

# Komerční banka Group

## Financial results as of 31 December 2017

According to International Financial Reporting Standards, consolidated, unaudited

Prague, 8 February 2018

NA PARTNERSTVÍ ZÁLEŽÍ



## Disclaimer

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

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

Results and ratios in this presentation are as of 31 December 2017, unless stated otherwise.

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

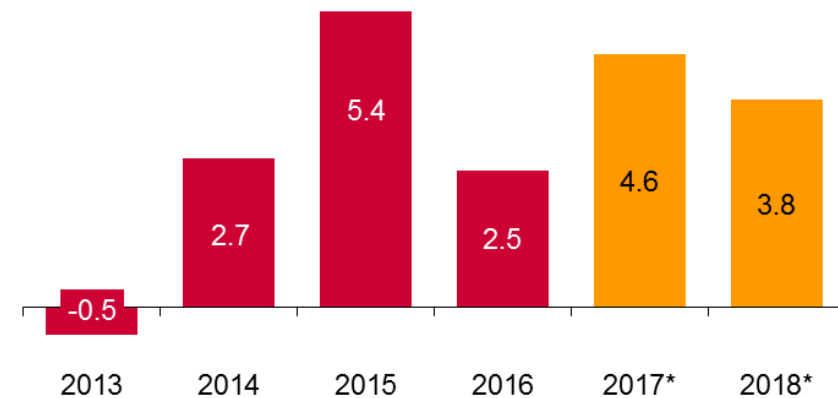
# Agenda

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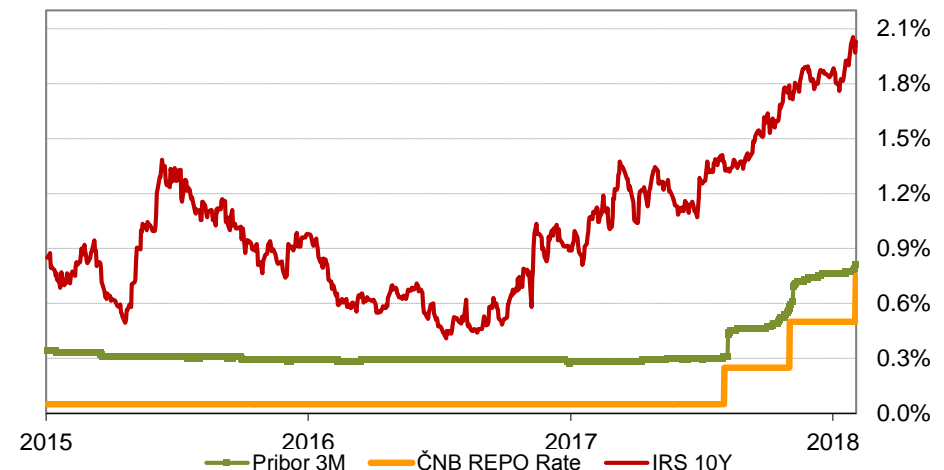
# Czech economy performing strongly

- GDP in 3Q17 up 0.5% QoQ, +5.0% YoY, driven by domestic consumption while fixed investments added to the growth, too. Negative QoQ contribution from net exports
- Industrial output grew dynamically and even construction picked up slightly although tapping of EU funds was still sluggish
- Unemployment (2.3% in December)<sup>1</sup>, lowest in the European Union, pushing up nominal wage inflation to 6.8% (3Q17)
- Average CPI inflation at +2.5% in December, compared to 2% CNB monetary policy target
- CZK, gradually appreciating, gained 6%<sup>1</sup> vis-a-vis EUR since release of the currency floor on 6 April
- Three hikes of CNB's 2W repo rate on 3 August, 2 November 2017 and 1 February 2018 to the current 0.75%
- Market rates reflected higher inflation and expected tightening of monetary policy: 3M PRIBOR at 0.81%, 10Y IRS 2.0%<sup>2</sup>

Real GDP outlook (YoY, %)



Interest rates reflect increased inflation



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

1) seasonally adjusted, according to Eurostat

2) as of 30 January 2018

Source: CNB, CSO, 2017-2018\* KB Economic & Strategy Research forecasts

# KB in 2017: increases number of clients and volume of assets under management, improves digital banking

The number of Komerční banka's clients continued to grow.  
85% of clients use direct channels. Mobile banking used by 436,000 clients

**Number of bank clients  
up by 10,100 to 1,664,000**

Total deposits growing in line with the market. Deposits from individuals even faster  
Clients increasing their reserves in non-bank products. Mutual funds +12.5%

**Client deposits +8.9%  
Clients' AUM +8.0%**

Lending penalised by market over-liquidity  
Group housing loans expanded by 6.5%, consumer credit grew at the same pace

**Loans to clients  
rose by 1.8%**

Growth in recurring revenues driven by excellent income from financial operations  
Interest and fee income decreased, but with improving trend in the second half

**Recurring revenues  
slightly up by 0.9%**

Recurring operating cost growth below inflation, reported OPEX -4.6%  
Recurring non-personnel expenses declined by 1.8%

**Recurring OPEX  
higher by 1.2%**

Risk costs reaching its bottom thanks to excellent recovery and repayment discipline  
Share of non-performing loans further declined to 1.9%

**Net release of provisions  
at CZK 0.4 billion**

Improvement in recurring profits driven by extraordinary low cost of risk  
Reported net profit (CZK 14.9 bil.) boosted by sale of HQ building

**Recurring net profit  
+15.2% to CZK 14.0 billion**

Clients' satisfaction helped KB to defend the title The Bank of the Year also in 2017  
KB also named the Best Private Bank in the Czech Republic by PWM / The Banker



# Development of a client-centred business model

To develop a **client-centred business model** based on effectively understanding client needs and proximity to clients at their points of need, thereby enabling KB to offer relevant and valuable solutions

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To confirm clients' perception of KB as a **reliable, strong and responsible bank** by maintaining high ethical standards, reinforcing security of banking systems and channels, and contributing to society in multiple ways

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To **participate in the market growth** while selectively gaining market shares, doing so on a sustainable and profitable basis as clients recognise the quality, value and convenience of KB's services

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To uphold KB's **market leadership in adopting digital technologies** that support clients with a simple, smooth and reliable digital user experience

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To advance KB's **effective operating model** by improving sales productivity and efficiency of internal processes

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To intensify **adaptation to the changing environment**, the main challenges of which stem from switching clients' preferences, competition, regulation and rapid technological change, through overall simplification plus agility

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To **attract and retain talent** through transparent employment policies, empowerment and competitive conditions

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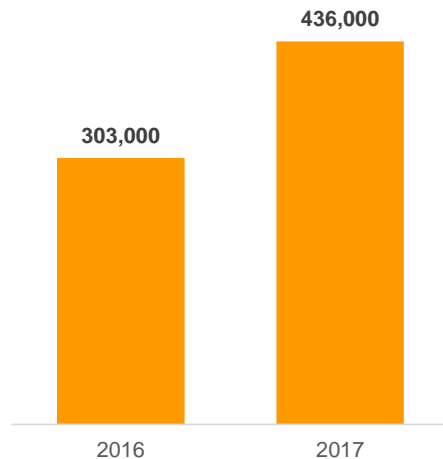
To pursue **balanced risk management** that assures expanding and profitable lending activities throughout the business cycle

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To **properly allocate capital, costs and efforts** so as to deliver sustainable and strong ROE

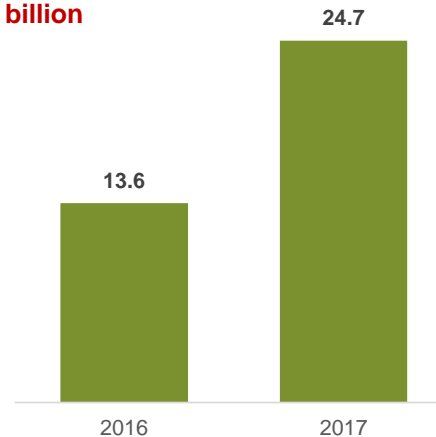
# Confirming market leadership in mobile banking

## No. of mobile banking clients



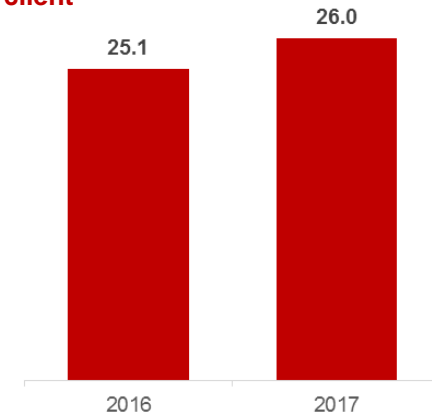
## Volume of mobile payments

CZK billion



## No. of mobile banking interactions

Per client



## Selected key achievements and deliveries in 2017

- High level of **client satisfaction with KB's mobile banking** attested by #2 spot in Byzkids Top App client satisfaction survey among Czech banks, and 8.5 (out of 10) rating according to an IPSOS survey
- Mobile account access and transaction authorisation with **Face ID** facial recognition (December 2017)
- Banking app for **Android Wear** (December 2017, after **Apple Watch** app has been available since February 2016)
- Payments with KB cards in **Android Pay** digital wallet platform (December 2017)
- Full on-line **card administration in mobile** banking (December 2017)
- Fully **paperless loan approval process** in Modrá pyramida (July 2017)
- Secure **on-line exchange & store of documents** for clients (January 2018)
- End-to-end fully **digital consumer loan and credit card** process (January 2018)

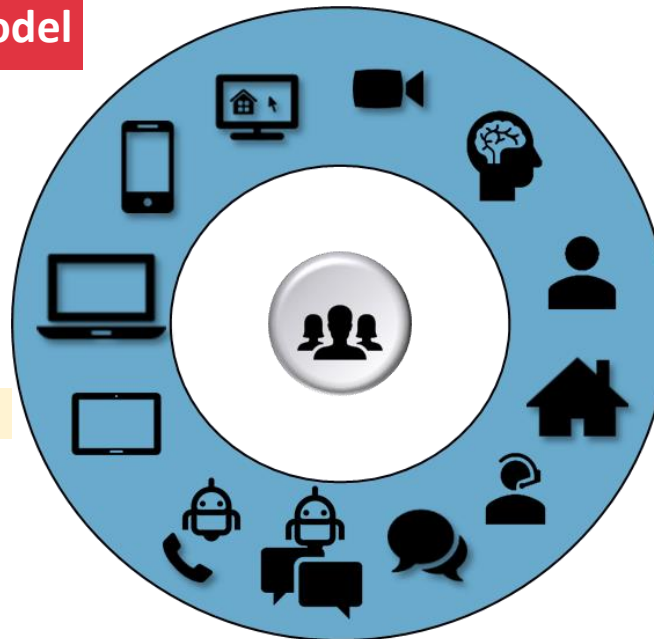
# Developing omnichannel retail service model

## Vision for KB's omnichannel model

Digital sales & service

Digital with human touch

Human contact with digital support



- Seamless omnichannel customer experience
- Omnichannel customer journeys
- Branch as an important point of maintaining proximity with clients, providing advisory, sales & service
- Shared resources (relationship managers, experts, third parties)
- Omnichannel IT architecture and development reflecting the need to approach the clients' points of need

## Selected upcoming deliverables

### Instant Payments

Fast retail payments within KB available 24/7

### Mojobanka facelift

Simplified control and better overview of clients's dealings on the screen

### Mobile peer-to-peer payments

Attractive value proposition for consumers and merchants

### KB Key - Phone as a token








Convenient security tool instead of certificates, SMSs and chip chards

### Internet banking allowing aggregation

Including 3rd party services, responding to PSD2 challenge

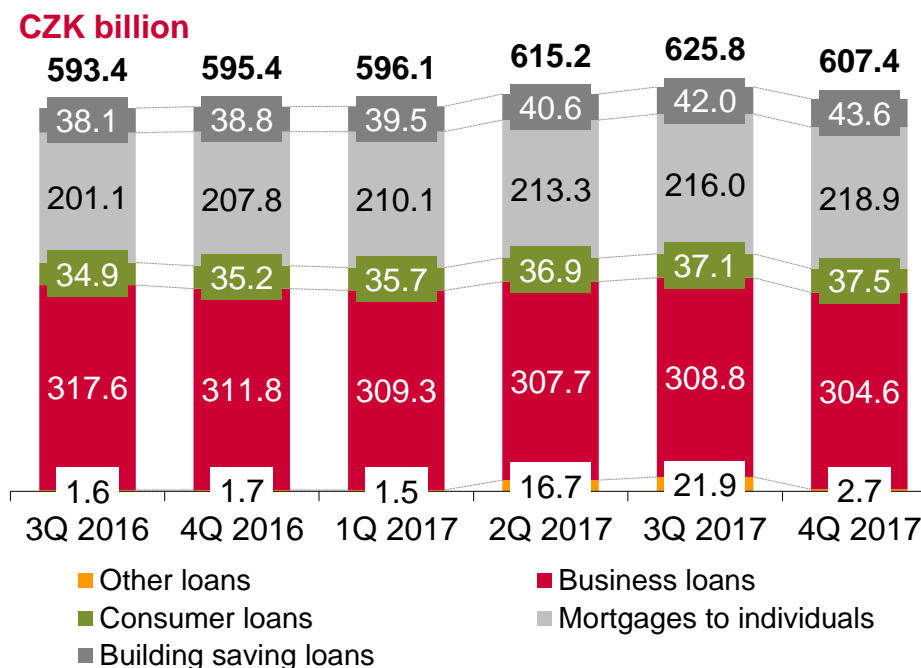


# Selected deals of the fourth quarter of 2017

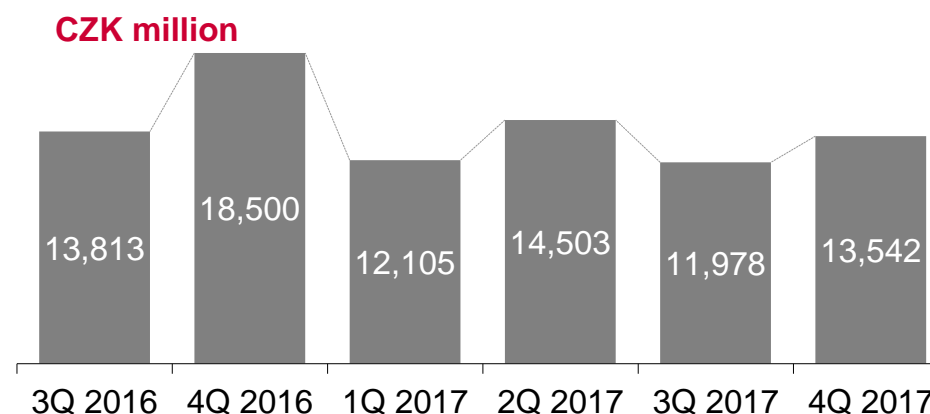
<p><b>PUBLIC SECTOR</b></p>  <p><b>MĚSTO KRNOV</b></p> <p>Municipal Loan</p> <p><b>CZK 124,000,000</b></p> <p>Complex bank services provider</p> <p><b>2017</b></p>	<p><b>OIL AND GAS</b></p>  <p><b>MND a.s.</b></p> <p>Syndicated revolving facility</p> <p><b>EUR 74,000,000</b></p> <p>Mandated Lead Arranger, Transaction Coordinator, Facility &amp; Security Agent</p> <p><b>2017</b></p>	<p><b>OIL AND GAS</b></p>  <p><b>MND a.s.</b></p> <p>Bond issue</p> <p><b>CZK 2,202,000,000</b></p> <p>Lead Manager, Active Bookrunner, Fiscal &amp; Paying Agent</p> <p><b>2017</b></p>	<p><b>REAL ESTATE</b></p>  <p><b>Bestsport, a.s.</b></p> <p>L/T project financing</p> <p><b>CZK 2,050,000,000</b></p> <p>Arranger, Facility &amp; Security Agent, Lender</p> <p><b>2017</b></p>
<p><b>TRANSPORTATION</b></p>  <p><b>GTL Prologis s.r.o.</b></p> <p>Investment Financing</p> <p><b>EUR 4,820,000</b></p> <p>Complex bank services provider</p> <p><b>2017</b></p>	<p><b>METALS INDUSTRY</b></p>  <p><b>TRIANGOLO INVEST s.r.o.</b></p> <p>Acquisition Financing</p> <p><b>EUR 16,865,000</b></p> <p>Complex bank services provider</p> <p><b>2017</b></p>	<p><b>HEALTHCARE</b></p>  <p><b>EUC a.s.</b></p> <p>Reg S Senior Unsecured Bond</p> <p><b>CZK 1,401,000,000</b></p> <p>Joint Lead Manager Passive Bookrunner</p> <p><b>2017</b></p>	<p><b>REAL ESTATE</b></p>  <p><b>CPI Property Group</b></p> <p>Bond issue</p> <p><b>EUR 300,000,000</b></p> <p>SG acting as Global Coordinator, Joint Bookrunner</p> <p><b>2017</b></p>

# Growth driven by retail

- Gross loans (excluding repo) up by 1.8% YoY, +0.1% QoQ to CZK 606.1 billion. Total Loans and advances to customers +2.0% YoY, -2.9% QoQ to CZK 607.4 billion
- Group housing loans +6.5% YoY, of which
  - Mortgages +5.3% YoY to CZK 218.9 billion
  - Modrá pyramida's loan portfolio +12.4% to CZK 43.6 billion
- Consumer loans (KB + ESSOX Group) up by 6.5% YoY to CZK 37.5 billion
- Business loans -2.3% YoY, influenced by market over-liquidity, appreciation of CZK\*, more securitisation, extraordinary market effects of the currency floor, and intense competition
  - Small businesses (KB) +5.3% to CZK 34.1 bil.
  - Corporations (incl. Factoring KB) -3.6% to CZK 244.4 billion
  - SGEF (leasing) +1.2% to CZK 26.1 billion



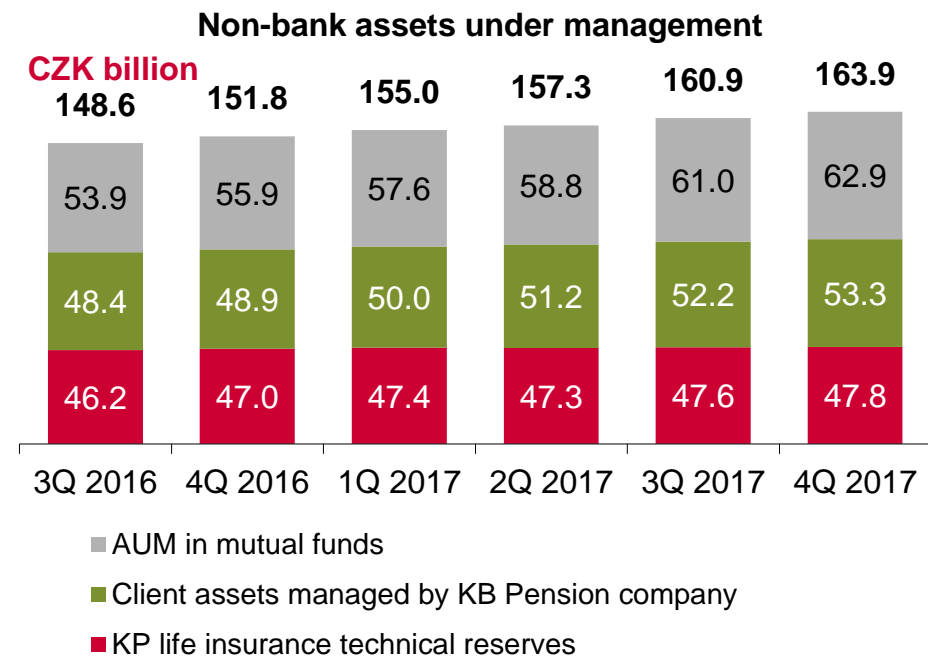
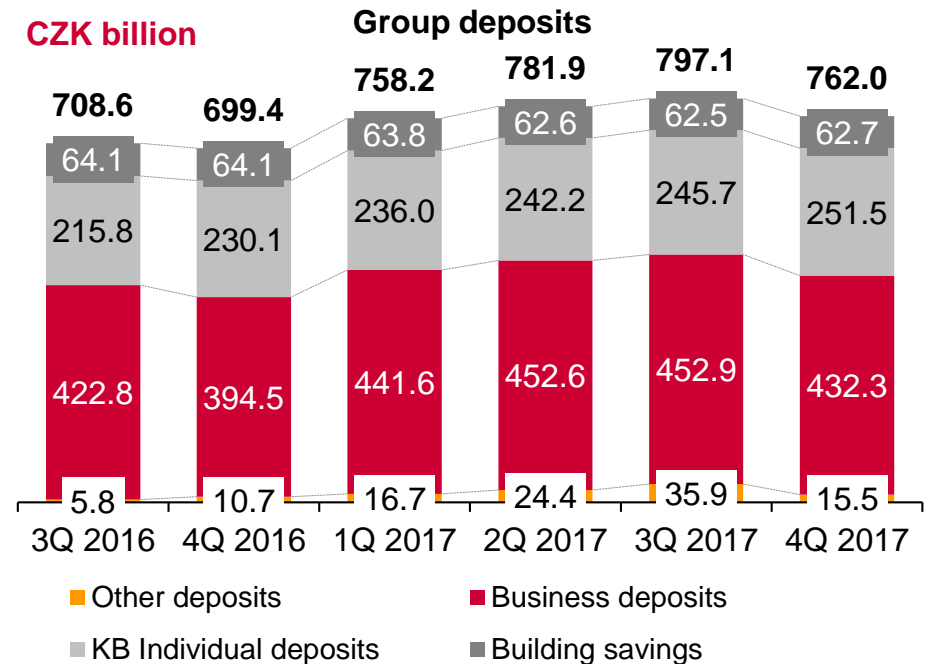
## Sales volume of housing loans



\* EUR/CZK rate decreased by 5.5% YoY, leading to lower CZK value of loans in EUR which represent a third of the business loan portfolio

# Deposit growth in line with the market

- Standard Group deposits (excluding repo) grew by +8.9% YoY to CZK 756.1 billion. Seasonally -2.8% QoQ reflecting cost of the Resolution Fund
- Total amounts due to clients +9.0% YoY, -4.4% QoQ
- KB (bank) deposits from individuals +9.3% YoY to CZK 251.5 billion
- MPSS building savings -2.2% YoY to CZK 62.7 billion, influenced by repricing of old contracts, but sales of new saving contracts rose strongly.
- Deposits from business clients +9.6% YoY to CZK 432.3 billion
- Current accounts +12.2% to CZK 556.9 billion, term and savings accounts +0.6% to CZK 191.6 billion
- Clients' pension assets +8.8% to CZK 53.3 billion
- KP life insurance technical reserves rose by 1.7% YoY to CZK 47.8 billion
- AUM in mutual funds (sold by KB+MPSS) increased by 12.5% YoY to CZK 62.9 billion



# Cost of risk at bottom, improving revenue trend

## Profit and Loss Statement

(CZK million, unaudited)	Reported			Recurring		
	FY 2016	FY 2017	Change YoY	FY 2016	FY 2017	Change YoY
Net interest income	21,068	20,808	-1.2%	21,068	20,808	-1.2%
Net fees & commissions	6,683	6,465	-3.3%	6,683	6,465	-3.3%
Income from financial operations	3,837	3,576	-6.8%	2,878	3,576	24.3%
Other income	163	211	29.4%	163	211	29.4%
<b>Net banking income</b>	<b>31,751</b>	<b>31,060</b>	<b>-2.2%</b>	<b>30,792</b>	<b>31,060</b>	<b>0.9%</b>
Personnel expenses	-7,029	-7,320	4.1%	-7,029	-7,320	4.1%
General admin. expenses (excl. regulatory funds)	-4,374	-4,407	0.8%	-4,374	-4,407	0.8%
Resolution and similar funds	-880	-862	-2.0%	-880	-862	-2.0%
Depreciation, impairment and disposal of assets	-1,743	-785	-55.0%	-1,743	-1,602	-8.1%
<b>Operating costs</b>	<b>-14,026</b>	<b>-13,375</b>	<b>-4.6%</b>	<b>-14,026</b>	<b>-14,191</b>	<b>1.2%</b>
<b>Gross operating income</b>	<b>17,725</b>	<b>17,686</b>	<b>-0.2%</b>	<b>16,766</b>	<b>16,869</b>	<b>0.6%</b>
Cost of risk	-1,818	392	+/-	-1,818	392	+/-
<b>Net operating income</b>	<b>15,907</b>	<b>18,077</b>	<b>13.6%</b>	<b>14,948</b>	<b>17,261</b>	<b>15.5%</b>
Profit on subsidiaries and associates	967	209	-78.4%	239	209	-12.6%
<b>Profit before income taxes</b>	<b>16,873</b>	<b>18,286</b>	<b>8.4%</b>	<b>15,187</b>	<b>17,470</b>	<b>15.0%</b>
Income taxes	-2,799	-3,012	7.6%	-2,617	-3,091	18.1%
<b>Net profit</b>	<b>14,074</b>	<b>15,274</b>	<b>8.5%</b>	<b>12,570</b>	<b>14,379</b>	<b>14.4%</b>
Minority profit/(loss)	386	344	-10.9%	386	344	-10.9%
<b>Net profit attributable to equity holders</b>	<b>13,688</b>	<b>14,930</b>	<b>9.1%</b>	<b>12,184</b>	<b>14,035</b>	<b>15.2%</b>

### Note for recurring figures:

FY 2016: Adjusted for sale of Cataps (CZK 728 mil. in Net profit from subs. and associates) and for the reimbursement for KB's stake in VISA Europe Ltd (CZK 959 mil. in NPFO, CZK -182 mil. in Income taxes)

FY 2017: Adjusted for net positive contribution from the sale and revaluation of KB's headquarters buildings (CZK 817 mil. in Depreciation, impairment and disposal of fixed assets, CZ 79 mil. in Income taxes).

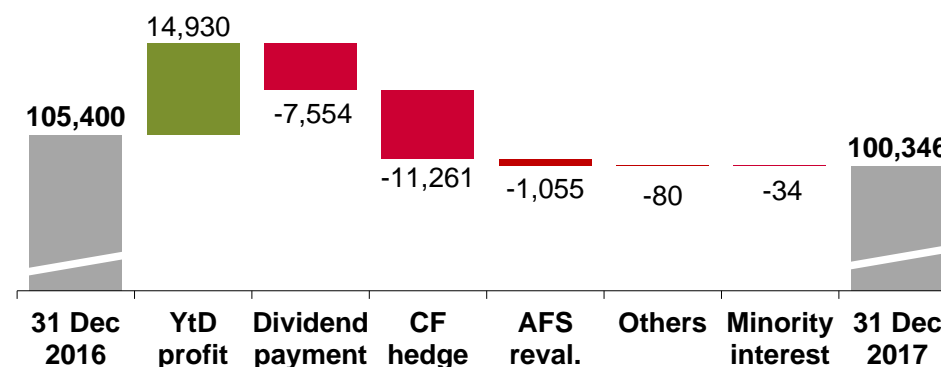
## Balance sheet expanded at the pace of deposit growth

<b>Balance Sheet</b> (CZK million, unaudited)	31 Dec 2016 Reported	31 Dec 2017 Reported	YoY
<b>Assets</b>	<b>922,737</b>	<b>1,004,039</b>	<b>8.8%</b>
Cash and balances with central bank	112,241	32,663	-70.9%
Amounts due from banks	51,771	228,373	>100%
Loans and advances to customers (net)	580,198	598,102	3.1%
Securities and trading derivatives	134,591	108,468	-19.4%
Other assets	43,935	36,432	-17.1%
<b>Liabilities and shareholders' equity</b>	<b>922,737</b>	<b>1,004,039</b>	<b>8.8%</b>
Amounts due to banks	54,124	84,050	55.3%
Amounts due to customers	699,377	762,043	9.0%
Securities issued	13,423	4,832	-64.0%
Subordinated debt	0	2,560	n.a.
Other liabilities	50,412	50,208	-0.4%
Shareholders' equity	105,400	100,346	-4.8%

# Accounting equity decreased due to marked-to-market deposit hedges

- Shareholders' equity declined year to date by 4.8% to CZK 100.3 billion as accumulation of retained earnings was more than offset by decrease in revaluation reserve for cash flow hedges, reflecting increase in interest rates
- In November 2017, KB redesignated the hedging relationship of interest rate swaps from the "cash flow hedging" to the "fair value hedging" portfolio. At the date of reclassification the associated gains recognised for cash flow hedges in other comprehensive income (OCI) were insignificant
- AFS revaluation gains were also influenced by gradual amortisation of securities reclassified from the AFS to HTM portfolio in 2014
- Total regulatory capital at CZK 79.1 billion (+10.4% YoY), of which Core Tier 1 capital stood at CZK 76.5 billion (+6.8% YoY)

## Contributions to equity in FY 2017



## Shareholders' equity

(CZK million)	31/12/2017
Share capital & reserve funds	78,701
Current year attributable net profit	14,930
Others	431
<b>Equity for adjusted ROAE calculation</b>	<b>94,062</b>
Cash flow hedge	119
AFS securities' fair value changes	2,368
Minority equity	3,797
<b>Total Shareholders' equity</b>	<b>100,346</b>

As of 31 December 2017, CZK -2,674 million was transferred from Other comprehensive income (Cash flow hedging) to Net profit (net of tax)

# Capital solid before increase in regulatory requirement

(year-to-date)	Reported		Recurring	
	31/12/2016	31/12/2017	31/12/2016	31/12/2017
Capital adequacy	16.2%	18.6%		
Tier 1 ratio = Core Tier 1 ratio	16.2%	18.0%		
Risk weighted assets for credit risk (CZK billion)	376.9	352.9		
Net interest margin (NII/Av. interest bearing assets), annualised	2.5%	2.3%		
Loans (net) / deposits ratio (excl. repo operations with clients)	83.6%	78.9%		
Cost / income ratio	44.2%	43.1%	45.6%	45.7%
Return on average equity (ROAE), annualised	13.4%	15.1%	12.0%	14.3%
Adjusted return on average equity (adjusted ROAE), annualised *	16.0%	16.5%	14.3%	15.7%
Return on average regulatory capital	19.8%	19.8%	17.7%	18.7%
Return on average assets (ROAA), annualised	1.5%	1.5%	1.3%	1.5%
Earnings per share (CZK), annualised	72	79	65	74
Average number of employees during the period	8,458	8,492		

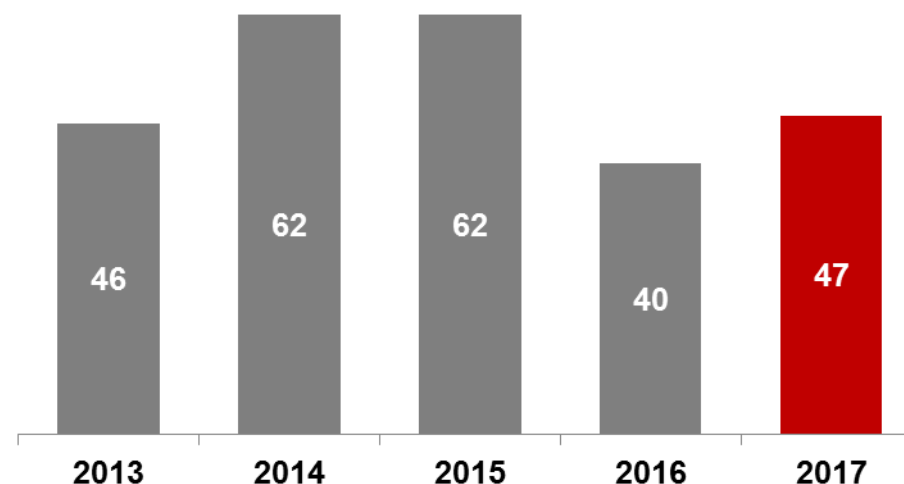
- Contribution to the regulatory capital from a part of the AFS revaluation reserve related to disposable securities in AFS portfolio amounted to 24 bps of Total capital and Core Tier 1 adequacy, as of 31 December 2017.
- KB's overall capital requirements as of 1 January 2018 reach 15.5% in relation to the consolidated volume of RWA. The required minimum Core Tier 1 capital level is 11.625% and the minimum Tier 1 capital ratio stands at 13.5%.
- The CNB announced increase in the countercyclical capital buffer for Czech exposures with effect from 1 July 2018 by 50 basis points (to 1.00%) and with effect from 1 January 2019 by additional 25 basis points to 1.25 %.

\*) Adjusted ROAE is computed as net profit attributable to equity holders divided by (average Group shareholders' equity w/o minority equity, cash flow hedging and revaluation of AFS securities)

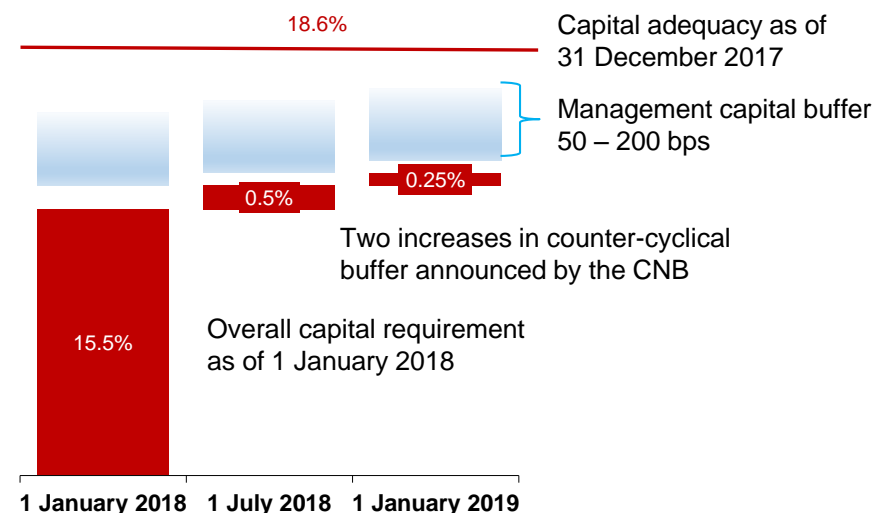
# Increase in payout ratio for 2018

- In accordance with its intention announced in February 2017 regarding the share of 2017's net profit to be paid out in dividends, and in view of KB's 2017 result, the capital position and the outlook for capital requirements, including two increases of the countercyclical reserve requirement announced by the Czech National Bank for 2018 and 2019, Komerční banka's Board of Directors has decided to propose to the Supervisory Board a **dividend payment of CZK 8,932 million, or CZK 47 per share**
- That would put the **payout ratio at 60%** of KB Group's attributable consolidated net profit. The corresponding **gross dividend yield** based on 2017's closing share price **is 5.14%**
- The distribution of the year's earnings, including the decision on dividend payment, is **subject to a vote of the Annual General Meeting**
- KB management strives to maintain the Bank's capital structure so that it is both safe and efficient while remaining fully in compliance with applicable regulatory requirements. In order to maintain KB's strong capital position, **KB management intends for 2018 to propose distributing as dividends 65% of attributable consolidated net profit** earned in the year

Dividend per share (gross, in CZK, recalculated)



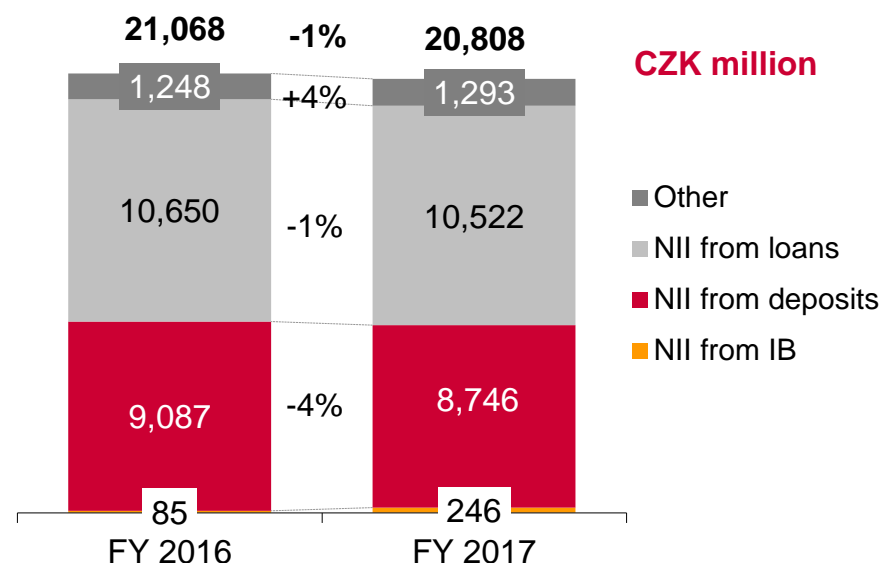
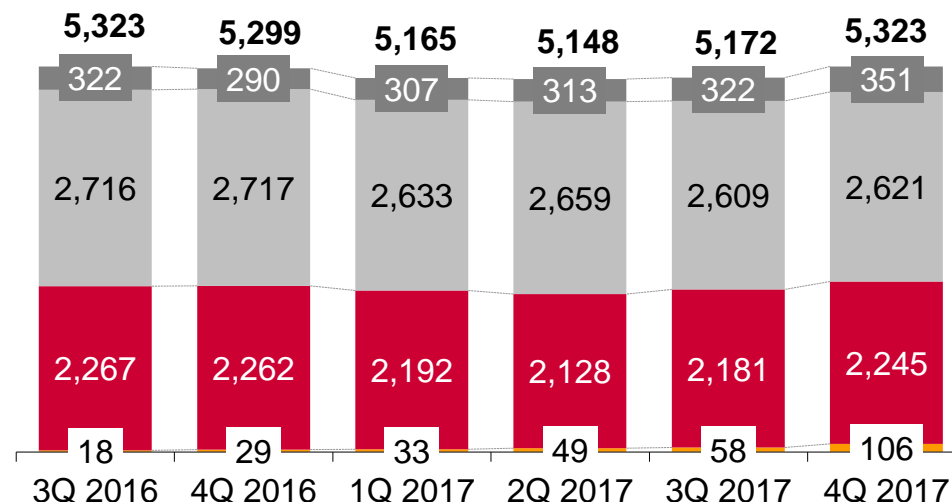
KB's capital position and requirements





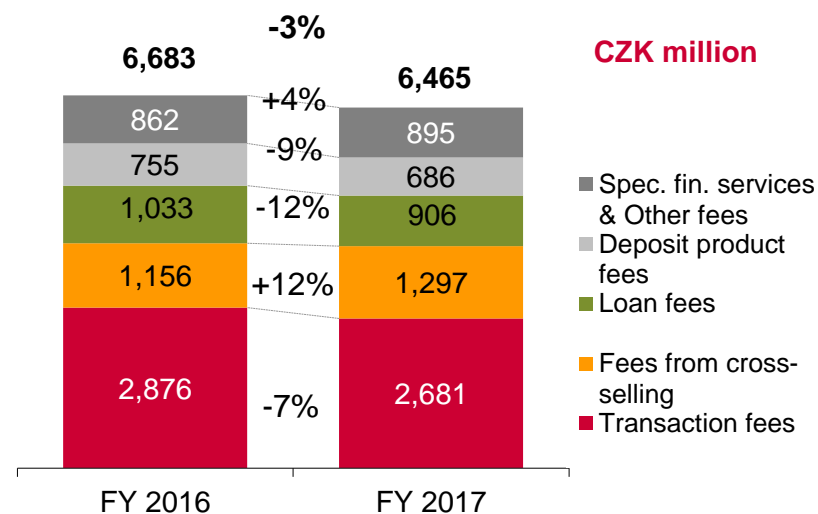
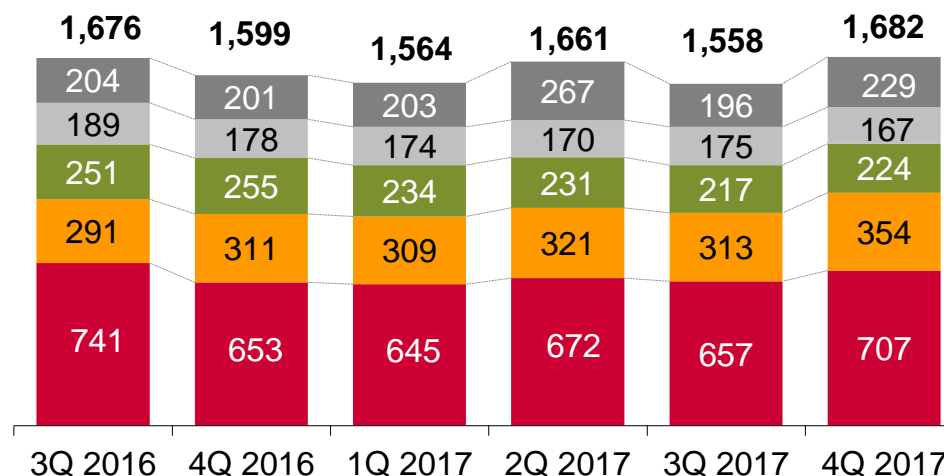
# Positive influence of increasing interest rates

- Net interest income in FY 2017 -1.2% YoY. 4Q 2017 +2.9% QoQ
- Increases in central bank's repo rate and in market rates reflected positively in yield from reinvestment of deposits from the second half of the year
- Market rates on new lending in retail stagnated in H2 despite increase in interbank rates, pushing down loan spreads.
- Stiff competition on the over-liquid market put pressure on lending in corporate segments, too.
- The net interest margin narrowed to 2.3% in FY 2017 from 2.5% one year earlier



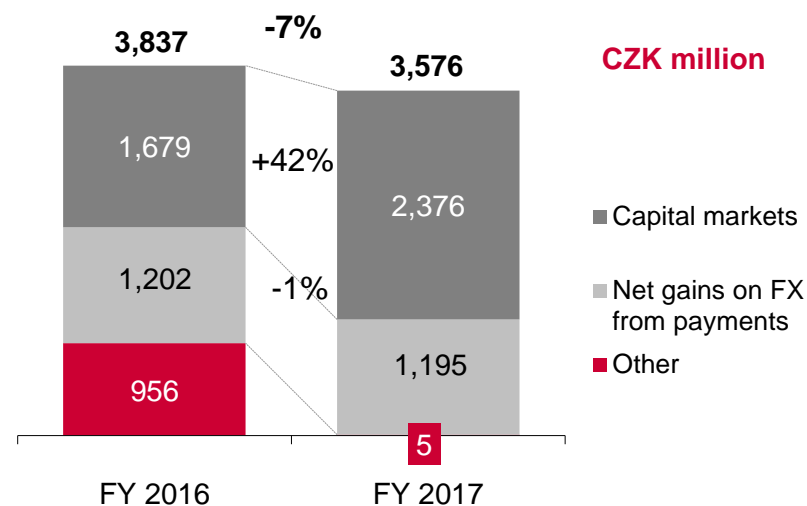
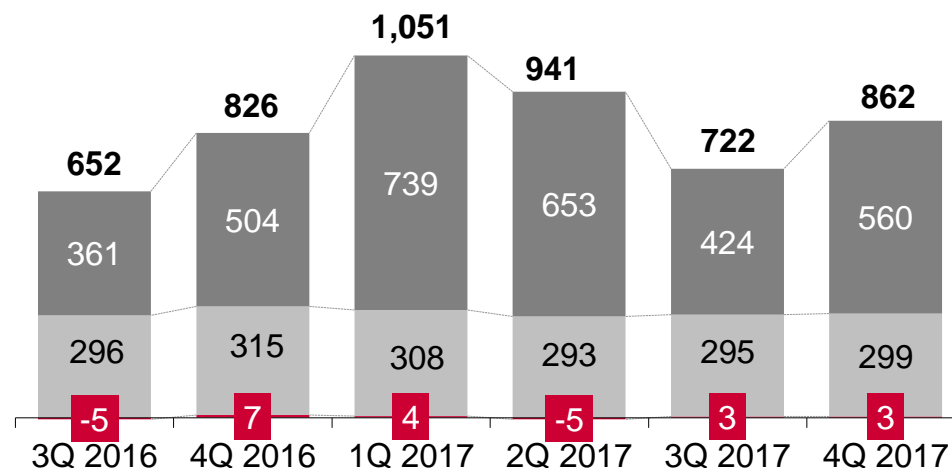
# Improving trend

- NFC in FY 2017 down by 3.3% YoY. 4Q +8.0% QoQ
- Deposit product fees – YoY affected by repricing and introduction of new packages in August with basic account charging no fee. Strong sales of deposit contracts in Modrá pyramida in Q4.
- Loan fees – Fees for housing loans declined, as did fees for loan prepayment in Modrá pyramida. Commission expenses at ESSOX were higher.
- Fees from cross-selling – yearly growth driven by volumes in mutual funds and life insurance. Contribution from a sales performance bonus in Q4.
- Transaction fees – FY down due to sale of merchant acquiring in 3Q 2016. Dynamic card and foreign transactions. Seasonally strong traffic in Q4.
- Specialised financial services and other fees – solid growth in Slovakia and SGEF. Several larger syndicate deals concluded in Q4.



# Good end of year after extraordinary first half

- NPFO in FY 2017 was up by a strong 24.3% (excluding the gain from VISA Europe in 2016) boosted mainly by strong clients' activity before and shortly after the release of the CZK currency floor on 6 April.
- Reported NPFO in FY 2017 down by 6.8% YoY\*
- 4Q 2017 up +19.4% QoQ. Increased FX volatility and successful treasury positioning contributed to solid revenues
- Improved client flows in Q4 linked to higher volatility of rates, steadily growing contribution from electronic channel (eTrading)
- Fees from FX transactions offsetting higher foreign transactions turnover with lower average prices



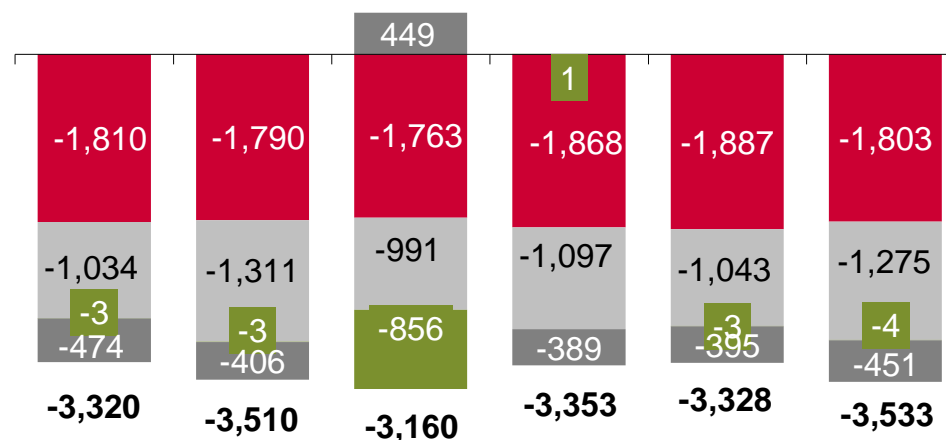
\* Reported NPFO in 2016 included on-off gain from reimbursement of CZK 959 million (before tax) for KB's stake in VISA Europe, recognised in 2Q 2016

# Maintained cost discipline

- Recurring OPEX for FY 2017 grew by +1.2% YoY<sup>1</sup>, less than the inflation
- Reported OPEX in FY 2017 decreased by -4.6% YoY. OPEX in 4Q 2017 up +6.2% QoQ
- Personnel expenses up 4.1% YoY, influenced by higher average remuneration. In 4Q 2017, reserve for contribution to the employee share ownership plan created during 2017 was released
- Average number of employees up by a slight 0.4%
- Recurring non-personnel expenses -1.8% YoY
- Last year's sale of merchant acquiring services (Cataps) resulted in certain savings in GAE
- D&A adjusted for the gain from HQ buildings decreased because completed amortisation of certain software was only partially offset by introduction of new applications and sales of buildings held in HFS portfolio continued

Note 1) excluding net gain in 1Q 2017 from the sale and revaluation of KB's headquarters buildings, booked in D&A line (lower by CZK 817 mil.) and Income tax (lower by CZK 79 million)

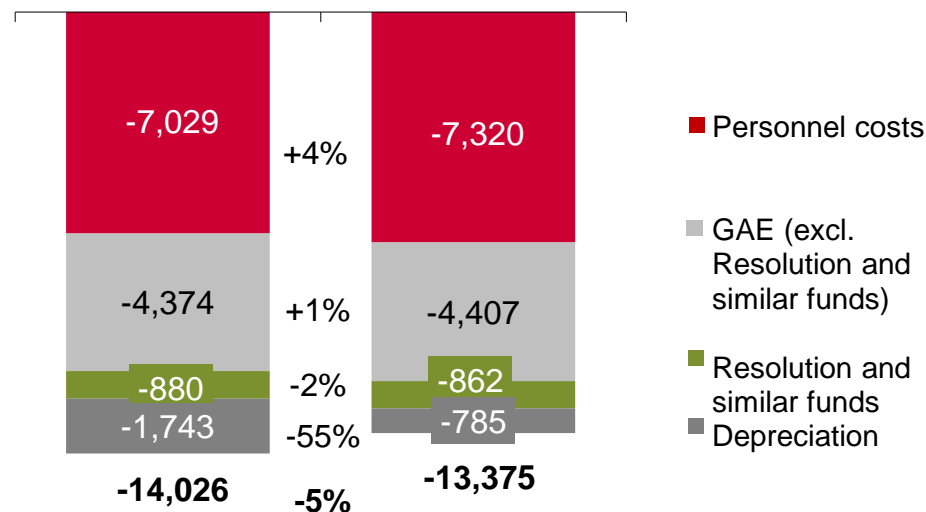
3Q 2016 4Q 2016 1Q 2017 2Q 2017 3Q 2017 4Q 2017



FY 2016

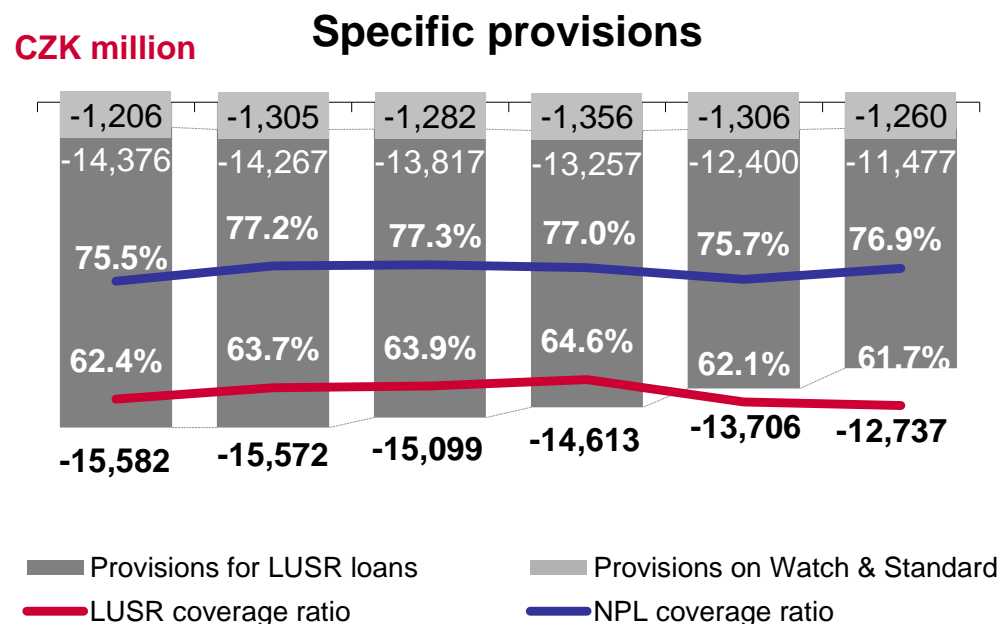
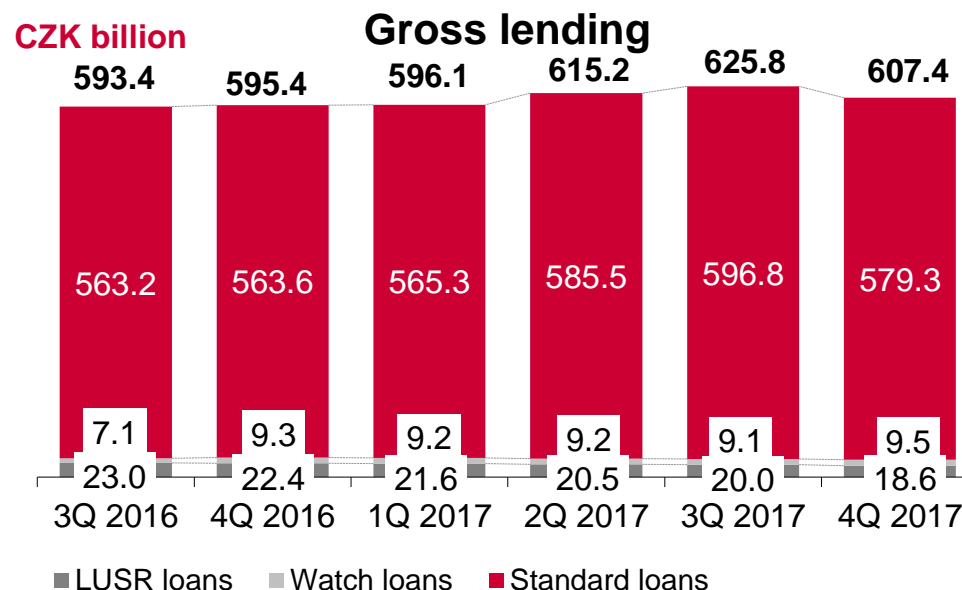
FY 2017

CZK million



# Further improvement in asset quality

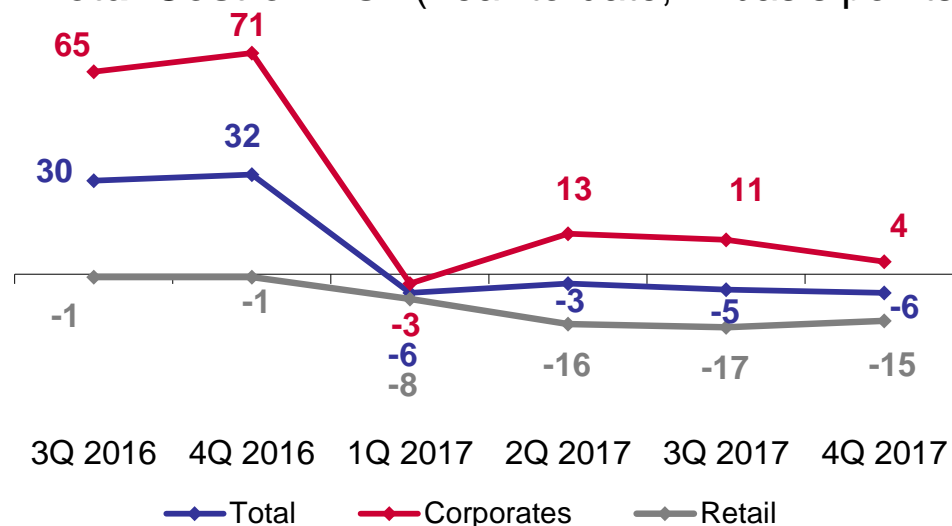
- Total loan exposure up 2% YoY, down 2.9% QoQ
- LUSR exposure ratio down to 3.1% (vs. 3.8% in 4Q 2016) and NPL exposure ratio down to 1.9% (vs. 2.5% in 4Q 2016) driven by low default rates, successful recovery, write-offs and portfolio sales
- Moderate YoY contraction of provision coverage ratio for LUSR portfolio (61.7% in 4Q 2017 vs. 63.7% in 4Q 2016) driven by write-offs and portfolio sales (stable QoQ at around 62%)
- Provision coverage ratio for NPL portfolio YoY stable at around 77% (QoQ slight increase: 76.9% in 4Q 2017 vs. 75.7% in 3Q 2017)
- QoQ decrease of provisions by CZK 969 M driven by successful recoveries, write-offs and NPL portfolio sales



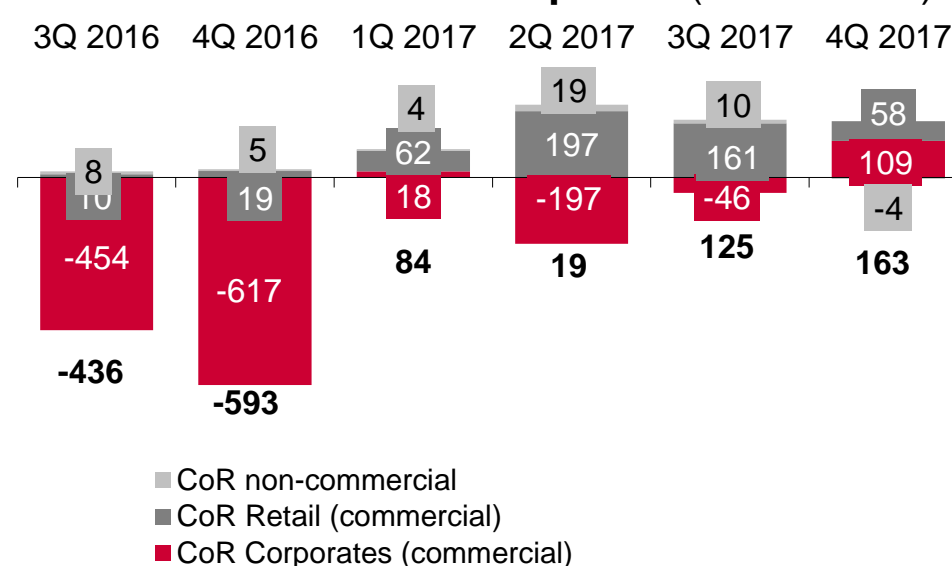
# Cost of risk exceptionally low

- CoR in FY 2017 at CZK 392 million (net release) in comparison with CZK -1,818 million (net creation) in 2016
- YtD Cost of Risk decreased to -6 bps in FY 2017 (vs. 32 bps in FY 2016)
- Cost of Risk on Corporates at 4 bps in FY 2017 (vs. 71 bps in FY 2016) driven by good recoveries and a low number of new defaults
- Very low Cost of Risk on Retail at -15 bps in FY 2017 (vs. -1 bps in FY 2016) in the continued favourable economic environment (low unemployment, increasing wages), driven by a low number of new defaults and a strong performance of NPL sale activities

**Total Cost of Risk (Year-to-date, in basis points)**



**Total Cost of Risk development (CZK million)**



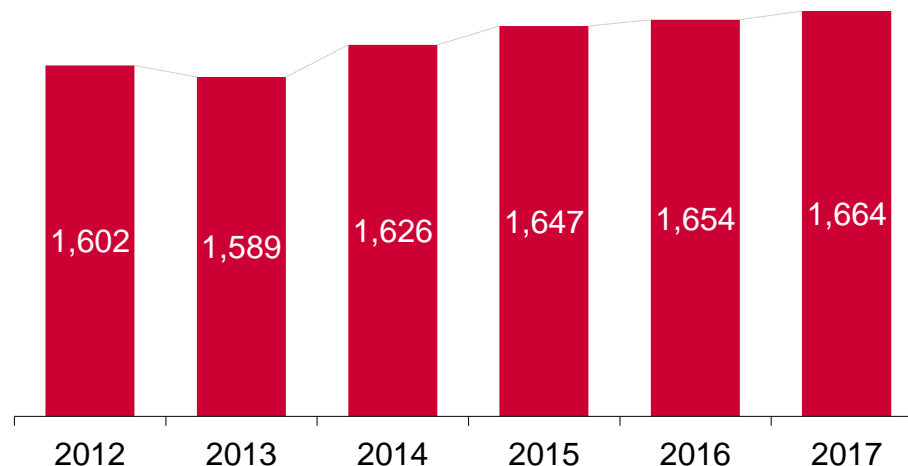
# Agenda

- Macroeconomic environment 4
- Highlights of KB's performance in 2017 5
- Strategic priorities 6
- Business performance 9
- Financial performance, capital and dividends 12
- Loan portfolio quality and cost of risk 21
- Appendix 24

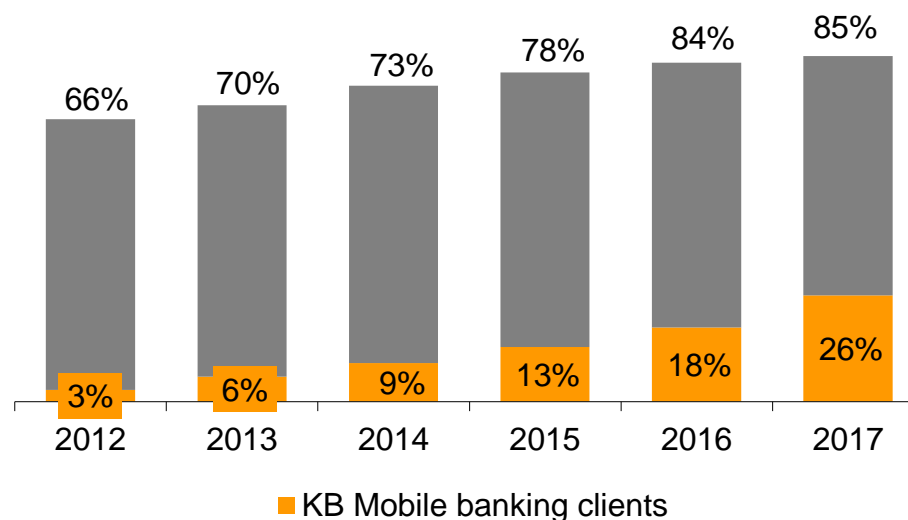
# Number of clients and distribution network

- KB Group's 2.4 million clients, of which
  - KB bank 1,664,000 clients (1%)
  - MPSS 488,000 clients (-1%)
  - KBPS 532,000 clients (-1%)
  - ESSOX (Group) 215,000 active clients (0%)
- Network
  - 386 branches for retail clients, 10 corporate divisions and 4 divisions for large corporate clients in CZ, 1 in Slovakia
  - 764 ATMs (of which 238 deposit ATMs)
  - MPSS: 216 points of sale; approx. 1,000 sales agents
  - SGEF: 7 branches in CZ, 2 in Slovakia
- Direct Channels
  - 1,422,000 clients (i.e. 85% of KB client base) using direct banking channels
  - Two call centres, internet and mobile banking

Number of bank clients (thousands, CZ)



Share of bank clients using direct channels





# Consolidated income statement – quarterly view

<b>Profit and Loss Statement</b>	<b>4Q 2016</b>	<b>3Q 2017</b>	<b>4Q 2017</b>	<b>Change YoY</b>	<b>Change QoQ</b>
(CZK million, unaudited)					
Net interest income	5,299	5,172	5,323	0.5%	2.9%
Net fees & commissions	1,599	1,558	1,682	5.2%	8.0%
Income from financial operations	826	722	862	4.4%	19.4%
Other income	47	44	67	42.6%	52.3%
<b>Net banking income</b>	<b>7,770</b>	<b>7,497</b>	<b>7,934</b>	<b>2.1%</b>	<b>5.8%</b>
Personnel expenses	-1,790	-1,887	-1,803	0.7%	-4.5%
General admin. expenses (excl. regulatory funds)	-1,311	-1,043	-1,275	-2.7%	22.2%
Resolution and similar funds	-3	-3	-4	33.3%	33.3%
Depreciation, impairment and disposal of assets	-406	-395	-451	11.1%	14.2%
<b>Operating costs</b>	<b>-3,510</b>	<b>-3,328</b>	<b>-3,533</b>	<b>0.7%</b>	<b>6.2%</b>
<b>Gross operating income</b>	<b>4,260</b>	<b>4,169</b>	<b>4,401</b>	<b>3.3%</b>	<b>5.6%</b>
Cost of risk	-593	125	163	+/-	30.4%
<b>Net operating income</b>	<b>3,666</b>	<b>4,294</b>	<b>4,564</b>	<b>24.5%</b>	<b>6.3%</b>
Profit on subsidiaries and associates	102	58	43	-57.8%	-25.9%
<b>Profit before income taxes</b>	<b>3,769</b>	<b>4,352</b>	<b>4,607</b>	<b>22.2%</b>	<b>5.9%</b>
Income taxes	-629	-746	-820	30.4%	9.9%
<b>Net profit</b>	<b>3,140</b>	<b>3,606</b>	<b>3,787</b>	<b>20.6%</b>	<b>5.0%</b>
Minority profit/(loss)	92	78	82	-10.9%	5.1%
<b>Net profit attributable to equity holders</b>	<b>3,048</b>	<b>3,528</b>	<b>3,705</b>	<b>21.6%</b>	<b>5.0%</b>

# Business performance of subsidiaries 1/2

	FY 2016	FY 2017	YoY
<b>Modrá pyramida (100%), #2 building savings &amp; loans company</b>			
Volume of new loans (CZK million)	9,430	14,639	55%
Volume of total loans (gross, CZK million)	38,820	43,634	12%
Volume of deposits (CZK million)	64,105	62,669	-2%
Number of clients	490,563	488,012	-1%
Average number of FTEs	330	327	-1%
Number of points of sale	216	216	0%
<b>KB Penzijní společnost (100%), a manager of pension funds</b>			
Number of new contracts	30,439	31,822	5%
Number of clients	534,205	531,523	-1%
Assets under management (CZK million)	48,941	53,265	9%
of which in Transformed fund	46,567	49,432	6%
Average number of FTEs	47	48	2%
<b>ESSOX (50.93%), #2 non-bank consumer lender and car financing company</b>			
Volume of total loans (gross, CZK million)	14,776	15,500	5%
Number of active clients	214,969	215,158	0%
Average number of FTEs	363	395	9%

## Business performance of subsidiaries 2/2

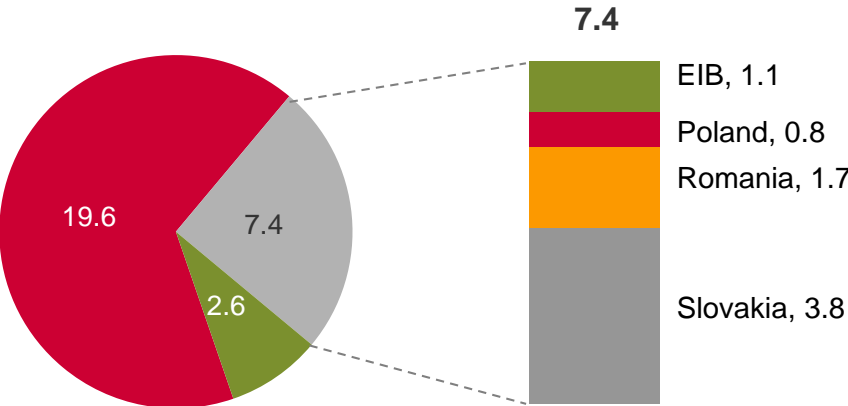
	FY 2016	FY 2017	YoY
<b>Factoring KB (100%), #1 on the Czech factoring market</b>			
Factoring turnover (CZK million)	37,762	42,838	13%
Volume of total financing (gross, CZK million)	7,455	7,974	7%
Average number of FTEs	45	45	0%
<b>Komerční pojišťovna (49%), a universal insurance company</b>			
Volume of technical reserves (CZK million)	46,960	47,782	2%
Premium written (CZK million)	6,660	6,150	-8%
of which in life insurance	6,284	5,731	-9%
of which in non-life insurance	376	419	11%
Average number of FTEs	183	189	3%
<b>SGEF Czech Republic (50.1%), a provider of asset-backed financing in Czech Rep. and Slovakia</b>			
Volume of new financing (CZK million)	12,253	11,948	-2%
Volume of total financing (gross, CZK million)	25,832	26,129	1%
Average number of FTEs	124	126	2%

# Debt securities portfolio in the banking book

CZK billion, as of 31 December 2017

## Available-for-sale portfolio

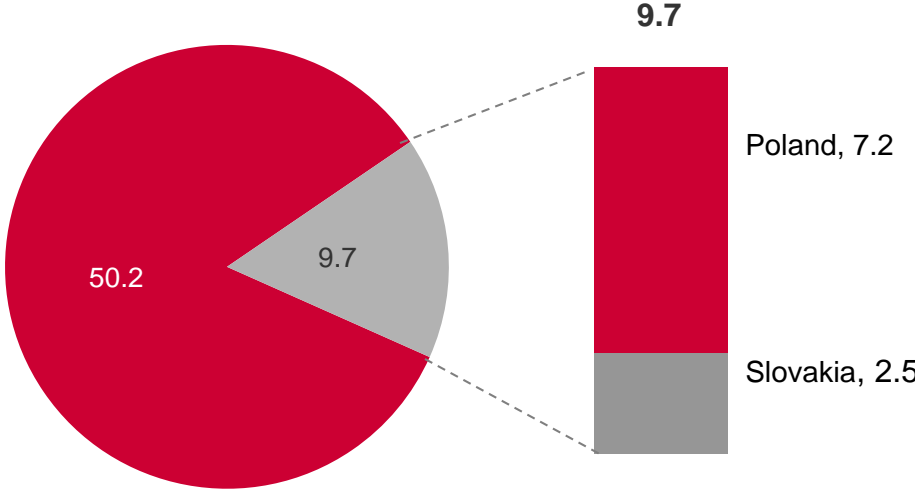
CZK 29.5 billion



- Czech sovereign
- Foreign sovereign
- Czech financial institutions
- Foreign financial institutions

## Held-to-maturity portfolio

CZK 59.9 billion



- Czech sovereign
- Foreign sovereign

## Macroeconomic environment – Czech Republic

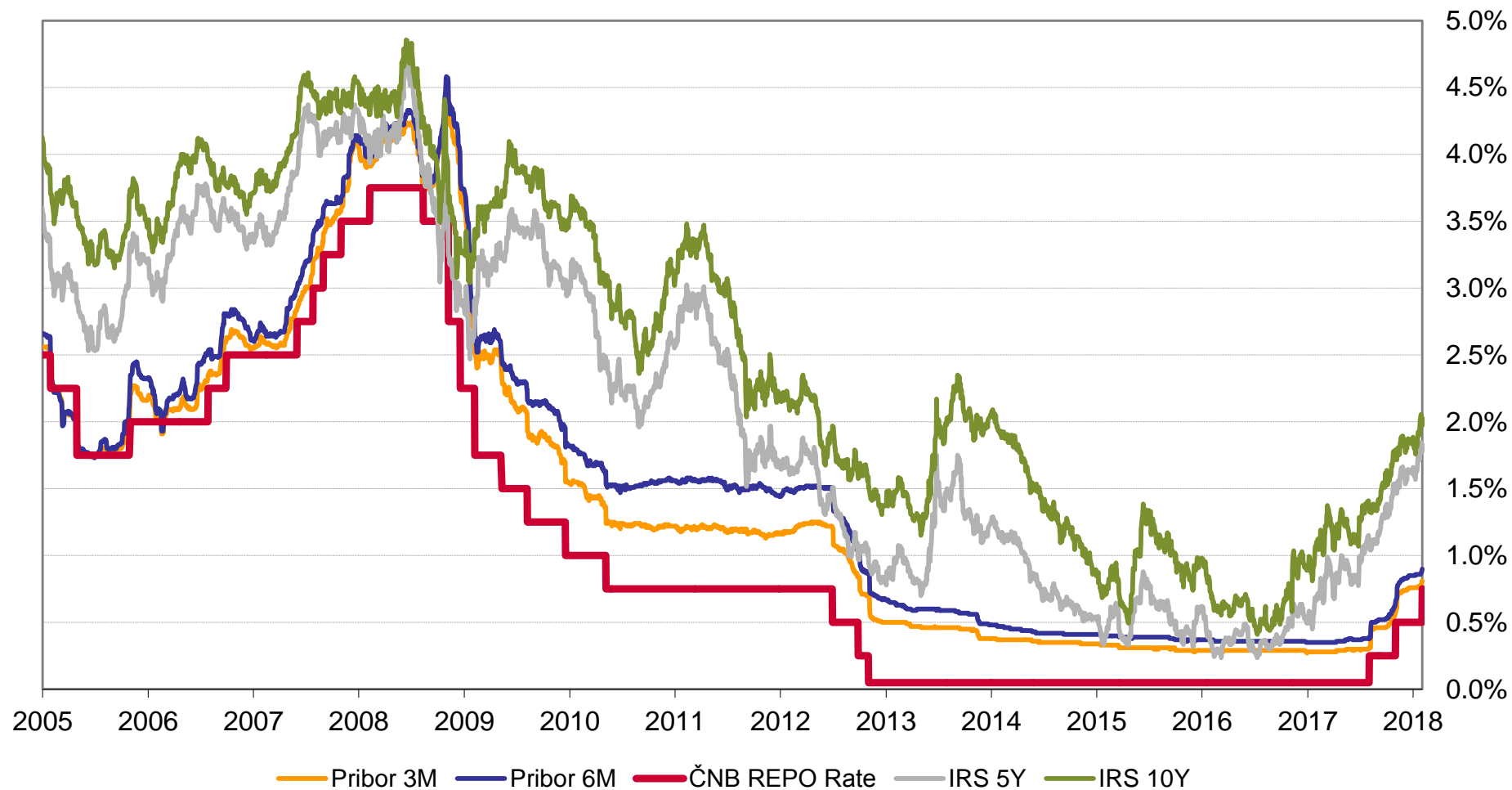
<b>Macroeconomic Indicators</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017*</b>	<b>2018*</b>
Real GDP (% , average)	2.7	5.4	2.5	4.6	3.8
Inflation (% , average)	0.4	0.3	0.7	2.5	2.1
Household consumption (% , average)	1.8	3.8	3.6	4.2	3.9
Unemployment (% , av., MLSA meth.)	7.6	6.4	5.4	4.1	3.5
M2 (% , average)	5.4	7.9	8.6	9.6	6.8
3M PRIBOR (% , average)	0.4	0.3	0.3	0.4	1.3
<b>Potential of the market **</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017*</b>	<b>2018*</b>
Loans / GDP (year-end)	61.1	60.5	61.8	61.4	61.2
Real estate loans / GDP (year-end)	20.9	21.1	22.1	22.7	22.0
Deposits / GDP (year-end)	79.7	76.6	79.0	82.6	83.5
Household loans / GDP (year-end)	26.5	26.9	27.9	28.4	27.8

\* *KB estimate*

\*\* *Banking sector, year end*

# Interest rates evolution

(for the period 1 January 2005 – 2 February 2018)



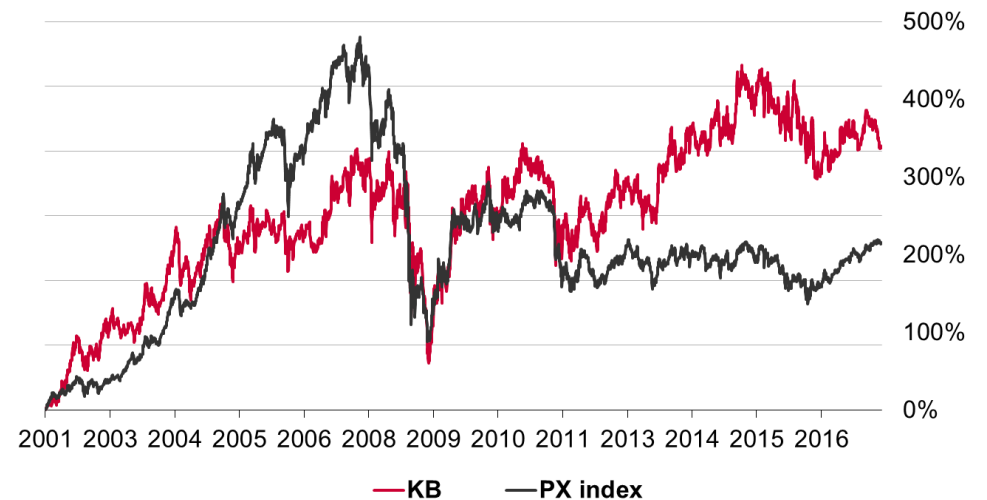
# KB #1 listed Czech bank

- The General Meeting held on 22 April 2016 approved a split of shares of KB in the ratio of 5:1.
- The split took effect on 25 April 2016 by its entry in the Register of companies. Central Securities Depository changed the KB entry as of 11 May 2016. As a result, shareholders received five new shares with nominal value of 100 CZK for each original share with a nominal value of 500 CZK

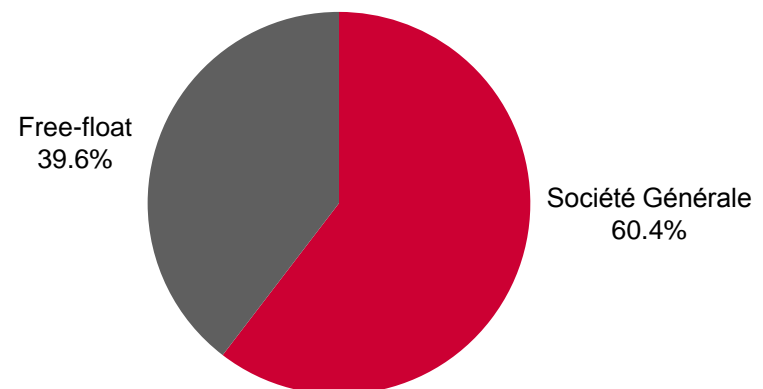
## As of 31 December 2017

- The number of shareholders comprised 47,110 corporate entities and private individuals.
- Of the Bank's total share capital of CZK 19,004,926,000 divided into 190,049,260 shares with a nominal value of CZK 100 each, Société Générale S.A. held 60.35%.
- KB held 1,193,360 own shares in treasury, representing 0.63% stake on registered capital

**Development of KB share price and PX index**  
(1 October 2001 – 26 January 2018)



**Shareholder structure**





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