Unsecured Bonds



Company Ratios

	2018Y	2019Y	2020Q3		2018Y	2019Y	2020Q3
Net Interest Margin	2.12	2.09	1.71	Liquidity Coverage Ratio	-	-	230.00
ROAE	15.27	14.52	5.97	IFRS Tier 1 Leverage Ratio	7.90	8.07	-
Cost-to-Income	44.13	45.37	47.67	NPL/ Loans at Amortised Cost	2.76	2.16	2.34
Core Tier 1 Ratio	17.91	19.14	20.88	Reserves/NPLs	1.91	1.54	1.78

As of: 13.01.2021; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Competitive position in Czech banking market
- Operating cost efficiency and strong capitalization
- High and stable deposit base and group support

Risks / Weaknesses

- Earnings and credit quality pressures due to COVID-19
- Concentration risk in the corporate book
- Domestic focus

Covered Bonds

Authors: Dr Frederik Kunze // Henning Walten, CIAA

Komerční Banka with new covered bond programme

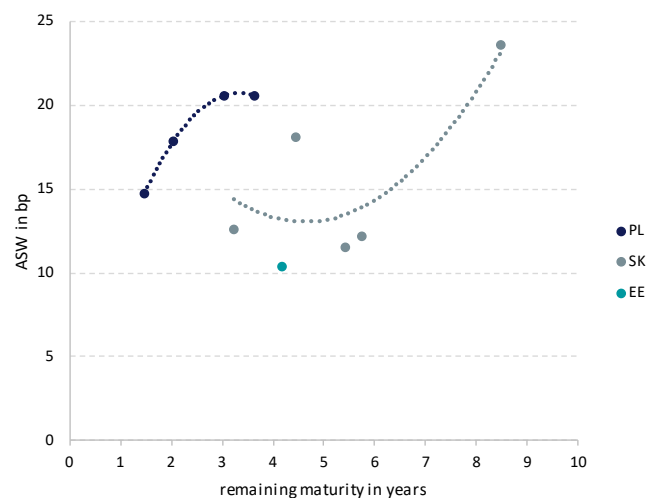
The Czech Komerční Banka has announced the launch of its new EUR 5bn covered bond programme at the start of the new year 2021. The programme, which is based on the country's covered bond legislation that was significantly amended in 2019, will be used for the issuance of EUR benchmarks. The country's first covered bond in the EUR benchmark segment in more than five years has a preliminary AAA rating from Fitch and will be issued as a soft bullet covered bond with a maturity of five years.

Komerční Banka: programme data

30 September 2020	Mortgage
Total loan balance	CZK 14,665bn (EUR 543m)
OC (legal / committed / intended)	2% / 5% / 25%
Adjusted loan balance (LTV 80% test)	CZK 14,285 (EUR 529m)
Type	100% Residential
Country	100% Czech Republic
Number of mortgage loans	11,495
Number of borrowers	11,280
Number of properties	11,726
WA seasoning (months)	65
WA remaining term (months)	247
WA LTV	63.10%
Loans in arrears (<90 days)	0.00%
Ten largest borrowers as % total adjusted loan balance	0.80%
CB Rating (Fitch / Moody's / S&P)	AAA / - / -

Source: Issuer, Rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spreadoverview CEE market for EUR BMKs



Cover Pool

As at 30 September 2020, the cover pool consisted of loans with a volume of CZK 14.7 billion (around EUR 543 million), whereby the primary cover assets were exclusively Czech Residential Mortgages. In principle, one can speak of a granular cover pool. According to issuer information, there are no NPLs in the cover pool. At 63%, the weighted loan-to-value ratio (WA LTV) meets both the legal requirements and the stipulations of the programme's contractual regulations. A good two-thirds of the real estate financing was for the purpose of acquiring a property. The cover assets show a diversified profile in terms of regional distribution. The largest shares are in the Central Bohemian region and Prague, at 15% and 13% respectively.

Rating and regulatory treatment

The rating agency Fitch recently issued an expected rating of AAA for Komerční Banka's covered bonds. Due to the characteristics of the covered bond programme, we consider the covered bonds to be CRR-compliant, which means they benefit from a preferential risk weight under the CRR of 10%. The institution's EUR benchmark debut can also be used as a Level 1 asset in the context of LCR management, in our assessment. As the Czech Republic is not part of the Eurozone, Czech covered bonds are excluded from purchase under the CBPP3 and PEPP. Under the ECB Collateral Framework, however, they can in principle be used as collateral in repo transactions with the ECB.

Appendix

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