KB active in supporting the Czech economy, preparing for the future

- **KB Group's lending to clients expanded by 8.6% year on year to CZK 596.1 billion.**
- **Total client deposits rose by 12.7% from year earlier to CZK 758.2 billion.**
- **Assets of KB Group's clients in mutual funds, pension savings and life insurance grew by a strong 9.4% to CZK 155.0 billion.**
- **Revenues were up by 1.7% to CZK 7.8 billion. The growth was driven by gains from financial operations, while net interest income and net fees and commissions declined.**
- **Net profit adjusted for non-recurring items was up 11.2% to CZK 3.2 billion on slightly growing revenues and operating costs. The Group benefitted from exceptionally favourable conditions for financial operations and cost of risk.**
- **Reported net profit including extraordinary contributions related to restructuring of KB's portfolio of headquarters buildings climbed to CZK 4.1 billion (+41.0%).**

Prague, 4 May 2017 – Komerční banka today reported its consolidated results for the first quarter of 2017. Total revenues were up by 1.7% year on year to CZK 7.8 billion. This result was boosted by clients' strong currency hedging activity ahead of the CNB's ending its interventions. Reported operating expenditures declined by 18.5% to CZK 3.2 billion, reflecting the fact that this line includes also net gain from sale and revaluation of KB's headquarters buildings. After adjusting for these one-off items, operating expenditures rose by 1.6% to CZK 4.0 billion. Recurring gross operating income (before provisions for risk expenses) was up by 1.7%. The cost of risk for the quarter was negligible (net provisions release of CZK 0.1 billion), reflecting the favourable economic environment and successful recovery performance. The reported net profit attributable to shareholders thus increased by 41.0% to CZK 4.1 billion. Recurring net profit, excluding one-off items relating to headquarters, was higher by 11.2%, at CZK 3.2 billion.

"The financial markets in the first quarter were affected by expectations that the central bank's currency interventions were nearing their end. This attracted massive inflows of foreign capital, which influenced pricing and partly leaked into deposits in the banking system. At the same time, exporters were keen to hedge their future foreign revenues against potential appreciation of the Czech crown. From this perspective, the first quarter was not a usual one," remarked Albert Le Dirac'h, KB's Chairman of the Board of Directors and Chief Executive Officer.

Gross loans to clients expanded by 8.6% to CZK 596.1 billion. Total deposits climbed by 12.7% to CZK 758.2 billion. Capital adequacy reached 15.7%. KB's regulatory capital base was comprised solely of Core Tier 1 instruments. Liquidity measured by the ratio of net loans to deposits was at a strong 76.7%.

"As for KB, we grew the volumes of loans and assets under management and we took several steps to improve efficiency, enhance co-operation among various teams within KB Group, and ensure that we will be well prepared for the future, such as by combining our headquarter functions within two locations in Prague" added Albert Le Dirac'h.

The Bank had 46,082 shareholders as of the end of the quarter (+1,485 year on year), of which 40,749 were private individuals from the Czech Republic (+1,414 year on year). Strategic shareholder Société Générale maintained a 60.3% stake, minority shareholders held 39.7% in KB.

Comments on business and financial results

The published financial data are from unaudited consolidated results under IFRS (International Financial Reporting Standards).

BUSINESS PERFORMANCE OF KB GROUP

Market environment

Through the first quarter of 2017, the Czech economy continued growing at a pace exceeding the average dynamics within the European Union more generally. Domestic consumption remained strong, although public investments were still below their potential. Unemployment declined below 5% as reported by the Czech Statistical Office, and the figure according to Eurostat (3.4%) was the lowest of any country in the EU. Average wages were higher by more than 4% year on year. In such conditions, and given also the low base of energy prices in 2016, consumer price inflation accelerated to 2.6% year on year in March.

The robust performance of the Czech economy, faster inflation, and comments from the Czech National Bank all led financial markets to believe that the day was approaching when the central bank would discontinue maintaining its floor under the Czech crown/euro exchange rate. The prevailing perception that the crown would appreciate once the floor would be scrapped led to immense flows of capital into CZK-denominated financial assets. The CNB's foreign reserves, which had been swelling due to its interventions to weaken the currency such that the crown/euro exchange rate would remain above 27, had exceeded 70% of GDP. That was up by 24 percentage points year to date and almost double the level of just one year earlier.

The CNB left its monetary policy interest rates unchanged at close to zero, but short-term Czech government bond yields sank into deeply negative territory and then remained below zero for maturities as long as 6 years. Meanwhile, longer-term yields rose somewhat to reflect a pick-up in inflation and developments on global markets. The fixed leg of interest rate swaps hovered above 1% during the quarter.

The lending market held to its steady growth pace of around 6-7% annually throughout the quarter. Borrowing by individuals was a bit more dynamic and was driven by housing loans, although new CNB requirements regarding initial down payments on mortgages had a dampening effect on new sales. Consumer lending grew more slowly. Borrowing in the corporate segment was subdued, in part because public investments into infrastructure did not really take off.

Deposit volumes recorded significant growth in the first quarter. This was linked to the favourable situation among economic entities but also resulted from the inflow of liquidity into the country before the end of currency interventions and return of volumes that had been pushed out of the banking system at the end of 2016 by the cost of the Resolution Fund.

Developments in the client portfolio and distribution networks

At the close of March 2017, KB Group was serving 2.4 million clients on a consolidated basis. Standalone KB recorded 1,653,000 clients (+0.3% year on year), of which 1,395,000 were individuals. The remaining 257,000 customers were comprised of entrepreneurs, businesses and corporations (including municipalities and associations). Modrá pyramida was attending to 487,000 customers, and the number of pension insurance participants at KB Penzijní společnost reached 534,000. ESSOX's services were being used by 199,000 active clients, and PSA Finance was providing its services to more than 16,000 clients in the Czech Republic and Slovakia.

Komerční banka's clients had at their disposal 392 banking branches (including one branch for corporate clients in Slovakia), 767 ATMs (of which 199 were deposit ATMs), plus full-featured direct banking channels supported by two call centres. The number of clients using at least one direct banking channel (such as internet or telephone banking) reached 1,393,000 by the end of March 2017 and corresponds to 84.3% of all clients, while mobile banking alone was used by more than

333,000 of KB’s clients. Customers held 1,579,000 active payment cards, of which 191,000 were credit cards. The number of active credit cards issued by ESSOX came to 111,000. Modrá pyramida’s customers had at their disposal 215 points of sale and approximately 900 advisors. SG Equipment Finance (SGEF) was providing its leasing services via nine branches (two of which are in Slovakia), as well as through KB’s network.

Loans to customers

The total gross volume of loans provided by KB Group expanded by 8.6% year on year to CZK 596.1 billion.

In lending to individuals, the overall volume of housing loans[i] grew by 10.3% year on year. Within this total, the portfolio of mortgages to individuals swelled by 11.1% from the year earlier to CZK 210.1 billion. Modrá pyramida reported growth of its portfolio by 6.3% to CZK 39.5 billion. The volume of KB Group’s consumer lending was up by 15.7% to CZK 35.7 billion. Excluding the addition of retail components in the portfolios of PSA Finance in the Czech Republic and Slovakia, which had been acquired in 2016, the growth of consumer lending reached 9.5%.

The total volume of **loans** provided by KB Group **to businesses** climbed by 6.8% year on year to CZK 309.3 billion. The overall volume of credit granted by KB to medium-sized and large corporate clients in the Czech Republic and Slovakia (inclusive of factor finance outstanding at Factoring KB and business lending by PSA Finance) advanced by 7.1% to CZK 251.3 billion. Lending to small businesses grew by 5.4% to CZK 32.5 billion. At CZK 25.5 billion, the total credit and leasing amounts outstanding at SGEF were higher by 5.9% year over year.

Amounts due to customers and assets under management

While excluding volatile repo operations with clients[1], the overall **volume of deposits** within KB Group rose by 12.7% year on year to CZK 758.2 billion. Deposits at Komerční banka from individual clients grew by 17.7% from the year earlier to CZK 236.0 billion. The deposit book at Modrá pyramida diminished by 4.8% to CZK 63.8 billion. Total deposits from businesses and other corporations climbed by 11.0% to CZK 441.6 billion. The development of corporate deposits was volatile in the past two quarters due to preference of large depositors to avoid incurring costs of the Resolution Fund and due to an inflow of liquidity related to CNB interventions.

Client assets managed by KB Penzijní společnost were higher by 8.5%, at CZK 50.0 billion. Technical reserves in life insurance at Komerční pojišťovna expanded by 5.1% to CZK 47.4 billion. The volumes in mutual funds held by KB Group clients grew by 14.2% to CZK 57.6 billion.

FINANCIAL PERFORMANCE OF KB GROUP

Income statement

Komerční banka’s revenues (**net banking income**) for the first three months of 2017 were up by 1.7% year on year to CZK 7,821 million. This growth was driven by net gains from financial operations, while net interest income and net fees and commissions declined.

Net interest income was down by 1.3% to CZK 5,165 million. Although growth in the volumes of loans and deposits influenced the result positively, the decline reflects the fact that KB was replacing maturing reinvestments of deposits at the current interest rates, which, on average, were lower. Inflow of short-term deposits does not contribute to net interest income when short-term market rates being close to zero. Intense competition on the loans market also affected interest spreads, and

[1] The total volume of ‘Amounts due to customers’ was up by 11.6% to CZK 758.2 billion.

especially so in consumer lending. The net interest margin, computed as the ratio of net interest income to interest-earning assets reported on the balance sheet, narrowed to 2.3% in the first quarter from 2.5% one year earlier, mainly as a result of strong inflow of deposits (i.e. a larger denominator in the formula).

Net fees and commissions were down by 8.0% to CZK 1,564 million. The decline was affected by a gap in (transaction) fees from card acquiring after KB sold in 2016's third quarter a majority stake in Cataps, its provider of merchant acquiring services. On the other hand, the numbers of electronic, card, as well as foreign transactions continued to rise. Fee income from deposit products decreased as more rewards were paid out within the MojeOdměny (MyRewards) loyalty programme and the number of accounts at Modrá pyramida diminished. Fees for mortgages declined and loan fees at ESSOX were lower in connection with the new Consumer Credit Act and with acquisition of PSA Finance. Modrá pyramida registered lower prepayment fees and service margins at Factoring KB declined due to intense competition. Fees from cross-selling rose while the volume of assets under management continued to grow. Fees from specialised financial services declined, affected by an amended accrual methodology for rental of safe deposit boxes and lower fees for syndications and trade finance products.

Net gains from financial operations rose by 43.2% to CZK 1,051 million. This result was boosted by clients' exceptionally strong currency hedging activity ahead of the CNB's ending its interventions. The fees and commissions from FX transactions grew along with increasing foreign transactions turnover.

Recurring **operating expenditures** increased by 1.6% to CZK 3,978 million. Within this total, personnel expenses were higher by 4.2%, at CZK 1,763 million, also because release of over-accrual for bonuses in 2016 lowered the comparative base. The average number of employees rose by 0.7% to 8,459, partly due to the acquisitions of PSA Finance companies. General administrative expenses (excluding the regulatory funds) were up by 5.1% to CZK 991 million. The Group spent more in relation to marketing activities, sales of products and real estate operations. The estimate for the full year cost of contributions to the regulatory funds (Deposit Insurance Fund, Resolution Fund), which banks must recognise in their accounts in the first quarter, was set at CZK 856 million. This compares with the CZK 871 million cost of these funds in 2016. KB's final amount for 2017 will be assessed by the CNB in the second quarter. The recurring 'Depreciation, impairment and disposal of fixed assets' was down by 10.0% to CZK 368 million. In the first quarter, KB realised net gain from the sale and revaluation of a part of the portfolio of headquarters buildings, which was reduced to three buildings (from four). The reported amount on the line 'Depreciation, impairment and disposal of fixed assets' thus includes a contribution of CZK 817 million. Including these one-off items related to the real estate portfolio, reported operating expenditures decreased by 18.5% to CZK 3,160 million.

Recurring gross **operating income**, excluding one-off items booked in operating expenditures, increased by 1.7% to CZK 3,843 million. Reported gross operating income for the first quarter of 2017 was higher by 22.2%, at CZK 4,661 million.

The **cost of risk** was influenced by favourable economic conditions in the Czech Republic, successful recovery performance, and a low volume of newly defaulted exposures. As a result, net release of provisions reached CZK 84 million. This compares to net creation of CZK 226 million a year earlier. This translates into -6 basis points in relative terms[ii] as measured over the average volume of the lending portfolio in 2017's first quarter.

Income from shares in associated undertakings (essentially Komerční pojišťovna) was up by 7.8% to CZK 55 million.

Income taxes declined by 5.8% to CZK 615 million.

At CZK 4,185 million, KB Group's consolidated net profit for the first three months of 2017 was higher by 40.1% in comparison with the prior-year period. Of this amount, CZK 104 million was profit attributable to holders of minority stakes in KB's subsidiaries (+9.5% versus the year earlier).

Reported **net profit attributable to the Bank's shareholders** totalled CZK 4,081 million, which is 41.0% more than in the first quarter of 2016. Recurring attributable net profit (i.e. excluding one-off effects from optimisation of the real estate portfolio and including full year costs of the Resolution and Deposit Insurance funds in the base of first quarter 2016) increased by 11.2% to CZK 3,184 million.

Statement of financial position

The comparison period for the balance sheet under IFRS is the end of the previous year. Therefore, unless indicated otherwise, the following text provides a comparison with the close of 2016.

As of 31 March 2017, KB Group's **total assets** had grown by 12.3% for the year to date to CZK 1,035.9 billion.

Cash and current balances with central banks were up by 80.4% to CZK 202.5 billion. A large component of this item is comprised of obligatory minimum reserves at central banks.

Amounts due from banks grew by 59.8% to reach CZK 82.8 billion. A large component of this item consists of placements with central banks in relation to reverse repo operations.

Financial assets measured at fair value through profit or loss decreased by 19.0% to CZK 24.1 billion.

Total net loans and advances added 0.2% in comparison with the end of the previous year to reach CZK 581.6 billion. The gross amount of client loans and advances[III] was up by 0.1% to CZK 596.1 billion. The share of standard loans within that total climbed to 94.8% (CZK 565.3 billion) while the proportion of loans rated watch was 1.5% (CZK 9.2 billion). Loans under special review (substandard, doubtful and loss) comprised 3.6% of the portfolio and totalled CZK 21.6 billion. The volume of provisions created for loans reached CZK 15.1 billion. That was 3.0% less than at the close of 2016.

The portfolio of securities available for sale (AFS) shrank by 0.6% to CZK 39.2 billion. Within this portfolio, debt securities comprised CZK 39.0 billion. These included CZK 20.1 billion in Czech government bonds plus foreign government bonds of CZK 7.9 billion. The volume of securities in the held-to-maturity (HTM) portfolio diminished by 0.3% to CZK 65.3 billion. Within this portfolio, Czech government bonds constituted CZK 54.5 billion and foreign government bonds CZK 10.8 billion.

The net book value of tangible fixed assets declined by 4.2% to CZK 6.4 billion, while that of intangible fixed assets added 0.5% to reach CZK 3.9 billion. Goodwill, which primarily derives from the acquisitions of Modrá pyramida, SGEF and ESSOX, remained unchanged at CZK 3.8 billion.

Total liabilities were 13.7% higher in comparison to the close of 2016 and reached CZK 929.0 billion. Amounts due to customers rose by 8.4% to CZK 758.2 billion. Despite a decrease in depository bills of exchange, the volume outstanding of issued securities was greater by 4.0%, at CZK 14.0 billion. That growth was driven by sales of mortgage bonds. The Group's **liquidity** as measured by the ratio of net loans to deposits was 76.7% (compared to 78.7% as of 31 March 2016).

Shareholders' equity rose year to date by 1.4% to CZK 106.8 billion. The generation of net profit was almost offset by lower revaluation gains on cash flow hedges and revaluation of the AFS portfolio. Revaluation gains on cash flow hedges were lower due to a rise in market interest rates in comparison with the end of 2016. The revaluation of the AFS portfolio (which comprises primarily reinvestment of client deposits) declined as a result of amortising the revaluation differences on securities reclassified from the AFS to HTM portfolio in 2014 and due to higher market interest rates in comparison with the end of 2016. As of 31 March 2017, KB held in treasury 1,193,360 of its own shares constituting 0.63% of the registered capital.

Consolidated regulatory capital for the capital adequacy calculation stood at CZK 72.8 billion as of 31 March 2017. KB Group's regulatory capital was composed solely of Core Tier 1 equity. The **capital adequacy** (as well as the Core Tier 1 capital ratio under Basel III standards) stood at 15.7%. In the first quarter 2017, KB adjusted its risk management models in line with the regulator´s requirement. As a result, risk-weighted assets increased by CZK 8 billion. As from 1 January 2017, the regulator raised the minimum required level of total capital by 90 basis points to approximately 15.4%. The change includes +0.5% in newly increased systemic risk buffer, +0.5% is the newly established countercyclical buffer on Czech exposures, and −0.1% is a decreased capital requirement within Pillar II.

As measured by the Liquidity Coverage Ratio, KB's liquidity throughout the first quarter of 2017 safely met requirements established by the applicable regulations.

Changes in the Group structure (in the first quarter)

On 1 March 2017, KB concluded sale of its 100% stake in the subsidiary NP 33, s.r.o. to Commerz Real Investmentgesellschaft mbH. NP33 is sole owner of Komerční banka's long-time headquarters building at Na Příkopě 33 in Prague. KB will continue to have a branch in the building on a long-term basis.

On 30 March 2017, KB signed the framework agreement to purchase 100% of the shares in the company Office Center Stodůlky a.s. (Office Center Stodůlky). Office Center Stodůlky is owner of the new office building currently being built in Prague – Stodůlky. This purchase is to complete the strategic decision to house KB's headquarters at two locations in Prague, consisting of the building on Václavské náměstí in the centre of Prague and the new office site at Stodůlky in the western part of Prague. This location will be extended by the newly acquired building. KB decided to invest substantial amounts to modernise the building at Václavské náměstí. KB intends to house some of its headquarters functions in the new building in Prague-Stodůlky, encompassing some 1,000 workplaces. This reflects pursuit of the Bank's aim continuously to improve co-operation among various teams and operational efficiency. The building is expected to be completed in the first half of 2018.

The ownership of Office Center Stodůlky shall be assumed by KB only after several conditions are met, in particular after construction of the office building is properly completed in accordance with KB's specifications.

The company will be acquired from the current two owners, (i) FINEP HOLDING, SE, with its registered office at Havlíčkova 1030/1, Nové Město, Postal Code: 110 00, Prague 1, ID No.: 279 27 822, and (ii) Real 12 a.s., with its registered office at Prague 1, Klimentská 1246/1, Postal Code: 110 00, ID No.: 279 28 730.

KB

Regulatory information

ANNEX: Consolidated results as of 31 March 2017 under International Financial Reporting Standards (IFRS)

Profit and loss statement (CZK million, unaudited)	Reported			On a comparable basis		
	1Q 2016	1Q 2017	Change y-o-y	1Q 2016	1Q 2017	Change y-o-y
Net interest income	5,234	5,165	-1.3%	5,234	5,165	-1.3%
Net fees and commissions	1,700	1,564	-8.0%	1,700	1,564	-8.0%
Net gains from financial operations	734	1,051	43.2%	734	1,051	43.2%
Other income	27	41	51.9%	27	41	51.9%
Net banking income	**7,694**	**7,821**	**1.7%**	**7,694**	**7,821**	**1.7%**
Personnel expenses	-1,692	-1,763	4.2%	-1,692	-1,763	4.2%
General administrative expenses (excl. Resolution and similar funds)	-943	-991	5.1%	-943	-991	5.1%
Resolution and similar funds	-835	-856	2.5%	-871	-856	-1.7%
Depreciation, impairment and disposal of assets	-409	449	+/-	-409	-368	-10.0%
Operating costs	**-3,879**	**-3,160**	**-18.5%**	**-3,915**	**-3,978**	**1.6%**
Gross operating income	**3,815**	**4,661**	**22.2%**	**3,779**	**3,843**	**1.7%**
Cost of risk	-225	84	+/-	-225	84	+/-
Net operating income	**3,590**	**4,745**	**32.2%**	**3,554**	**3,927**	**10.5%**
Profit on subsidiaries and associates	51	55	7.8%	51	55	7.8%
Profit before income taxes	**3,641**	**4,800**	**31.8%**	**3,605**	**3,982**	**10.5%**
Income taxes	-653	-615	-5.8%	-646	-694	7.4%
Net profit	**2,988**	**4,185**	**40.1%**	**2,959**	**3,288**	**11.1%**
Minority profit/(loss)	95	104	9.5%	95	104	9.5%
Net profit attributable to the Bank's shareholders	**2,894**	**4,081**	**41.0%**	**2,864**	**3,184**	**11.2%**

Notes for comparable basis:

1Q 2016: Adjusted for difference between final amount of Resolution and similar funds (only DIF and RF, excl. Securities brokers) for FY 2016 and the amount already booked in 1Q 2016 (CZK -36 million in Resolution and similar funds and CZK 7 million in Income taxes)

1Q 2017: Adjusted for net positive contribution from the sale and revaluation of KB's headquarters buildings (CZK 817 million in Depreciation, impairment and disposal of fixed Assets, CZK 79 million in Income taxes).

KB

Regulatory information

Statement of financial position (CZK million, unaudited)	**31 Dec 2016**	**31 Mar 2017**	**Change y-t-d**
Assets	**922,737**	**1,035,880**	**12.3%**
Cash and balances with central banks	112,241	202,454	80.4%
Amounts due from banks	51,771	82,751	59.8%
Loans and advances to customers (net)	580,198	581,554	0.2%
Securities	134,591	128,487	-4.5%
Other assets	43,935	40,633	-7.5%
Liabilities and shareholders' equity	**922,737**	**1,035,880**	**12.3%**
Amounts due to banks	54,124	104,898	93.8%
Amounts due to customers	699,377	758,150	8.4%
Securities issued	13,423	13,961	4.0%
Other liabilities	50,412	52,034	3.2%
Shareholders' equity	105,400	106,837	1.4%
Of which: *Cash flow hedging*	*12,653*	*9,279*	*-26.7%*
Available-for-sale portfolio revaluation reserve	*4,960*	*2,814*	*-43.3%*
Minority equity	*3,816*	*3,935*	*3.1%*

Key ratios and indicators	**31 Mar 2016**	**31 Mar 2017**	**Change year on year**
Capital adequacy (CNB)	16.0%	15.7%	▼
Tier 1 ratio (CNB)	16.0%	15.7%	▼
Total risk-weighted assets (CZK billion)	416.7	462.7	11.0%
Risk-weighted assets for credit risk (CZK billion)	349.6	392.3	12.2%
Net interest margin (NII/average interest-bearing assets)[IV]	2.5%	2.3%	▼
Loans (net) / deposits ratio[V]	78.7%	76.7%	▼
Cost / income ratio[VI]	50.4%	40.4%	▼
Return on average equity (ROAE)[VII]	11.0%	16.0%	▲
Adjusted return on average equity (adjusted ROAE)[VIII]	13.4%	18.4%	▲
Return on average regulatory capital[IX]	17.4%	22.6%	▲
Return on average assets (ROAA)[X]	1.3%	1.7%	▲
Earnings per share (CZK)[XI]	61	86	41.0%
Average number of employees during the period	8,404	8,459	0.7%
Number of branches (KB standalone in the Czech Republic)	396	391	-5
Number of ATMs	771	767	-4
Number of clients (KB standalone)	1,648,000	1,653,000	0.3%

Regulatory information

Business performance in retail segment – overview	31 Mar 2017	Change year on year
Mortgages to individuals – volume of loans outstanding	CZK 210.1 billion	11.1%
Building savings loans (MPSS) – volume of loans outstanding	CZK 39.5 billion	6.3%
Consumer loans (KB + ESSOX+PSA Finance) – volume of loans outstanding	CZK 35.7 billion	15.7%
Small business loans – volume of loans outstanding	CZK 32.5 billion	5.4%
Total active credit cards – number	191,000	-3.6%
– of which to individuals	151,000	-3.5%
Total active debit cards – number	1,388,000	-1.7%
Insurance premiums written (KP)	CZK 2.1 billion	21.6%

Financial calendar for 2017:

2 August 2017: Publication of 6M 2017 and 2Q 2017 results

3 November 2017: Publication of 9M 2017 and 3Q 2017 results

Definitions of the performance indicators mentioned herein:

I **Market shares:** calculation of market shares based on CNB statistics (ARAD);

I **Housing loans:** mortgages to individuals provided by KB + loans to clients provided by Modrá pyramida;

II **Cost of risk in relative terms:** annualised 'Allowances for loan losses' divided by the average of 'Gross amount of client loans and advances', year to date;

III **Gross amount of client loans and advances:** 'Gross amount of client loans and advances' minus 'Other amounts due from customers';

IV **Net interest margin (NIM):** 'Net interest income' minus 'Dividend income' divided by average interest-earning assets (IEA) year to date (IEA comprise 'Amounts due from banks', 'Current balances with central banks', 'Net loans and advances to customers', 'Financial assets at fair value through profit or loss' [debt securities only], 'Financial assets available for sale' [debt securities only], and 'Investments held to maturity' [debt securities only]);

V **Net loans to deposits:** 'Net loans and advances to customers' divided by total 'Amounts due to customers';

VI **Cost to income ratio:** 'Operating costs' divided by 'Net banking income';

VII **Return on average equity (ROAE):** annualised 'Net profit attributable to equity holders' divided by the quantity average group 'Shareholders' equity' less 'Minority equity', year to date;

VIII **Adjusted return on average equity (adjusted ROAE):** annualised 'Net profit attributable to equity holders' divided by the quantity average group 'Shareholders' equity' minus 'Minority equity' minus 'Cash flow hedging' minus 'Available-for-sale portfolio revaluation reserve', year to date;

IX **Return on average regulatory capital:** annualised 'Net profit attributable to equity holders' divided by the quantity average group 'Regulatory capital', year to date;

X **Return on average assets (ROAA):** annualised 'Net profit attributable to equity holders' divided by average 'Total assets', year to date;

XI **Earnings per share:** annualised 'Net profit attributable to equity holders' divided by the quantity average number of shares issued minus average number of own shares in treasury. The value of Earnings per share for 2016 was adjusted for the effect of a 1-to-5 split of KB's shares implemented on 25 April 2016. The previously reported value of Earnings per share (before the split) for the first quarter of 2016 was CZK 306.

Regulatory information

Reconciliation of 'Net interest margin' calculation, (CZK million, consolidated, unaudited):

(Source: Profit and Loss Statement)		1Q 2016		1Q 2017
Net interest income (excl. Income from dividends)		**5,234**		**5,165**
(Source: Balance Sheet)	**31 Dec 2015**	**31 Mar 2016**	**31 Dec 2016**	**31 Mar 2017**
Amounts due from banks + Cash and current balances with central banks (Amounts due from central banks only)	164,778	209,198	155,016	271,502
Loans and advances to customers, net	532,617	534,539	580,198	581,554
Financial assets at fair value through profit or loss (debt securities only)	7,872	8,221	9,606	6,088
Financial assets available for sale (debt securities only)	41,189	39,255	39,238	38,972
Investments held to maturity (debt securities only)	67,083	62,234	65,462	65,254
Interest-bearing assets	**813,540**	**853,446**	**849,520**	**963,371**
Average interest-bearing assets, year to date		**833,493**		**906,446**
NIM year to date, annualised		**2.5%**		**2.3%**