

# Komerční banka Group

## Financial results as of 31 December 2016

According to International Financial Reporting Standards, consolidated, unaudited

Prague, 9 February 2017

NA PARTNERSTVÍ ZÁLEŽÍ



## Disclaimer

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

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

Results and ratios in this presentation are as of 31 December 2016, unless stated otherwise.

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

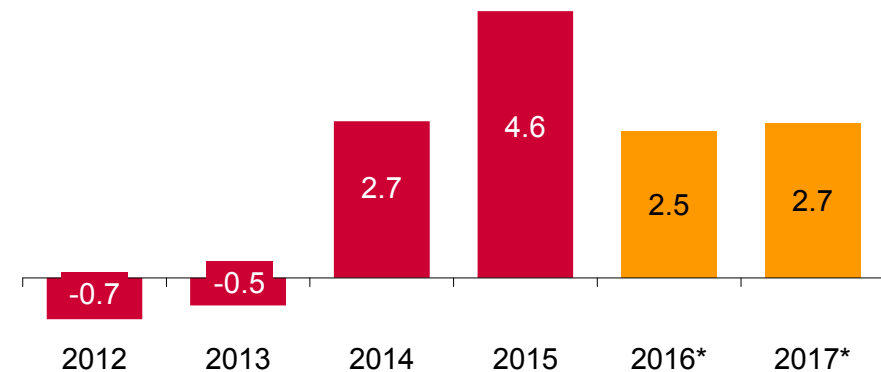
# Agenda

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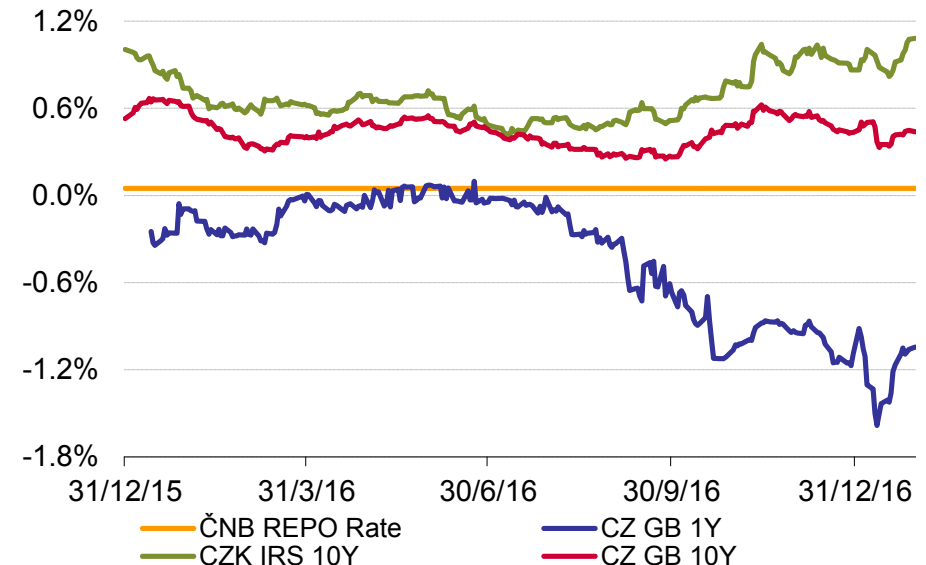
# Czech economy on a solid track

- Czech GDP in 2016 was driven by solid domestic consumption and foreign demand. In contrast, fixed investments and construction fell significantly, due to postponed public investments and administrative restrictions to new construction
- GDP in 3Q16 up 0.2% QoQ, (+1.9% YoY)
- Surplus in 2016 public finance at 0.5% of GDP<sup>1</sup>. Current account surplus at 2.1% of GDP<sup>2</sup>
- Unemployment lowest in EU at 3.7%<sup>3</sup>. Nominal wages increased by 4.5%<sup>4</sup>
- Consumer Price Inflation reached monetary policy target rate of 2% in December
- On 2 February, CNB confirmed its stance not to exit from the currency floor before 2Q 2017, probably in mid-2017. The policy 2W repo rate stays at 0.05%
- 10Y IRS rate around 100 bps, CZG bond yields negative until 5Y maturity, 10Y around 50 bps<sup>5</sup>

Real GDP outlook (YoY, %)



Yield curve steepened due to US elections and presumed upcoming end of CZK floor



Source: CSO, Bloomberg, 2016-2017\* KB Economic & Strategy Research forecasts

Notes: Source of indicators Czech Statistical Office, unless stated otherwise  
 1) estimate of Ministry of finance published on 30 January, Eurostat methodology  
 2) 12-month cumulative balance as of November 2016  
 3) in December 2016, source: Eurostat  
 4) In third quarter 2016, year-over-year  
 5) as of 30 January 2017

# KB in 2016: Strong contribution to the Czech and Slovak economies, boosting efficiency and preparing for the future

## Growing lending

- KB Group continued supporting the Czech economy as it grew its lending in the individuals as well as businesses segments faster than did the broader market.
- Total lending to clients expanded by 8.6% year over year to CZK 595 billion.

## Reinforcing on the retail market

- Increasing market share in deposits from individuals. Deposits in the bank from individual clients grew by 16.5% to CZK 230 billion. Assets of KB Group's clients in mutual funds, pension savings and life insurance grew by 8.4% to CZK 152 billion.
- The number of the bank's clients increased by more than 7,000 to 1,654,000. KB Group as a whole now serves 2.4 million clients.

## Constantly improving customer value proposition

- Ensuring clients' safety on-line, KB became the first bank in the Czech Republic to offer its clients active protection when using applications for mobile banking.
- KB SmartPay brought solution for the new mandatory on-line reporting of retail sales to financial authorities (EET), integrated in the payment processing functionality.
- With 195 machines, KB operates the largest network of deposit-accepting ATMs in the Czech Republic. (Clients have at their disposal 768 KB ATMs in total).

## Maintaining solid financial performance

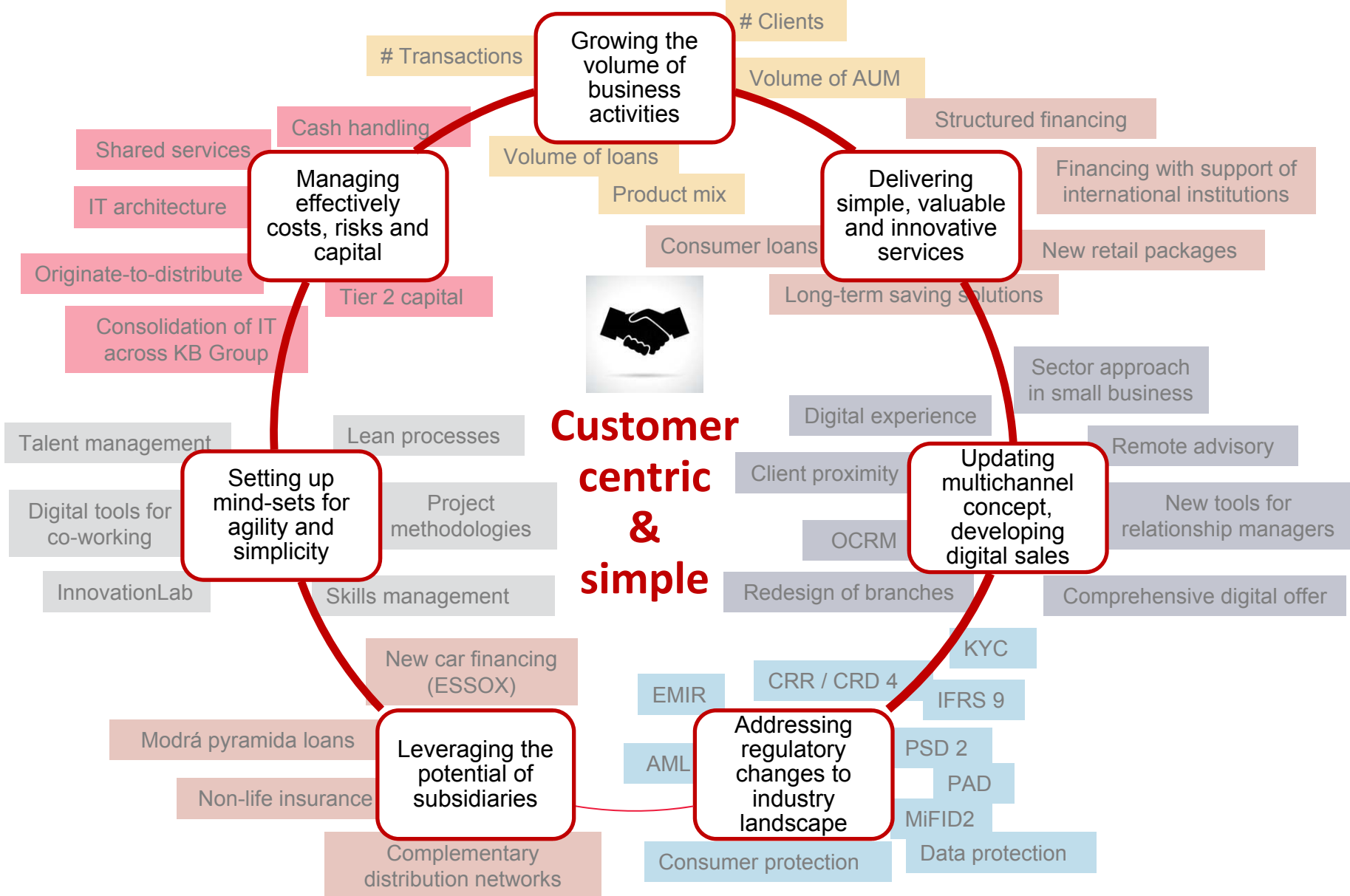
- Recurring revenues and operating costs maintained stable thanks to growth in business volumes and despite challenging environment.
- Recurring net profit declined by 7.0% due to cost of risk higher from very low levels.
- Including one-off items, reported net profit increased by 7.3 % to CZK 13.7 billion\*.

## Winning respected accolades









- Komerční banka won the title Bank of the Year 2016 in the 15th annual competition.
- Furthermore, KB placed second in the categories Most Trustworthy Bank and Online Bank of the Year.

\* Non-recurring items excluded in 2015: Revaluation of buildings held for sale (impact net of tax CZK -399 million). In 2016: gain from reimbursement for KB's stake in VISA Europe Ltd. (impact net of tax CZK 777 million), gain from sale of Cataps (impact net of tax CZK 728 mil.).

# Results of 2016 confirm resilience of KB's banking model focused on meeting the financial needs of clients

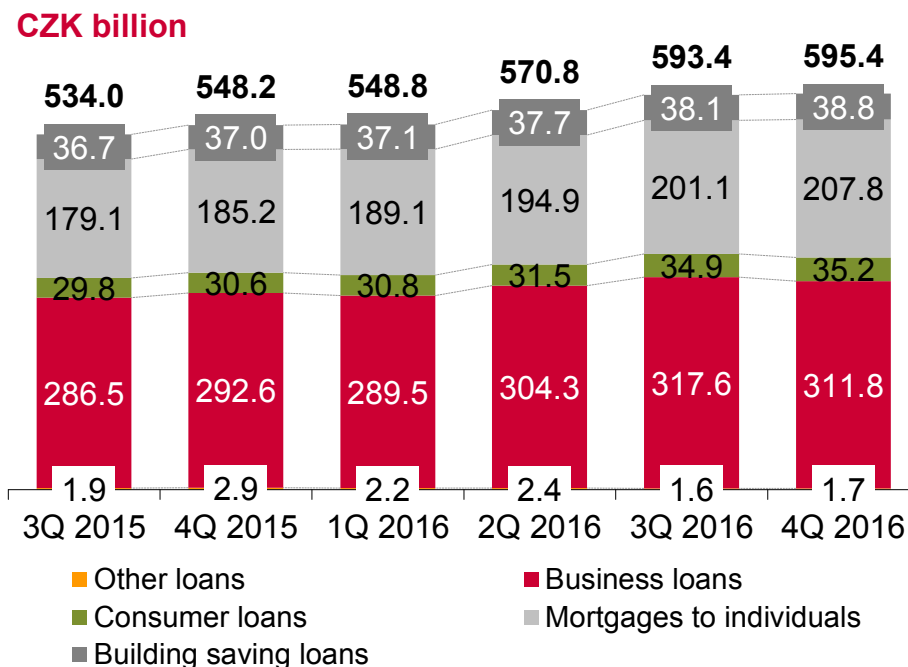


# Selected deals of the fourth quarter of 2016

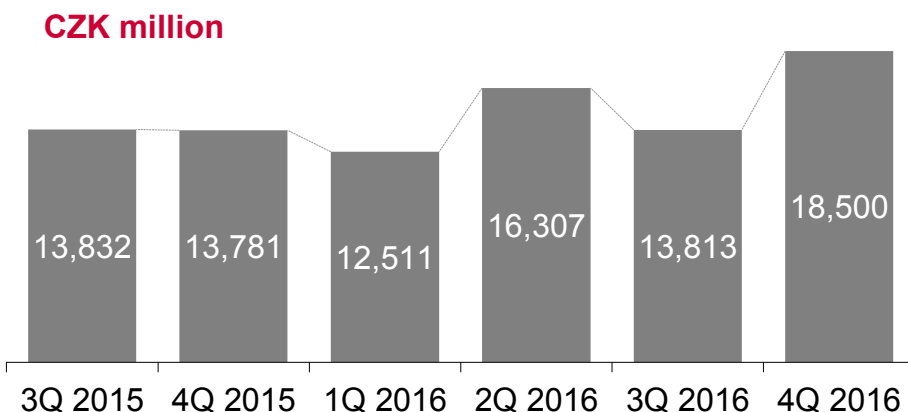
AUTOMOTIVE	REAL ESTATE	REAL ESTATE	INFORMATION TECHNOLOGIES
 <p><b>HYUNDAI MOTOR MANUFACTURING CZECH s.r.o.</b></p> <p>MT financing</p> <p><b>EUR 200,000,000</b></p> <p>Sole Lender</p> <p><b>Czech Republic, 2016</b></p>	 <p><b>Trenčín Retail Park a.s.</b></p> <p>Syndicated financing</p> <p><b>EUR 50,000,000</b></p> <p>Lender with 50% participation</p> <p><b>Slovakia, 2016</b></p>	 <p><b>MECHANICA S.R.O.</b></p> <p>Club facility agreement</p> <p><b>EUR 27,900,000</b></p> <p>Mandated Lead Arranger, Security Agent and lender</p> <p><b>Czech Republic, 2016</b></p>	 <p><b>AVAST SOFTWARE B.V</b></p> <p>International syndication financing</p> <p><b>USD 13,700,000</b></p> <p>Lender</p> <p><b>Czech Republic, 2016</b></p>
MANUFACTURING	MANUFACTURING	PUBLIC SECTOR	MANUFACTURING
 <p><b>LAKOVNA HAJDÍK s.r.o.</b></p> <p>Investment and Working Capital Financing</p> <p><b>CZK 372,000,000</b></p> <p>Complex bank services provider</p> <p><b>Czech Republic, 2016</b></p>	 <p><b>LYCKEBY AMYLEX, a.s.</b></p> <p>Investment Financing</p> <p><b>CZK 240,000,000</b></p> <p>Complex bank services provider</p> <p><b>Czech Republic, 2016</b></p>	 <p><b>Czech Technical University</b></p> <p>Investment Loan</p> <p><b>CZK 190,000,000</b></p> <p>Complex bank services provider</p> <p><b>Czech Republic, 2016</b></p>	 <p><b>SAPOLI, a.s.</b></p> <p>Investment Loan</p> <p><b>CZK 150,000,000</b></p> <p>Complex bank services provider</p> <p><b>Czech Republic, 2016</b></p>

# Gaining share on lending market

- Gross loans up 8.6% YoY, +0.3% QoQ to CZK 595.4 billion. Contribution from PSA Finance acquisition amounted to CZK 4.8 bil. or 0.9 p.p.
- Group housing loans +11.0% YoY, of which
  - Mortgages +12.2% YoY to CZK 207.8 billion
  - Modrá pyramida's loan portfolio +5.0% to CZK 38.8 billion
- Consumer loans (KB + ESSOX + retail lending by PSA Finance) up by 15.3% YoY to CZK 35.2 billion. Excluding newly acquired retail financing by PSA, consumer loans expanded by 8.4%
- Business loans up 6.6% YoY, of which:
  - Small businesses (KB) +4.8% to CZK 32.4 bil.
  - Corporations (incl. Factoring KB) +6.9% to CZK 253.6 billion. Excluding wholesale financing by PSA, corporate loans up by 5.8%
  - SGEF (leasing) +5.6% to CZK 25.8 billion



## Sales volume of housing loans

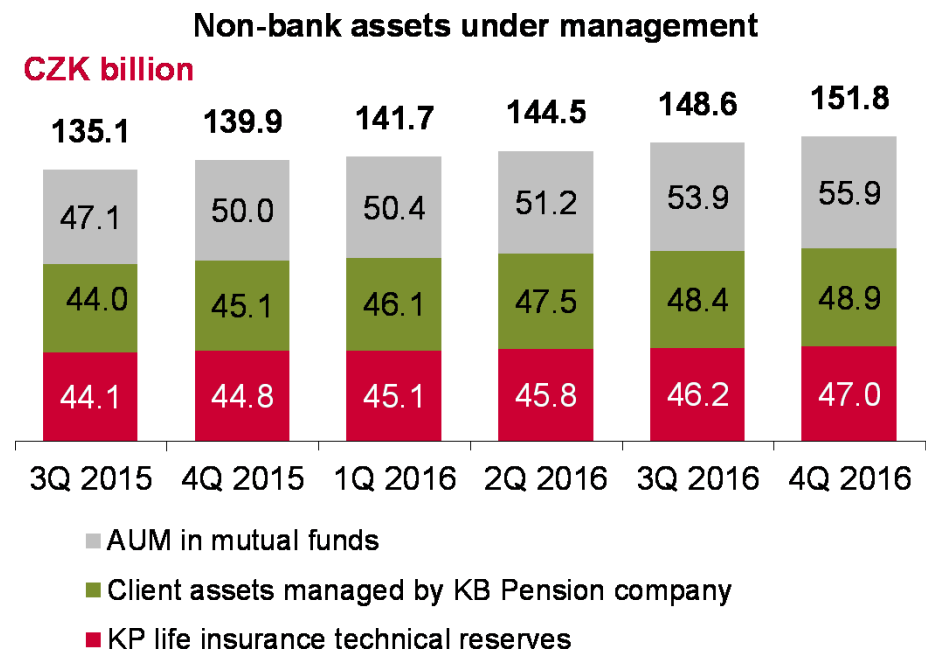
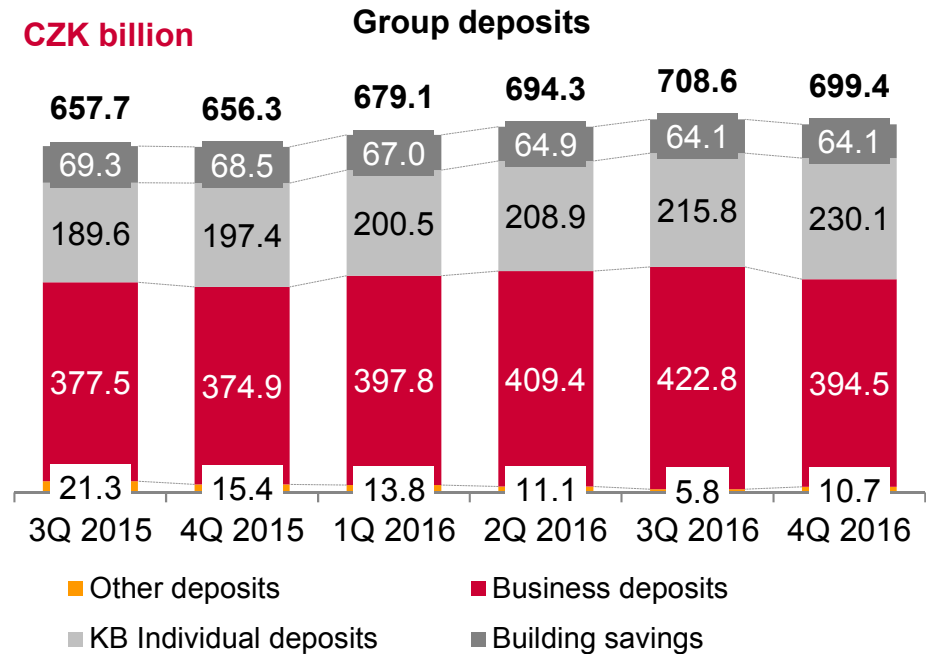




# Reinforcing position in retail

- Standard Group deposits (excluding repo) grew by +7.4% YoY to CZK 694.2 billion, -2.0% QoQ. Total amounts due to clients +6.6% YoY, -1.3% QoQ.
- Deposits from business clients +5.2% YoY to CZK 394.5 billion
- KB (bank) deposits from individuals +16.5% YoY to CZK 230.1 billion
- MPSS building savings -6.5% YoY to CZK 64.1 billion
- Current accounts +10.4% to CZK 496.4 billion, term and savings accounts +0.4% to CZK 190.5 billion
- Clients' pension assets +8.4% to CZK 48.9 billion
- KP life insurance technical reserves rose by 4.9% YoY to CZK 47.0 billion
- AUM in mutual funds (sold by KB+MPSS) increased by 11.7% YoY to CZK 55.9 billion

Note: As of 1 January 2016, KB reclassified depository bills of exchange from 'Amounts due to customers' to 'Securities issued'. The volume of depository bills reached CZK 2.4 billion in 4Q 2016 (v. CZK 3.6 billion in 3Q 2016, CZK 4.3 bil. in 2Q 2016, CZK 7.1 bil. in 1Q 2016 and CZK 10.1 bil. in 4Q 2015).



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# Recurring net profit slightly down in a challenging environment; reported result boosted by one-offs

## Profit and Loss Statement

(CZK million, unaudited)	Reported			Recurring		
	FY 2015	FY 2016	Change YoY	FY 2015	FY 2016	Change YoY
Net interest income	21,357	21,068	-1.4%	21,357	21,068	-1.4%
Net fees & commissions	6,968	6,683	-4.1%	6,968	6,683	-4.1%
Income from financial operations	2,610	3,837	47.0%	2,610	2,878	10.3%
Other income	109	163	49.5%	109	163	49.5%
<b>Net banking income</b>	<b>31,044</b>	<b>31,751</b>	<b>2.3%</b>	<b>31,044</b>	<b>30,792</b>	<b>-0.8%</b>
Personnel expenses	-6,793	-7,029	3.5%	-6,793	-7,029	3.5%
General admin. expenses (excl. regulatory funds)	-4,406	-4,374	-0.7%	-4,406	-4,374	-0.7%
Resolution and similar funds	-913	-880	-3.6%	-913	-880	-3.6%
Depreciation, impairment and disposal of fixed assets	-2,240	-1,743	-22.2%	-1,822	-1,743	-4.3%
<b>Operating costs</b>	<b>-14,352</b>	<b>-14,026</b>	<b>-2.3%</b>	<b>-13,934</b>	<b>-14,026</b>	<b>0.7%</b>
<b>Gross operating income</b>	<b>16,692</b>	<b>17,725</b>	<b>6.2%</b>	<b>17,110</b>	<b>16,766</b>	<b>-2.0%</b>
Cost of risk	-1,075	-1,818	69.1%	-1,075	-1,818	69.1%
<b>Net operating income</b>	<b>15,617</b>	<b>15,907</b>	<b>1.9%</b>	<b>16,035</b>	<b>14,948</b>	<b>-6.8%</b>
Profit on subsidiaries and associates	153	967	>100%	153	239	56.2%
<b>Profit before income taxes</b>	<b>15,770</b>	<b>16,873</b>	<b>7.0%</b>	<b>16,188</b>	<b>15,187</b>	<b>-6.2%</b>
Income taxes	-2,638	-2,799	6.1%	-2,717	-2,617	-3.7%
<b>Net profit</b>	<b>13,132</b>	<b>14,074</b>	<b>7.2%</b>	<b>13,471</b>	<b>12,570</b>	<b>-6.7%</b>
Minority profit/(loss)	374	386	3.2%	374	386	3.2%
<b>Net profit attributable to equity holders</b>	<b>12,758</b>	<b>13,688</b>	<b>7.3%</b>	<b>13,097</b>	<b>12,184</b>	<b>-7.0%</b>

### Note for reported figures:

FY 2015: On the same consolidation basis. Since 1 January 2016, Deposit Insurance Fund charge and contribution to Investor Compensation Fund (of Securities Brokers) have been reclassified from NII and NFC, respectively, to GAE.

### Note for recurring figures:

FY 2015: Revaluation of buildings held for sale (CZK -418 mil. in depreciation and CZK 79 mil. in taxes) FY 2016: Adjusted for sale of Cataps (CZK 728 mil.) and reimbursement for KB's stake in VISA Europe Ltd. (CZK 959 mil. in NPFO and CZK -182 mil. taxes)

# Loans and deposits main drivers of balance sheet growth

<b>Balance Sheet</b> (CZK million, unaudited)	<b>31 Dec 2015</b> Restated*	<b>31 Dec 2016</b> Reported	<b>YoY</b>
<b>Assets</b>	<b>891,555</b>	<b>922,737</b>	<b>3.5%</b>
Cash and balances with central bank	128,336	112,241	-12.5%
Amounts due from banks	47,799	51,771	8.3%
Loans and advances to customers (net)	532,617	580,198	8.9%
Securities and trading derivatives	138,144	134,591	-2.6%
Other assets	44,658	43,935	-1.6%
<b>Liabilities and shareholders' equity</b>	<b>891,555</b>	<b>922,737</b>	<b>3.5%</b>
Amounts due to banks	56,230	54,124	-3.7%
Amounts due to customers	656,286	699,377	6.6%
Securities issued	21,403	13,423	-37.3%
Other liabilities	51,408	50,412	-1.9%
Shareholders' equity	106,229	105,400	-0.8%

Note: \* Adjusted for reclassification of Depository bills of exchange from 'Amounts due to customers' to 'Securities issued'.

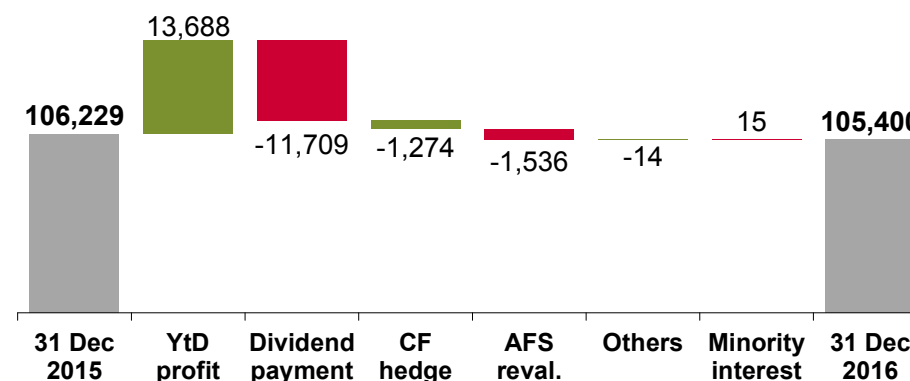
Consolidated income statement and balance sheet per quarters of 2015 in the format as reported and adjusted for the effects of reclassifications are available at [www.kb.cz/en/about-the-bank/investor-relations](http://www.kb.cz/en/about-the-bank/investor-relations)

## Shareholders' equity stable

- Shareholders' equity slightly declined year-on-year (-0.8%) at CZK 105.4 billion, as the generation of net profit was offset by the volume of dividends paid
- Revaluation of cash flow hedges were lower due to increase of market interest rates at the end of 2016
- The revaluation of the AFS portfolio (which represents primarily reinvestment of client deposits) declined due to disposal of KB's stake in VISA Europe Ltd. in 2Q 2016, leading to reduction in the respective valuation reserve and also due to amortisation of the revaluation difference on securities reclassified from the AFS to HTM portfolio (in 2014).
- Total regulatory capital = Core Tier 1 capital amounted to CZK 71.7 billion, up +7.7% YoY influenced by adjusted dividend payout policy

As of 31 December 2016, CZK -3,233million was transferred from Other comprehensive income (Cash flow hedging) to Net profit (net of tax)

### Contributions to equity in FY 2016



### Shareholders' equity

(CZK million)	31/12/2016
Share capital & reserve funds	72,654
Current year attributable net profit	13,688
Others	424
<b>Equity for adjusted ROAE calculation</b>	<b>86,766</b>
Cash flow hedge	11,379
AFS securities' fair value changes	3,424
Minority equity	3,831
<b>Total Shareholders' equity</b>	<b>105,400</b>

# Capital adequacy strengthened by adjustment in dividend payout policy

(year-to-date)	31/12/2015 <sup>1</sup>	31/12/2016	YoY
Capital adequacy (reported, comprising only Core Tier 1) <sup>2</sup>	16.3%	16.2%	▼
Total risk weighted assets (CZK billion)	407.6	442.9	8.6%
Risk weighted assets for credit risk (CZK billion)	342.0	376.9	10.2%
Net interest margin (NII/Av. interest bearing assets), annualised	2.6%	2.5%	▼
Loans (net) / deposits ratio	81.2%	83.0%	▲
Cost / income ratio	46.2%	44.2%	▼
Return on average equity (ROAE), annualised	12.3%	13.4%	▲
Adjusted return on average equity (adjusted ROAE), annualised <sup>3</sup>	15.1%	16.0%	▲
Return on average regulatory capital	19.7%	19.8%	▲
Return on average assets (ROAA), annualised	1.4%	1.5%	▲
Earnings per share (CZK), annualised	68	72	7.3%
Average number of employees during the period	8,421	8,458	0.4%

1) Data for 2015 are reported in accordance with 2016 reporting methodology

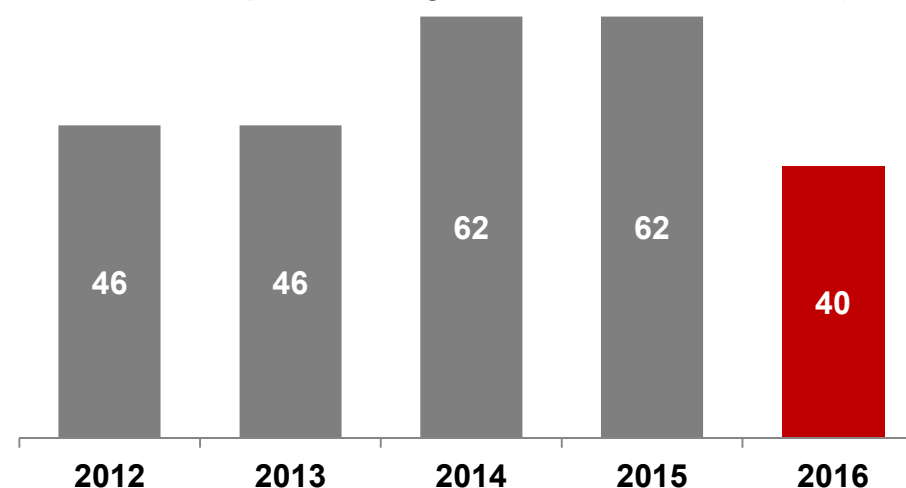
2) Contribution to the regulatory capital from a part of the AFS revaluation reserve related to disposable securities in AFS portfolio amounted to 35 bps of Total capital and Core Tier 1 adequacy, as of 31 December 2016

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

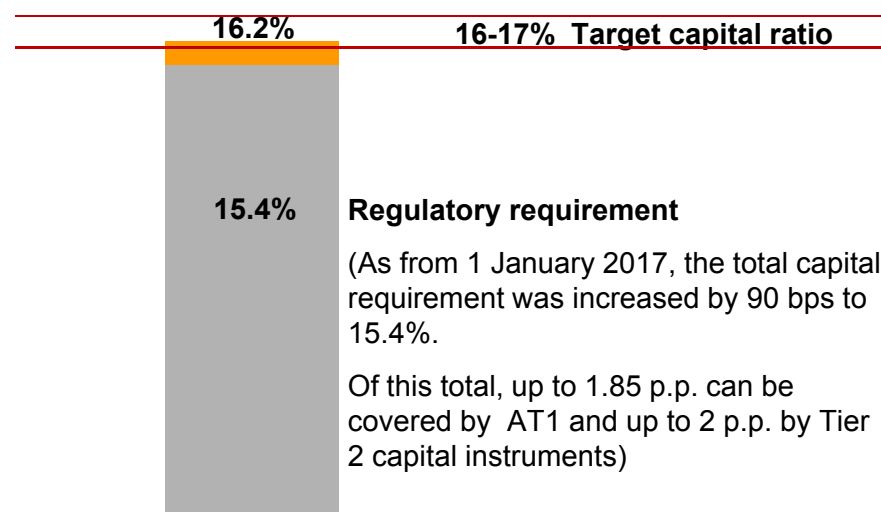
# Balancing growth and shareholders' remuneration

- In view of KB's 2016 result and capital position, KB's Board of Directors has decided to propose to the Supervisory Board a dividend payment of CZK 7,602 million, i.e. CZK 40 per share.
  - This would represent a pay-out ratio of 55.5% of KB Group's attributable consolidated net profit, and gross dividend yield based on 2016's closing share price of 4.5%.
  - The decision on distribution of the year's earnings is subject to a vote of the Annual General Meeting.
- 
- Given the current state of affairs, for 2017, in order to maintain KB's strong capital position, management intends to propose a dividend payout of 60% of the recurring consolidated net profit to be achieved in 2017
  - In addition, determined to maintain the Bank's capital structure both safe and efficient, KB intends in coming years gradually to reinforce KB's capital by Tier 2 capital components
  - The decision on actual Tier 2 reinforcement will be subject to market conditions as well as on receiving regulatory approvals

Dividend per share (gross, in CZK, recalculated)

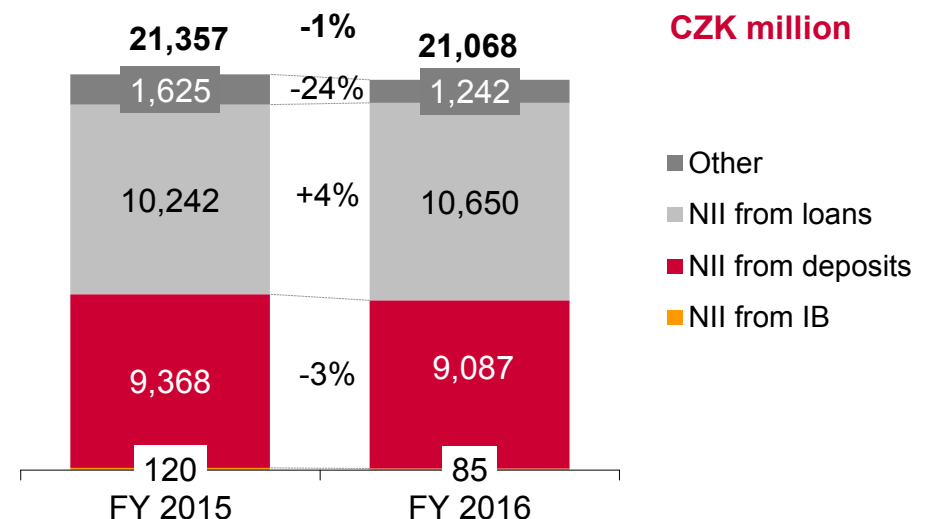
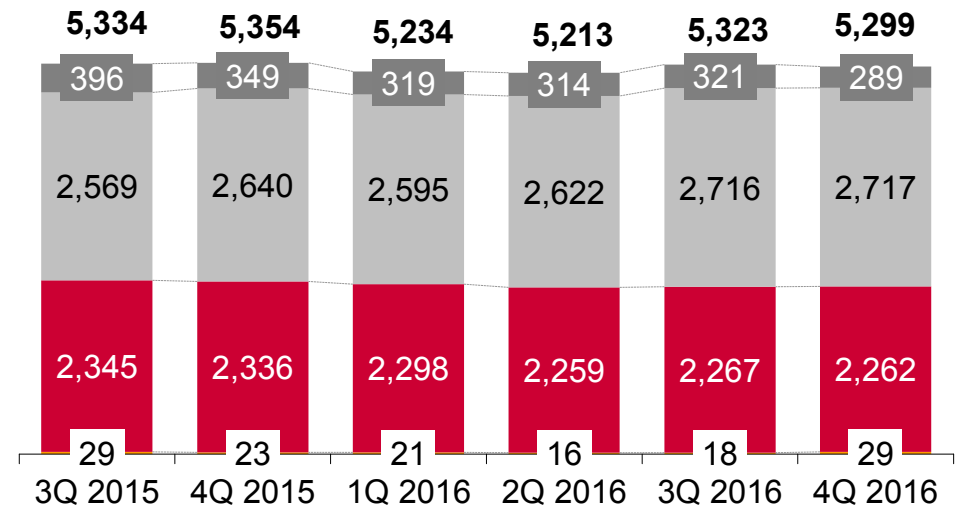


Capital adequacy ratio



# NII stabilising thanks to growth in loan volumes

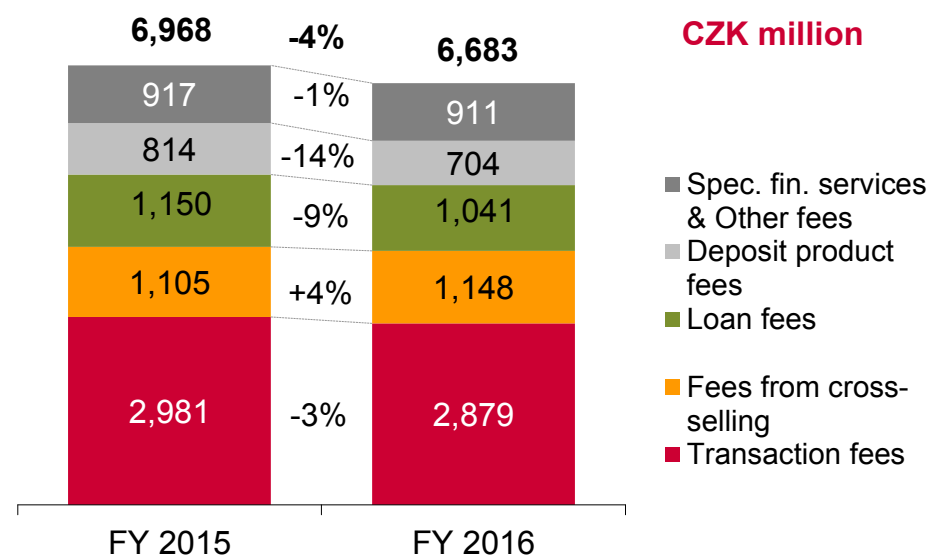
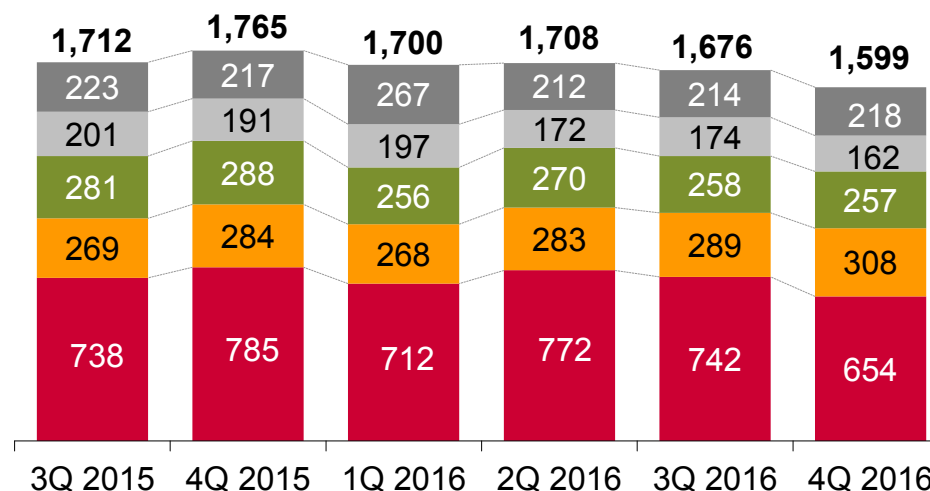
- NII -1.4% YoY in FY 2016, 4Q 2016 -0.5% QoQ
- NII from loans – increase driven by growth in volumes. Impact of intense competition on spreads, most pronounced in consumer lending
- Low interest rates pushed down yields from reinvestment of deposits and capital. Negative effect moderated by long-term hedging policy
- Increase in cross-currency swap spreads in 4Q 2016 boosted yield from FX deposits but also funding costs of FX assets in the corporate centre
- The net interest margin at 2.5% in FY 2016 (compared to 2.6% in FY 2015)





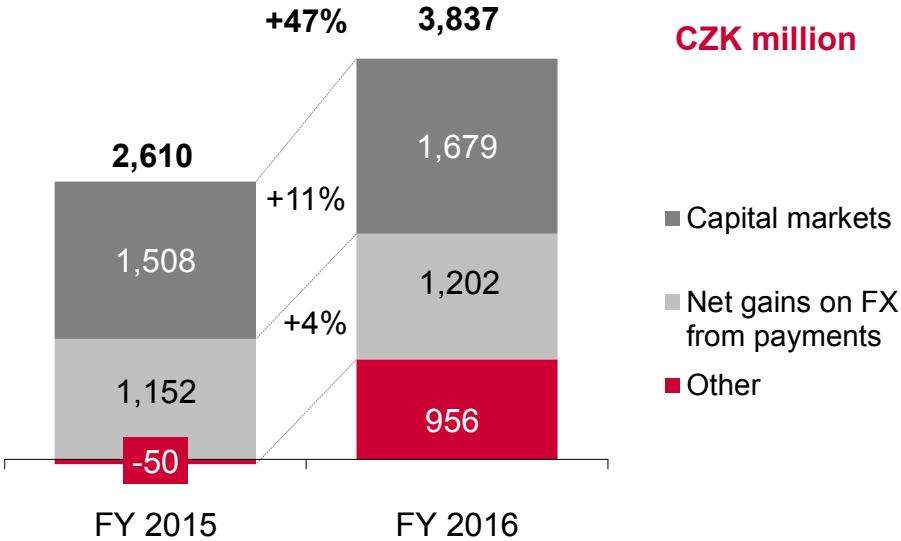
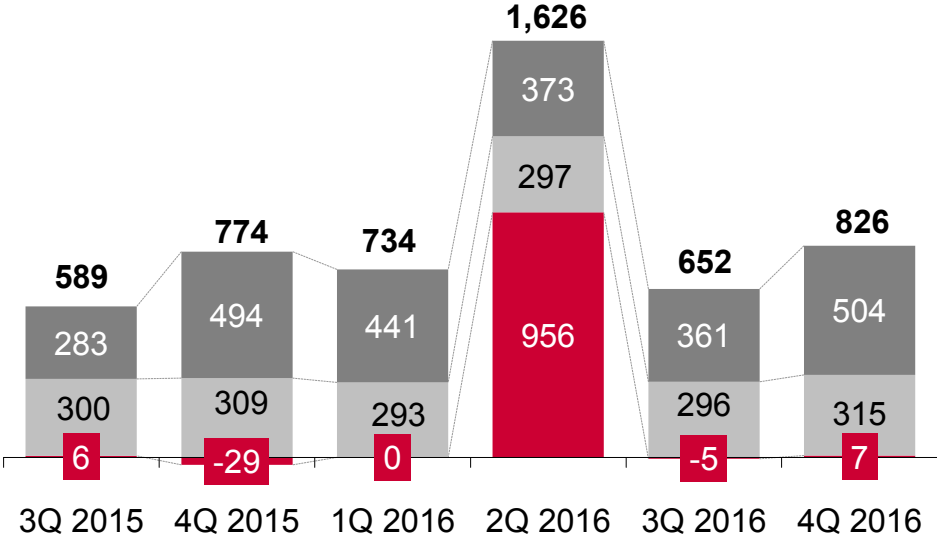
# Growth in the volume of clients' activities offset by regulation of interchange fees and sale of card acquiring

- NFC in FY 2016 declined by 4.1% YoY, 4Q 2016 down 4.6% QoQ affected by the sale of 80% stake in merchant acquiring in 3Q 2016.
- Deposit product fees - More rewards paid out in the MojeOdměny loyalty programme. Lower number of accounts in Modrá pyramida
- Loan fees – lower mortgage fees and fees for consumer loans at ESSOX, fading effect of previously cancelling retail loan administration fees
- Fees from cross-selling – growth driven by rising volume of client assets under management
- Transaction fees – YoY transaction activity increased, negative impact from regulation of interchange fees. Income in 4Q 2016 affected by the sale of merchant card acquiring in September, to create KB SmartPay alliance
- Specialised financial services and other fees – lower income from guarantees, trade finance due to drop in construction, exports to some countries. Revenues from custody & depository up



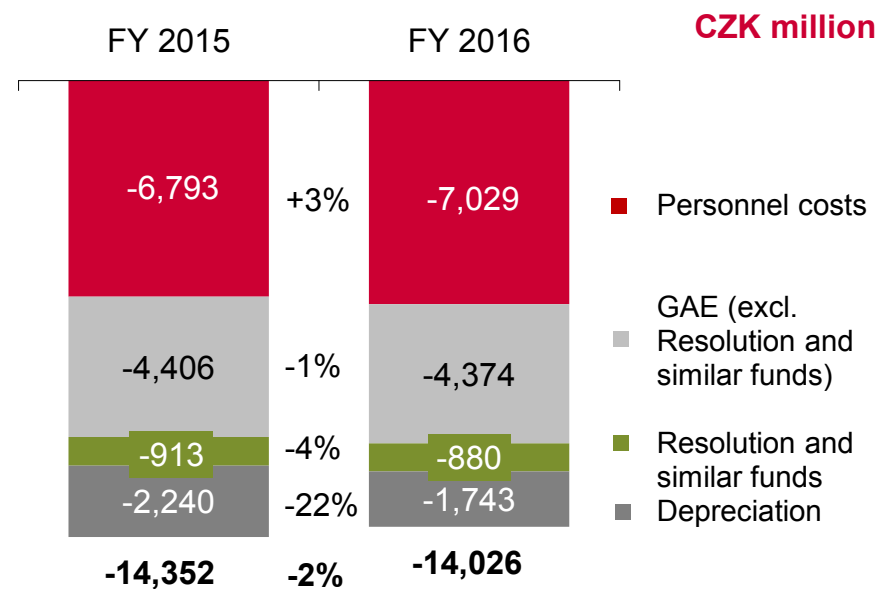
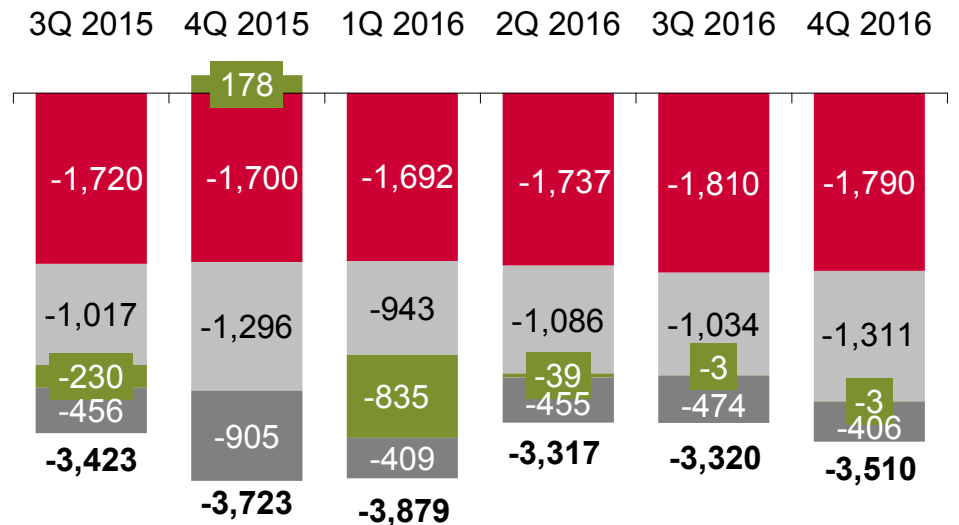
# More demand for hedging as currency floor presumed to end around mid-2017

- Net profit from financial operations in FY 2016 rose by 47.0% YoY, Excluding one-off CZK 959 gross gain from stake in VISA Europe, FY 2016 NPFO increased by 10.3% YoY
- 4Q 2016 NPFO rose by 26.7% QoQ
- Demand for FX and IR hedging underpinned by presumed nearing end of floor on CZK EUR currency pair, as well as increased volatility in prices of derivatives
- Solid trend of demand for IR hedging linked to expected future increase in long-term rates
- The strong foreign transactions turnover reflected in growth of fees from FX transactions



# Good cost control

- Reported OPEX in FY 2016 -2.3% YoY. 4Q 2016 +5.7% QoQ due to higher marketing and IT spending
- Recurring OPEX in FY 2016 +0.7% YoY, excluding one-off impairment of real estate held for sale of CZK 418 million in 4Q 2015
- Personnel expenses up 3.5% YoY. Average number of employees +0.4%
- Permanent adaptation in the branch presence
- Excluding the aforementioned revaluation of buildings, depreciation was smaller by 4.3% mainly due to completed amortisation of certain software

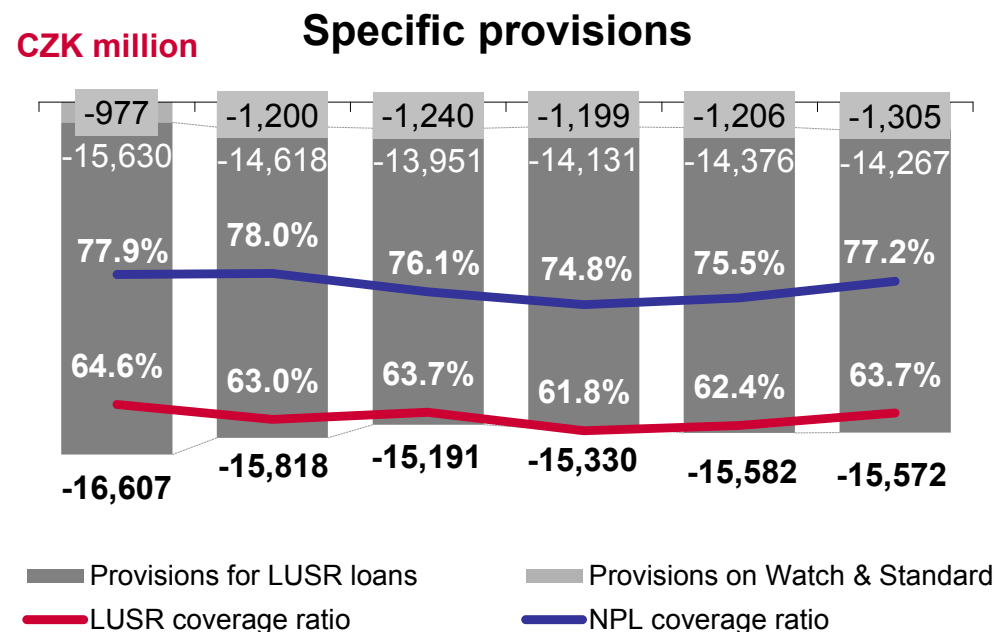
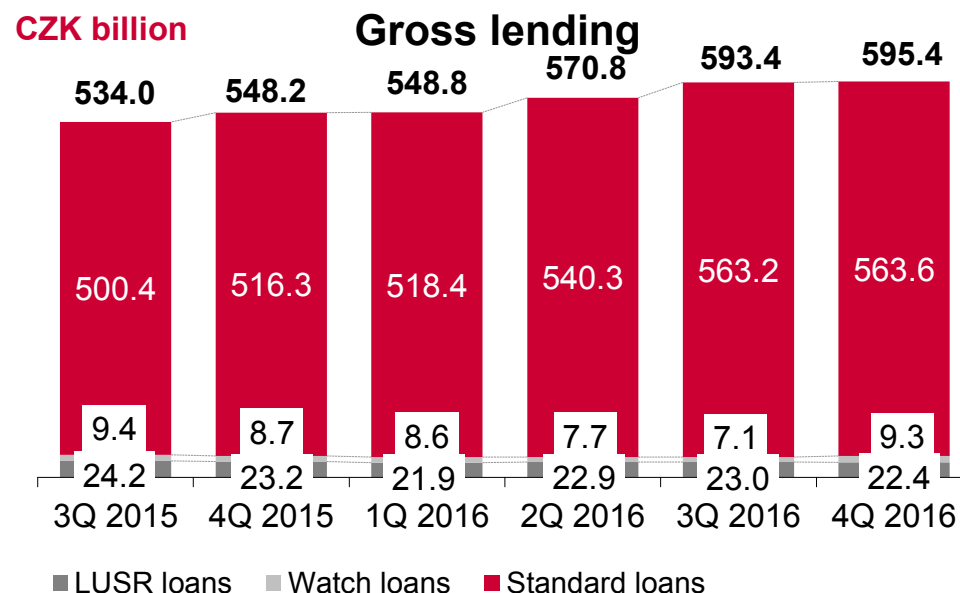


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# Sound asset quality

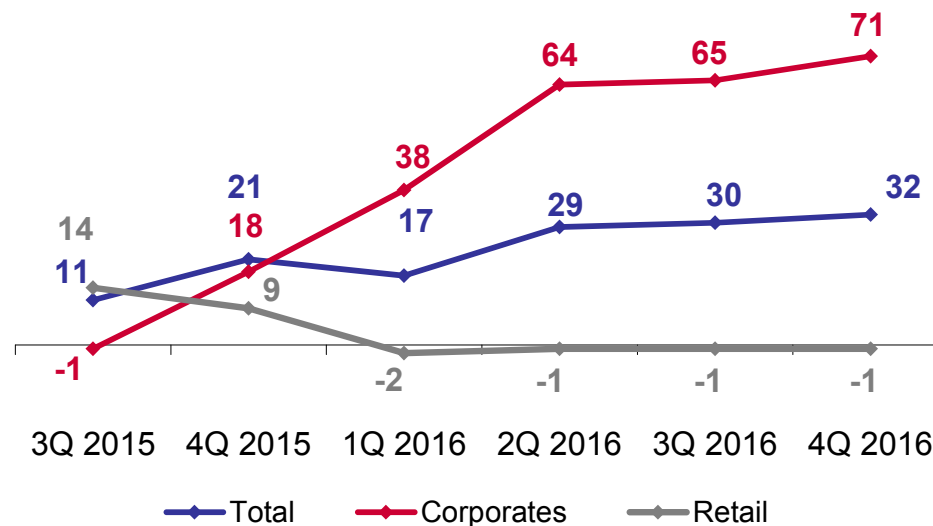
- Loan exposure +8.6% YoY, QoQ +0.3%
- Watch exposure CZK +2.2 bil. QoQ driven by methodological change related to preparation of IFRS 9 implementation
- LUSR exposure ratio down to 3.8% (4.2% in 4Q 2015) and NPL exposure ratio down to 2.5% (2.8% in 4Q 2015) driven by dynamic exposure growth, successful recovery, low default rates and write-offs
- Provision coverage ratio for LUSR portfolio slightly up to 63.7% (63% in 4Q 2015) driven by additional provisions increase on a few defaulted Corporate clients
- Provision coverage ratio for NPL portfolio slightly down to 77.2% (78% in 4Q 2015) driven by successful recovery and some write-offs



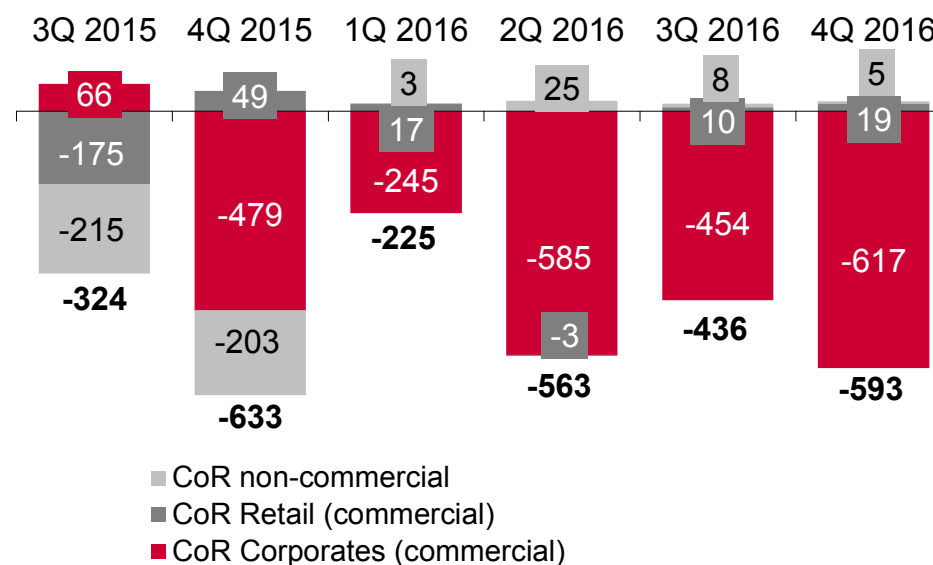
# Cost of Risk driven by a few Corporate clients

- YtD Cost of Risk increased to 32 bps in FY 2016 (vs. 21 bps in FY 2015)
- Increase of Cost of Risk on Corporates to 71 bps (vs. 18 bps in FY 2015) driven by a few isolated defaulted clients
- Very low Cost of Risk on Retail influenced by favorable macroeconomic conditions. CoR on Individuals (-10 bps in FY 2016 vs. 5 bps in FY 2015) driven by still decreasing number of defaults and successful recovery. CoR on Small Business on low levels (63 bps in FY 2016 vs. 44 bps in FY 2015) driven by stable number of defaults and successful recovery

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



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



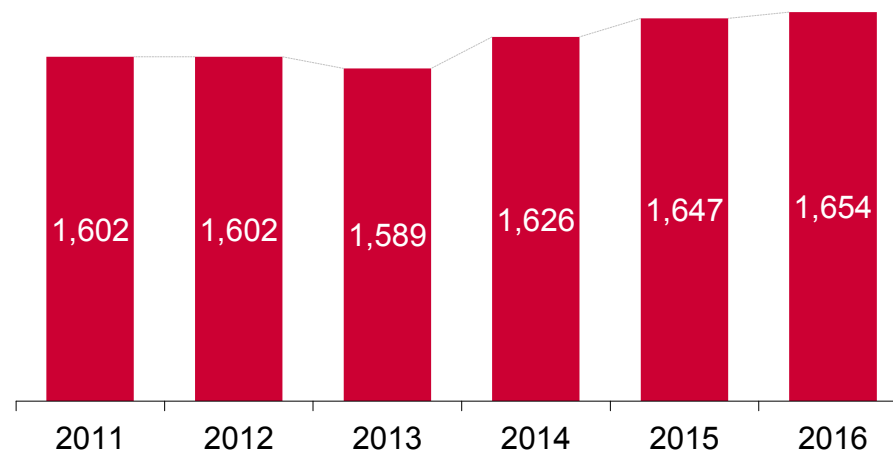
# Agenda

- Business results 4
- Financial results 11
- Loan portfolio quality and cost of risk 21
- **Appendix 24**

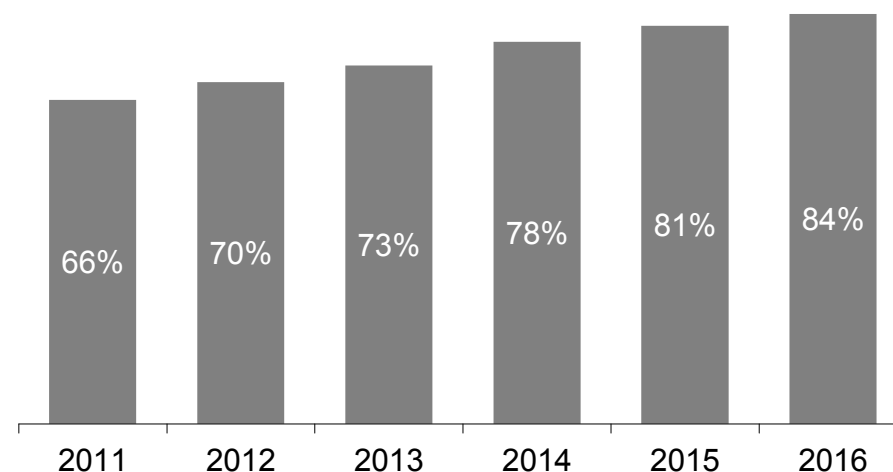
# Number of clients and distribution network

- KB Group's 2.4 million clients, of which
  - KB bank 1,654,000 clients (0%)
  - MPSS 491,000 clients (-6%)
  - KBPS 534,000 clients (-2%)
  - ESSOX 201,000 active clients (-8%)
- Network
  - 391 branches for retail clients, 10 corporate divisions and 4 divisions for large corporate clients in CZ, 1 in Slovakia
  - 768 ATMs (of which 195 deposit ATMs)
  - MPSS: 216 points of sale; approx. 1,000 sales agents
  - SGEF: 7 branches in CZ, 2 in Slovakia
- Direct Channels
  - 1,387,000 clients (i.e. 84% of KB client base) using direct banking channels
  - Two call centres, internet and mobile banking

Number of bank clients (thousands, CZ)



Number of clients – Direct Channels  
(% share of bank's client base)





# Consolidated income statement – quarterly view

<b>Profit and Loss Statement</b>	<b>4Q 2015 restated</b>	<b>3Q 2016</b>	<b>4Q 2016</b>	<b>Change YoY</b>	<b>Change QoQ</b>
(CZK million, unaudited)					
Net interest income	5,354	5,323	5,299	-1.0%	-0.5%
Net fees & commissions	1,765	1,676	1,599	-9.4%	-4.6%
Income from financial operations	774	652	826	6.7%	26.7%
Other income	34	51	47	38.2%	-7.8%
<b>Net banking income</b>	<b>7,926</b>	<b>7,702</b>	<b>7,770</b>	<b>-2.0%</b>	<b>0.9%</b>
Personnel expenses	-1,700	-1,810	-1,790	5.3%	-1.1%
General admin. expenses (excl. regulatory funds)	-1,296	-1,034	-1,311	1.2%	26.8%
Resolution and similar funds	178	-3	-3	n.a.	0.0%
Depreciation, impairment and disposal of fixed assets	-905	-474	-406	-55.1%	-14.3%
<b>Operating costs</b>	<b>-3,723</b>	<b>-3,320</b>	<b>-3,510</b>	<b>-5.7%</b>	<b>5.7%</b>
<b>Gross operating income</b>	<b>4,203</b>	<b>4,382</b>	<b>4,260</b>	<b>1.4%</b>	<b>-2.8%</b>
Cost of risk	-633	-436	-593	-6.3%	36.0%
<b>Net operating income</b>	<b>3,570</b>	<b>3,946</b>	<b>3,666</b>	<b>2.7%</b>	<b>-7.1%</b>
Profit on subsidiaries and associates	28	767	102	>100%	-86.7%
<b>Profit before income taxes</b>	<b>3,598</b>	<b>4,713</b>	<b>3,769</b>	<b>4.8%</b>	<b>-20.0%</b>
Income taxes	-657	-678	-629	-4.3%	-7.2%
<b>Net profit</b>	<b>2,941</b>	<b>4,035</b>	<b>3,140</b>	<b>6.8%</b>	<b>-22.2%</b>
Minority profit/(loss)	67	89	92	37.3%	3.4%
<b>Net profit attributable to equity holders</b>	<b>2,874</b>	<b>3,946</b>	<b>3,048</b>	<b>6.1%</b>	<b>-22.8%</b>

Note:

4Q 2015 restated - On the same consolidation basis. Since 1 January 2016, Deposit Insurance Fund charge and contribution to Investor Compensation Fund (of Securities Brokers) have been reclassified from NII and NFC, respectively, to GAE.

# Recurring P&L – quarterly view

<b>Profit and Loss Statement</b>	<b>4Q 2015 recurring</b>	<b>3Q 2016 recurring</b>	<b>4Q 2016 recurring</b>	<b>Change YoY</b>	<b>Change QoQ</b>
(CZK million, unaudited)					
Net interest income	5,354	5,323	5,299	-1.0%	-0.5%
Net fees & commissions	1,764	1,676	1,599	-9.4%	-4.6%
Income from financial operations	774	653	825	6.6%	26.3%
Other income	34	51	47	38.2%	-7.8%
<b>Net banking income</b>	<b>7,926</b>	<b>7,703</b>	<b>7,770</b>	<b>-2.0%</b>	<b>0.9%</b>
Personnel expenses	-1,700	-1,810	-1,790	5.3%	-1.1%
General admin. expenses (excl. regulatory funds)	-1,297	-1,034	-1,311	1.1%	26.8%
Resolution and similar funds	-3	-3	-3	3.2%	0.0%
Depreciation, impairment and disposal of fixed assets	-487	-474	-405	-16.8%	-14.6%
<b>Operating costs</b>	<b>-3,487</b>	<b>-3,320</b>	<b>-3,510</b>	<b>0.7%</b>	<b>5.7%</b>
<b>Gross operating income</b>	<b>4,439</b>	<b>4,383</b>	<b>4,260</b>	<b>-4.0%</b>	<b>-2.8%</b>
Cost of risk	-633	-437	-593	-6.3%	35.7%
<b>Net operating income</b>	<b>3,806</b>	<b>3,946</b>	<b>3,667</b>	<b>-3.7%</b>	<b>-7.1%</b>
Profit on subsidiaries and associates	28	39	103	>100%	>100%
<b>Profit before income taxes</b>	<b>3,834</b>	<b>3,985</b>	<b>3,770</b>	<b>-1.7%</b>	<b>-5.4%</b>
Income taxes	-702	-678	-629	-10.4%	-7.2%
<b>Net profit</b>	<b>3,132</b>	<b>3,307</b>	<b>3,141</b>	<b>0.3%</b>	<b>-5.0%</b>
Minority profit/(loss)	66	89	92	39.4%	3.4%
<b>Net profit attributable to equity holders</b>	<b>3,066</b>	<b>3,218</b>	<b>3,049</b>	<b>-0.6%</b>	<b>-5.3%</b>

Note:

4Q 2015: Excluding revaluation of buildings held for sale.

3Q 2016: Excluding sale of Cataps.

# Business performance of subsidiaries 1/2

	FY 2015	FY 2016	YoY
<b>Modrá pyramida (100%), #2 building savings &amp; loans company</b>			
Volume of new loans (CZK million)	6,298	9,430	50%
Volume of total loans (gross, CZK million)	36,980	38,820	5%
Volume of deposits (CZK million)	68,547	64,105	-6%
Number of clients	519,297	490,563	-6%
Average number of FTEs	330	330	0%
Number of points of sale	215	216	0%
<b>KB Penzijní společnost (100%), a manager of pension funds</b>			
Number of new contracts	24,527	30,439	24%
Number of clients	545,065	534,205	-2%
Assets under management (CZK million)	45,137	48,941	8%
of which in Transformed fund	43,201	46,567	8%
Average number of FTEs	47	47	0%
<b>ESSEX (50.93%), standalone, #2 non-bank consumer lender and car financing company</b>			
Volume of new contracts (CZK million)	4,462	4,904	10%
Volume of total loans (gross, CZK million)	9,256	10,006	8%
Number of active clients	219,338	200,781	-8%
Average number of FTEs	341	346	1%

## Business performance of subsidiaries 2/2

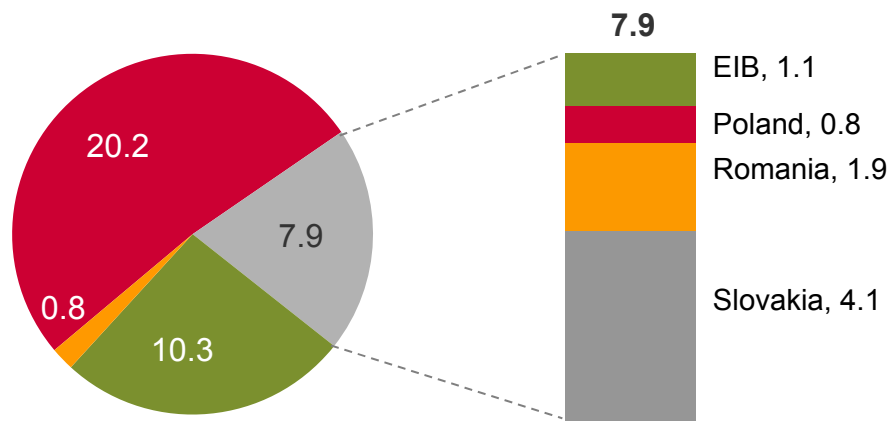
	FY 2015	FY 2016	YoY
<b>Factoring KB (100%), #1 on the Czech factoring market</b>			
Factoring turnover (CZK million)	35,480	37,762	6%
Volume of total financing (gross, CZK million)	6,100	7,455	22%
Average number of FTEs	44	45	2%
<b>Komerční pojišťovna (49%), a universal insurance company</b>			
Volume of technical reserves (CZK million)	44,788	46,960	5%
Premium written (CZK million)	6,577	6,660	1%
of which in life insurance	6,228	6,284	1%
of which in non-life insurance	349	376	8%
Average number of FTEs	169	183	8%
<b>SGEF Czech Republic (50.1%), a provider of asset-backed financing in Czech Rep. and Slovakia</b>			
Volume of new financing (CZK million)	11,496	12,253	7%
Volume of total financing (gross, CZK million)	24,460	25,832	6%
Average number of FTEs	121	124	3%

# Debt securities portfolio in the banking book

CZK billion, as of 31 December 2016

## Available-for-sale portfolio

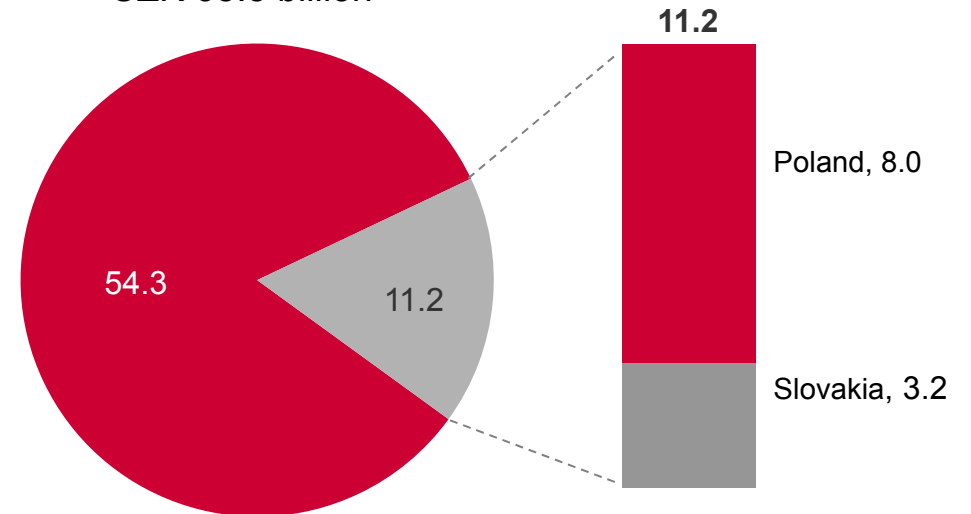
CZK 39.2 billion



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

## Held-to-maturity portfolio

CZK 65.5 billion



- Czech sovereign
- Foreign sovereign

# Macroeconomic environment – Czech Republic

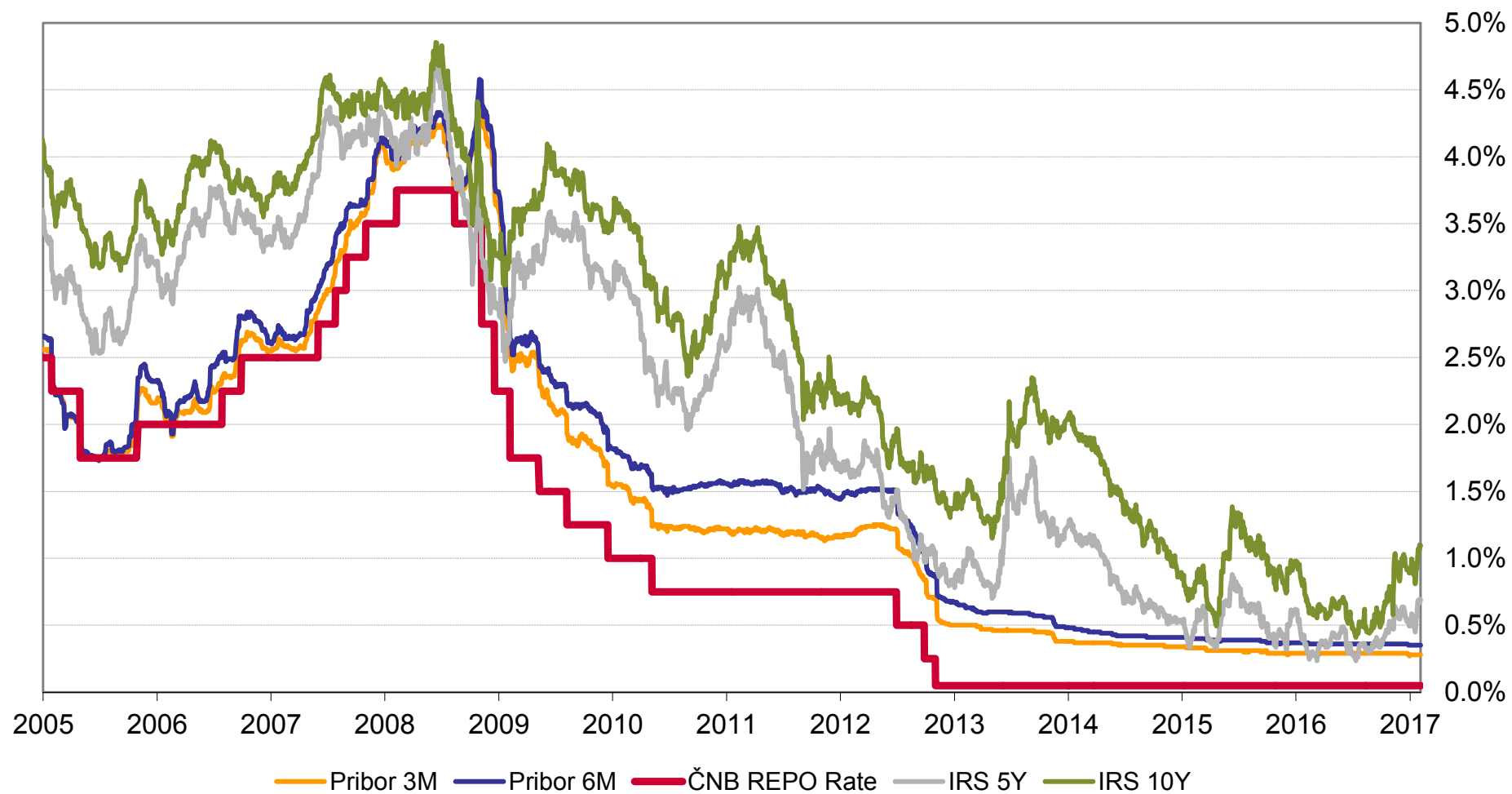
<b>Macroeconomic Indicators</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016*</b>	<b>2017*</b>
Real GDP (% , average)	-0.7	-0.5	2.7	4.6	2.5	2.7
Inflation (% , average)	3.3	1.4	0.4	0.3	0.7	2.2
Household consumption (% , average)	-1.2	0.5	1.8	3.1	2.7	2.9
Unemployment (% , av., MLSA meth.)	6.8	7.8	7.6	6.4	5.4	4.9
M2 (% , average)	6.0	4.6	4.3	6.3	7.3	7.3
3M PRIBOR (% , average)	1.0	0.5	0.4	0.3	0.3	0.3
<b>Potential of the market **</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016*</b>	<b>2017*</b>
Loans / GDP (year-end)	58.1	61.4	61.1	61.1	63.3	63.5
Real estate loans / GDP (year-end)	20.0	20.8	20.9	21.3	22.3	22.5
Deposits / GDP (year-end)	77.1	81.5	79.7	77.3	82.8	79.0
Household loans / GDP (year-end)	25.7	26.7	26.5	27.1	28.2	28.3

\* *KB estimate*

\*\* *Banking sector, year end*

# Interest rates evolution

(for the period 1 January 2005 – 3 February 2017)



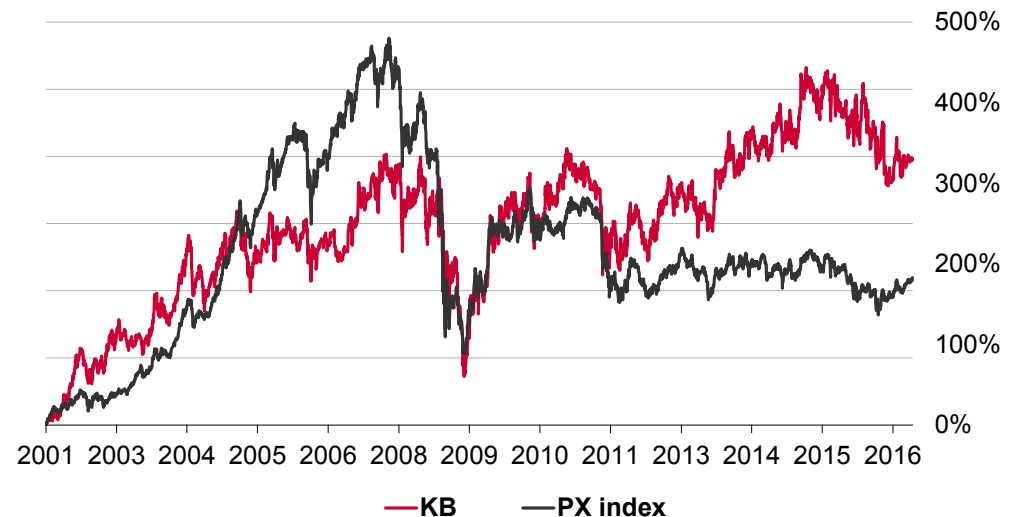
# KB #1 listed Czech bank

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

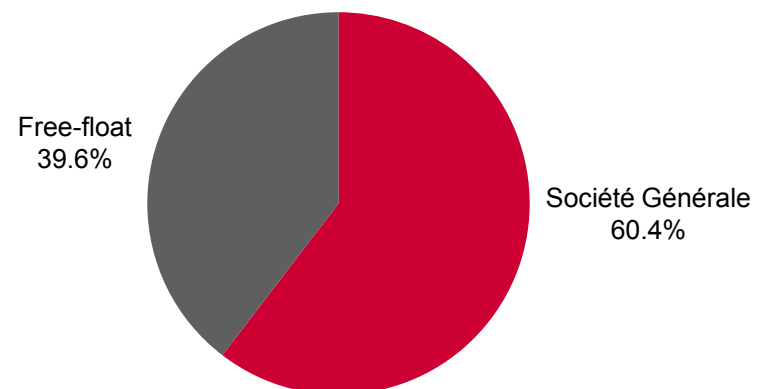
## As of 31 December 2016

- The number of shareholders comprised 46,801 corporate entities and private individuals.
- Of the Bank's total share capital of CZK 19,004,926,000 divided into 190,049,260 shares with a nominal value of CZK 100 each, Société Générale S.A. held 60.35%.
- KB held 1,193,360 own shares in treasury, representing 0.63% stake on registered capital

**Development of KB share price and PX index**  
(1 October 2001 – 3 February 2017)



**Shareholder structure**







## **Investor Relations**

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