

PRAGUE, 1 AUGUST 2019

# KOMERČNÍ BANKA GROUP RESULTS

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First half and second quarter 2019

According to IFRS, Consolidated, Unaudited

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

# DISCLAIMER

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

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

Results and ratios in this presentation are as of 30 June 2019, 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

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# HIGHLIGHTS AS OF 30 JUNE 2019

The number of clients with KB's Mobile banking increased by more than 184,000 year-on-year to 700,000. More than 260,000 customers were using the KB Key authentication app. Clients had tokenized 112,000 payment cards into their mobile wallet applications, mainly with Apple Pay.

**No. 1 position  
on the Czech market  
in mobile banking**

Meeting great acceptance among clients, KB issued a limited edition of cards featuring designs from the popular The Big Bang Theory television series, under license from Warner Bros.



The total volume of KB Group's lending expanded by 3.2% year on year to CZK 644.8 billion.

**Loans to clients  
up by 3.2% YoY**

The overall volume of standard client deposits within KB Group expanded by 4.0% to CZK 838.6 billion. Solid growth in client assets in mutual funds by 9.4% and in pension funds by 8.2%.

**Deposits from clients  
grew by 4.0% YoY**

Revenues for the first half improved by 5.0%, while recurring operating costs were up by just 2.9%.

**Revenues grew faster  
than operating costs**

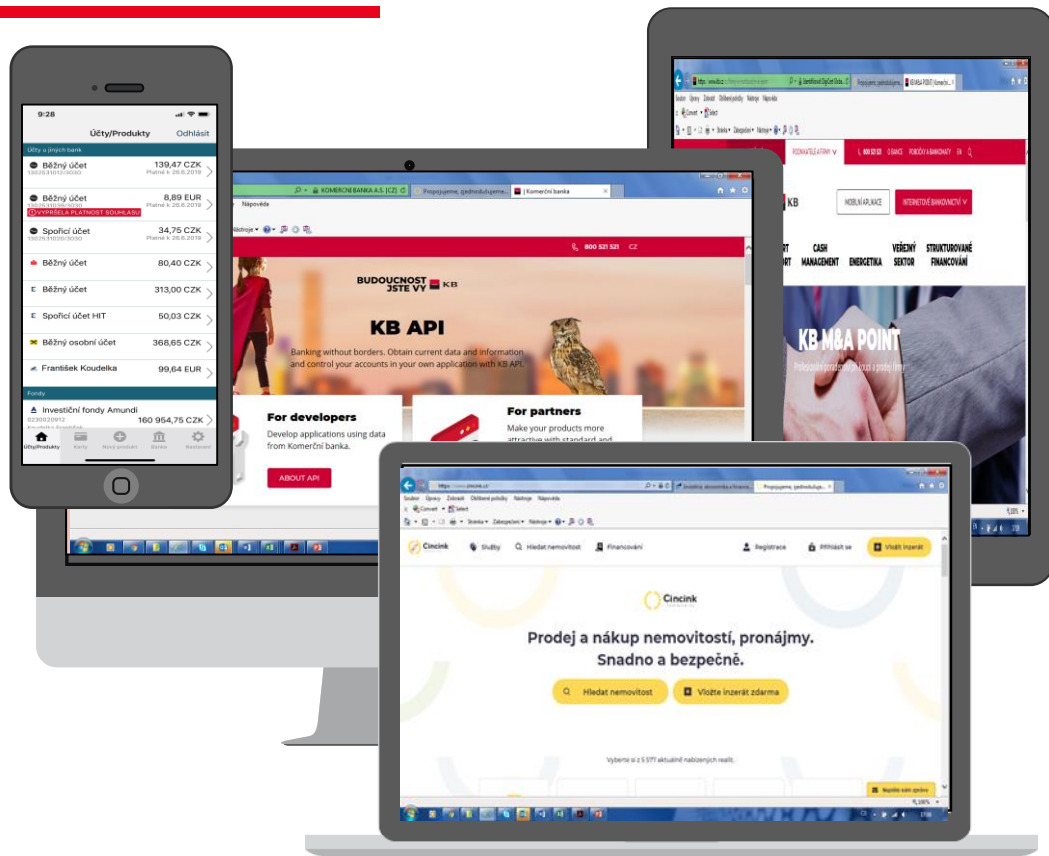
The quality of the loan portfolio remained excellent and KB was once again able to release some provisions for credit losses.

**Net release of provisions  
CZK 0.4 billion**

Recurring consolidated attributable net profit for the first half 2019 grew by 6.0% year on year to CZK 7.2 billion. Reported net profit was up 6.8%.

**Consolidated net profit  
CZK 7.2 billion**

# NEW DIGITAL SERVICES INTRODUCED IN SECOND QUARTER



## CINCINK.CZ

An on-line service offering assistance with residential property sales, purchases and rentals, including intermediation, legal services, valuation and financing.

## KB API

A stable environment for third-party developers of innovative services using KB's APIs.

Authentication service provisioning for third parties API in preparation.

## FINANCIAL DATA AGGREGATION

Access to Fakturoid invoicing application extended to corporate clients on MojeBanka Business platform.

As a leader in open banking, KB's internet and mobile banking enables access to 8 other banks, including 1 foreign (Slovak).

## KB M&A POINT

A website providing information about the M&A advisory services including on-line tool for companies valuation.

# IN PARTNERSHIP WITH THE SOCIETY

## VOLUNTEERING

Scores of employees took part in various beneficial actions, many using their one day for volunteer activities that KB has newly made available to each employee.

The largest number of employees joined in the campaign Uklid'me Česko (Let's tidy up Czechia), where KB was the main partner.

Many others helped with repairs in charity and shelter houses, children centres or hospices, or dedicated their time to other good purposes.



## HELPING YOUNG AND OLD

KB Jistota Foundation supported six projects relating to prevention of relationship and behavioural problems among vulnerable and disadvantaged children.

The Foundation also contributed to three long-term projects on quality of life for patients with incurable illnesses, including help to caring personnel and to the bereaved.



## CULTURE & PUBLIC INSTITUTIONS

Fans at the Rock for People festival in Hradec Králové appreciated the performance by the PKF Prague Philharmonia of a previously unfinished part of Antonín Dvořák's symphony called From the Future World created using artificial intelligence.

The sponsoring of the National Gallery and Prague Zoo also continued successfully.

 **KB** | GENERALNÍ PARTNER  
NÁRODNÍ GALERIE PRAHA

## SUPPORTING HEARING-IMPAIRED



KB increased to 207 the number of its branches where hearing-impaired clients can deal with the Bank using the eScribe on-line service that provides rapid transcription of negotiations prepared by blind speed-writers from the Transkript online charity.

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# SOLID DOMESTIC FUNDAMENTALS BUT UNCERTAIN GLOBAL CONTEXT

- GDP in 1Q19 up +2.8% YoY, +0.6% QoQ. In 2018 the economy grew by 2.9%. The growth is driven predominantly by household consumption and fixed investments
- Unemployment low at 2.2% in May<sup>1</sup>, nominal wages again up 7.4% YoY in 1Q 2019
- House price growth decelerated somewhat to 10.4% YoY in 1Q19<sup>2</sup>
- CPI inflation at 2.7% in June, driven mainly by food prices, but administered prices are adding positively as well. Core inflation continues at elevated levels just below 3%
- CNB increased its rates once again at the beginning of May by 25 bps to current 2%
- Market rates as of 28 June 2019: 3M PRIBOR reflected the CNB hike and moved up to +/- 2.23% in the rest of Q2, but 10Y IRS declined to 1.55%, down 12 bps YtD. The Czech yield curve thus deepened its inversion

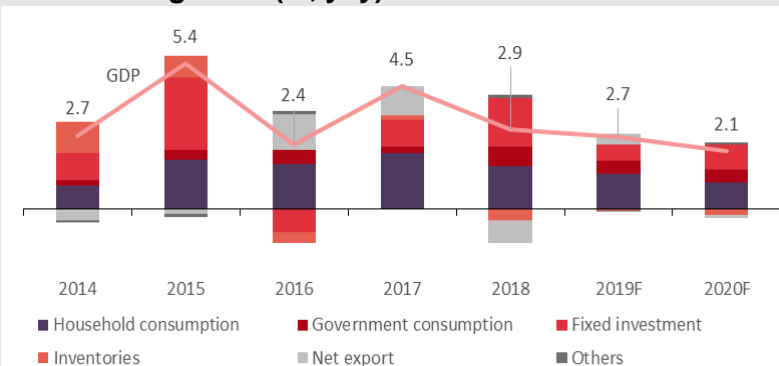
Notes: Source of indicators Czech Statistical Office, CNB, unless stated otherwise

1) Seasonally adjusted, according to Eurostat

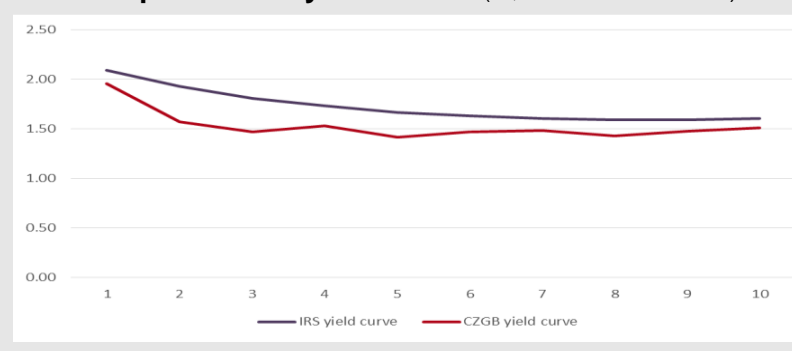
2) Realised prices for second-hand flats, source: Czech Statistical Office

3) Source: KB Economic Research forecast

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



CZK swap and bond yield curves (% , as of 30 June 2019)





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# SELECTED DEALS OF THE SECOND QUARTER OF 2019

## WHOLESALE OF FUELS



W.A.G. payment solutions, a.s.

Syndicated Credit Facility

**EUR 310,000,000**

Arranger, Agent, Security Agent, Coordinator

**2019**

## FINANCIAL SERVICES



Home Credit Group B.V.

Syndicated Term Facility

**EUR 820,000,000**

Mandated Lead Arranger and Bookrunner

**2019**

## REAL ESTATE



CTPARK BUCHAREST WEST I S.R.L.

Real Estate Financing

**EUR 83,000,000**

Lender, Hedge Counterparty

**2019**

## WOOD PROCESSING



KRONOSPAN ČR, S.R.O.

KRONOSPAN OSB, S.R.O.

Club Facility

**EUR 280,000,000**

Arranger, Original Lender

**2019**

## REAL ESTATE



City-Arena PLUS a.s.

Real Estate Financing

**EUR 54,000,000**

Original Lender, Agent, Security Agent

**2019**

## MACHINERY



Automation Investment, s.r.o.

Automa CZ, s.r.o.

Acquisition Financing + WCAP Financing

Complex bank services provider

**2019**

## UTILITY



BALOR s.r.o.

Investment/Energy Financing

**CZK 250,000,000**

Complex bank services provider

**2019**

## TRADE



CBA NUGET s.r.o.

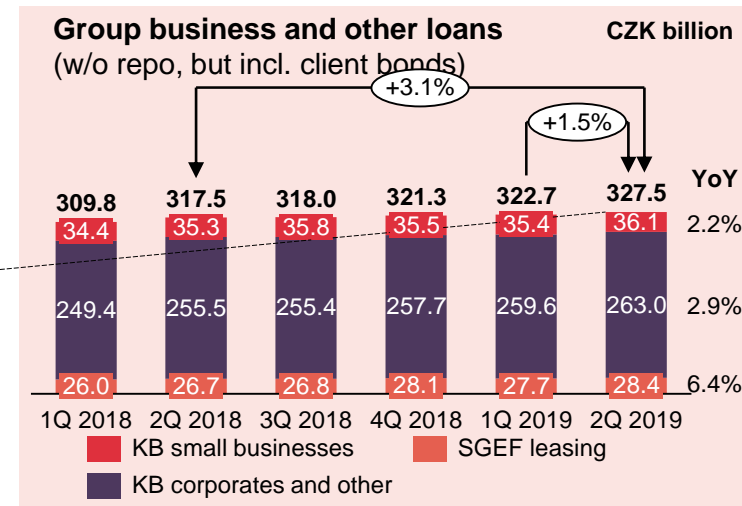
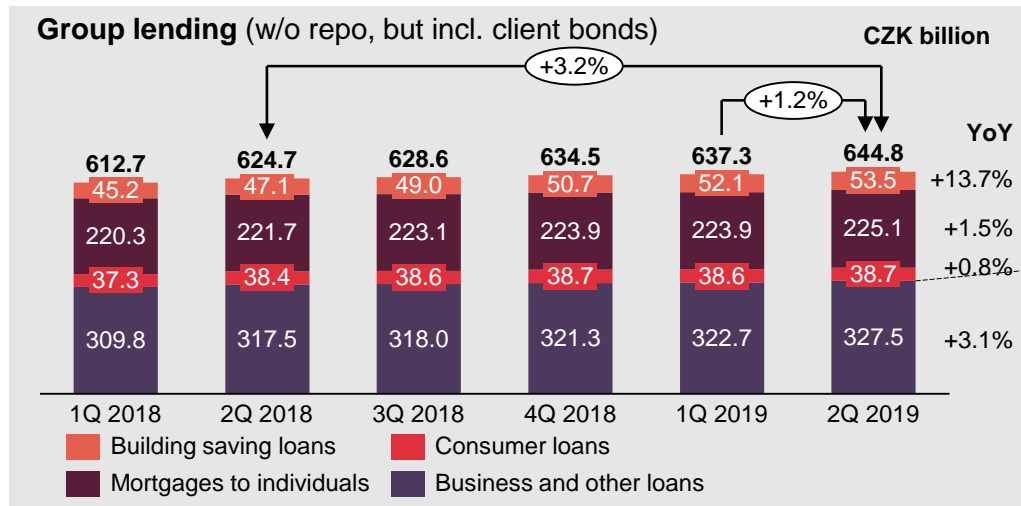
Operational Financing

**EUR 5,078,000**

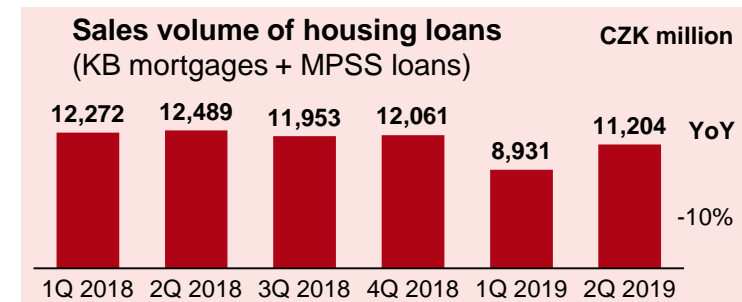
Complex bank services provider

**2019**

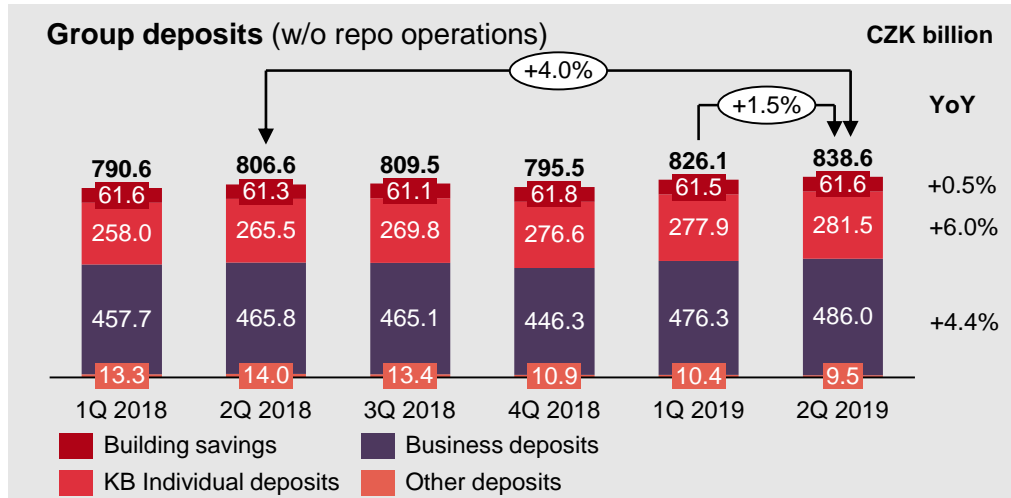
# GROSS LENDING EXCLUDING REPO UP 3.2% YOY



- Gross amounts due from clients (including repo operations and debt securities issued by KB's corporate clients) +2.6% YoY, +1.8% QoQ to CZK 651.7 billion.
- Net loans to deposits ratio at 75.7%
- Sales of housing loans somewhat recovering in 2Q 2019 from effect of the new regulations imposed by the CNB from October 2018.

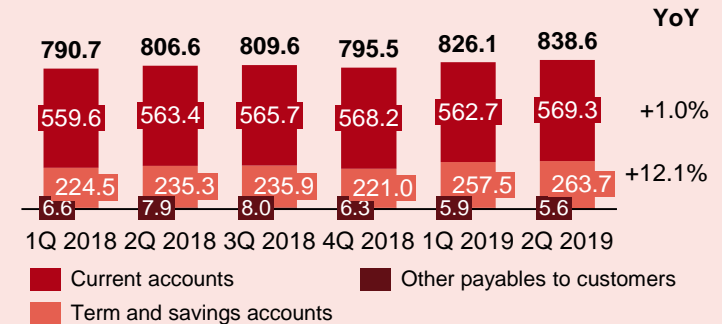


# CLIENT DEPOSITS ROSE BY 4.0% YOY

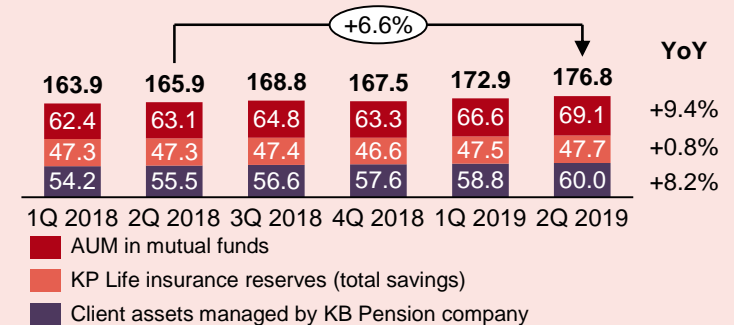


- Total amounts due to clients (including repo operations with clients) +7.3% YoY, +4.2% QoQ to CZK 893.0 billion
- Solid growth in mutual funds and pension funds
- Moderate growth in Modrá pyramida deposits affected by repricing

## Deposit product structure (w/o repo operations)



## Non-bank assets under management

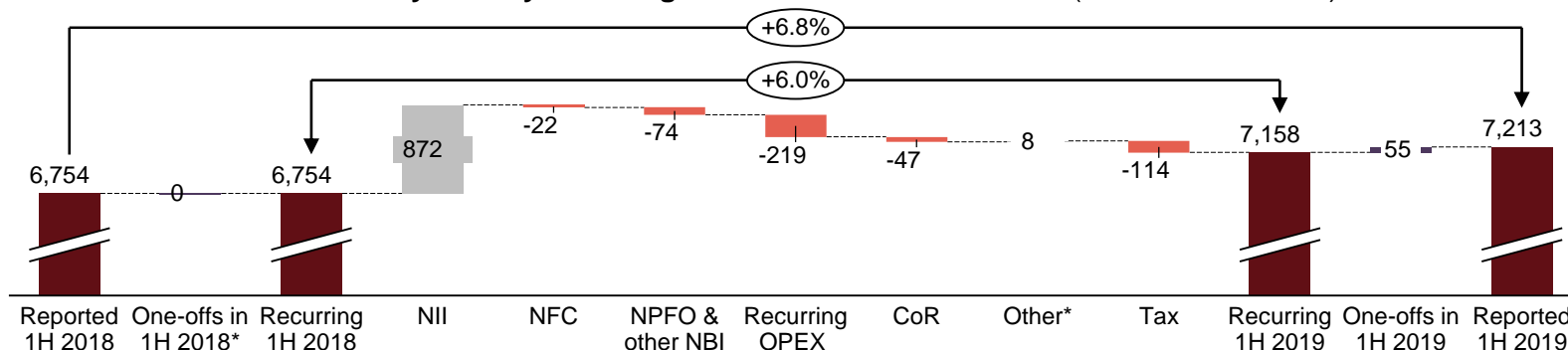


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# NET PROFIT IMPROVEMENT DRIVEN BY INTEREST INCOME

Drivers for year on year change in attributable net income (as of 30 June 2019)



**One-off items:**

- 1H 2018: Finalisation of the sale price for KB's former stake in Cataps (CZK 82 million); creation of the restructuring reserve (CZK 295 million in OPEX, o/w CZK 223 million in personnel expenses and CZK 71 million in GAE; and release of over-accrued amounts for corporate services (CZK 193 million in GAE)
- 1H 2019: settlement of the sale price for Komerční pojišťovna sold in 2006

## Profitability indicators for 1H 2019 (annualised)

Return on average equity

**14.6%**  
15.2%\*\*

Return on average Tier 1 capital

**17.6%**  
18.3%\*\*

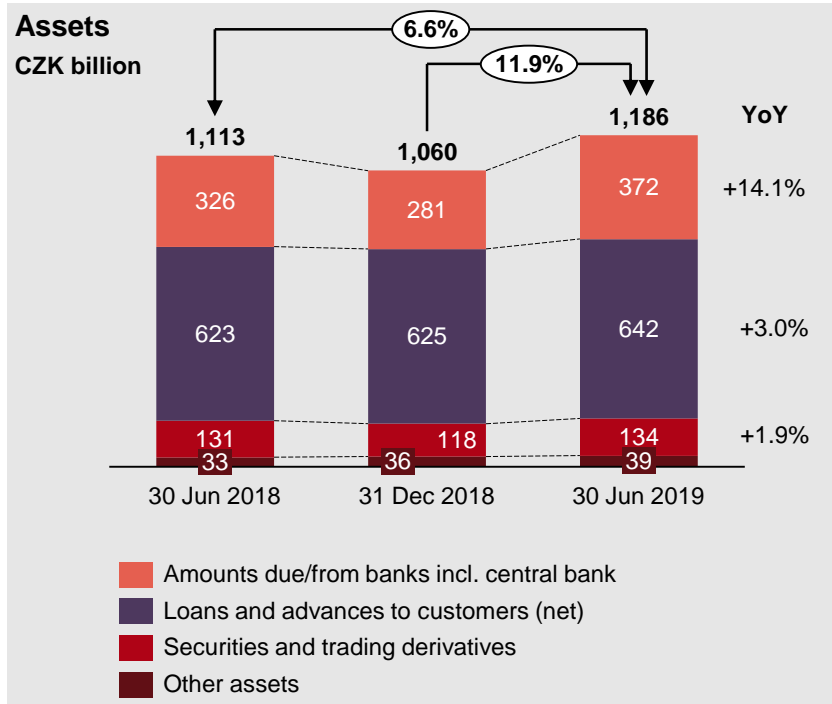
Return on average assets

**1.3%**  
1.3%\*\*

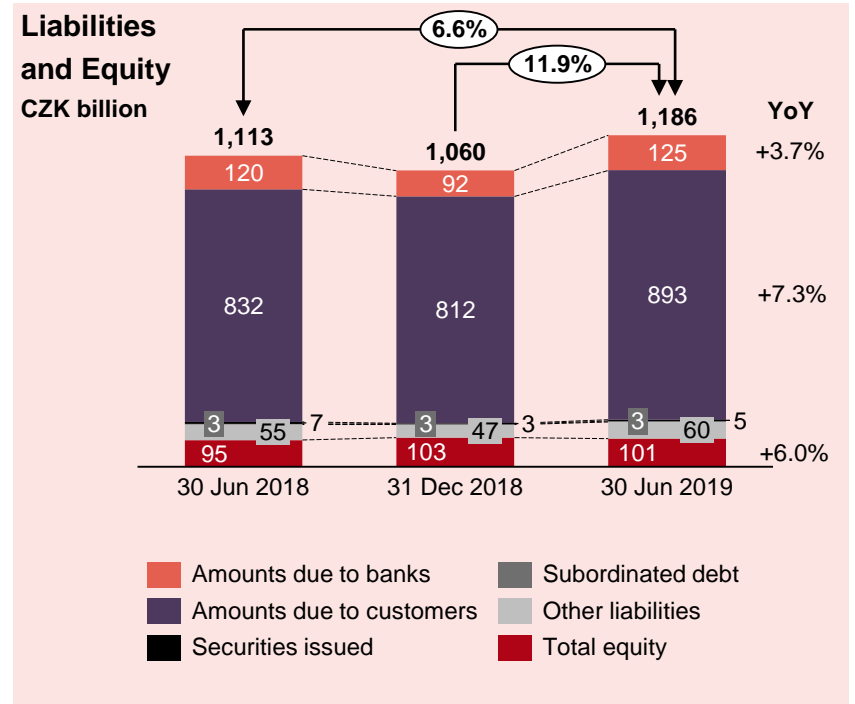
*\*Other includes: Income from share of associated companies, Profit/(loss) attributable to exclusion of companies from consolidation, Net profits on other assets and Profit attributable to the Non-controlling owners*

\*\* Pro-forma assuming linear accrual of Costs of regulatory funds (Resolution, Deposit insurance) over the whole year (IFRIC 21 linearisation)

# BALANCE SHEET EXPANDING WITH CLIENT DEPOSITS AND EQUITY



Other assets include Rights of use of CZK 3 billion as of 30 June 2019, a new item in accordance with IFRS 16

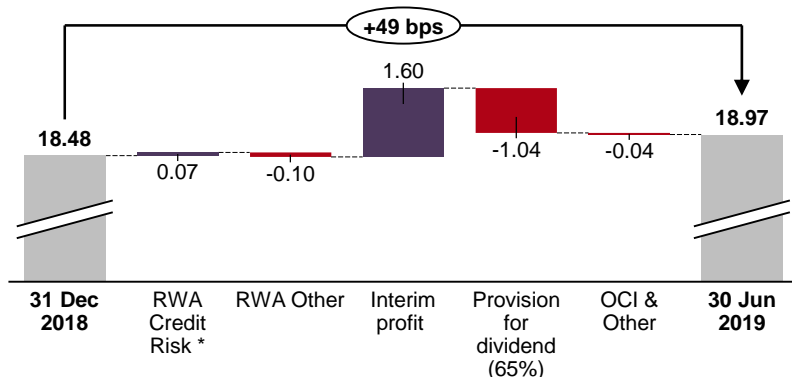


Other liabilities include Lease liabilities of CZK 3 billion as of 30 June 2019, a new item in accordance with IFRS 16

# EQUITY HIGHER YEAR-ON-YEAR YEAR-TO-DATE AFFECTED BY ANNUAL DIVIDEND PAYMENT

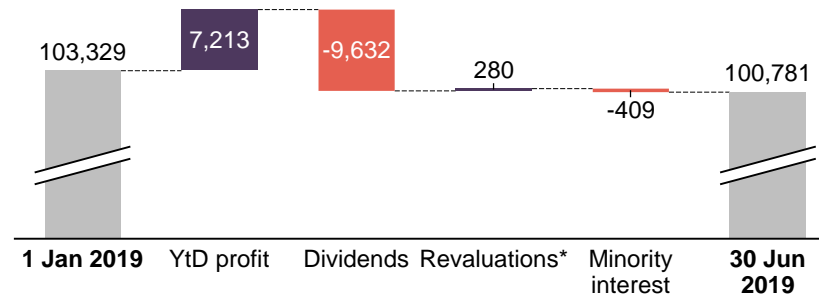
CAPITAL, RWA

## Contributions to capital adequacy ratio in 1H 2019 (%)



\* During Q1, risk weights on Czech sovereign exposures decreased driven by upgrade of Czechia among upper-investment grade sovereigns

## Contributions to equity in 1H 2019 (CZK million)



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

## Regulatory capital indicators

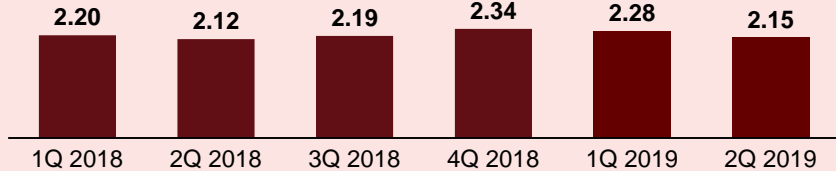
	Total capital adequacy	Core Tier 1 ratio	Total capital (CZK billion)	CET1 capital (CZK billion)	Total RWA (CZK billion)	Credit RWA (CZK billion)	RWA / Total assets
Current	19.0%	18.4%	85.7	83.1	451.8	373.5	38.1%
31 Dec 2018	18.5%	17.9%	83.4	80.8	451.1	375.4	42.6%
31 Jun 2018	18.1%	17.5%	80.9	78.3	446.8	369.0	40.1%





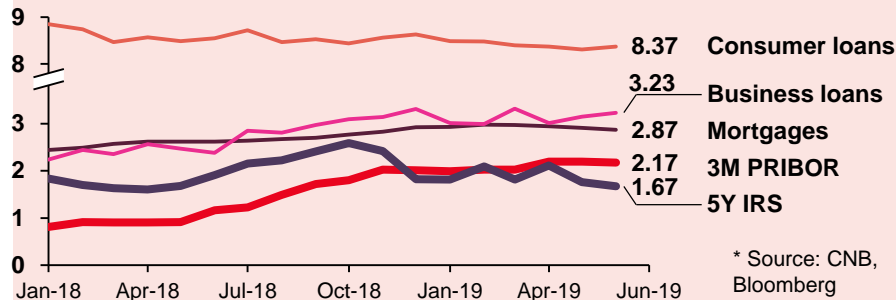
# LOWER LONG-TERM YIELDS LIMITING REINVESTMENT INCOME

Quarterly NIM (%)

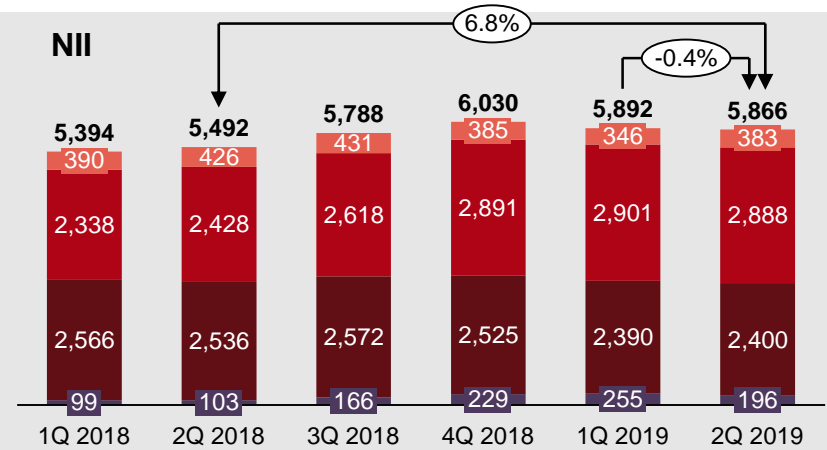


- Deeper inversion of the yield curve limits income potential from reinvestment of deposits and capital
- Average spreads on outstanding loan portfolio to be pushed down by lower spreads on new production

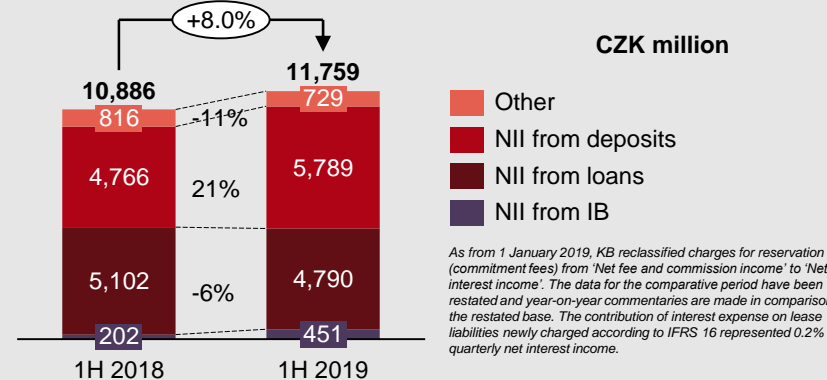
Average market rates on new CZK loans (%)\*



NII



CZK million



- Other
- NII from deposits
- NII from loans
- NII from IB

As from 1 January 2019, KB reclassified charges for reservation of funds (commitment fees) from 'Net fee and commission income' to 'Net interest income'. The data for the comparative period have been restated and year-on-year commentaries are made in comparison with the restated base. The contribution of interest expense on lease liabilities newly charged according to IFRS 16 represented 0.2% of the quarterly net interest income.

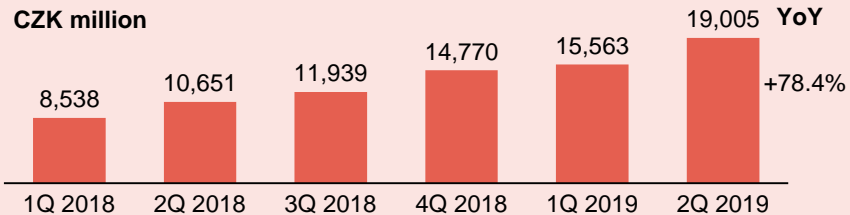


## FEE INCOME STABLE

- **Deposit product fees** – clients upgrading to account packages with a wider range of services included
- **Transaction fees** – rapid growth in card transactions. Continuing shift from cash/branch to digital. More transactions included in the price of packages

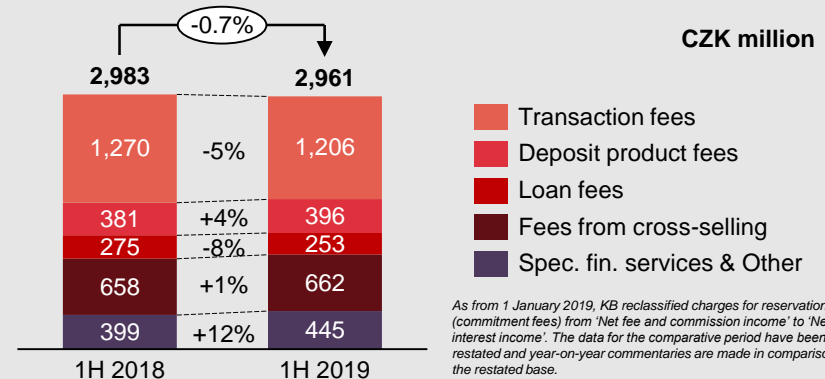
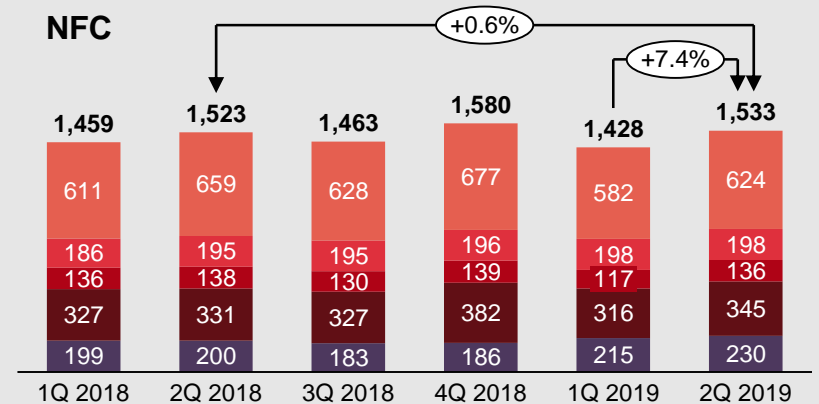
### Volume of payments through mobile banking

CZK million



- **Loan fees** – affected by smaller loans production in retail
- **Fees from cross-selling** up slightly thanks to income from life insurance products and mutual funds
- **Specialised financial services and other fees** – higher income from loan syndications, trade finance and guarantees

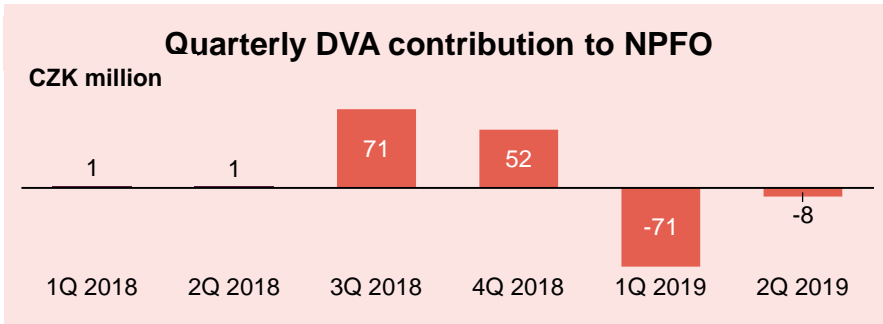
### NFC



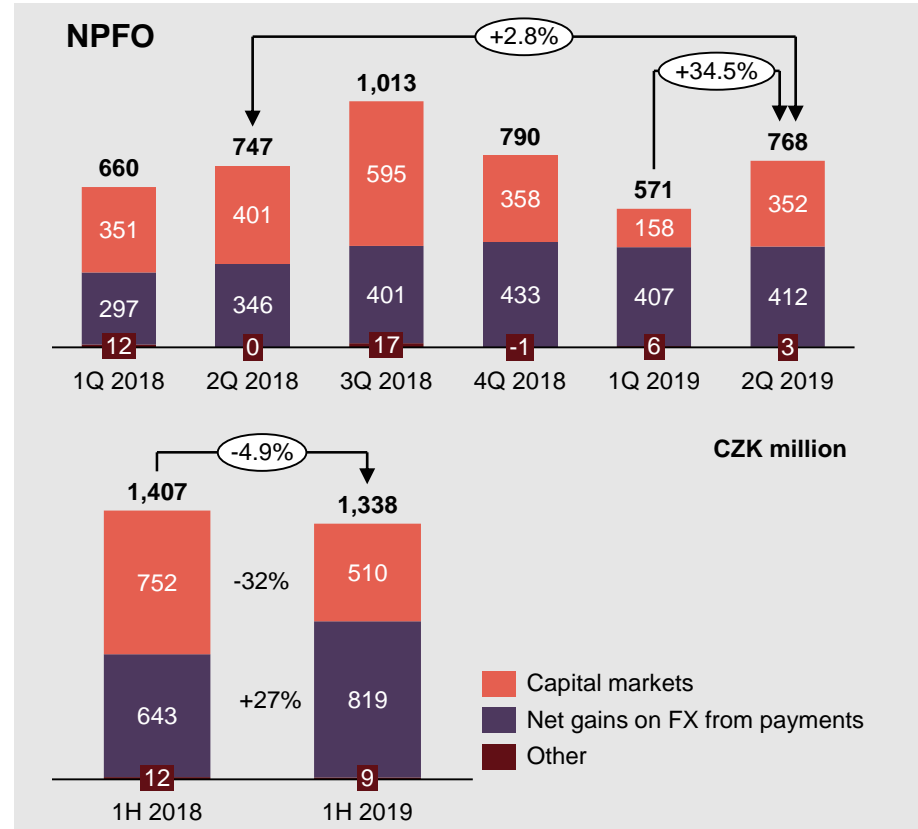
As from 1 January 2019, KB reclassified charges for reservation of funds (commitment fees) from 'Net fee and commission income' to 'Net interest income'. The data for the comparative period have been restated and year-on-year commentaries are made in comparison with the restated base.

# HEDGING DEMAND IMPROVED WITH HIGHER IR, FX VOLATILITY

- Lower long-term rates in Q2 revived demand for IR hedging, while appreciation of CZK invited some importers to hedge FX rate
- A larger part of gains from market operations booked in interest income reflecting increase in rates
- Volatile contribution from Debit Value Adjustment on derivatives reflecting credit spreads on KB's liabilities

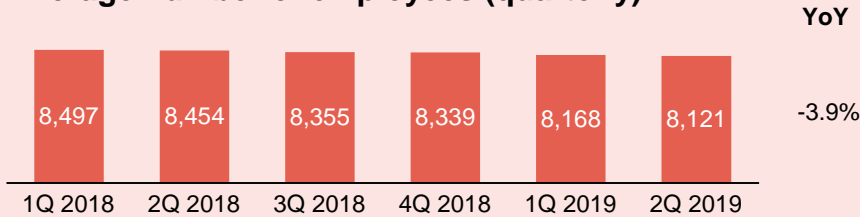


- Growth in gains on FX from payments due to increase in foreign transaction activity and FX spreads



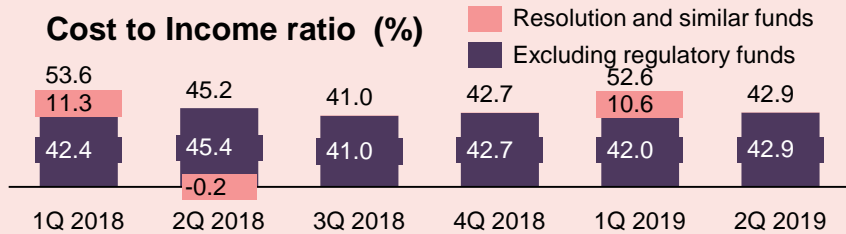
# COSTS REFLECTING TRANSFORMATION AND DIGITALISATION

## Average number of employees (quarterly)



- Effect of annual compensation increase mitigated by decreasing average number of employees (8,144 in 1H 2019, -4.0% YoY)
- Increase in non-personnel expenses driven by digitalisation

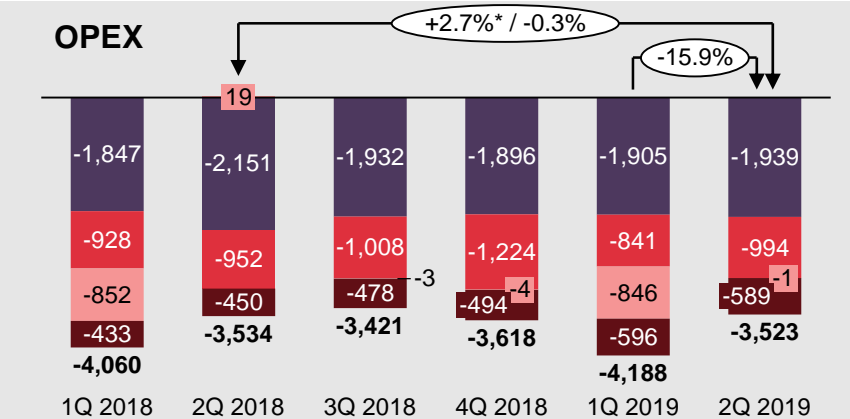
## Cost to Income ratio (%)



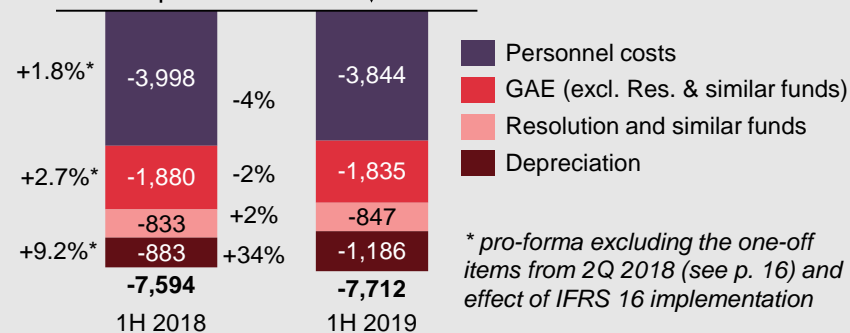
Notes:

Implementation of IFRS 16 standard replaced rent expense with depreciation expense of rights-of-use (CZK 222 million in 1H 2019)

## OPEX



+2.9%\*



\* pro-forma excluding the one-off items from 2Q 2018 (see p. 16) and effect of IFRS 16 implementation

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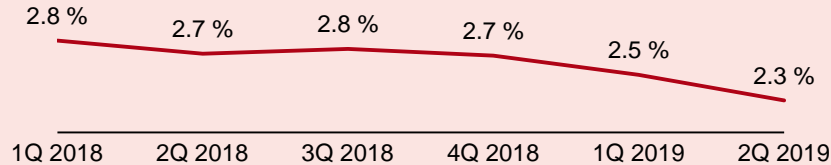
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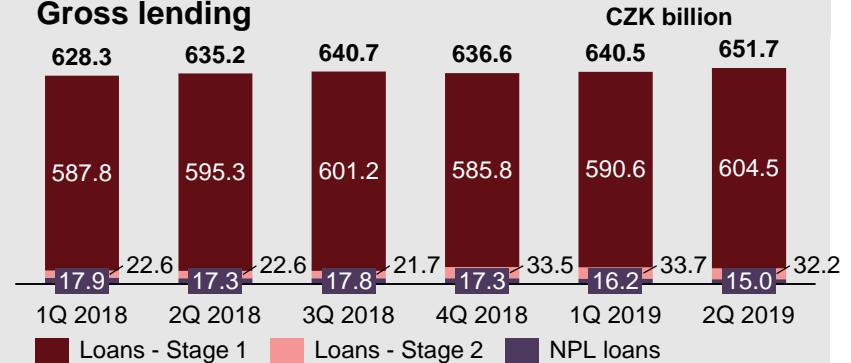
# SOUND ASSET QUALITY

- Loan exposure up by 2.6 % YoY and 1.8% QoQ
- NPL exposure ratio down to 2.3% YoY (vs. 2.7% in 2Q 2018) driven by low default rates, good recovery performance, NPL sales and write-offs
- NPL provision coverage ratio stable at around 60%

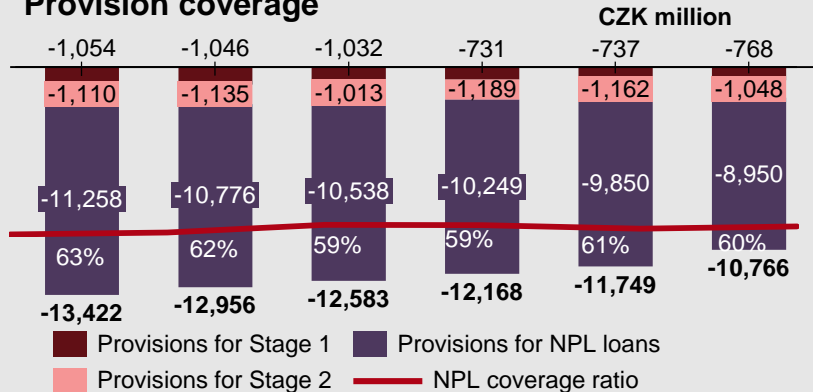
## Share of NPL exposure



## Gross lending

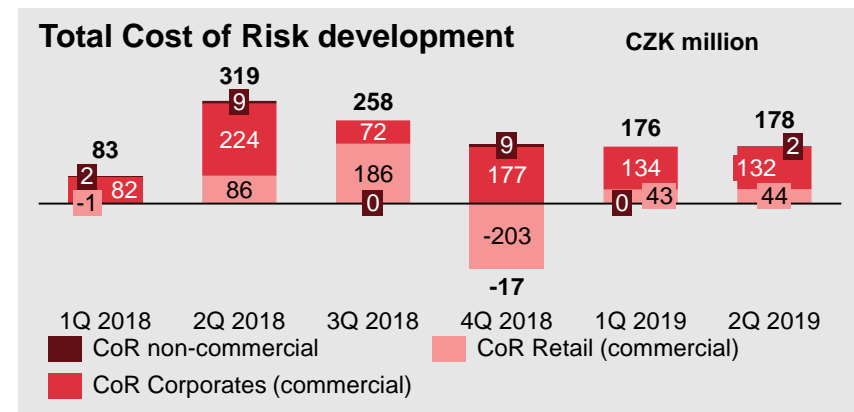
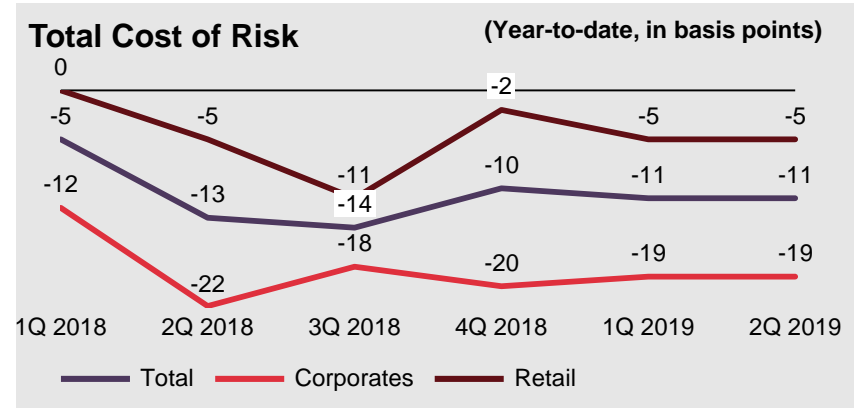


## Provision coverage



# LOW COST OF RISK

- Net release of CoR in 2Q 2019 at CZK 354 million (vs. CoR net release at CZK 402 million in 2Q 2018)
- CoR on corporate loan portfolio at -19 bps in 2Q 2019 (vs. -22 bps for in 2Q 2018), driven by limited inflows into default and strong recovery performance levels
- CoR on retail loan portfolio at -5 bps in 2Q 2019 (vs. -5 bps in 2Q 2018) driven by a continued favourable economic environment (marked by historically low default rate levels)



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# OUTLOOK FOR 2019

## Macroeconomic assumptions

- Czech economy to grow around 2.7% with positive contribution from domestic consumption and investments, as well as exports
- Tight labour market remains as the main limiting factor to faster growth and driver for inflation
- In spite of strong domestic fundamentals, the fragile external context will prevent continuation of monetary policy normalisation

## Banking market outlook

- Continuing intense competition, including from fintech providers
- Bank loans to grow at a mid- single digit pace in 2019. Sales of housing loans to partly recover from beginning-of-year slump caused by new CNB measures
- Deposits may grow somewhat faster than loans. Household deposits to reflect strong income growth and more caution about the future

## KB business outlook

- Loans to grow at a mid- to low- single digit pace; KB mortgages to grow slower due to regulations and worse affordability
- Business lending will reflect caution about future demand but also need to invest in increasing productivity
- Total deposits to grow faster than loans, mainly on term and saving accounts

## KB financial outlook

- Total revenues to grow slightly. NII in the second half to be impacted by decreased long-term yields. Fee income flattish before introduction of the caps on cross-border payment fees on 15 December. Gains from financial operations to somewhat decline due to high 2018 base
- Pace of OPEX to be similar as inflation, reflecting investments in digitalisation
- Cost of risk: a potential for further net releases, supported by favourable macroeconomic conditions in Czechia

## Potential risks to the outlook

- A severe worsening of the macroeconomic environment, due to, e.g., distortions in international supply chains caused by disorderly brexit or by escalation of global trade frictions
- Ever-present risks such as a significant worsening of competitive situation leading to material erosion of spreads on key products, a possible solitary impairment of a large credit exposure, or sudden changes in main rates,

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# NUMBER OF CLIENTS AND DISTRIBUTION NETWORK

## Number of clients

	1H 2018	1H 2019	YoY
KB Group's clients	2,393,000	2,376,000	-17,000
Komerční banka	1,666,000	1,662,000	-4,000 *
– individual clients	1,408,000	1,406,000	-2,000 *
– using at least one direct banking channel	1,437,000	1,468,000	31,000
– internet banking clients	1,370,000	1,405,000	35,000
– mobile banking clients	514,000	699,000	184,000
Modrá pyramida	487,000	489,000	2,000
KB Penzijní společnost	532,000	532,000	0
ESSOX (Group)	214,000	208,000	-6,000

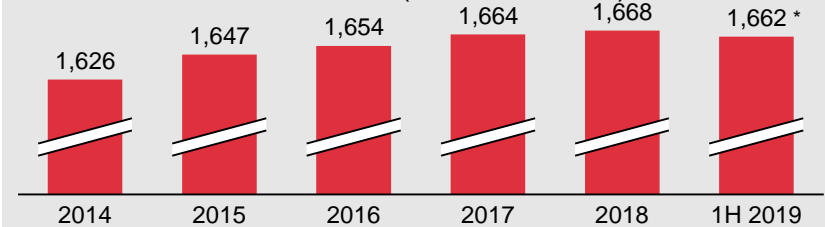
## Distribution network

	1H 2018	1H 2019	YoY
KB Retail branches	378	344	-34
KB Business centres	10	10	0
KB Corporate divisions	5	5	0
Modrá pyramida points of sale	213	200	-13
SGEF branches	9	9	0
ESSOX Group points of sale	1,340	1,045	-295 **
ATMs	761	786	25
of which deposit-taking	274	359	85

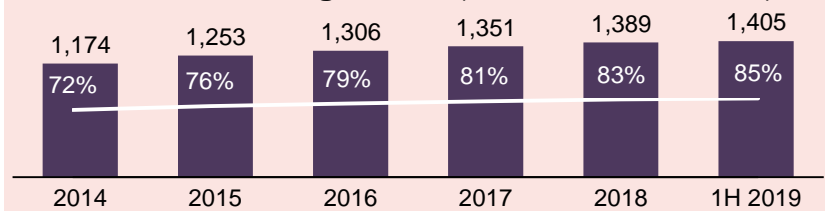
\* Affected by write-off of non-active defaulted clients in recovery in 1Q 2019

\*\* Influenced by the new qualification requirements for intermediaries of consumer financing

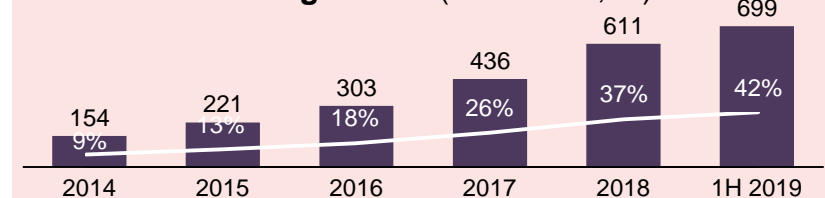
## Number of bank clients (thousands, CZ)



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



## KB mobile banking clients (thousands, %)



# YEAR-TO-DATE INCOME STATEMENT

## Profit and Loss Statement

	Reported*			Recurring		
	1H 2018	1H 2019	Change YoY	1H 2018	1H 2019	Change YoY
(CZK million, unaudited)						
Net interest income and similar income	10,887	11,759	8.0%	10,887	11,759	8.0%
Net fee & commission income	2,983	2,961	-0.7%	2,983	2,961	-0.7%
Net profit of financial operations	1,407	1,338	-4.9%	1,407	1,338	-4.9%
Dividend and other income	119	114	-4.2%	119	114	-4.2%
<b>Net banking income</b>	<b>15,396</b>	<b>16,172</b>	<b>5.0%</b>	<b>15,396</b>	<b>16,172</b>	<b>5.0%</b>
Personnel expenses	-3,998	-3,844	-3.9%	-3,775	-3,844	1.8%
General admin. expenses (excl. regulatory funds)	-1,880	-1,835	-2.4%	-2,002	-1,835	-8.3%
Resolution and similar funds	-833	-847	1.7%	-833	-847	1.7%
Depreciation, amortisation and impairment of operating assets	-883	-1,186	34.3%	-883	-1,186	34.3%
<b>Total operating expenses</b>	<b>-7,594</b>	<b>-7,712</b>	<b>1.6%</b>	<b>-7,493</b>	<b>-7,712</b>	<b>2.9%</b>
<b>Gross operating income</b>	<b>7,802</b>	<b>8,460</b>	<b>8.4%</b>	<b>7,904</b>	<b>8,460</b>	<b>7.0%</b>
Cost of risk	401	354	-11.7%	401	354	-11.7%
<b>Net operating income</b>	<b>8,204</b>	<b>8,815</b>	<b>7.4%</b>	<b>8,305</b>	<b>8,815</b>	<b>6.1%</b>
Income from share of associated companies	113	142	25.7%	113	142	25.7%
Profit/(loss) attributable to exclusion of companies from consolidation	82	55	-32.9%	0	0	n.a.
Impairment losses on goodwill	2	0	n.a.	2	0	n.a.
Net profits on other assets	17	14	-17.6%	17	14	-17.6%
<b>Profit before income taxes</b>	<b>8,417</b>	<b>9,026</b>	<b>7.2%</b>	<b>8,437</b>	<b>8,971</b>	<b>6.3%</b>
Income taxes	-1,515	-1,648	8.8%	-1,534	-1,648	7.4%
<b>Net profit</b>	<b>6,902</b>	<b>7,378</b>	<b>6.9%</b>	<b>6,903</b>	<b>7,323</b>	<b>6.1%</b>
Profit attributable to the Non-controlling owners	149	166	11.4%	149	166	11.4%
<b>Profit attributable to the Group's equity holders</b>	<b>6,754</b>	<b>7,213</b>	<b>6.8%</b>	<b>6,754</b>	<b>7,158</b>	<b>6.0%</b>

## Note for recurring figures:

### 1H 2018:

- Finalisation of sale price for KB's former stake in Cataps in connection with the sale of additional 19% in Cataps (CZK 82 mil. in Profit attributable to exclusions of companies from consolidation)
- Restructuring reserve (CZK -223 mil. in Pers. expenses, CZK -71 mil. in GAE and CZK 56 mil. in Income taxes) and release of corporate service fees for SG assistance (CZK 193 mil. in GAE and CZK -37 mil. in Income taxes)

### 1H 2019

- Adjustment of the selling price of Komerční pojišťovna (CZK 55 mil. in Profit attributable to exclusion of companies from consolidation)

\* Within update of its reporting methodology, KB reclassified commitment fees from NFC to NII. For improved information value, the data for 2018 above are based on a pro-forma retrospective restatement of the respective accounting lines of the Income Statement from 2017 and adjusted for reclassification of early prepayment fees from NFC to NII.

# QUARTERLY INCOME STATEMENT (INCLUDING ONE-OFF ITEMS)

CONSOLIDATED INCOME STATEMENT – QUARTERLY VIEW

## Profit and Loss Statement

	Reported*				
	2Q 2018	1Q 2019	2Q 2019	Change YoY	Change QoQ
(CZK million, unaudited)					
Net interest income and similar income	5,493	5,892	5,867	6.8%	-0.4%
Net fee & commission income	1,524	1,428	1,533	0.6%	7.4%
Net profit of financial operations	747	571	768	2.8%	34.5%
Dividend and other income	61	65	49	-19.7%	-24.6%
<b>Net banking income</b>	<b>7,825</b>	<b>7,956</b>	<b>8,216</b>	<b>5.0%</b>	<b>3.3%</b>
Personnel expenses	-2,151	-1,905	-1,939	-9.9%	1.8%
General admin. expenses (excl. regulatory funds)	-952	-841	-994	4.4%	18.2%
Resolution and similar funds	19	-846	-1	+/-	-99.9%
Depreciation, amortisation & impairment of op. assets	-450	-596	-589	30.9%	-1.2%
<b>Total operating expenses</b>	<b>-3,534</b>	<b>-4,188</b>	<b>-3,524</b>	<b>-0.3%</b>	<b>-15.9%</b>
<b>Gross operating income</b>	<b>4,291</b>	<b>3,768</b>	<b>4,692</b>	<b>9.3%</b>	<b>24.5%</b>
Cost of risk	319	176	178	-44.2%	1.1%
<b>Net operating income</b>	<b>4,609</b>	<b>3,944</b>	<b>4,870</b>	<b>5.7%</b>	<b>23.5%</b>
Income from share of associated companies	52	62	80	53.8%	29.0%
Profit/(loss) attributable to exclusion of companies from consolidation	0	0	55	n.a.	n.a.
Impairment losses on goodwill	2	0	0	n.a.	n.a.
Net profits on other assets	3	0	14	>100%	n.a.
<b>Profit before income taxes</b>	<b>4,665</b>	<b>4,007</b>	<b>5,019</b>	<b>7.6%</b>	<b>25.3%</b>
Income taxes	-837	-757	-890	6.3%	17.6%
<b>Net profit</b>	<b>3,828</b>	<b>3,249</b>	<b>4,129</b>	<b>7.9%</b>	<b>27.1%</b>
Profit attributable to the Non-controlling owners	73	73	93	27.4%	27.4%
<b>Profit attributable to the Group's equity holders</b>	<b>3,755</b>	<b>3,176</b>	<b>4,036</b>	<b>7.5%</b>	<b>27.1%</b>

\* Within update of its reporting methodology, KB reclassified commitment fees from NFC to NII. For improved information value, the data for 2018 above are based on a pro-forma retrospective restatement of the respective accounting lines of the Income Statement from 2017 and adjusted for reclassification of early prepayment fees from NFC to NII.

# QUARTERLY INCOME STATEMENT (EXCLUDING ONE-OFF ITEMS)

CONSOLIDATED INCOME STATEMENT – QUARTERLY VIEW

## Profit and Loss Statement

(CZK million, unaudited)	Recurring				
	2Q 2018	1Q 2019	2Q 2019	Change YoY	Change QoQ
Net interest income and similar income	5,493	5,892	5,867	6.8%	-0.4%
Net fee & commission income	1,524	1,428	1,533	0.6%	7.4%
Net profit of financial operations	747	571	767	2.7%	34.3%
Other income	61	65	49	-19.7%	-24.6%
<b>Net banking income</b>	<b>7,825</b>	<b>7,956</b>	<b>8,216</b>	<b>5.0%</b>	<b>3.3%</b>
Personnel expenses	-1,928	-1,905	-1,939	0.6%	1.8%
General admin. expenses (excl. regulatory funds)	-1,074	-841	-994	-7.4%	18.2%
Resolution and similar funds	19	-846	-1	+/-	-99.9%
Depreciation, amortisation and impairment of operating assets	-450	-596	-590	31.1%	-1.0%
<b>Total operating expenses</b>	<b>-3,433</b>	<b>-4,188</b>	<b>-3,524</b>	<b>2.7%</b>	<b>-15.9%</b>
<b>Gross operating income</b>	<b>4,392</b>	<b>3,768</b>	<b>4,692</b>	<b>6.8%</b>	<b>24.5%</b>
Cost of risk	319	176	179	-43.9%	1.7%
<b>Net operating income</b>	<b>4,710</b>	<b>3,944</b>	<b>4,871</b>	<b>3.4%</b>	<b>23.5%</b>
Income from share of associated companies	52	62	81	55.8%	30.6%
Profit/(loss) attributable to exclusion of companies from consolidation	0	0	0	n.a.	n.a.
Impairment losses on goodwill	2	0	0	n.a.	n.a.
Net profits on other assets	3	0	14	>100%	n.a.
<b>Profit before income taxes</b>	<b>4,766</b>	<b>4,006</b>	<b>4,965</b>	<b>4.2%</b>	<b>23.9%</b>
Income taxes	-856	-757	-891	4.1%	17.7%
<b>Net profit</b>	<b>3,910</b>	<b>3,249</b>	<b>4,074</b>	<b>4.2%</b>	<b>25.4%</b>
Profit attributable to the Non-controlling owners	73	73	92	26.0%	26.0%
<b>Profit attributable to the Group's equity holders</b>	<b>3,836</b>	<b>3,176</b>	<b>3,982</b>	<b>3.8%</b>	<b>25.4%</b>

## Note for recurring figures:

2Q 2018:

- Restructuring reserve (CZK -223 mil. in Pers. expenses, CZK -71 mil. in GAE and CZK 56 mil. in Income taxes) and release of corporate service fees for SG assistance (CZK 193 mil. in GAE and CZK -37 mil. in Income taxes)

2Q 2019

- Adjustment of the selling price of Komerční pojišťovna (CZK 55 mil. in Profit attributable to exclusion of companies from consolidation)

\* Within update of its reporting methodology, KB reclassified commitment fees from NFC to NII. For improved information value, the data for 2018 above are based on a pro-forma retrospective restatement of the respective accounting lines of the Income Statement from 2017 and adjusted for reclassification of early prepayment fees from NFC to NII.

# BALANCE SHEET

<b>Balance Sheet</b> (CZK million, unaudited)	<b>30 Jun 2018</b>	<b>31 Dec 2018</b>	<b>30 Jun 2019</b>	<b>YoY rel.</b>	<b>YoY abs.</b>	<b>Ytd rel.</b>	<b>Ytd abs.</b>
<b>Assets</b>	<b>1,112,710</b>	<b>1,059,932</b>	<b>1,185,993</b>	<b>6.6%</b>	<b>73,283</b>	<b>11.9%</b>	<b>126,061</b>
Cash and current balances with central bank	21,318	24,851	22,425	5.2%	1,107	-9.8%	-2,426
Loans and advances to banks	304,488	256,268	349,218	14.7%	44,730	36.3%	92,950
Loans and advances to customers (net)	622,804	624,954	641,514	3.0%	18,710	2.6%	16,560
Securities and trading derivatives	131,217	117,761	133,658	1.9%	2,441	13.5%	15,897
Other assets	32,885	36,099	39,178	19.1%	6,293	8.5%	3,079
<b>Liabilities and shareholders' equity</b>	<b>1,112,710</b>	<b>1,059,932</b>	<b>1,185,993</b>	<b>6.6%</b>	<b>73,283</b>	<b>11.9%</b>	<b>126,061</b>
Amounts due to banks	120,335	92,271	124,838	3.7%	4,503	35.3%	32,567
Amounts due to customers	831,974	812,451	892,997	7.3%	61,023	9.9%	80,546
Securities issued	7,337	2,540	5,183	-29.4%	-2,154	104.1%	2,643
Subordinated debt	2,608	2,578	2,550	-2.2%	-58	-1.1%	-28
Other liabilities	55,352	46,764	59,644	7.8%	4,292	27.5%	12,880
Total equity	95,104	103,329	100,781	6.0%	5,677	-2.5%	-2,548
o/w Minority equity	3,219	3,398	2,990	-7.1%	-229	-12.0%	-408

The item Other assets includes Right of used Tangible assets at CZK 3 bil. as of 30 June 2019.

The item Other liabilities includes Lease liabilities at CZK 3 bil. as of 30 June 2019

# CAPITAL & PROFITABILITY INDICATORS

	Reported		Recurring*	
	30/06/2018	30/06/2019	30/06/2018	30/06/2019
(year-to-date, IFRS 9)				
Capital adequacy	18.1%	19.0%		
Tier 1 ratio = Core Tier 1 ratio	17.5%	18.4%		
Risk weighted assets for credit risk (CZK billion)	369.0	373.5		
Net interest margin, annualised	2.2%	2.2%	2.2%	2.2%
Loan (net) / deposit ratio (excl. repo with clients)	75.9%	75.7%	75.9%	75.7%
Cost / income ratio	49.3%	47.7%	46.0%	45.1%
Return on average equity (ROAE), annualised	14.5%	14.6%	15.3%	15.2%
Return on average Tier 1 capital	17.4%	17.6%	18.3%	18.3%
Return on average assets (ROAA), annualised	1.3%	1.3%	1.3%	1.3%
Earnings per share (CZK), annualised	72	76	75	79
Average number of employees during the period	8,481	8,144		

\* **Recurring** = excluding listed one-off items and linearised IFRIC 21 charges for regulatory funds

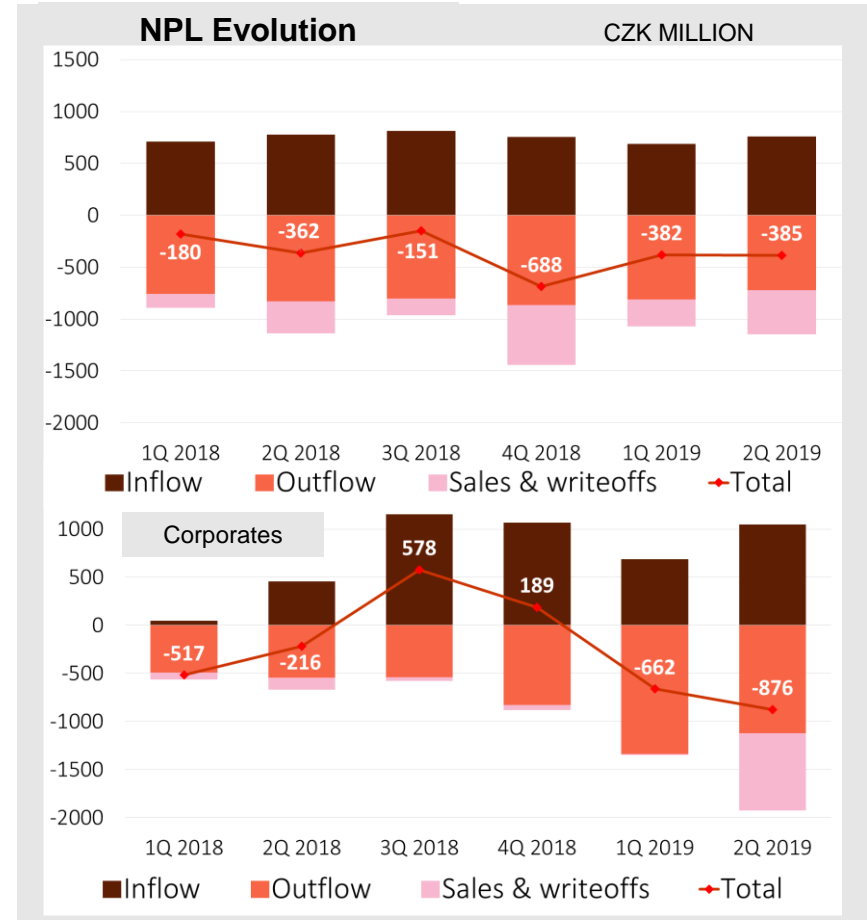
*Net interest margin = Annualised Net interest income / Average interest earning assets*



# DECREASING NPL EXPOSURE

- Retail NPL exposure contraction reflecting net outflows from default classification and portfolio sales
- Corporate NPL exposure evolution driven by 2 main factors: concentrated and limited inflow into default, concentrated and strong recovery performance

## LOAN PORTFOLIO QUALITY



# BUSINESS PERFORMANCE OF SUBSIDIARIES 1/2

	1H 2018	1H 2019	YoY
<b>Modrá pyramida (100%), #2 building savings &amp; loans company</b>			
Volume of new loans (CZK million)	7,005	4,527	-35%
Volume of total loans (gross, CZK million)	47,078	53,522	14%
Volume of deposits (CZK million)	61,332	61,632	0%
Number of clients	486,572	488,611	0%
Average number of FTEs	330	326	-1%
Number of points of sale	213	200	-6%
<b>KB Penzijní společnost (100%), a manager of pension funds</b>			
Number of new contracts	18,368	17,711	-4%
Number of clients	531,980	531,668	0%
Assets under management (CZK million)	55,480	60,022	8%
of which in Transformed fund	50,808	53,611	6%
Average number of FTEs	48	48	0%
<b>ESSOX (50.93%), #2 non-bank consumer lender and car financing company*</b>			
Volume of total loans (gross, CZK million)	16,226	17,496	8%
Number of active clients	213,987	207,863	-3%
Average number of FTEs	411	391	-5%

\* ESSOX s.r.o. merged with PSA FINANCE ČESKÁ REPUBLIKA s.r.o. as of 1 January 2018. ESSOX's subsidiary PSA FINANCE SLOVAKIA, s.r.o. was renamed to ESSOX FINANCE, s.r.o. on 1 January 2018.

# BUSINESS PERFORMANCE OF SUBSIDIARIES 2/2

	1H 2018	1H 2019	YoY
<b>Factoring KB</b> (100%), #1 on the Czech factoring market			
Factoring turnover (CZK million)	24,837	25,913	4%
Volume of total financing (gross, CZK million)	8,463	8,820	4%
Average number of FTEs	45	44	-1%
<b>Komerční pojišťovna</b> (49%), a universal insurance company			
Volume of technical reserves - Saving (CZK million)	47,305	47,704	1%
Gross written premium (CZK million)	2,892	4,883	69%
of which in life insurance	2,593	4,559	76%
of which in non-life insurance	299	324	8%
Average number of FTEs	211	220	4%
<b>SGEF Czech Republic</b> (50.1%), a provider of asset-backed financing in Czech Rep. and Slovakia			
Volume of new financing (CZK million)	5,482	6,680	22%
Volume of total financing (gross, CZK million)	26,710	28,410	6%
Average number of FTEs	126	138	9%

# MACROECONOMIC ENVIRONMENT – CZECHIA

Macroeconomic indicators	2015	2016	2017	2018	2019f	2020f
Real GDP (% , average)	5.4	2.4	4.5	2.9	2.7	2.1
Household consumption (% , average)	3.8	3.5	4.4	3.3	2.7	2.1
Inflation (% , average)	0.3	0.7	2.5	2.1	2.6	2.7
Unemployment (% , avg., ILO methodology)	5.1	4.0	2.9	2.2	2.0	2.3
M2 (% , average)	7.9	8.6	9.5	5.3	5.5	5.1
3M PRIBOR (% , average)	0.3	0.3	0.4	1.3	2.2	2.3

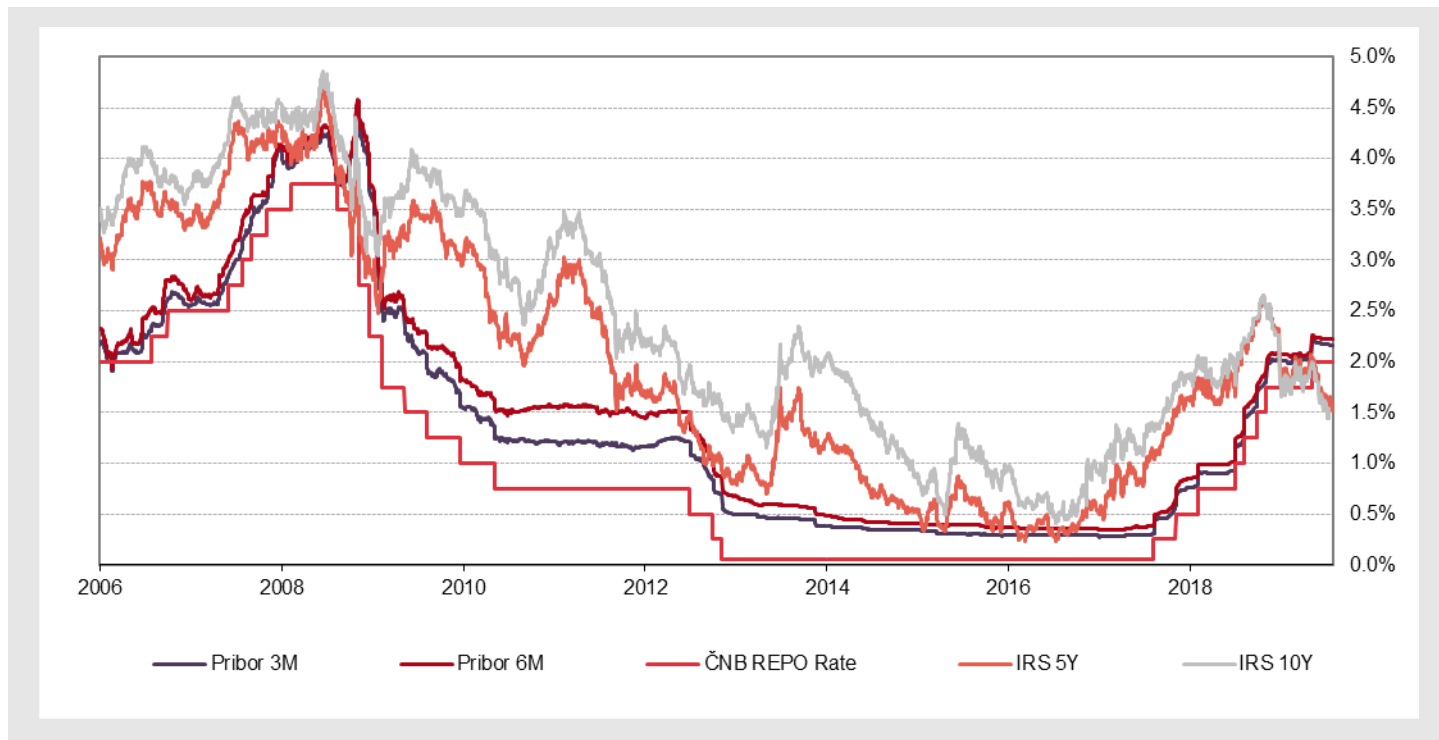
Potential of the market *	2015	2016	2017	2018	2019f	2020f
Loans/GDP (year-end)	60.5	61.9	61.1	62.0	61.6	62.7
Real estate loans (year-end)	21.1	22.1	22.7	23.4	23.3	23.9
Deposits/GDP (year-end)	76.6	79.0	82.5	83.3	84.4	84.4
Household loans/GDP (year-end)	25.7	26.7	27.3	27.9	27.8	28.6

f - KB forecast

\* Banking sector

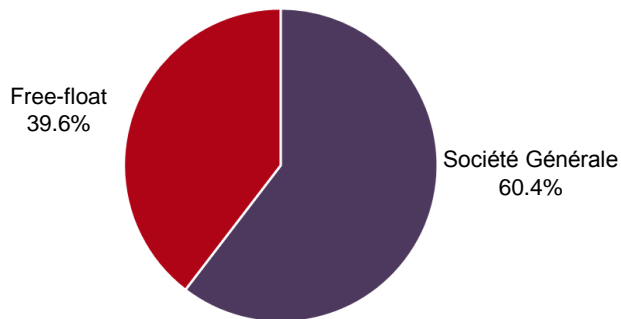
# INTEREST RATES EVOLUTION

For the period 1 Jan 2006 – 26 July 2019

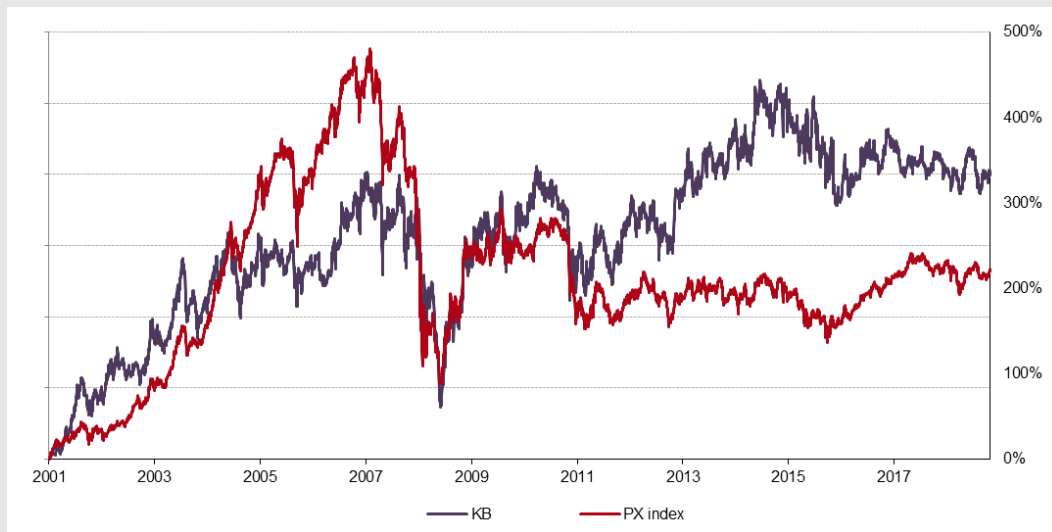


# KB #1 LISTED CZECH BANK

## Shareholder structure



## Development of KB share price and PX index (1 January 2001 – 26 July 2019)



- The number of shareholders comprised 48,834 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