



Komerční banka Group

Financial results as of 30 June 2018

ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, CONSOLIDATED, UNAUDITED



PRAGUE, 2 AUGUST 2018



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 30 June 2018, 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

■ MACROECONOMIC ENVIRONMENT

■ HIGHLIGHTS OF KB'S PERFORMANCE

■ KB CHANGE STRATEGIC UPDATE

■ BUSINESS PERFORMANCE

■ FINANCIAL PERFORMANCE

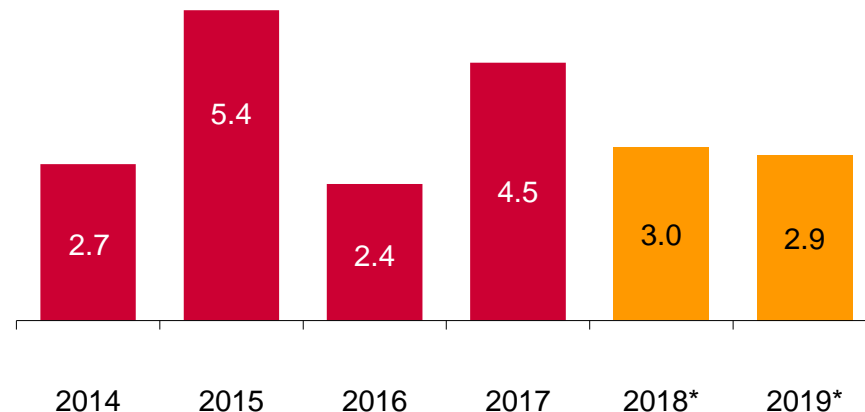
■ ASSET QUALITY & COST OF RISK

■ APPENDIX

ECONOMY SLOWING CLOSER TO POTENTIAL TREND RATE

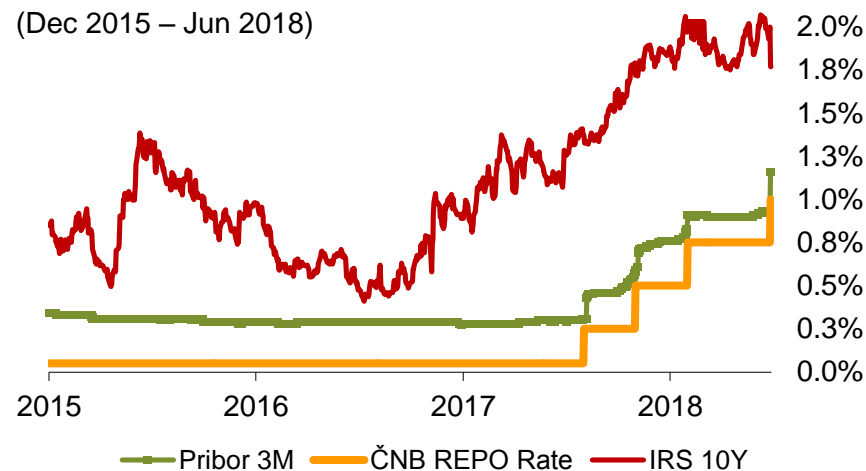
- GDP in 1Q18 up 0.5% QoQ, +4.2% YoY. Private consumption and investments were the main growth drivers. On the supply side, the construction sector recorded a significant increase in value added
- Construction continues to grow remarkably (+10.1% in May), especially building construction, mainly due to higher investment activity in the private sector as well as higher construction of residential buildings
- CPI inflation spiked to 2.6% in June, above CNB's inflation target and forecast. Inflation supported by wage inflation and increase in food, fuel and electricity prices
- Unemployment (2.3% in May)¹, remains the main bottleneck for the economy
- Nominal wages up 8.6% in 1Q 2018, rapid wage growth is expected to continue in the coming quarters
- CNB's 2W repo increased on 28 June 2018 by 0.25% to 1.00%
- Market rates: 3M PRIBOR rose by 40 bps since the end 2017 to 1.16%³, long-term 10Y IRS oscillated between 1.8 - 2.1%

Real GDP outlook (YoY, %)



CZK interest rates

(Dec 2015 – Jun 2018)



Source: CNB, KB trading

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

1) seasonally adjusted, according to Eurostat

2) Source: KB Economic Research forecast 3) As of 29 June 2018

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KB IN SECOND QUARTER 2018: FAST ADOPTION OF DIGITAL, STRONG GROWTH IN RETAIL

Number of KB Mobilní banka users swiftly broke through the 500,000 mark

Total number of KB Bank and Group clients on the rise

Lending growth relatively faster in retail, including to small businesses

Continued growth mainly in retail deposits and client's assets under management

Rise in interest income versus normalising gains from financial operations

Recurring operating costs slower than the inflation, despite faster growth in personnel expenses

Reserve for goals of KB Change programme created. Partly offset by release of over-accrued amounts for corporate services

Supportive macroeconomic conditions allowed exceptional situation of a net release of loan loss provisions

Almost stable recurring net profit year on year

Reported net income influenced by various one-off items, such as creation of the restructuring reserve in 2018 or sale of the head office building in 2017

KB Change launched and in full swing, with first organisational optimisations and product and process improvements delivered

Mobile banking users
+150,000 YoY to 514,000

KB bank customers
+12,000 to 1,666,000

Loans to clients
up by 4.2%

Deposits from clients
up by 4.6%

Net banking income
lower by 1.5%

Recurring OPEX
rose by 1.7%

Reported OPEX
down by 0.3%

Net release of provisions
CZK 0.4 billion

Recurring net profit
lower by 0.7%

Reported net profit
down by 12.3%



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ADDRESSING UPCOMING CHALLENGES WITH KB CHANGE PLAN

Ambition category	Target population	Metric	Score
Client satisfaction	Defined individual clients SMEs Large corporations	Net Promoter Score	Number one among key peers in each target segment
Employee engagement	KB Group employees	Blended index	≥ 80%
Working in agile	KB headquarters	% of HQ employees	30%
Revenues	KB Group	Net banking income (excl. one-off items)	≥ CZK 33 billion
Operational efficiency	KB Group	OPEX / NBI (excl. one-off items)	≤ 45%
Profitability	KB Group	Return on shareholders' equity (excl. one-off items)	≥ 12%

Based on an assumption of a steady growth of the Czech economy. Key risks to achieving the above mentioned targets include significant slowdown in the economic growth and potential impacts of regulatory measures currently not in place, such as Minimum Requirement for own funds and Eligible Liabilities or limitations on price of cross-border payments within the Single European Payments Area



PROGRESS UPDATE ON KB CHANGE IN SECOND QUARTER 2018

Shorter time-to-cash for clients

KB FINANCOVÁNÍ EXPRES

- Simplified process of new loans granting for clients in SME segments

Improving clients' digital experience

- **KB Klíč**  Internet banking authentication via token (smartphone app)
- **KB Key** 

Retail operating model optimisation

- Rolling out Profi branches for small business clients
- Approved optimisation of district branches, reduction of regional divisions to 5 from 10
- Switching branches to cashless (twenty by June)

Implementing Agile@KB organisation

- Launched implementation phase of Agile@KB, defined tribes covering customer journeys and enabling activities, launching first lighthouse tribes
- Simplification of decision-making, delayering of management structure and improved management span of control
- Moving into new HQ premises facilitating workplace collocation of agile teams

Robotic process automation

- First two processes in business lending and credit card administration fully automated

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SELECTED DEALS OF THE SECOND QUARTER OF 2018

PUBLIC SECTOR



Královéhradecký kraj

Municipal Financing

CZK 900,000,000

Complex bank services provider

2018

REAL ESTATE



CERE Invest Babylon s.r.o.

Real Estate Financing

CZK 270,800,000

Complex bank services provider

2018

REAL ESTATE



CTP Property

Europort Airport Center a.s. + 2P, s.r.o.

Investment Financing

EUR 35,000,000

Complex bank services provider

2018

AGRICULTURE



Farma Bezdíněk s.r.o.

Investment Financing

CZK 454,000,000

Complex bank services provider

2018

UTILITY



Severočeská vodárenská společnost a.s.

Acquisition Financing

CZK 1,000,000,000

Lender

2018

E-COMMERCE

NOTINO

Notino, s.r.o.

Club Revolving Facility

CZK 1,100,000,000

Mandated Lead Arranger

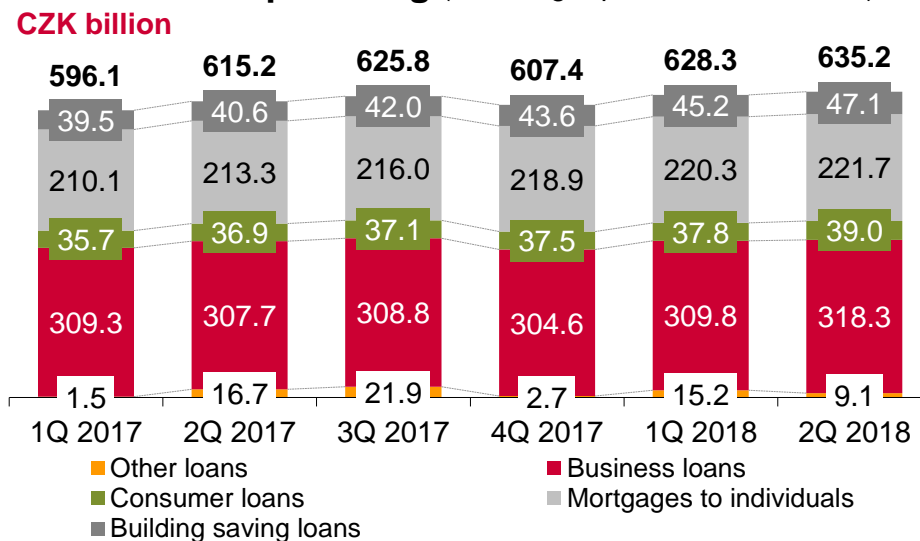
2018

SOLID GROWTH RATE IN RETAIL LENDING

- Gross loans +4.2% YoY, +2.0% QoQ to CZK 624.8 billion (excluding repo operations but including Debt securities issued by KB's corporate clients).
- Including repo, lending rose +3.3% YoY, +1.1% QoQ to CZK 635.2 billion
- Group housing loans +5.9% YoY, of which
 - Mortgages +3.9% YoY to CZK 221.7billion
 - Modrá pyramida's lending +16.0% to CZK 47.1 billion
- Consumer loans (KB + ESSOX Group) up by 5.8% YoY to CZK 39.0 billion
- Business loans +3.4% YoY. Growth influenced by market over-liquidity and increased issuance of bonds by corporations
 - Small businesses (KB) +6.4% to CZK 35.3 billion
 - Corporations (incl. Factoring KB) rose by +2.9% to CZK 256.2 billion
 - SGEF (leasing) +4.6% to CZK 26.7 billion
- Net loans to deposits ratio* at 75.5%.

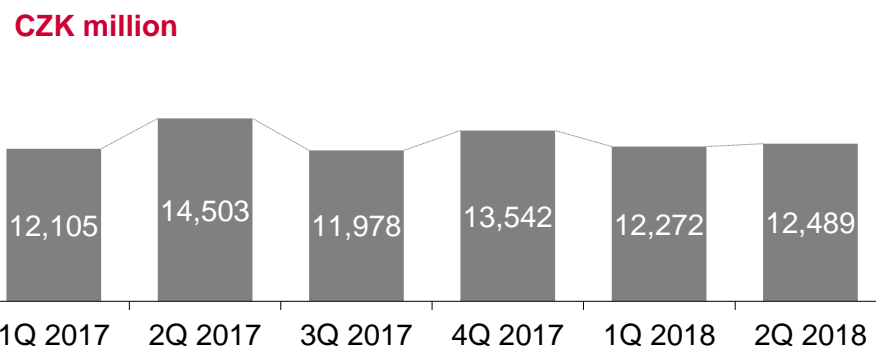
*excluding repo operations with clients but including debt securities held by KB issued by the Bank's clients

Group lending (including repo, incl. client bonds)



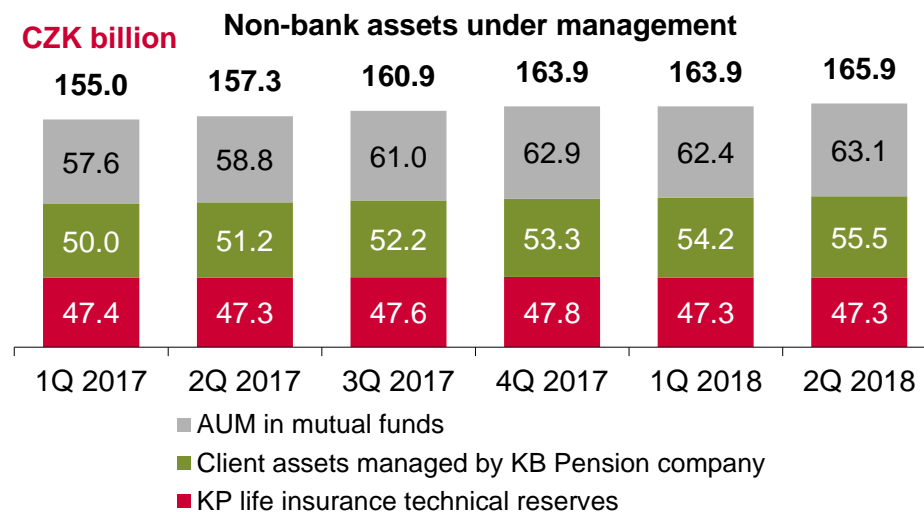
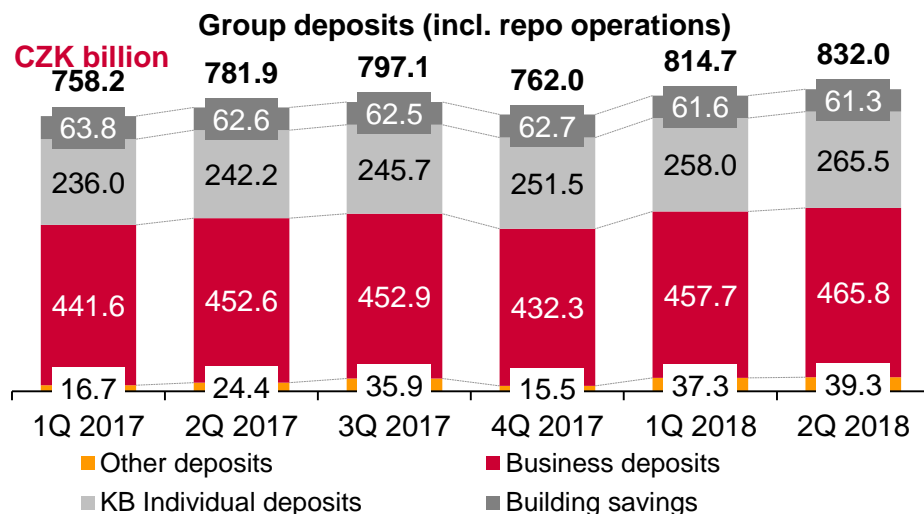
Sales volume of housing loans

(KB mortgages + MPSS loans)



FASTER GROWTH IN RETAIL AND IN TERM DEPOSITS

- Standard Group deposits (excluding repo) up +4.6% YoY to CZK 806.6 billion, +2.0% QoQ
- Total amounts due to clients +6.4% YoY, +2.1% QoQ
- KB (bank) deposits from individuals +9.7% YoY to CZK 265.5 billion
- MPSS building savings -2.1% YoY to CZK 61.3 billion, influenced by repricing of old contracts
- Deposits from businesses +2.9% to CZK 465.8 billion
- Current accounts -1.2% to CZK 563.4 billion, term and savings accounts +21.6% to CZK 235.3 billion
- Clients' pension assets +8.3% to CZK 55.5 billion
- KP life insurance technical reserves at CZK 47.3 billion (stable YoY)
- Assets in mutual funds (sold by KB+MPSS) increased by 7.4% YoY to CZK 63.1 billion

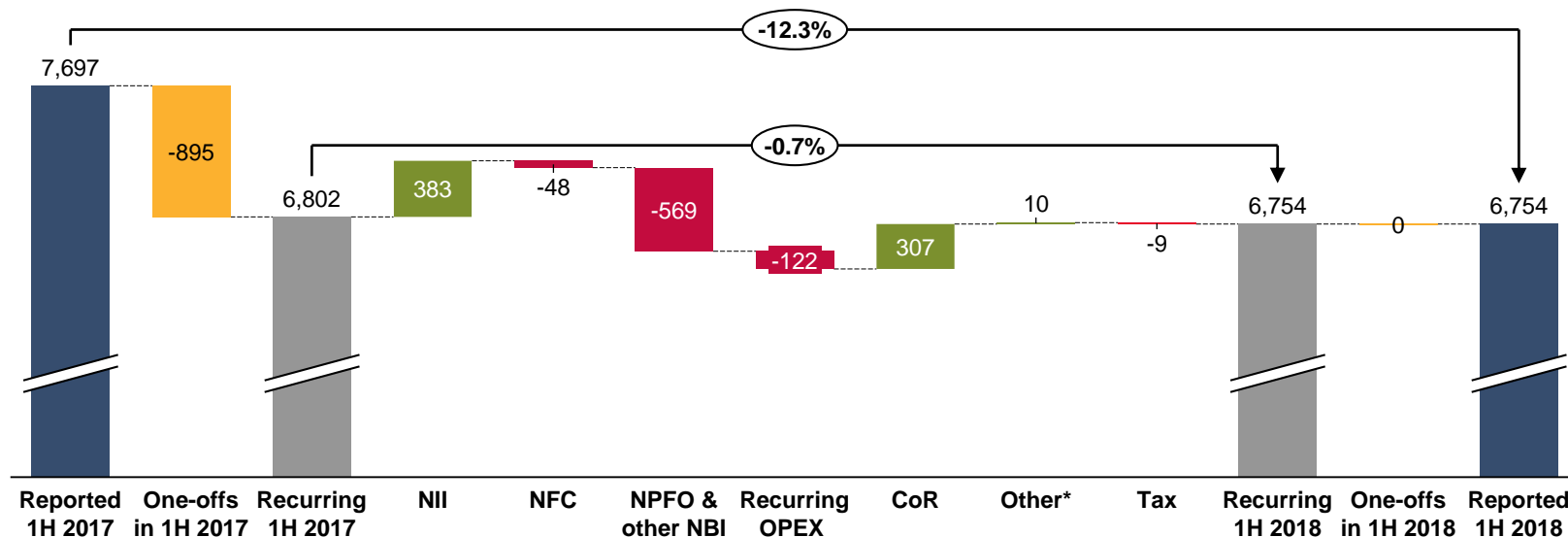


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STABLE RECURRING NET PROFIT, INCREASE IN CORE REVENUES

Drivers for year on year change in attributable net income (as of 30 June 2018)



***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

One-off items:

1H 2017: Net positive contribution from the sale and revaluation of KB's headquarters buildings

1H 2018: Finalisation of the sale price for KB's former stake in Cataps; creation of the restructuring reserve; and release of over-accrued amounts for corporate services

Profitability indicators for 1H 2018

(Annualised)

Return on average equity

14.5%

Return on average Tier 1 capital

17.4%

Return on average assets

1.3%

OUTLOOK FOR THE REST OF 2018

Macroeconomic assumptions

- Czech economy to grow around 3.0% driven by domestic consumption and investments
- Tight labour market to generate growth bottlenecks and boost inflation
- Faster inflation to allow continuing in normalisation of monetary policy rates by the CNB

Banking market outlook

- Banking loans to grow at a mid- to low- single digit pace in 2018, retail lending to be faster
- Only mild slowdown in housing loans expected in 2018, because of front-loading before new CNB measures
- Deposits should decelerate its growth to mid-single digit, with faster retail

KB business outlook

- Loans to grow in a mid- to low- single digit pace driven by retail; corporate lending may remain subdued
- New measures of the CNB may temporarily accelerate sales and intensify competition on mortgage market until October. Consumer lending to be boosted by high confidence levels of households
- Total deposit to grow faster than loans, mainly on term and saving accounts

KB financial outlook

- Total revenues: flattish as improvement in NII will be offset by lower NPFO from extraordinary 2017 level
- OPEX excluding one-off items to grow less than inflation, driven by personnel costs and depreciation, mitigated by tightly controlled general administrative expenses
- Cost of risk: pace of normalisation will depend mainly on macroeconomic conditions in Czechia

Potential risks to the outlook

(with a low probability of occurring in 2018)

- Abrupt worsening of macroeconomic environment caused e.g. by imposition of major obstacles to international trade or a sudden spike in interest rates
- A possible solitary impairment of a large credit exposure
- A significant worsening of competitive situation leading to material erosion of spreads on key products

BALANCE SHEET GROWTH DRIVEN BY DEPOSITS FROM CLIENTS AND BANKS

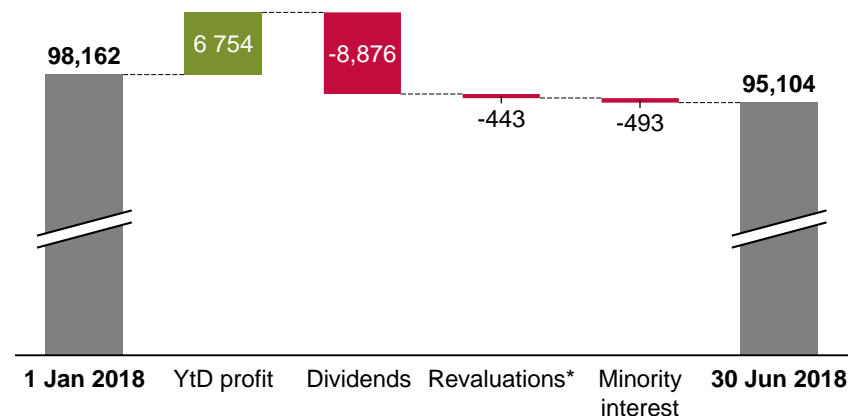
Balance Sheet	30 Jun 2017	31 Dec 2017	1 Jan [*] 2018	30 Jun 2018	Ytd	Ytd
(CZK million, unaudited)	According to IAS 39	According to IAS 39	According to IFRS 9	According to IFRS 9	rel.	abs.
Assets	1,039,362	1,004,039	1,001,652	1,112,710	11.1%	111,058
Cash and current balances with central bank	214,365	32,663	32,663	21,318	-34.7%	-11,345
Loans and advances to banks	61,452	228,373	222,821	304,488	36.7%	81,667
Loans and advances to customers (net)	601,634	598,102	593,639	622,804	4.9%	29,165
Securities and trading derivatives	123,974	108,468	115,913	131,217	13.2%	15,304
Other assets	37,936	36,432	36,616	32,885	-10.2%	-3,731
Liabilities and shareholders' equity	1,039,362	1,004,039	1,001,652	1,112,710	11.1%	111,058
Amounts due to banks	88,165	84,050	84,050	120,335	43.2%	36,285
Amounts due to customers	781,919	762,043	762,043	831,974	9.2%	69,931
Securities issued	15,106	4,832	4,832	7,337	51.8%	2,505
Subordinated debt	0	2,560	2,560	2,608	1.9%	48
Other liabilities	54,716	50,208	50,005	55,352	10.7%	5,347
Total equity	99,456	100,346	98,162	95,104	-3.1%	-3,058

* Values from the Statement of Financial Position as of 1 January 2018 after first time application of IFRS 9, which changed accounting methodology for measurement and classification of financial assets, among other changes

SHAREHOLDERS' EQUITY REFLECTING PAYMENT OF ANNUAL DIVIDEND

- Total equity decreased year to date by 3.1% to CZK 95.1 billion as profit generation was offset by payment of the annual dividend in May of CZK 8.9 billion
- Total equity was CZK 99.5 billion as of 30 June 2017 (before implementation of IFRS 9 standard)
- Sensitivity of equity account (or Other comprehensive income) to changes in interest rates has been significantly reduced after KB redesignated in November 2017 the hedging relationship of interest rate swaps from the “cash flow hedging” to the “fair value hedging” portfolio

Contributions to equity in 1H 2018



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

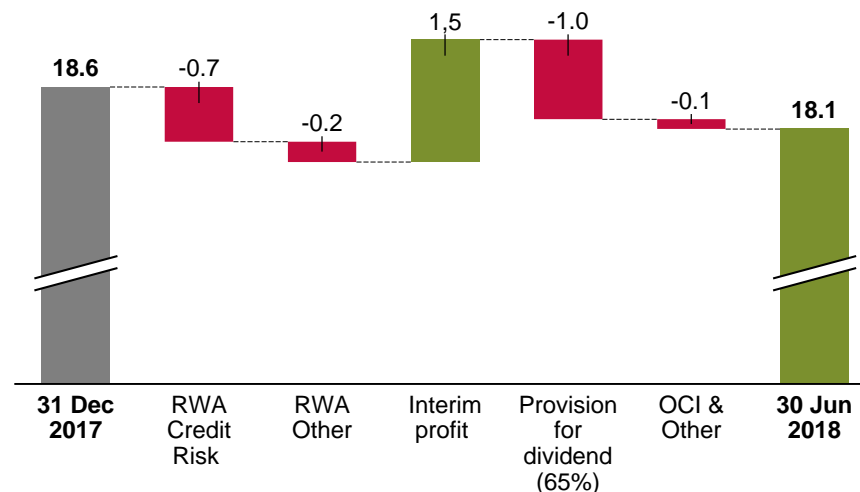
Equity

(CZK million)	30/6/2018
Share capital & reserve funds	84,033
Current year attributable net profit	6,754
Others	453
Cash flow hedge	-62
Revaluation of equity securities	116
Revaluation of debt securities	591
Minority equity	3,219
Total equity	95,104

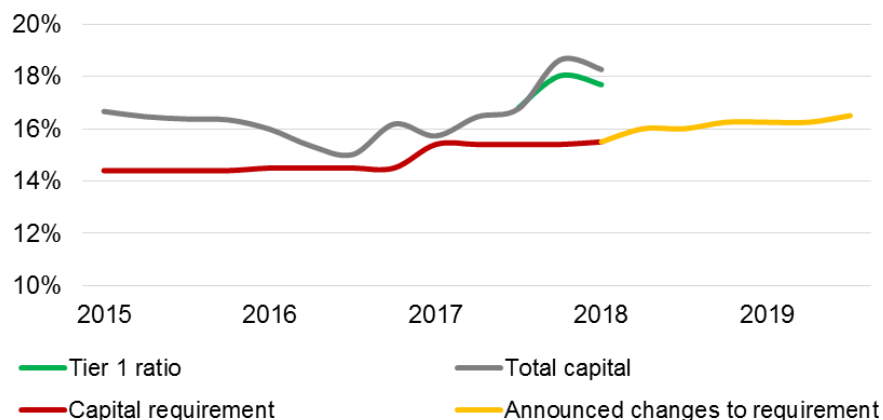
REGULATORY CAPITAL LEVEL SOLID AHEAD OF INCREASES IN REQUIREMENTS

- Total RWA CZK 446.8 billion (-1.0% YoY, +2.2% QoQ)
- Credit RWA CZK 369.0 billion (-3.3% YoY, +1.5% QoQ)
- RWA density (RWA/Total assets) stable at 40%.
- Dividend guidance for 2018 at 65% reflected in a deduction from Tier 1 capital
- Total regulatory capital reached CZK 80.9 billion (+9.0% YoY), of which Core Tier 1 capital stood at CZK 78.3 billion (+5.5% YoY)
- KB's overall capital requirement as of 30 June 2018 was 15.5% of RWA
- As from 1 July 2018, KB's overall capital requirements increase to approx. 16.0% (Core Tier 1 requirement 12.125% and Tier 1 requirement 14.0%) following the increase in the countercyclical capital buffer
- The CNB announced further increases in this buffer from 1 January 2019 by 25 basis points (to 1.25%) and by additional 25 basis points (to 1.5%) from 1 July 2019.

Contributions to capital adequacy ratio development in 1H 2018

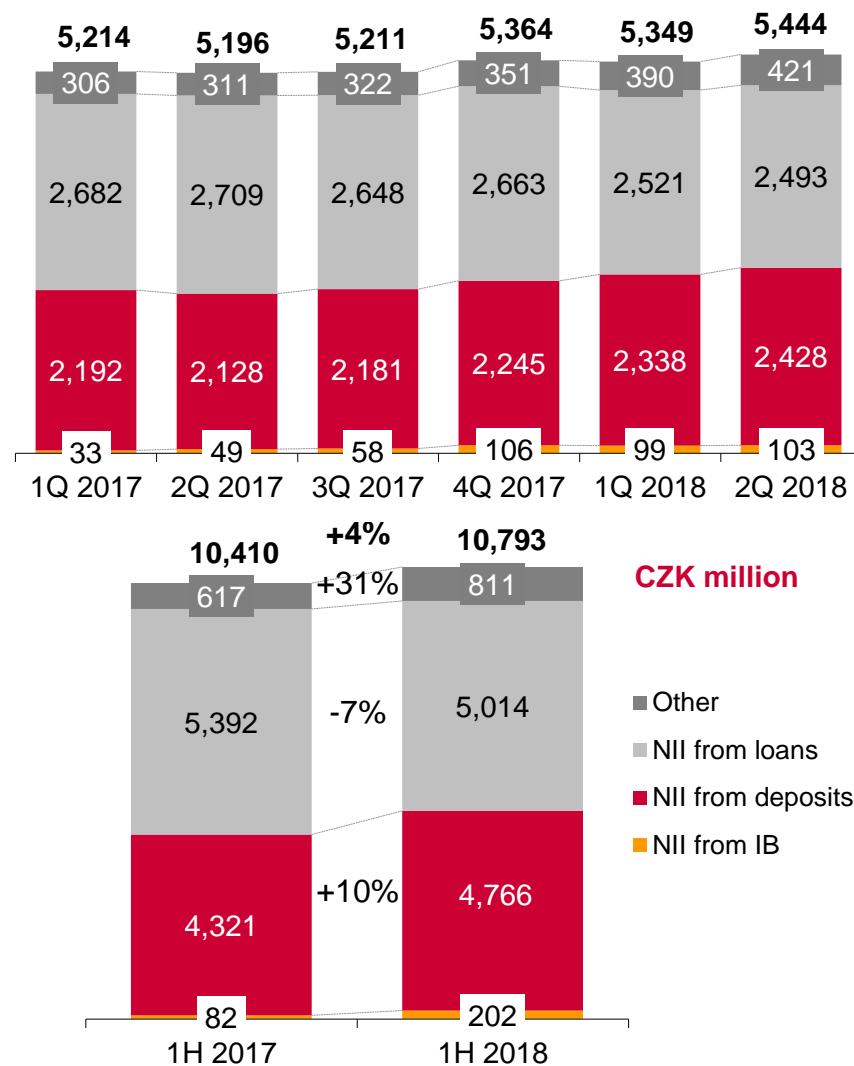


Development of KB's capital adequacy and capital requirement



INCREASING MARKET INTEREST RATES BOOSTING INCOME

- Net interest income in 1H 2018 +3.7% YoY. NII in 2Q 2018 was up 1.8% QoQ
- Higher interbank rates supported yields from reinvestment of deposits and capital
- NII from deposits due also to growth in volumes
- NII from loans pushed down by lower spreads mainly in retail lending, due to intense competition. Average market rates on new mortgages and consumer loans stagnated during 2Q 2018 after increase in the previous quarter*
- Net interest margin reached 2.17% in 1H 2018, 2.10% in 2Q 2018. Narrower NIM in Q2 due to end-of-year outflow of low-margin assets

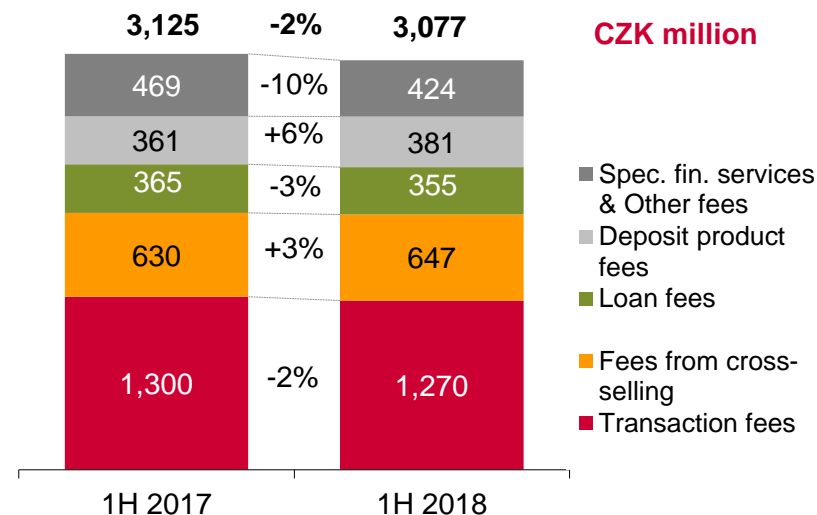
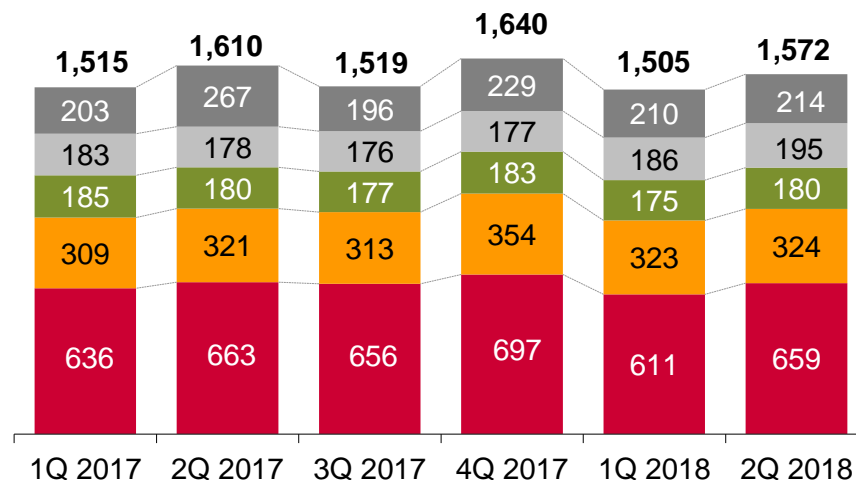


* Source: ARAD statistics of the Czech National Bank

Adjusted for reclassification of early prepayment fees from NFC to NII and for separation of dividend income from NII since 2018

STABLE FEE INCOME EXCEPT FOR ELEVATED BASE

- NFC in 1H 2018 down 1.5% YoY, 2Q +4.5% QoQ
- Deposit product fees increased as the number of clients and the share of superior account packages went up
- Transaction fees – increasing overall number of transactions; most dynamic card payments. The new packages include more transactions in the regular monthly fees
- Loan fees – lower maintenance fees from housing loans in KB and Modrá pyramida and lower fees from certain loans to business clients
- Fees from cross-selling supported mainly by the volume growth in mutual funds
- Specialised financial services and other fees – better income from bond issuance, custody & depository; lower fees from trade finance. YoY drop affected by high base of large deals from 2Q 2017



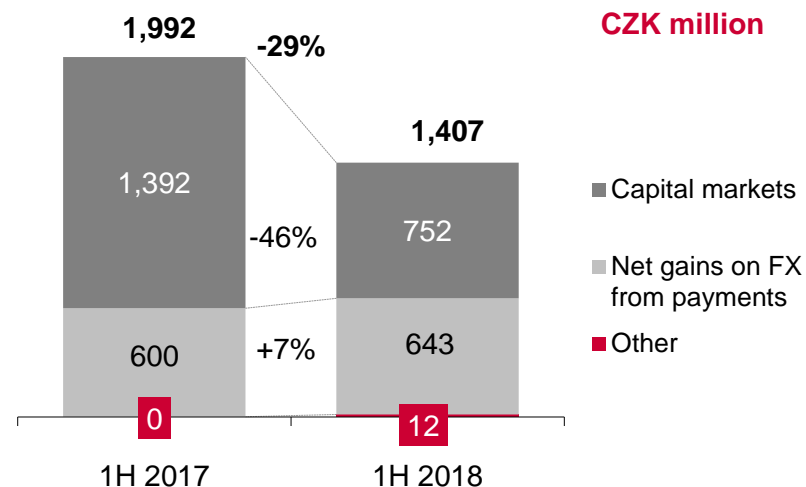
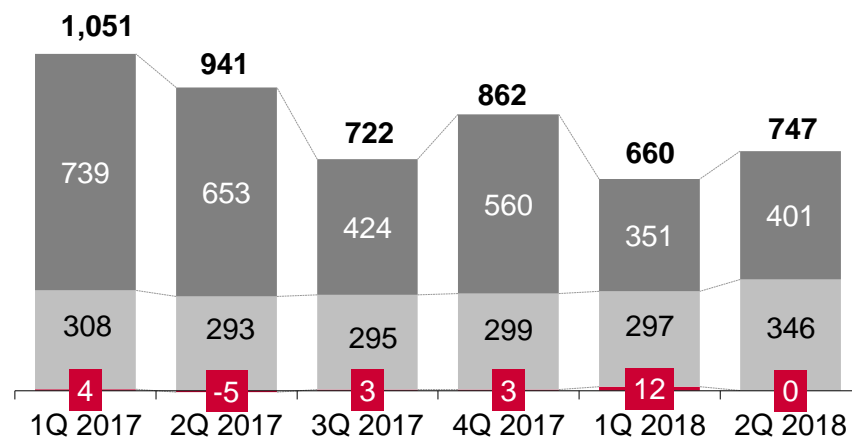
CZK million

- Spec. fin. services & Other fees
- Deposit product fees
- Loan fees
- Fees from cross-selling
- Transaction fees

Adjusted for reclassification of early prepayment fees from NFC to NII

FINANCIAL GAINS NORMALISING AFTER EXTRAORDINARY 2017

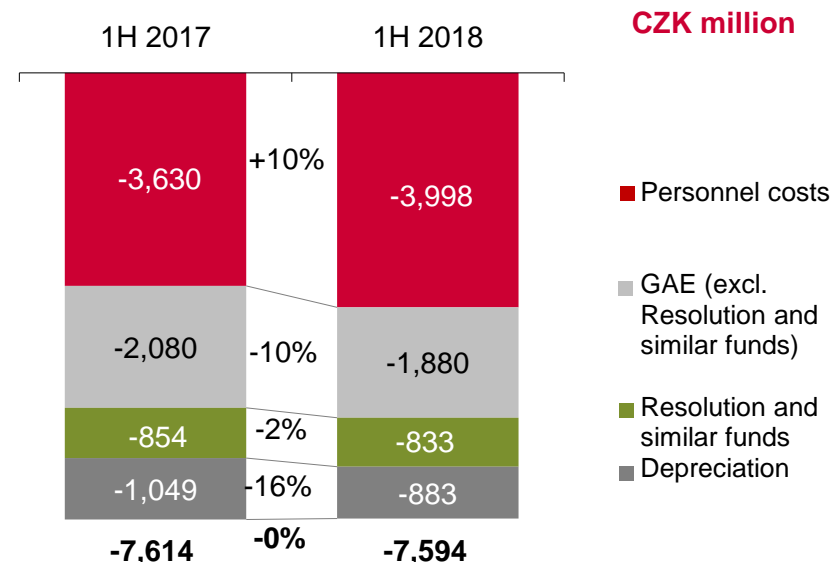
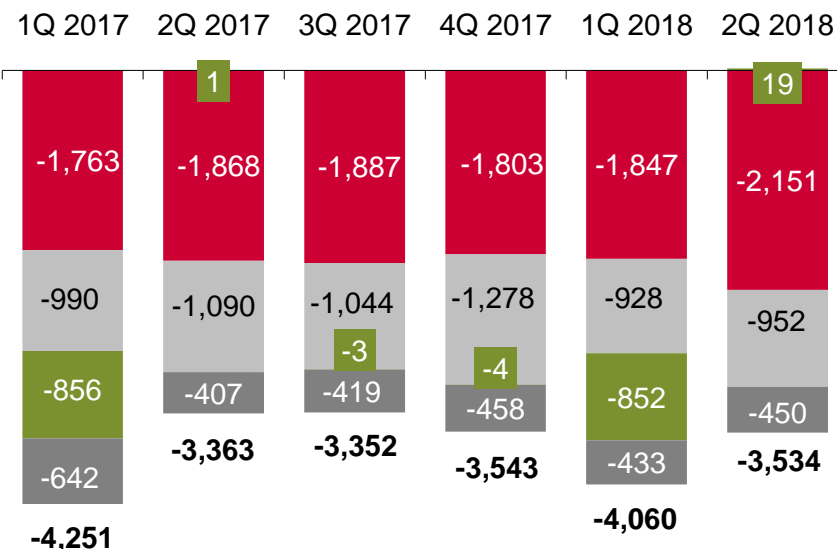
- NPFO in 1H 2018 down by 29.4% YoY, 2Q18 higher by 13.2% QoQ
- YoY decrease in NPFO was expected as 2017 had been boosted by significant client activity around end of CNB's currency interventions
- Positive impact on inventory values from June CNB rate hike and interest rate increases
- Demand for FX hedging improved after change in CZK FX rate trend
- Demand for IR hedging relatively weakening after long period of low rates.
- Increase in interest rates reflected in shifting a part of financial operations gains to interest income
- Recovery in gains on FX from payments on a slight increase in foreign transaction activity



RESTRUCTURING RESERVE CREATED, RECURRING COSTS UNDER CONTROL

- Recurring OPEX for 1H 2018 grew by +1.7% YoY¹. Reported OPEX in 1H 2018 decreased by -0.3% YoY.
- Cost / Income in 1H 2018 excluding one-offs at 48.7% (v. 47.2% in 1H 2017). Reported Cost / Income in 1H 2018 at 49.3% (v. 48.7% in 1H 2017)
- CZK 295 million restructuring reserve created for KB Change 2020 restructuring, o/w CZK 223 million in personnel expenses for expected severance payments and CZK 71 million in GAE for cost of reducing branch facilities
- KB released CZK 193 million over-accrued in previous years in GAE for various services from SG Group entities
- Recurring Personnel expenses (excl. restructuring reserve) 1H 2018 up by +4.0% YoY and 2Q18 up by 4.4% QoQ. Average number of employees increased by a slight 0.3%.
- Recurring GAE in 1H 2018 down 3.8% YoY, 2Q up 15.7% QoQ with some savings on ICT costs
- Recurring D&A* in 1H 2018 up 9.4% YoY, 2Q up 3.9% QoQ driven mainly by new and upgraded software and IT equipment

Note *) excluding an impairment of KB's headquarters building, booked in D&A line in 1H 2017 of CZK 242 mil. and one-off items in 1H 2018 listed on this page. Further CZK 1,052 million gain in 1H 2017 from sale of a HQ building recognised in Net profit from other assets.



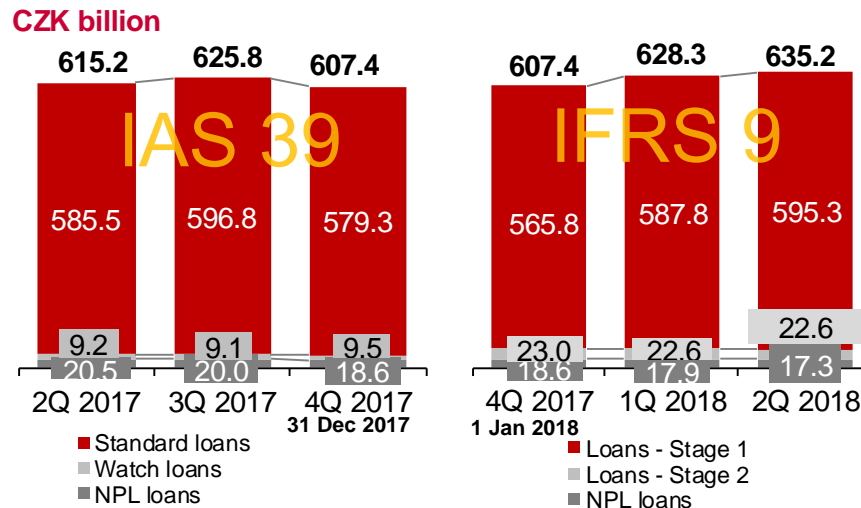
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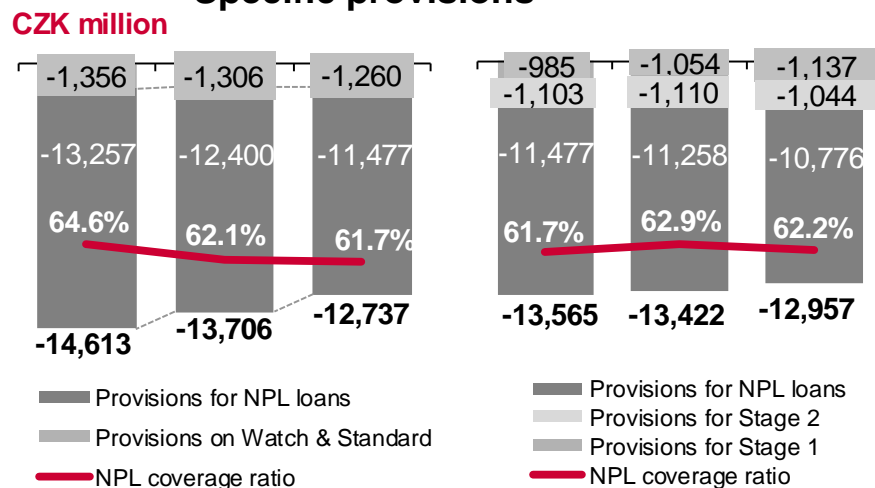
SOUND ASSET QUALITY

- Loan exposure up 3.3% YoY and 1.1% QoQ
- NPL exposure ratio down to 2.7% (vs. 3.3% in 2Q 2017) driven by low default rates, good recovery performance, write-offs and portfolio sales
- Flat NPL provision coverage ratio

Gross lending



Specific provisions

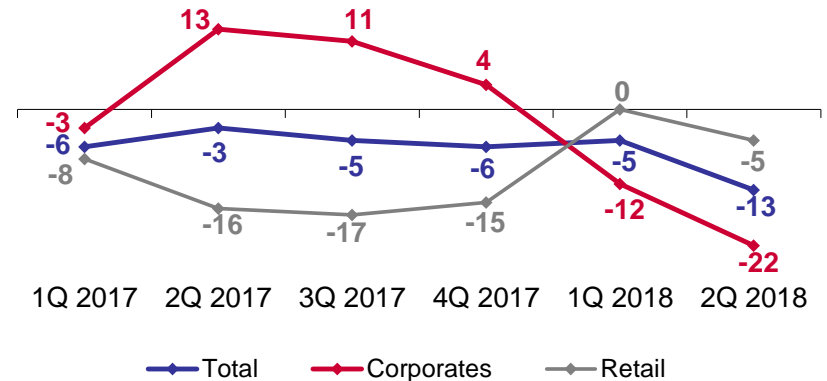


Note: NPL (non-performing loans) exposure defined as per 575/2013 regulation (IFRS9 stage 3 exposure)

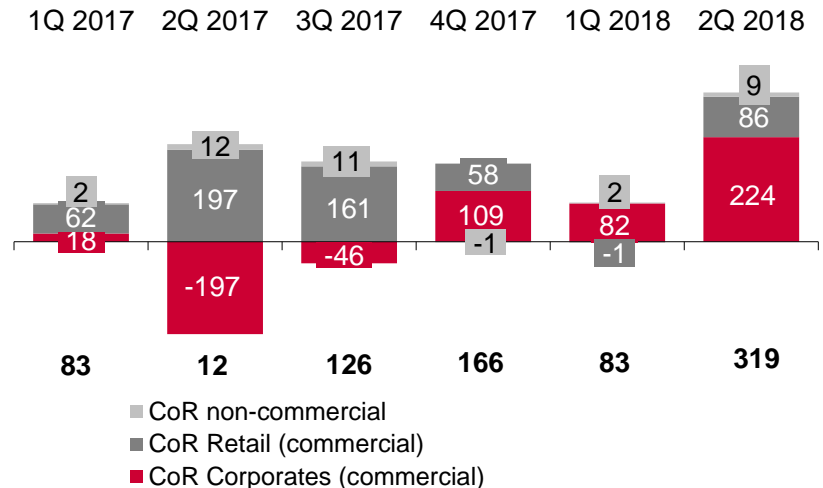
CONTINUED LOW LEVELS OF COST OF RISK

- Net release of CoR in 1H 2018 at CZK 401 million (vs. net release of CoR in 1H 2017 at CZK 94 million)
- Cost of Risk on Corporates loan portfolio at -22 bps in 1H 2018 (vs. 13 bps in 1H 2017) driven by continued low default rates and good recovery performance levels
- Cost of Risk on Retail loan portfolio at -5 bps in 1H 2018 (vs. -16 bps in 1H 2017) driven by the continued favourable economic environment (low unemployment rate and increasing wages trend), low default rate levels and good recovery performance levels

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



Total Cost of Risk development (CZK million)



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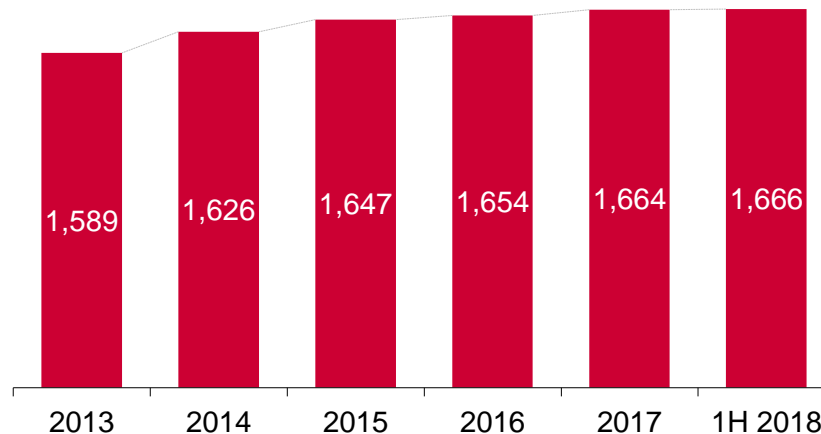
NUMBER OF CLIENTS AND DISTRIBUTION NETWORK

- KB Group's 2.4 million clients(+1%), of which
 - KB bank 1,666,000 clients (1%)
 - MPSS 487,000 clients (1%)
 - KBPS 532,000 clients (0%)
 - ESSOX (Group) 214,000 active clients (+1%)

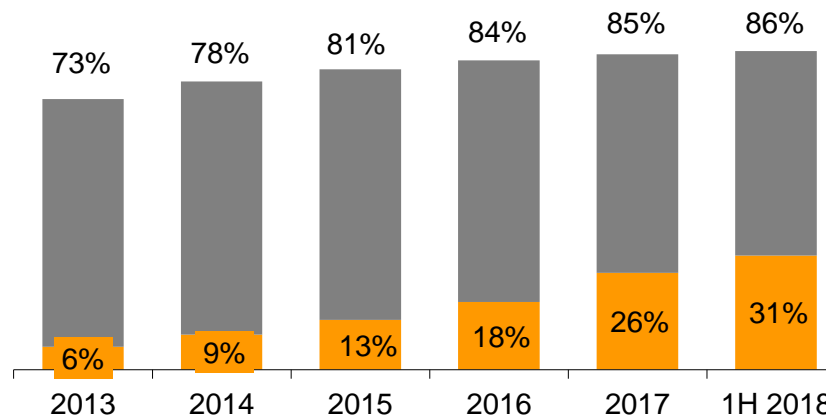
- Network
 - 378 branches for retail clients, 10 corporate divisions and 4 divisions for large corporate clients in CZ, one in Slovakia
 - 761 ATMs (of which 274 deposit-taking)
 - MPSS: 213 points of sale; approx. 800 sales agents
 - SGEF: 7 branches in CZ, 2 in Slovakia

- Direct Channels
 - 1,437,000 clients (i.e. 86% 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



■ KB Mobile banking clients

YEAR-TO-DATE INCOME STATEMENT

Profit and Loss Statement

	Reported*			Recurring		
	1H 2017	1H 2018	Change YoY	1H 2017	1H 2018	Change YoY
(CZK million, unaudited)						
Net interest income and similar income	10,410	10,793	3.7%	10,410	10,793	3.7%
Net fee & commission income	3,125	3,077	-1.5%	3,125	3,077	-1.5%
Net profit of financial operations	1,992	1,407	-29.4%	1,992	1,407	-29.4%
Dividend and other income	103	119	15.5%	103	119	15.5%
Net banking income	15,630	15,396	-1.5%	15,630	15,396	-1.5%
Personnel expenses	-3,630	-3,998	10.1%	-3,630	-3,775	4.0%
General admin. expenses (excl. regulatory funds)	-2,080	-1,880	-9.6%	-2,080	-2,002	-3.8%
Resolution and similar funds	-854	-833	-2.5%	-854	-833	-2.5%
Depreciation, amortisation and impairment of operating assets	-1,049	-883	-15.8%	-807	-883	9.4%
Total operating expenses	-7,614	-7,594	-0.3%	-7,371	-7,493	1.7%
Gross operating income	8,016	7,802	-2.7%	8,259	7,904	-4.3%
Cost of risk	94	401	>100%	94	401	>100%
Net operating income	8,110	8,204	1.2%	8,353	8,305	-0.6%
Income from share of associated companies	108	113	4.6%	108	113	4.6%
Profit/(loss) attributable to exclusion of companies from consolidation	0	82	n.a.	0	0	n.a.
Impairment losses on goodwill	0	2	n.a.	0	2	n.a.
Net profits on other assets	1,109	17	-98.5%	50	17	-66.0%
Profit before income taxes	9,327	8,417	-9.8%	8,511	8,437	-0.9%
Income taxes	-1,446	-1,515	4.8%	-1,525	-1,534	0.6%
Net profit	7,881	6,902	-12.4%	6,986	6,903	-1.2%
Profit attributable to the Non-controlling owners	184	149	-19.0%	184	149	-19.0%
Profit attributable to the Group's equity holders	7,697	6,754	-12.3%	6,802	6,754	-0.7%

* Within update of its reporting methodology, mainly implementation of the new IFRS 9 reporting standard, KB reclassified as from 1 January 2018 certain items of the Income Statement and the Statement of Financial Position. For improved information value, the data for 2017 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.

Note for recurring figures:

1H 2017: Adjusted for net positive contribution from the sale and revaluation of KB's headquarters buildings (CZK 242 mil. in Depreciation, amortisation and impairment of operating assets; CZK 1,059 mil. in Net profit on other assets; CZK 79 mil. in Income taxes).

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)

QUARTERLY REPORTED PROFIT & LOSS (INCLUDING ONE-OFF ITEMS)

Profit and Loss Statement

(CZK million, unaudited)	Reported*				
	2Q 2017	1Q 2018	2Q 2018	Change YoY	Change QoQ
Net interest income and similar income	5,196	5,349	5,444	4.8%	1.8%
Net fee & commission income	1,610	1,505	1,572	-2.4%	4.5%
Net profit of financial operations	941	660	747	-20.6%	13.2%
Dividend and other income	61	58	61	0.0%	5.2%
Net banking income	7,809	7,571	7,825	0.2%	3.4%
Personnel expenses	-1,868	-1,847	-2,151	15.1%	16.5%
General admin. expenses (excl. regulatory funds)	-1,090	-928	-952	-12.7%	2.6%
Resolution and similar funds	1	-852	19	>100%	+/-
Depreciation, amortisation & impairment of op. assets	-407	-433	-450	10.6%	3.9%
Total operating expenses	-3,363	-4,060	-3,534	5.1%	-13.0%
Gross operating income	4,445	3,512	4,291	-3.5%	22.2%
Cost of risk	12	83	319	>100%	>100%
Net operating income	4,457	3,594	4,609	3.4%	28.2%
Income from share of associated companies	53	62	52	-1.9%	-16.1%
Profit/(loss) attributable to exclusion of companies from	0	82	0	n.a.	n.a.
Impairment losses on goodwill	0	0	2	n.a.	n.a.
Net profits on other assets	17	14	3	-82.4%	-78.6%
Profit before income taxes	4,527	3,752	4,665	3.0%	24.3%
Income taxes	-831	-678	-837	0.7%	23.5%
Net profit	3,696	3,074	3,828	3.6%	24.5%
Profit attributable to the Non-controlling owners	80	75	73	-8.8%	-2.7%
Profit attributable to the Group's equity holders	3,616	2,999	3,755	3.8%	25.2%

* Within update of its reporting methodology, mainly implementation of the new IFRS 9 reporting standard, KB reclassified as from 1 January 2018 certain items of the Income Statement and the Statement of Financial Position. For improved information value, the data for 2017 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 RECURRING PROFIT & LOSS (EXCLUDING ONE-OFF ITEMS)

Profit and Loss Statement

(CZK million, unaudited)	Recurring				
	2Q 2017	1Q 2018	2Q 2018	Change YoY	Change QoQ
Net interest income and similar income	5,196	5,349	5,444	4.8%	1.8%
Net fee & commission income	1,610	1,505	1,572	-2.4%	4.5%
Net profit of financial operations	941	660	747	-20.6%	13.2%
Other income	61	58	61	0.0%	5.2%
Net banking income	7,809	7,571	7,825	0.2%	3.4%
Personnel expenses	-1,868	-1,847	-1,928	3.2%	4.4%
General admin. expenses (excl. regulatory funds)	-1,090	-928	-1,074	-1.5%	15.7%
Resolution and similar funds	1	-852	19	>100%	+/-
Depreciation, amortisation and impairment of operating	-407	-433	-450	10.6%	3.9%
Total operating expenses	-3,363	-4,060	-3,433	2.1%	-15.4%
Gross operating income	4,445	3,512	4,392	-1.2%	25.1%
Cost of risk	12	83	319	>100%	>100%
Net operating income	4,457	3,594	4,711	5.7%	31.1%
Income from share of associated companies	53	62	52	-1.9%	-16.1%
Profit/(loss) attributable to exclusion of companies from	0	0	0	n.a.	n.a.
Impairment losses on goodwill	0	0	2	n.a.	n.a.
Net profits on other assets	17	14	3	-82.4%	-78.6%
Profit before income taxes	4,527	3,670	4,767	5.3%	29.9%
Income taxes	-831	-678	-856	3.0%	26.3%
Net profit	3,696	2,992	3,911	5.8%	30.7%
Profit attributable to the Non-controlling owners	80	75	73	-8.8%	-2.7%
Profit attributable to the Group's equity holders	3,616	2,917	3,837	6.1%	31.5%

Note for recurring figures:

2Q 2017: None

1Q 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)

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)

STRONG CAPITAL & LIQUIDITY

PROFITABILITY INDICATORS INFLUENCED IN FIRST QUARTER BY IFRIC 21

	Reported			Recurring	
	30/06//2017	31/12/2017	30/06/2018	30/06/2017	30/06/2018
(year-to-date, IFRS9)					
Capital adequacy	16.5%	18.6%	18.1%		
Tier 1 ratio = Core Tier 1 ratio	16.5%	18.0%	17.5%		
Risk weighted assets for credit risk (CZK billion)	381.5	352.9	369.0		
Net interest margin*, annualised	n.a.*	n.a.*	2.2%	2.3%**	2.2%
Loan (net) / deposit ratio (excl. repo with clients)	n.a.*	78.3%	75.5%	76.0%**	75.5%
Cost / income ratio	48.7%	46.7%	49.3%	47.2%	48.7%
Return on average equity (ROAE), annualised	n.a.*	n.a.*	14.5%	14.0%**	14.6%
Return on average regulatory capital	21.1%	19.8%	16.9%	18.8%	16.9%
Return on average assets (ROAA), annualised	n.a.*	n.a.*	1.3%	1.4%**	1.3%
Earnings per share (CZK), annualised	82	79	72	72	72
Average number of employees during the period	8,455	8,492	8,481		

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

* not available under IFRS 9 reporting standard. Overview of ratios in accordance with the IAS 39 standard is provided in the appendix.

** based on methodology according to IAS 39

BUSINESS PERFORMANCE OF SUBSIDIARIES 1/2

	1H 2017	1H 2018	YoY
Modrá pyramida (100%), #2 building savings & loans company			
Volume of new loans (CZK million)	7,054	7,005	-1%
Volume of total loans (gross, CZK million)	40,602	47,078	16%
Volume of deposits (CZK million)	62,591	61,332	-2%
Number of clients	482,246	486,572	1%
Average number of FTEs	330	330	0%
Number of points of sale	216	213	-1%
KB Penzijní společnost (100%), a manager of pension funds			
Number of new contracts	16,636	18,368	10%
Number of clients	533,150	531,980	0%
Assets under management (CZK million)	51,237	55,481	8%
of which in Transformed fund	48,174	50,808	5%
Average number of FTEs	47	48	2%
ESSOX (50.93%), #2 non-bank consumer lender and car financing company			
Volume of total loans (gross, CZK million)	14,709	16,226	10%
Number of active clients	212,185	213,987	1%
Average number of FTEs	393	411	5%

BUSINESS PERFORMANCE OF SUBSIDIARIES 2/2

	1H 2017	1H 2018	YoY
Factoring KB (100%), #1 on the Czech factoring market			
Factoring turnover (CZK million)	20,252	24,837	23%
Volume of total financing (gross, CZK million)	7,437	8,463	14%
Average number of FTEs	45	45	-1%
Komerční pojišťovna (49%), a universal insurance company			
Volume of technical reserves - Saving (CZK million)	47,255	47,305	0%
Gross written premium (CZK million)	3,518	2,892	-18%
of which in life insurance	3,241	2,593	-20%
of which in non-life insurance	276	299	8%
Average number of FTEs	187	211	13%
SGEF Czech Republic (50.1%), a provider of asset-backed financing in Czech Rep. and Slovakia			
Volume of new financing (CZK million)	5,413	5,482	1%
Volume of total financing (gross, CZK million)	25,538	26,710	5%
Average number of FTEs	126	126	0%

MACROECONOMIC ENVIRONMENT – CZECH REPUBLIC

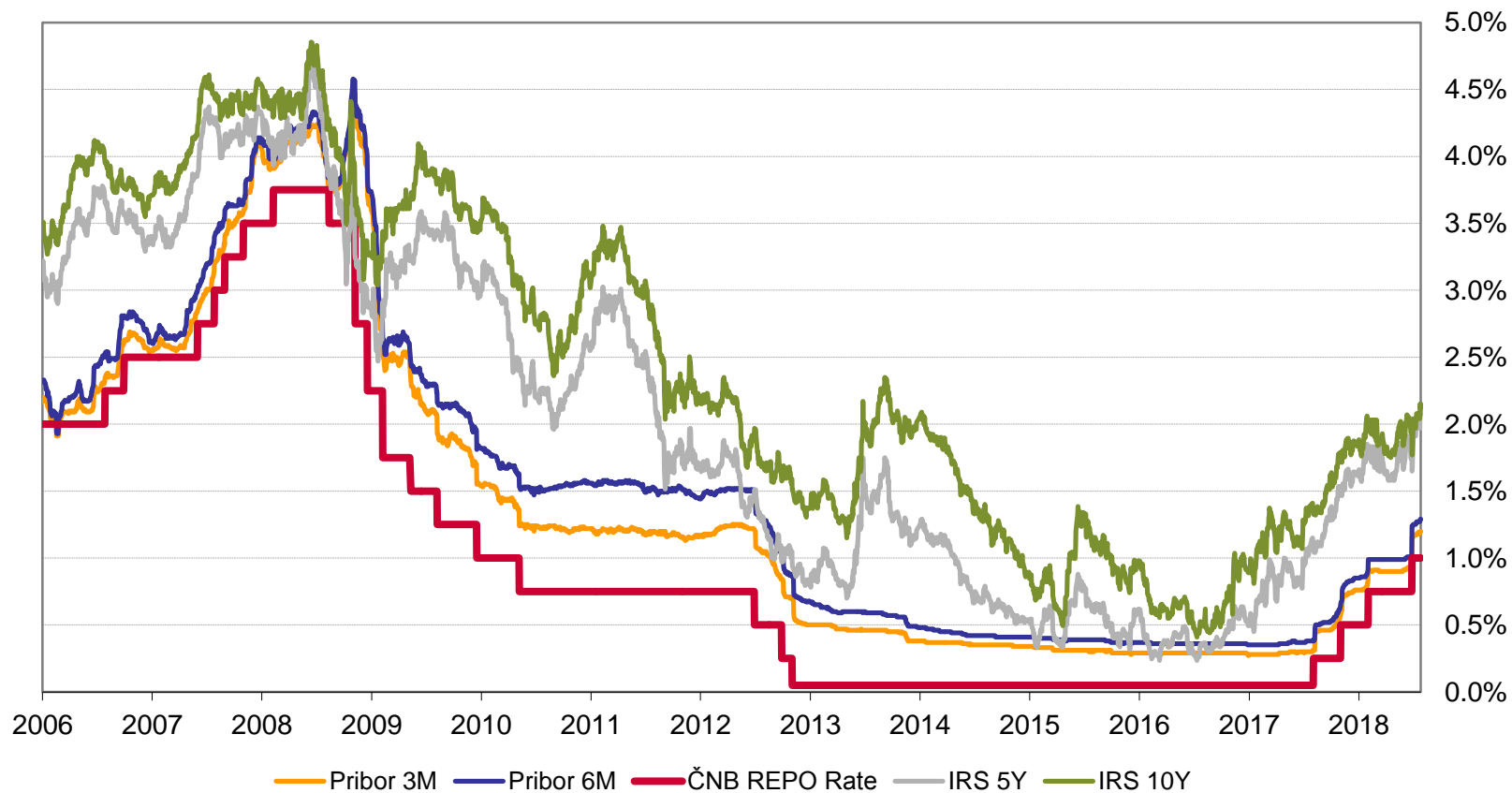
Macroeconomic Indicators	2015	2016	2017	2018*	2019*
Real GDP (% , average)	5.4	2.4	4.5	3.0	2.9
Inflation (% , average)	0.3	0.7	2.5	2.1	2.1
Household consumption (% , average)	3.8	3.5	4.4	4.0	3.0
Unemployment (% , av., MLSA meth.)	6.4	5.4	4.1	3.2	3.1
3M PRIBOR (% , average)	0.3	0.3	0.4	1.2	2.2
Potential of the market **	2015	2016	2017	2018*	2019*
Loans / GDP (year-end)	60.5	61.9	61.1	61.9	61.2
Real estate loans / GDP (year-end)	21.1	22.1	22.7	22.6	22.5
Deposits / GDP (year-end)	76.6	79.0	82.5	82.8	82.8
Household loans / GDP (year-end)	26.9	27.9	28.4	28.4	28.3

* *KB estimate*

** *Banking sector*

INTEREST RATES EVOLUTION

(for the period 1 January 2006 – 26 July 2018)

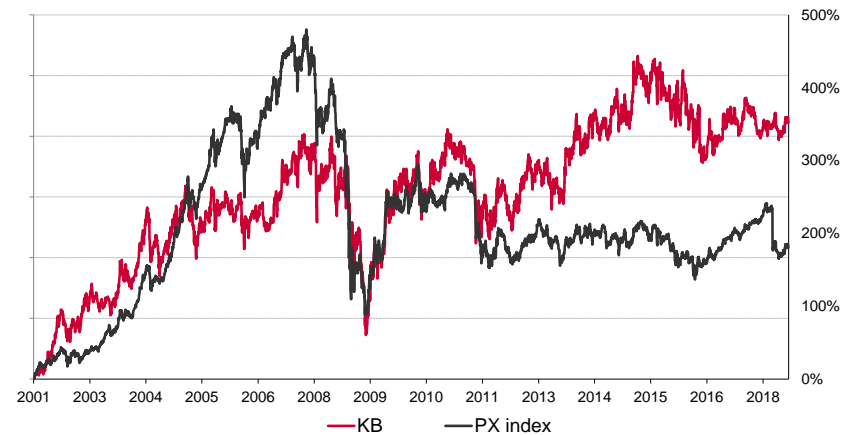


KB #1 LISTED CZECH BANK

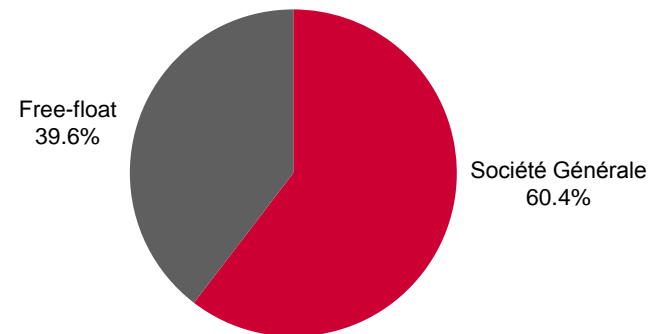
As of 30 June 2018

- The number of shareholders comprised 48,205 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 January 2001 – 26 July 2018)



Shareholder structure





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