Regulatory information

Strong and responsible contribution to Czech economic growth

- **KB Group's lending to clients expanded by 5.1% year on year to CZK 599.8 billion.**
- **Total client deposits rose by 11.8% from the year earlier to CZK 771.2 billion.**
- **Assets of KB Group's clients in mutual funds, pension savings and life insurance climbed by 8.8% to CZK 157.3 billion.**
- **Revenues reached CZK 15.6 billion. Recurring revenues were up 2.0%, driven by gains from financial operations (which themselves got a boost from clients' extraordinary hedging activity relating to elimination of the currency floor). Net interest income and net fees and commissions slightly declined.**
- **Recurring operating costs grew by 1.9%, less than the rate of inflation. The Group reported a net release of provisions for loan losses amounting to CZK 0.1 billion, as a result of successful recoveries and favourable economic conditions.**
- **Net profit was up 15.0% both in recurring and reported view. Excluding extraordinary contributions related to restructuring of KB's portfolio of headquarters buildings it amounted to CZK 6.8 billion. Including this one-off item, reported net profit reached CZK 7.7 billion.**

Prague, 2 August 2017 – Komerční banka today reported its consolidated results for the first half of 2017. Revenues excluding last year's gain from disposal of KB's stake in VISA Europe were up by 2.0% year on year to CZK 15.6 billion[1]. The growth in revenues was mainly driven by clients' strong currency hedging activity relating to the decision of the CNB to eliminate the floor under the Czech crown's exchange rate. Recurring operating expenditures rose by 1.9%[2], whereas an increase in staff costs was mitigated by slower-growing administrative costs and depreciation. Furthermore, the Group included in its operating expenses already in the first quarter a positive item from sale and revaluation of KB's headquarters buildings. The successful recovery performance and favourable economic conditions led to an extraordinary situation enabling a net release of provisions for loan losses of CZK 0.1 billion. The net profit attributable to shareholders improved by 15.0% to CZK 7.7 billion.

"I perceive the results of the first half as being very good, as KB Group has reinforced its partnerships with corporate clients in changing financial market conditions by delivering appropriate hedging solutions, and we were able to grow the volumes both of financing provided to clients and of their assets under our management. I am especially proud that the number of Komerční banka's clients has continued to rise in recent years despite the intense competition prevailing on the market. That attests to the quality and reliability of KB's services," remarked Albert Le Dirac'h, KB's Chairman of the Board of Directors and Chief Executive Officer.

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[1] Reported revenues declined 4.0% due to a one-off gain last year from KB's stake in VISA Europe.

[2] Excluding the gain from restructuring the portfolio of headquarters buildings. Including this one-off item, reported operating expenditures decreased by 9.5% to CZK 6.5 billion.

Gross loans to clients expanded by 5.1% to CZK 599.8 billion[3]. Client deposits climbed by 11.8% to CZK 771.2 billion[4]. Capital adequacy reached 16.5%. KB's regulatory capital base was comprised solely of Core Tier 1 instruments.

"As I hand over leadership of Komerční banka to Jan Juchelka tomorrow, I would like to thank our clients for their loyalty and trust, and also the employees for their commitment and dedication to best serve our clients. I can state with assurance that KB remains keen to maintain long-term, mutually beneficial relationships with all stakeholders and to bring to market simple and innovative solutions meeting the financial needs our clients." added Albert Le Dirac'h.

The Bank had 46,224 shareholders as of 30 June 2017 (+398 year on year), of which 41,036 were private individuals from the Czech Republic (+792 year on year). Strategic shareholder Société Générale maintained its 60.4% stake, and minority shareholders held 39.6%.

[3] Excluding reverse repo operations with clients. The total gross volume of 'Loans and advances to customers' was up by 7.8% to CZK 615.2 billion.

[4] Excluding repo operations with clients. The total volume of 'Amounts due to customers' was up by 12.6% to CZK 781.9 billion.

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[5]

The activity indicators from the second quarter of 2017 confirmed that the Czech economy continued growing at a solid pace, driven mainly by domestic consumption. On the supply side, the automotive industry was again the most important contributor to the growth, but several other sectors also demonstrated expansion at a rapid tempo. Building construction accelerated, as well, although the sector more broadly was held back by continuing sluggishness in civil engineering as public infrastructure investments lagged. Workforce availability has become a critical factor limiting further economic growth, and it is holding back especially new investments into production facilities.

The tight labour market also pushed up wage inflation, which exceeded 5%[6]. The general consumer price inflation accelerated, as well, to 2.3% in June, although it was mitigated by certain factors such as lower fuel prices.

The Czech National Bank eliminated the floor under the Czech crown's exchange rate against the euro on 6 April. This had been preceded by immense flows of capital into CZK-denominated financial assets and by significant hedging and speculative activity of financial as well as non-financial parties. The development of the CZK exchange rate after the floor was removed has been rather smooth. Up until 30 June, the CZK appreciated by 3.2%, to 26.195 per euro. Interest rates have once again become the CNB's main monetary policy tools. The central bank's official prognosis had suggested the first hike in the policy rates might come as early as in the third quarter of this year. Perceptions in global financial markets have also been shifting to a view that major global central banks' policies will be trending towards gradual tapering of monetary measures. Although somewhat tempered by the comments of some members of the CNB Board, this view has projected itself into a rise in long-term CZK market interest rates. As of 30 June, the 10-year interest swap rate reached 1.27%, some 20 basis points higher than in the previous quarter. On the other hand, the short-term 3M PRIBOR rate changed only marginally to 0.30% from 0.28% seen as of 30 March.

The total lending on the market maintained its above 6% pace. In lending to individuals, the outstanding volume of housing loans was still expanding at a pace of around 9-10%. From April, the CNB decreased the maximum ratio of loan-to-value of collateral (LTV) for new mortgages to 90%, and banks may provide only 15% of new mortgages with LTV between 80% and 90%. These measures hinder sales of new mortgages, but the full impact can only be assessed in future, because such new conditions cause a certain volatility before and shortly after their implementation. Growth of consumer lending remained slower. Borrowing in the corporate segment picked up a bit, but it was still affected by an abundance of liquidity – and thus of working capital – in the market and by weak public investments into infrastructure.

The deposit market slowed after having seen in the first quarter a strong inflow of liquidity into the country before the end of currency interventions. After the first quarter's huge growth, deposits from financial institutions gradually reversed direction during the quarter and by May they had started to decline. On the other hand, deposits from households and non-financial businesses continued to increase, driven by favourable developments in disposable incomes and operating profitability.

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[5] Data sources for this section: Czech Statistical Office, Czech National Bank, KB Economic Research. Comparisons are year on year.

[6] Data as of first quarter 2017.

Developments in the client portfolio and distribution networks

At the close of June 2017, KB Group was serving 2.4 million clients on a consolidated basis. Standalone KB recorded 1,654,000 clients (+0.3% year on year), of which 1,396,000 were individuals. The remaining 258,000 customers were comprised of entrepreneurs, businesses and corporations (including municipalities and associations). Modrá pyramida was attending to 482,000 customers, and the number of pension insurance participants at KB Penzijní společnost reached 533,000. ESSOX's services were being used by 195,000 active clients, and PSA Finance was providing its services to more than 17,000 clients in the Czech Republic and Slovakia.

Komerční banka's clients had at their disposal 391 banking branches (including one branch for corporate clients in Slovakia), 769 ATMs (of which 201 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 1,400,000 by the end of June 2017 and corresponds to 84.6% of all clients. Mobile banking was itself being used by more than 364,000 of KB's clients. Customers held 1,575,000 active payment cards, of which 189,000 were credit cards. The number of active credit cards issued by ESSOX came to 110,000. Modrá pyramida's customers had at their disposal 216 points of sale and approximately 1,000 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 to clients** expanded by 5.1 % year on year to CZK 599.8 billion[7].

In lending to individuals, the overall volume of housing loans[I] grew by 9.2% from the year earlier. Within this total, the portfolio of mortgages to individuals swelled by 9.5% to CZK 213.3 billion. Modrá pyramida reported growth of its portfolio by 7.7% to CZK 40.6 billion. The volume of KB Group's consumer lending was up by 17.1% to CZK 36.9 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 11.2%.

The total volume of **loans** provided by KB Group **to businesses** climbed by 1.1% year on year to CZK 307.7 billion. Growth in lending was driven by medium- and long-term credit, while financing of working capital was subdued in the context of surplus liquidity in the Czech economy. 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 0.4% to CZK 249.0 billion. Lending to small businesses grew by 5.0% to CZK 33.2 billion. At CZK 25.5 billion, the total credit and leasing amounts outstanding at SGEF were higher by 3.3% year over year.

Amounts due to customers and assets under management

The overall **volume of client deposits** within KB Group rose by 11.8% year on year to CZK 771.2 billion[8].

Deposits at Komerční banka from individual clients grew by 15.9% from the year earlier to CZK 242.2 billion. The deposit book at Modrá pyramida contracted by 3.5% to CZK 62.6 billion. Total deposits from corporations and other businesses climbed by 10.6% to CZK 452.6 billion.

Client assets managed by KB Penzijní společnost were higher by 7.9%, at CZK 51.2 billion. Technical reserves in life insurance at Komerční pojišťovna expanded by 3.1% to CZK 47.3 billion. The volumes in mutual funds held by KB Group clients grew by 14.8% to CZK 58.8 billion.

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[7] Excluding volatile reverse repo operations with clients. The total gross volume under 'Loans and advances to customers' expanded by 7.8% year on year to CZK 615.2 billion.

[8] Excluding volatile repo operations with clients. The total volume of 'Amounts due to customers' climbed by 12.6% to CZK 781.9 billion.

FINANCIAL PERFORMANCE OF KB GROUP

Income statement

Komerční banka's revenues (**net banking income**) for the first half of 2017 declined by 4.0% year on year to CZK 15,630 million. This comparison was markedly influenced by the gain last year from reimbursement for KB's stake in VISA Europe Ltd. Excluding this one-off impact, the revenues were up by 2.0%. This growth was driven by net gains from financial operations even as net interest income and net fees and commissions declined.

Net interest income was down by 1.3% to CZK 10,313 million. The environment of low interest rates continued to weigh on yields from reinvesting deposits, despite a recent uptick in long-term rates. Growth in loan volumes influenced the result positively, even though loan spreads contracted somewhat due to intense competition on the lending market. 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 half from 2.5% one year earlier.

Net fees and commissions were down by 5.4% to CZK 3,225 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 payment transactions executed by the Bank for clients increased, mainly in the area of card and foreign payments. Fee income from deposit products decreased as more rewards were paid out within the MojeOdměny (MyRewards) loyalty programme and the number of old contracts 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 fees for prepayments of loans. Service margins at Factoring KB declined due to intense competition. Fees from cross-selling rose as the volume of assets under management continued to grow. Fees from specialised financial services were up slightly, thanks to higher fee income from syndications, custody and depositary services, while income from guarantees and trade finance products declined.

Net gains from financial operations rose by 42.3% when excluding the gain from the VISA Europe transaction in the second quarter of 2016. The non-adjusted result was down 15.6% to CZK 1,992 million. The clients' currency hedging activity had been exceptionally strong before the CNB eliminated its floor under the CZK exchange rate on 6 April. After that move, volatility of the Czech crown was more limited, as the currency set off on an appreciating path and the hedging demand seemed to be temporarily saturated. On the other hand, a certain increase in interest rate hedging activity was observed, as there were growing expectations that rates would be gradually rising. The fees and commissions from FX transactions grew along with expanding foreign transactions turnover.

Recurring **operating expenditures** increased by 1.9%. Within this total, personnel expenses were higher by 5.9%, at CZK 3,630 million. The average number of employees rose by 0.3% to 8,455 due to acquisitions of the PSA Finance companies. General administrative expenses (excluding the regulatory funds) were up by 3.0% to CZK 2,089 million. The Group spent more in relation to marketing activities and real estate operations. The cost of contributions to the regulatory funds (Deposit Insurance Fund, Resolution Fund) reached CZK 854 million, less by 2.3% year on year. The recurring 'Depreciation, impairment and disposal of assets' was down by 12.4% to CZK 757 million, mainly due to completed amortisation of certain software. In the first quarter of 2017, KB realised a 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 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 9.5% to CZK 6,513 million.

Recurring gross **operating income**, excluding one-off items booked last year in net profit from financial operations (VISA Europe) and this year in operating expenditures (headquarters buildings), increased by 2.2% to CZK 8,300 million. Reported gross operating income for the first half of 2017 was higher by 0.4%, at CZK 9,116 million.

The **cost of risk** was influenced by favourable economic conditions in the Czech Republic, successful recovery performance at the Bank as well as subsidiaries, and a low volume of newly defaulted exposures. As a result, net release of provisions reached CZK 103 million. This compares to net creation of CZK 788 million a year earlier. This translates into -3 basis points in relative terms[II] as measured over the average volume of the lending portfolio in 2017's first half.

Income from shares in associated undertakings (essentially Komerční pojišťovna) was up by 11.3% to CZK 108 million.

Income taxes declined by 3.1% to CZK 1,446 million. If the tax effect of the one-off items were to be excluded, income taxes would be up by 16.4%.

KB Group's consolidated net profit for the first six months of 2017 was higher by 14.2% in comparison with the prior-year period. Of this amount, CZK 184 million was profit attributable to holders of minority stakes in KB's subsidiaries (−10.2% versus the year earlier).

Reported **net profit attributable to the Bank's shareholders** totalled CZK 7,697 million, which is 15.0% more than in the first half of 2016. Recurring attributable net profit (i.e. excluding the one-off gain from the disposal of KB's stake in VISA Europe in the first half of 2016 as well as effects from optimising the real estate portfolio in 2017's first half) increased by the same 15.0% to CZK 6,802 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 30 June 2017, KB Group's **total assets** had grown by 12.6% for the year to date to CZK 1,039.4 billion.

Cash and current balances with central banks were up by 91.0% to CZK 214.4 billion. A large component of this item is comprised of obligatory minimum reserves at central banks.

Amounts due from banks grew by 18.7% to reach CZK 61.5 billion.

Financial assets measured at fair value through profit or loss decreased by 14.2% to CZK 25.5 billion.

Total net loans and advances to customers rose by 3.7% in comparison with the end of the previous year to reach CZK 601.6 billion. The gross amount of loans and advances to customers[III] was up by 3.3% to CZK 615.2 billion and included CZK 15.4 billion of reverse repo transactions with clients. The share of standard loans within that total climbed to 95.2% (CZK 585.5 billion), while the proportion of loans rated watch was 1.5% (CZK 9.2 billion). Loans under special review (substandard, doubtful and loss) comprised 3.3% of the portfolio and totalled CZK 20.5 billion. The volume of provisions created for loans reached CZK 14.6 billion. That was 6.2% less than at the close of 2016.

The portfolio of securities available for sale (AFS) diminished by 4.0% to CZK 37.9 billion. Within this portfolio, debt securities comprised CZK 37.7 billion. These included CZK 19.1 billion in Czech government bonds plus foreign government bonds of CZK 7.6 billion. The volume of securities in the held-to-maturity (HTM) portfolio declined by 7.4% to CZK 60.6 billion. Within this portfolio, Czech government bonds constituted CZK 50.7 billion and foreign government bonds CZK 9.9 billion.

The net book value of tangible fixed assets decreased by 3.1% to CZK 6.5 billion, while that of intangible fixed assets added 5.1% to reach CZK 4.1 billion. Goodwill, which primarily derives from the acquisitions of Modrá pyramida, SGEF and ESSOX, remained unchanged at CZK 3.8 billion.

Total liabilities were 15.0% higher in comparison to the close of 2016 and reached CZK 939.9 billion. Amounts due to customers rose by 11.8% to CZK 781.9 billion. This total included CZK 10.7 billion of liabilities from repo operations with clients and CZK 7.3 billion of other payables to customers. Despite a decrease in depository bills of exchange, the volume outstanding of issued securities was greater by 12.5%, at CZK 15.1 billion. That growth was driven by issuance of mortgage bonds. The Group's **liquidity** as measured by the ratio of net loans to deposits was 76.0% (compared to 80.6% as of 30 June 2016).

Shareholders' equity dropped year to date by 5.6% to CZK 99.5 billion. The generation of net profit was offset by lower revaluation gains on cash flow hedges, revaluation of the AFS portfolio, and the dividends payment (KB paid out CZK 7.6 billion in May). 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 30 June 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 74.2 billion as of 30 June 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 16.5%. As from 1 January 2017, the regulators requires Komerční banka to keep the total capital adequacy ratio at or above 15.4%. In June 2017, the Czech National Bank announced that, with effect from 1 July 2018, it will increase the countercyclical capital buffer, part of the total capital requirement, by 50 basis points to 100 basis points. KB intends in upcoming periods gradually to reinforce its capital by Tier 2 capital components, upon assessment of their characteristics and costs.

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

Changes in corporate governance

Given expiration of the term of office of Chairman of the Board of Directors Mr Albert Le Dirac'h on 2 August 2017, the Supervisory Board elected on 11 July 2017 Mr Jan Juchelka as a new member of the Board of Directors with effect from 3 August 2017. Furthermore, on 12 July 2017 the Board of Directors of Komerční banka, a.s., elected Mr Juchelka to be Chairman of the Board of Directors with effect from 3 August 2017.

Regulatory information

ANNEX: Consolidated results as of 30 June 2017 under International Financial Reporting Standards (IFRS)

Profit and loss statement (CZK million, unaudited)	Reported			On a recurring basis		
	1H 2016	**1H 2017**	**Change y-o-y**	**1H 2016**	**1H 2017**	**Change y-o-y**
Net interest income	10,446	10,313	-1.3%	10,446	10,313	-1.3%
Net fees and commissions	3,408	3,225	-5.4%	3,408	3,225	-5.4%
Net gains from financial operations	2,359	1,992	-15.6%	1,400	1,992	42.3%
Other income	65	100	53.8%	65	100	53.8%
Net banking income	**16,279**	**15,630**	**-4.0%**	**15,319**	**15,630**	**2.0%**
Personnel expenses	-3,429	-3,630	5.9%	-3,429	-3,630	5.9%
General administrative expenses (excl. Resolution and similar funds)	-2,029	-2,089	3.0%	-2,029	-2,089	3.0%
Resolution and similar funds	-874	-854	-2.3%	-874	-854	-2.3%
Depreciation, impairment and disposal of assets	-864	60	+/-	-864	-757	-12.4%
Operating costs	**-7,196**	**-6,513**	**-9.5%**	**-7,196**	**-7,330**	**1.9%**
Gross operating income	**9,083**	**9,116**	**0.4%**	**8,123**	**8,300**	**2.2%**
Cost of risk	-788	103	+/-	-788	103	+/-
Net operating income	**8,295**	**9,219**	**11.1%**	**7,335**	**8,403**	**14.6%**
Profit on subsidiaries and associates	97	108	11.3%	97	108	11.3%
Profit before income taxes	**8,392**	**9,327**	**11.1%**	**7,432**	**8,511**	**14.5%**
Income taxes	-1,492	-1,446	-3.1%	-1,310	-1,525	16.4%
Net profit	**6,899**	**7,881**	**14.2%**	**6,122**	**6,986**	**14.1%**
Minority profit/(loss)	205	184	-10.2%	205	184	-10.2%
Net profit attributable to the Bank's shareholders	**6,695**	**7,697**	**15.0%**	**5,917**	**6,802**	**15.0%**

Notes for results on a recurring basis:

1H 2016: Adjusted for the reimbursement for KB's stake in VISA Europe Ltd (CZK 959 mil. in 'Net profit from financial operations', CZK -182 mil. in 'Income taxes')

1H 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 assets', CZK 79 million in 'Income taxes').

KB

Regulatory information

Statement of financial position (CZK million, unaudited)	**31 Dec 2016**	**30 Jun 2017**	**Change y-t-d**
Assets	**922,737**	**1,039,362**	**12.6%**
Cash and balances with central banks	112,241	214,365	91.0%
Amounts due from banks	51,771	61,452	18.7%
Loans and advances to customers (net)	580,198	601,634	3.7%
Securities	134,591	123,974	-7.9%
Other assets	43,935	37,936	-13.7%
Liabilities and shareholders' equity	**922,737**	**1,039,362**	**12.6%**
Amounts due to banks	54,124	88,165	62.9%
Amounts due to customers	699,377	781,919	11.8%
Securities issued	13,423	15,106	12.5%
Other liabilities	50,412	54,716	8.5%
Shareholders' equity	105,400	99,456	-5.6%
Of which: *Cash flow hedging*	*11,379*	*6,212*	*-45.4%*
Available-for-sale portfolio revaluation reserve	*3,424*	*2,769*	*-19.1%*
Minority equity	*3,831*	*3,638*	*-5.0%*

Key ratios and indicators	**30 Jun 2016**	**30 Jun 2017**	**Change year on year**
Capital adequacy (CNB)	15.3%	16.5%	▲
Tier 1 ratio (CNB)	15.3%	16.5%	▲
Total risk-weighted assets (CZK billion)	429.8	451.3	5.0%
Risk-weighted assets for credit risk (CZK billion)	363.8	381.5	4.9%
Net interest margin (NII/average interest-bearing assets)[IV]	2.5%	2.3%	▼
Loans (net) / deposits ratio[V]	80.1%	76.9%	▼
Cost / income ratio[VI]	44.2%	41.7%	▼
Return on average equity (ROAE)[VII]	13.3%	15.6%	▲
Adjusted return on average equity (adjusted ROAE)[VIII]	16.3%	17.7%	▲
Return on average regulatory capital[IX]	20.2%	21.1%	▲
Return on average assets (ROAA)[X]	1.5%	1.6%	▲
Earnings per share (CZK)[XI]	71	82	15.0%
Average number of employees during the period	8,434	8,455	0.3%
Number of branches (KB standalone in the Czech Republic)	396	390	-6
Number of ATMs	773	769	-4
Number of clients (KB standalone)	1,649,000	1,654,000	0.3%

Regulatory information

Business performance in retail segment – overview	30 Jun 2017	Change year on year
Mortgages to individuals – volume of loans outstanding	CZK 213.3 billion	9.5%
Building savings loans (MPSS) – volume of loans outstanding	CZK 40.6 billion	7.7%
Consumer loans (KB + ESSOX + PSA Finance) – volume of loans outstanding	CZK 36.9 billion	17.1%
Small business loans – volume of loans outstanding	CZK 33.2 billion	5.0%
Total active credit cards – number	189,000	-4.0%
– of which to individuals	149,000	-4.1%
Total active debit cards – number	1,385,000	-2.0%
Insurance premiums written (KP)	CZK 3.5 billion	-7.1%

Financial calendar for 2017:

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

Definitions of the performance indicators mentioned herein:

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' less 'reverse repo operations with clients') divided by (total 'Amounts due to customers' less 'repo operations with clients');

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 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.

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

(Source: Profit and Loss Statement)		**1H 2016**		**1H 2017**
Net interest income (excl. 'Income from dividends')		**10,445**		**10,310**
(Source: Balance Sheet)	**31 Dec 2015**	**30 Jun 2016**	**31 Dec 2016**	**30 Jun 2017**
'Amounts due from banks' + 'Cash and current balances with central banks' (amounts due from central banks only)	164,778	191,014	155,016	267,700
'Loans and advances to customers', net	532,617	555,813	580,198	601,634
'Financial assets at fair value through profit or loss' (debt securities only)	7,872	9,046	9,606	7,046
'Financial assets available for sale' (debt securities only)	41,189	39,604	39,238	37,654
'Investments held to maturity' (debt securities only)	67,083	62,408	65,462	60,630
Interest-bearing assets	**813,540**	**857,885**	**849,520**	**974,664**
Average interest-bearing assets, year to date		**835,712**		**912,092**
NIM year to date, annualised		**2.5%**		**2.3%**