

PRAGUE, 6 NOVEMBER 2019

# KOMERČNÍ BANKA GROUP RESULTS

---

Nine months and third quarter 2019

According to IFRS, Consolidated, Unaudited

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

# DISCLAIMER

---

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

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

Results and ratios in this presentation are as of 30 September 2019, unless stated otherwise.

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

# CONTENTS

**Executive summary**

Macroeconomic environment

Highlights of KB's 3Q 2019

Business performance

Financial performance

Asset quality & cost of risk

Appendix

# HIGHLIGHTS AS OF 30 SEPTEMBER 2019

Client service improvements introduced in the third quarter include instant payments 24/7 between KB and four other Czech banks, upgrade of ATMs for contactless access, a banking app for Amazon's Alexa, Modrá pyramida's MP Home app and the Relay mortgage that allows passing on repayments

KB is registering great success with its KB Key authentication app that allows access to a progressively expanding range of services. In September, more than 381,000 customers were using the KB Key launched just over ten months earlier.

The total volume of KB Group's lending expanded by 4.0% year on year to CZK 654.0 billion.

The volume of standard client deposits within KB Group expanded by 6.3% YoY to CZK 860.2 billion. Client assets in pension funds were higher by 7.9% and the volume in mutual funds expanded by 9.7%.

Revenues for the three quarters improved by 3.0%, while recurring operating costs were up by just 2.8%.

The Group reported for the nine months a net release of credit risk provisions and a very low net creation in the third quarter.

Recurring consolidated attributable net profit for the three quarters of 2019 grew by 0.5% year on year to CZK 11.0 billion. Reported net profit was up 0.9%.

**Pursuing  
safe and convenient  
banking for clients**

**Expanding  
digital banking**

**Loans to clients  
up by 4.0% YoY**

**Deposits from clients  
grew by 6.3% YoY**

**Revenues grew faster  
than operating costs**

**Net release of provisions  
CZK 0.3 billion**

**Consolidated recurring  
net profit CZK 11.0 billion**

# CONTENTS

- Executive summary
- Macroeconomic environment**
- Highlights of KB's 3Q 2019
- Business performance
- Financial performance
- Asset quality & cost of risk
- Appendix

# CZECH ECONOMY RESILIENT, TO A CERTAIN POINT

- GDP in 2Q19 up +2.8% YoY, +0.7% QoQ. The growth in Q2 was driven predominantly by private and government consumption and net exports
- So far, the Czech economy has proved resilient to the weakness of its main trading partners. Car production in nine months of 2019 matched the record high from 2018
- Moody's Investors Service has upgraded at the beginning of October the Government of the Czech Republic's senior unsecured and long-term issuer ratings to Aa3 from A1 and changed the outlook to stable from positive
- Unemployment remained lowest in the EU at 2.1% in September<sup>1</sup>, driving increase in nominal wages (up 7.2% YoY in 2Q 2019)
- CPI inflation at 2.7% YoY in September, driven mainly by prices of housing, energy and food<sup>2</sup>; core inflation slowed to 2.5%<sup>2</sup>
- CNB's monetary policy to contemplate CZK inflation outlook staying in the upper part of the inflation tolerance band with risks stemming from the global economic environment
- CZK yield curve inverted (as of 10 October 2019): 3M PRIBOR at 2.17% (+16 bps year-to-date), but 10Y IRS at 1.22%, down 44 bps year-to-date

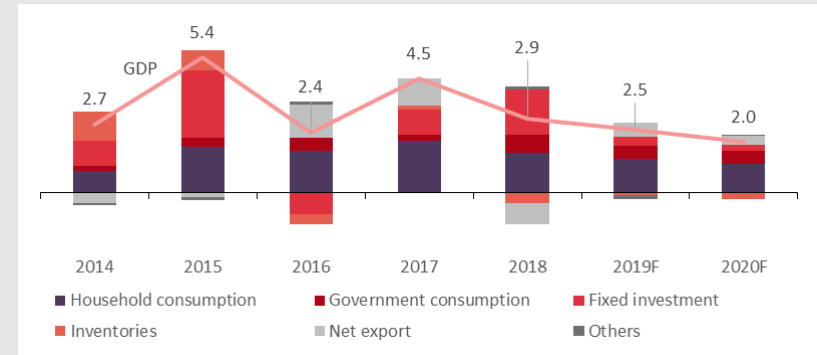
Notes: Source of indicators Czech Statistical Office, CNB, unless stated otherwise

1) According to Eurostat, seasonally adjusted

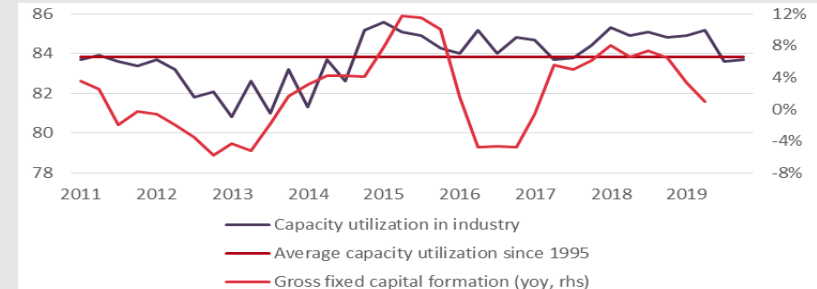
2) Source: KB Economic Research estimate

3) Source of historical data: Czech Statistical Office; 2019F and 2020F: forecast of KB Economic Research

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



## Utilisation of industrial capacities still sound, but fixed investments already reflect worsened confidence



# CONTENTS

- Executive summary
- Macroeconomic environment
- Highlights of KB's 3Q 2019**
- Business performance
- Financial performance
- Asset quality & cost of risk
- Appendix

# PURSUING SAFE AND CONVENIENT BANKING FOR CLIENTS



Based on its long-term ratings from Moody's, Standard & Poor's and Fitch rating agencies, the Global Finance magazine named Komerční banka **The Safest Bank in Central & Eastern Europe 2019**, as well as in the Czech Republic

## BUSSINESS LAUNCHED IN A START-UP MODE

**Cincink.cz** - a web portal providing the most comprehensive set of services related to housing for all buyers, sellers and real estate agents

## SOLUTIONS FOR HOUSING

**Relay mortgage** - allows passing on repayments among family members to better match their evolving needs

**MP Home** - a new smartphone application from Modrá pyramida that assists clients with savings and financing, acquisitions or reconstructions

## CONVENIENCE OF BANKING

**Instant interbank payments** in CZK among KB and four other banks in a 24/7 regime

Some 227 **ATMs** newly accommodate **contactless** cards, smart phones or watches

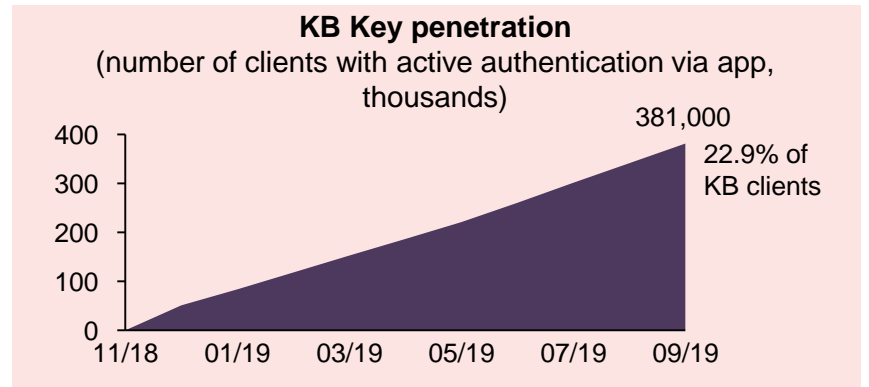
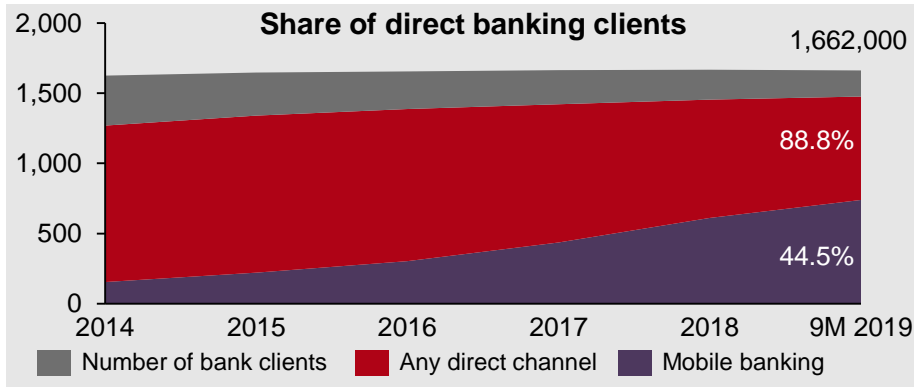
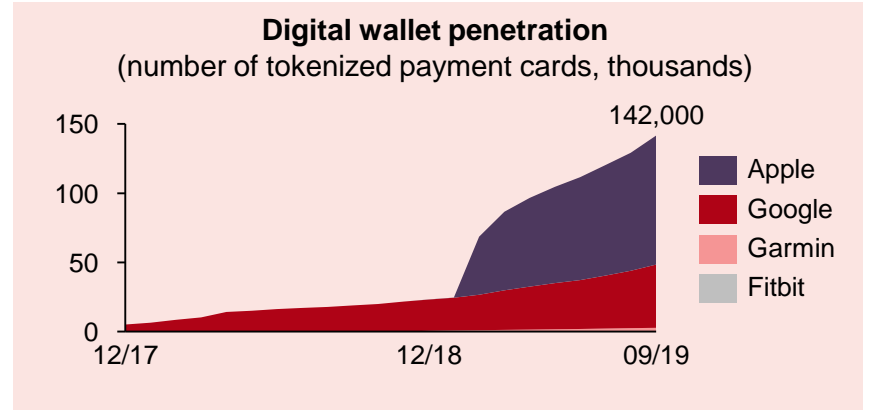
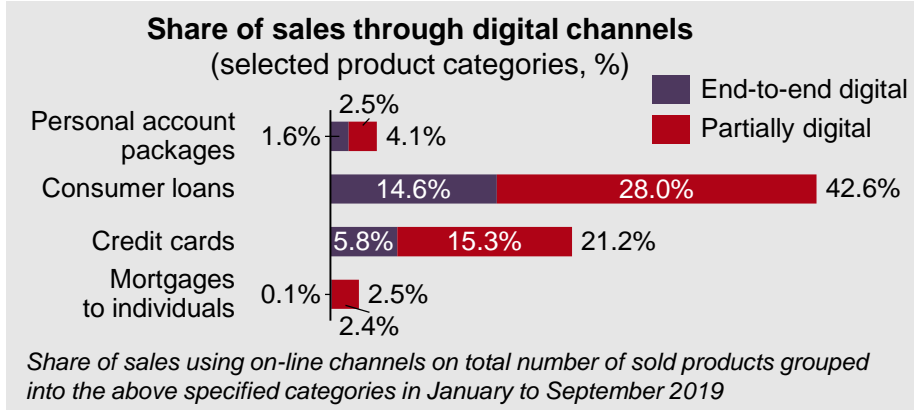
KB constantly assesses new ways to bring its services to clients, such as via virtual assistants like Alexa

## VALUE ADDED ADVISORY

The **NextGen Academy** – a programme for the clients of KB Private banking, sharing experience and know-how for facilitating a smooth and responsible intergenerational transfer of family wealth



# ONGOING REINFORCEMENT OF DIGITAL CHANNELS



# SELECTED DEALS OF THE THIRD QUARTER OF 2019

## TRADE



Kaufland Česká Republika, v.o.s.

Syndicated Term Loan Facility

**CZK 2,700,000,000**

Coordinating Mandated Lead Arranger

**2019**

## GAS DISTRIBUTION UTILITIES



CGN Holdings S.Á.R.L.

Term Loans

**undisclosed**

Mandated Lead Arranger, Lender and Agent

**2019**

## REAL ESTATE



CTP Industrial Property CZ, s.r.o.

Syndicated Credit Facility

**EUR 1,888,500,000**

Mandated Lead Arranger, Agent, Lender

**2019**

## UTILITY



UCED DISTRIBUCE S.R.O.

Club Facility

**CZK 585,000,000**

Lender

**2019**

## ECOMMERCE

**NOTINO**

Notino, s.r.o.

Club Revolving Facility

**CZK 1,600,000,000**

Mandated Lead Arranger

**2019**

## PUBLIC



Město Litvínov

Municipal Loans

**CZK 500,000,000**

Complex Bank Services Provider

**2019**

## AGRICULTURE



Farma Kopeček s.r.o.

Investment Financing

**CZK 279,800,000**

Complex Bank Services Provider

**2019**

## SPA



Léčebné lázně Jáchymov a. s.

Investment Financing

**EUR 9,800,000**

Complex Bank Services Provider

**2019**

# BANKING WITH POSITIVE IMPACT

## SHAPING VISION FOR THE FUTURE

The Future Port Prague 2019 conference brought together thousands of participants, hundreds of innovative companies, and dozens of speakers from around the world to discuss and show how technology will change business, life and society. KB was a Platinum partner of the event.

Bankathon 2019, co-hosted by KB, the biggest FinTech hackathon in Europe. Some 100 developers in 27 teams coded their applications providing solutions to particular problems, or hacks, suited for Open Banking and the PSD2 environment. KB's own team won the Multibanking category.



## KB GROUP COMPANIES

KB's subsidiaries have collectively backed ten organisations focused on improving quality of life for seniors.

## EMPLOYEE HELP

The employees themselves have contributed in numerous ways, including through volunteering and participating in charitable collections, runs and cycling events.



## SUPPORTING CULTURAL EVENTS

The Bank supported several cultural events, such as the Rock for People music festival and the Summer Letná festival of new circus and theatre.

## KB JISTOTA FOUNDATION

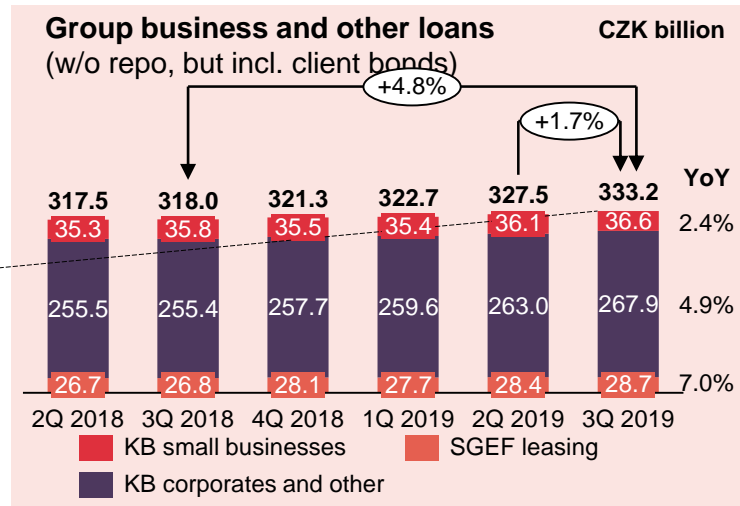
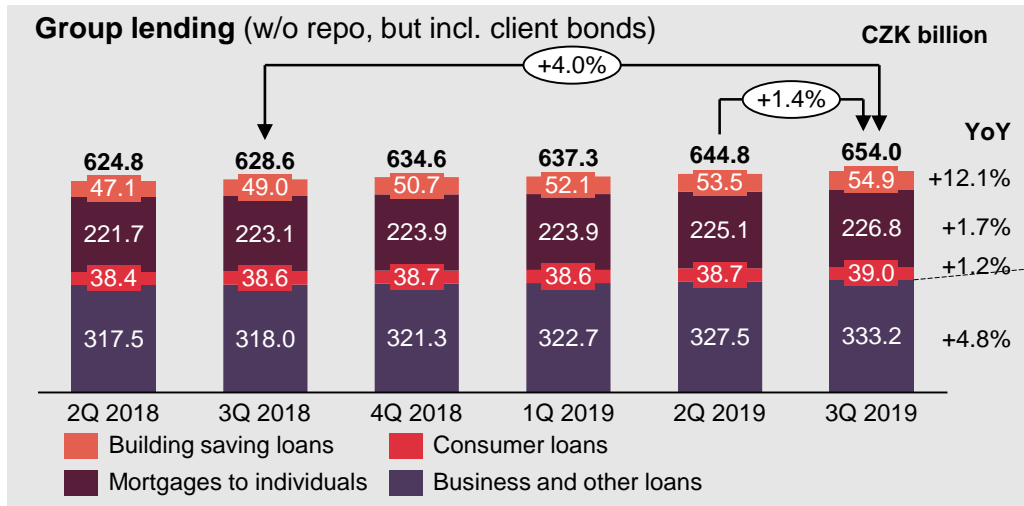
In the third quarter of 2019, KB Jistota foundation supported five projects dedicated to improving employment opportunities for physically disadvantaged people.

The Foundation also presented grants to seven institutions providing mobile hospice services in peoples' homes.

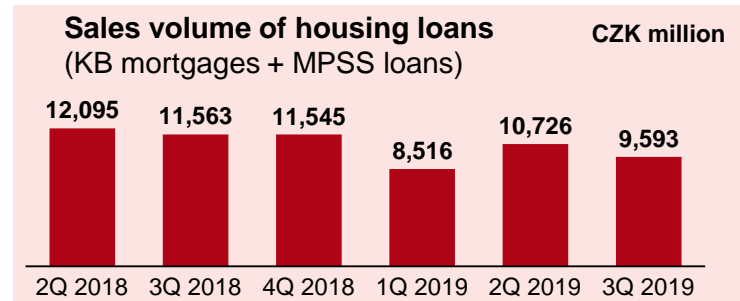
# CONTENTS

- Executive summary
- Macroeconomic environment
- Highlights of KB's 3Q 2019
- Business performance**
- Financial performance
- Asset quality & cost of risk
- Appendix

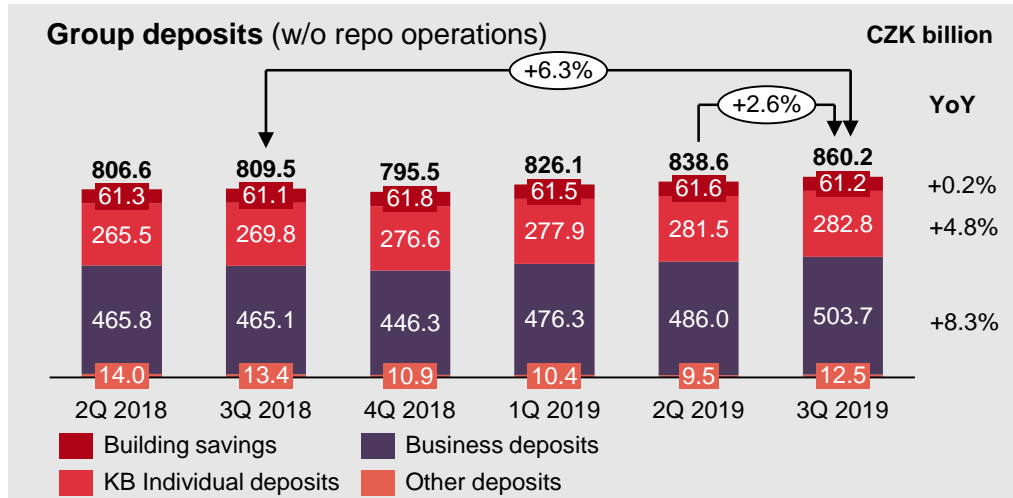
# GROSS LENDING EXCLUDING REPO UP 4.0% YOY



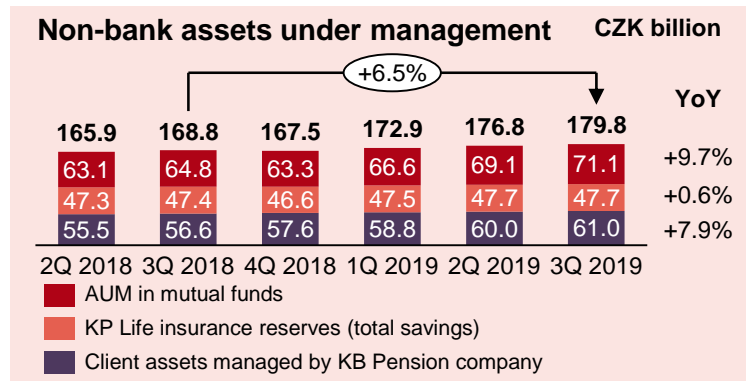
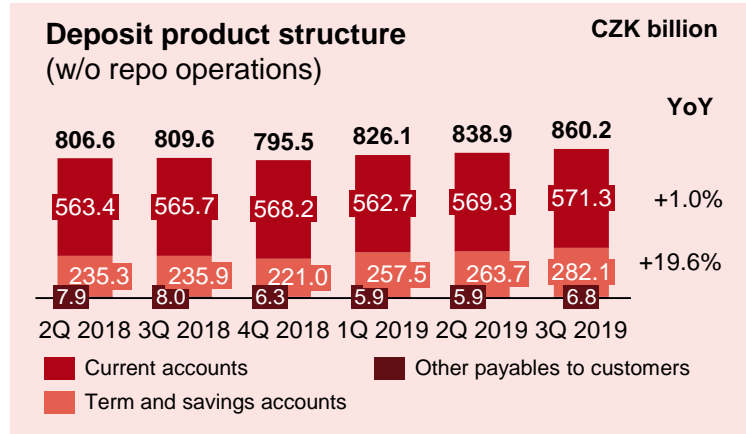
- Gross amounts due from clients (including repo operations and debt securities issued by KB's corporate clients) +2.6% YoY, +0.8% QoQ to CZK 657.1 billion
- Net loans to deposits ratio at 74.8%
- Sales of housing loans on the Czech market down year-on-year, influenced by new regulations imposed by the CNB from October 2018. KB Group sales affected relatively less than the market



# CLIENT DEPOSITS ROSE BY 6.3% YOY



- Total amounts due to clients (including repo operations with clients) +5.8% YoY, +0.8% QoQ to CZK 899.9 billion
- Solid growth in mutual funds and pension funds
- Stagnation in Modrá pyramida deposits caused by lowering funding costs

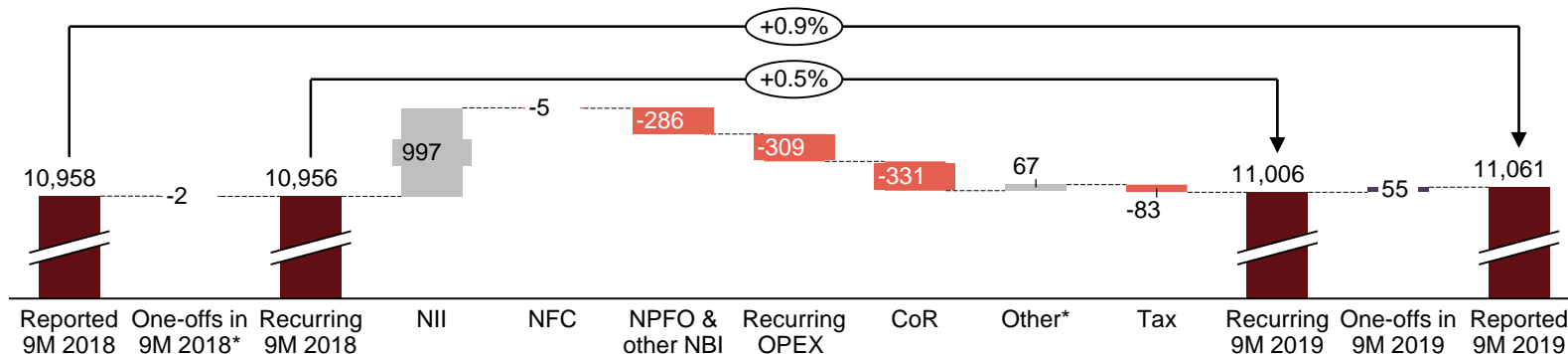


# CONTENTS

- Executive summary
- Macroeconomic environment
- Highlights of KB's 3Q 2019
- Business performance
- Financial performance**
- Asset quality & cost of risk
- Appendix

# NET PROFIT IMPROVEMENT DRIVEN BY INTEREST INCOME

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



## One-off items:

- 9M 2018: Finalisation of the sale price for KB's former stake in Cataps (CZK 82 million); creation of the restructuring reserve (CZK 295 million in OPEX, o/w CZK 223 million in personnel expenses and CZK 71 million in GAE); and release of over-accrued amounts for corporate services (CZK 193 million in GAE)
- 9M 2019: settlement of the sale price for Komerční pojišťovna sold in 2006

## Profitability indicators for 9M 2019 (annualised)

Return on average equity

**14.6%**  
14.9%\*\*

Return on average Tier 1 capital

**17.8%**  
18.1%\*\*

Return on average assets

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

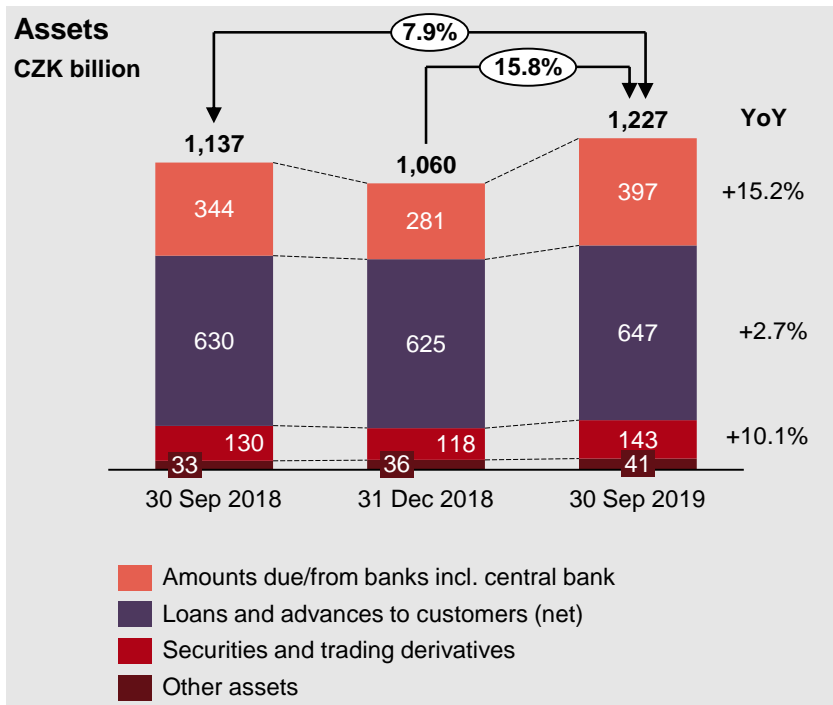
\*Other includes: Income from share of associated companies, Profit/(loss) attributable to exclusion of companies from consolidation, Net profits on other assets and Profit attributable to the Non-controlling owners

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

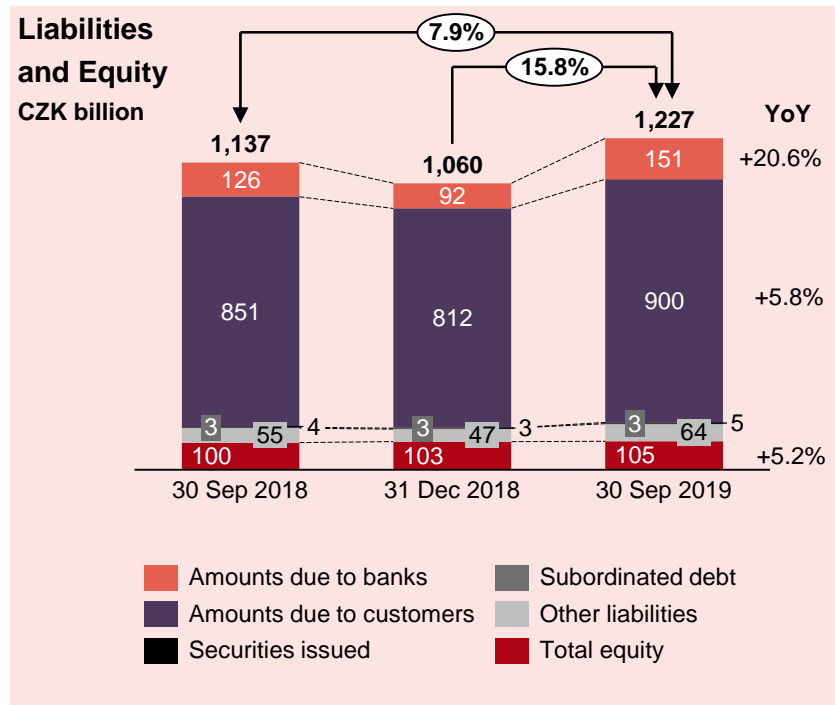


# BALANCE SHEET GROWTH DRIVEN BY CLIENT AND INTERBANK DEPOSITS

## STATEMENT OF FINANCIAL POSITION



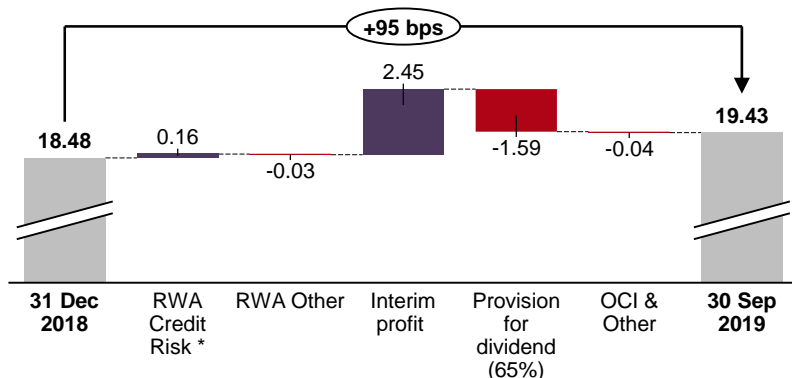
Other assets include Rights of use of CZK 3 billion as of 30 September 2019, a new item in accordance with IFRS 16



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

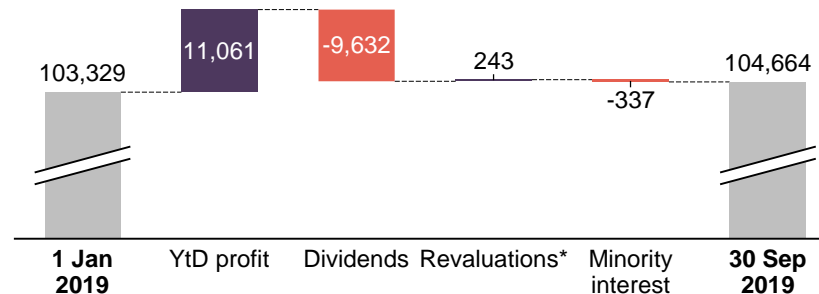
# SOLID ORGANIC EQUITY GENERATION, HIGHER REQUIREMENTS

## Contributions to capital adequacy ratio in 9M 2019 (%)



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

## Contributions to equity in 9M 2019 (CZK million)



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

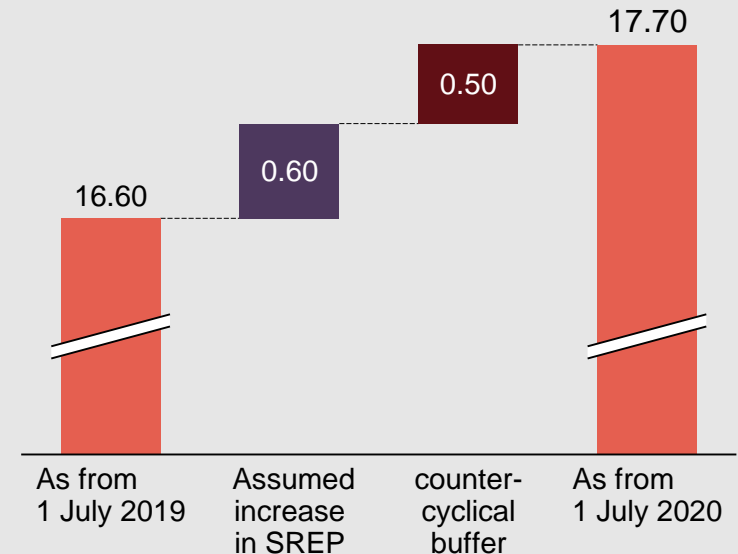
## Regulatory capital indicators

	Total capital adequacy	Core Tier 1 ratio	Total capital (CZK billion)	CET1 capital (CZK billion)	Total RWA (CZK billion)	Credit RWA (CZK billion)	RWA / Total assets
Current	19.4%	18.9%	87.1	84.5	448.1	371.6	36.5%
31 Dec 2018	18.5%	17.9%	83.4	80.8	451.1	375.4	42.6%
30 Sep 2018	18.4%	17.8%	82.6	80.0	450.0	371.3	39.6%

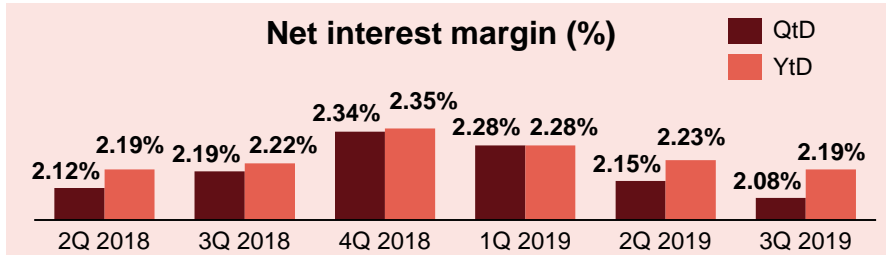
# EXPECTED DEVELOPMENT OF CAPITAL REQUIREMENTS

- KB's overall capital requirement as of 30 September 2019 was approximately 16.6% relative to the consolidated volume of risk-weighted assets. The required minimum Core Tier 1 capital level was at 12.7%, and the minimum Tier 1 capital ratio at 14.6%.
- The CNB has announced further increases in the countercyclical capital buffer with effect from 1 January 2020 by 25 basis points (to 1.75%) and by another 25 basis points (to 2.00%) from 1 July 2020.
- In 1Q 2019, KB decreased risk weights applied on Czech sovereign exposures subsequent to an upgrade of Czechia among upper-investment grade sovereigns.
- During 2019 Supervisory Review and Evaluation Process, the supervisory authority discussed harmonisation of treatment of sovereign exposures with best ratings across the Czech banking system.
- Based on the ongoing discussions with the CNB, KB assumes in its baseline scenario for capital planning that it will be required in 2020 to comply with a Total SREP capital requirement of 10.2%, representing an increase by 60 bps.

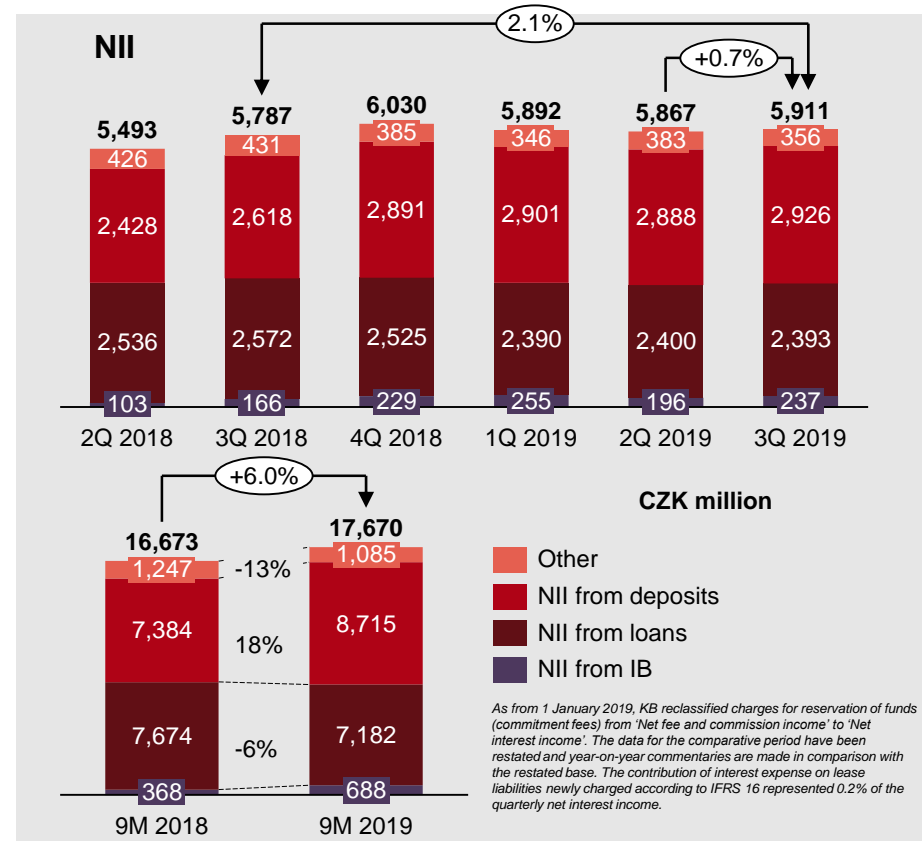
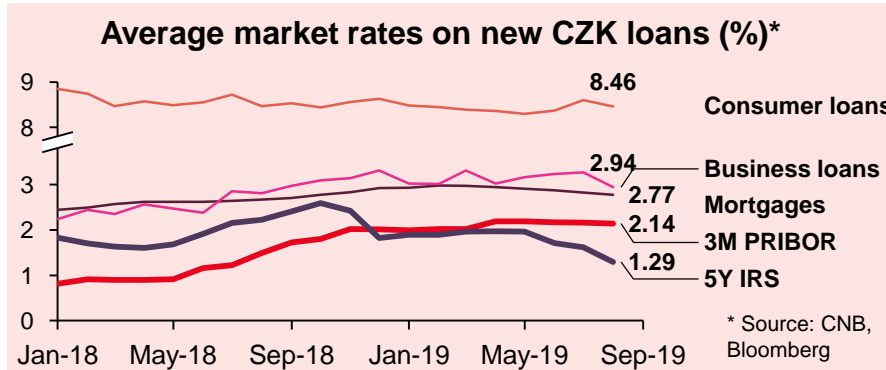
## Assumed baseline scenario changes to the minimum Overall Capital Requirement over the next 12 months



# MODERATE UPTREND OF INTEREST INCOME



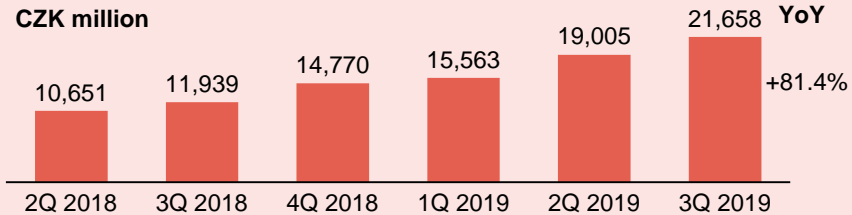
- Quarterly volatility of NIM in Q3 caused by inflow of low-margin placements from other banks
- Spreads on newly sold retail loans in Q3 close to the average spread on the outstanding portfolio. However, old maturing loans usually earned relatively higher spread



# POSITIVE TREND IN FEE INCOME BEFORE NEW REGULATION

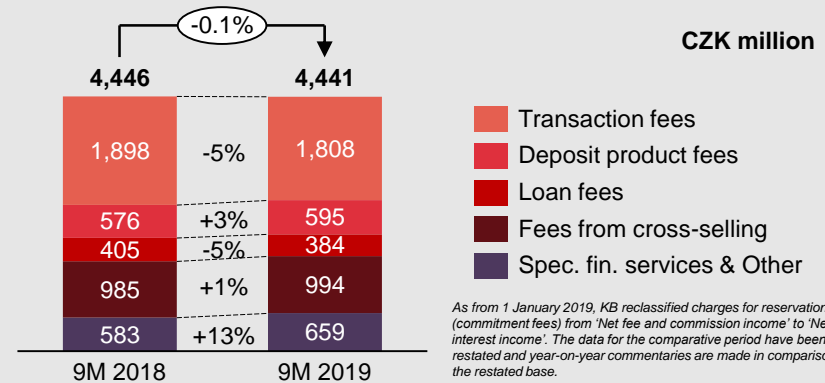
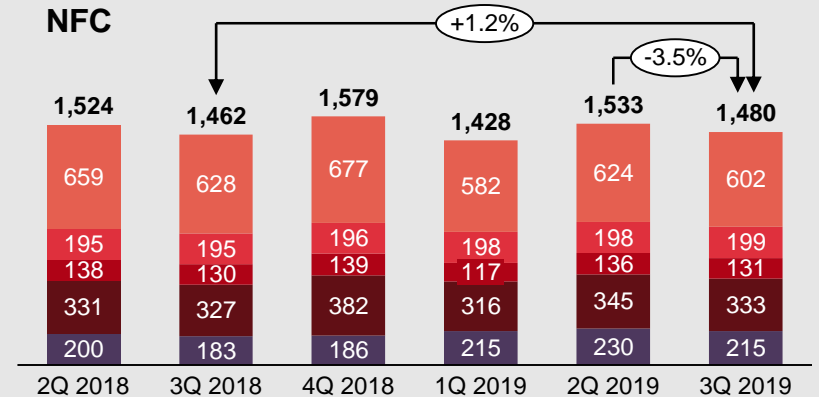
- **Deposit product fees** – boosted by clients continued switch to better account packages with a wider range of services included
- **Transaction fees** – growing number of card and direct banking transactions. More transactions included in the price of packages
- From 15 December 2019, the new regulation will cap the price for cross-border EUR payments within SEPA at the level of domestic payments

## Volume of payments through mobile banking



- **Loan fees** – affected by lower sales of housing loans
- **Fees from cross-selling** up slightly thanks to income from life insurance and pension products
- **Specialised financial services and other fees** – higher income from guarantees, credit syndications and trade finance

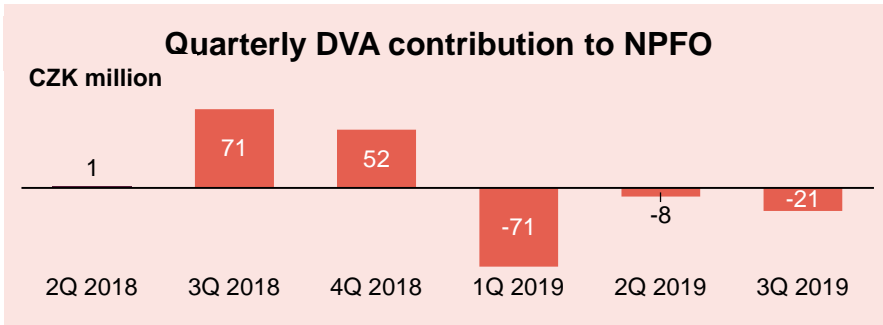
## NFC



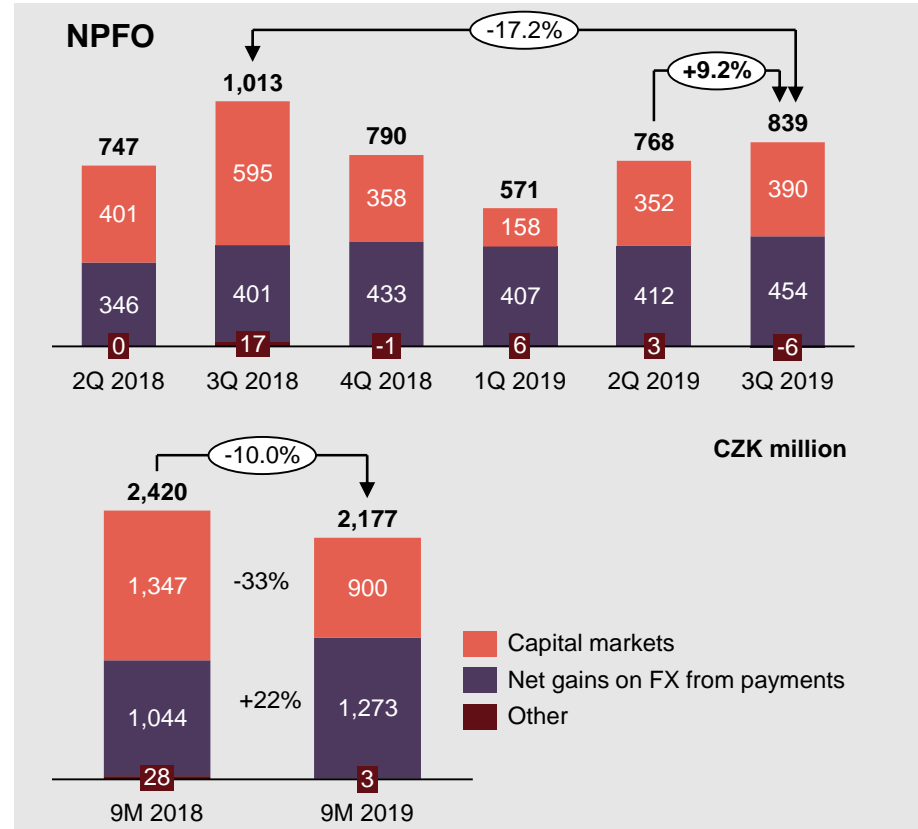
As from 1 January 2019, KB reclassified charges for reservation of funds (commitment fees) from 'Net fee and commission income' to 'Net interest income'. The data for the comparative period have been restated and year-on-year commentaries are made in comparison with the restated base.

# SOLID DEMAND FOR HEDGING

- Market liquidity in Q3 in summer mode but demand for FX and IR hedging was adequate supported by weakening of CZK, moves in IRS and bond yields, and lower visibility re CNB future policy rates
- An increased part of gains from market operations booked in interest income
- Volatile contribution from Debit Value Adjustment on derivatives reflecting credit spreads on KB's liabilities

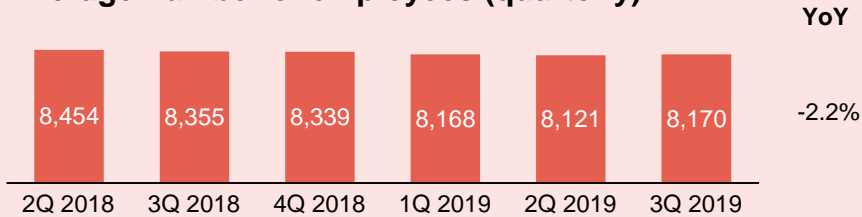


- Growth in gains on FX from payments due to increase in foreign transaction activity and FX spreads



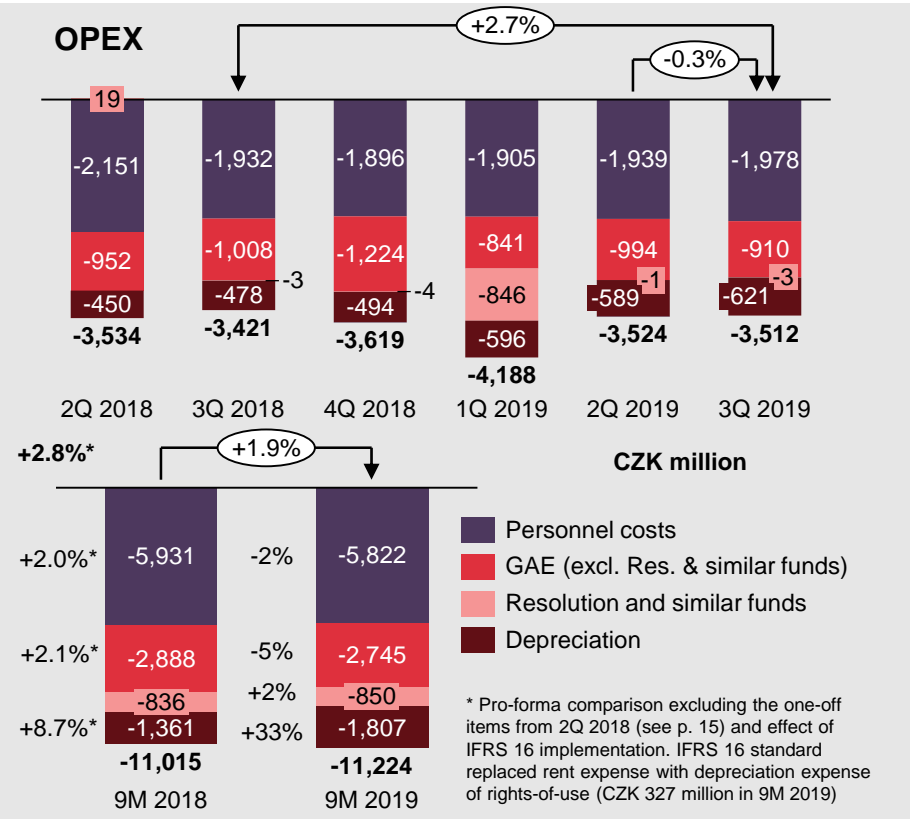
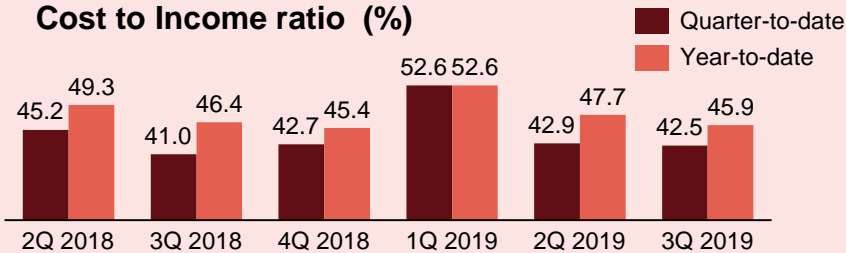
# COSTS REFLECTING TRANSFORMATION AND DIGITALISATION

## Average number of employees (quarterly)



- Effect of annual compensation increase mitigated by decreasing average number of employees (8,155 in 9M 2019, -3.3% YoY)
- Increase in non-personnel expenses driven by digitalisation
- D&A growth driven by new software and IT, and by listing of the new HQ building into use in 4Q 2018

## Cost to Income ratio (%)



# CONTENTS

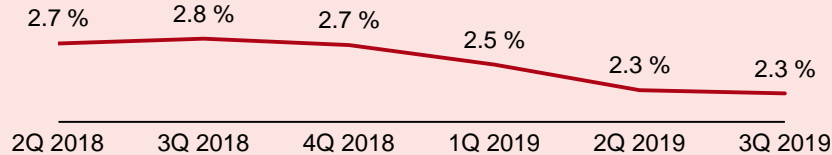
- Executive summary
- Macroeconomic environment
- Highlights of KB's 3Q 2019
- Business performance
- Financial performance
- Asset quality & cost of risk**
- Appendix



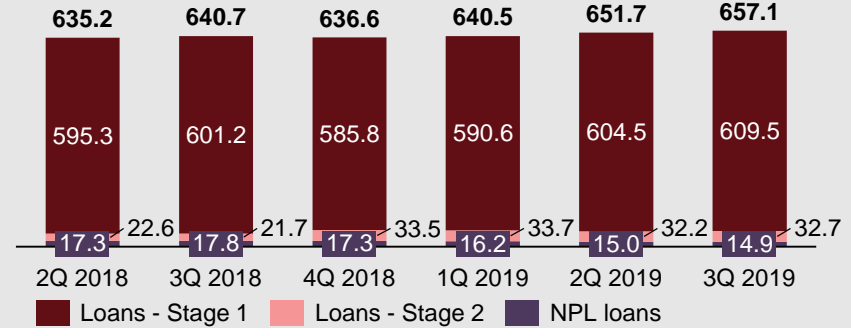
# SOUND ASSET QUALITY

- Loan exposure up by 2.6 % YoY and 0.8% QoQ
- NPL exposure ratio down to 2.3% YoY (vs. 2.8% in 3Q 2018) driven by low default rates, good recovery performance, NPL sales and write-offs
- NPL provision coverage ratio stable at around 60%

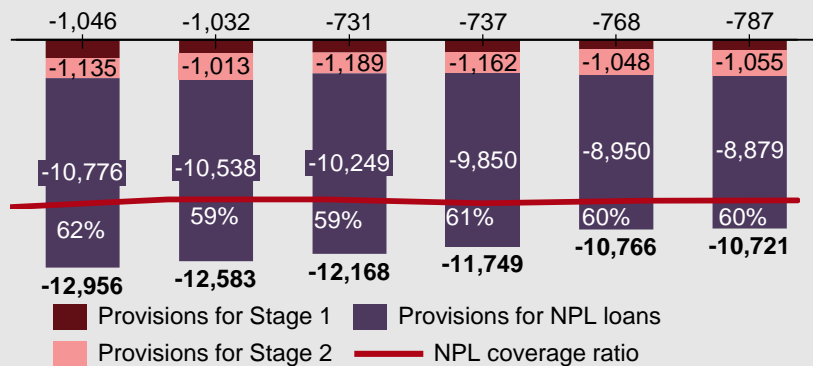
## Share of NPL exposure



## Gross lending

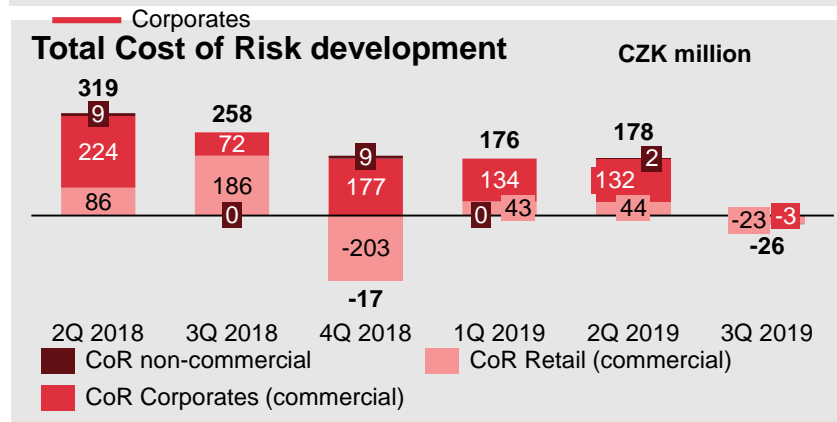


## Provision coverage



## LOW COST OF RISK

- Net release of CoR in 9M 2019 at CZK 328 million (vs. CoR net release at CZK 659 million for 9M 2018)
- Year-to-date CoR on corporate loan portfolio at -12 bps for 9M 2019 (vs. -18 bps for 9M 2018), driven by persisting limited inflows into default and strong recovery performance levels with a significant one-off positive impact expected in Q4 2019 from resolution of one large NPL situation
- Year-to-date CoR on retail loan portfolio at -2 bps for 9M 2019 (vs. -11 bps in 3Q 2018) driven by a continued favourable economic environment (marked by historically low default rate levels)



# CONTENTS

- Executive summary
- Macroeconomic environment
- Highlights of KB's 3Q 2019
- Business performance
- Financial performance
- Asset quality & cost of risk
- Appendix**

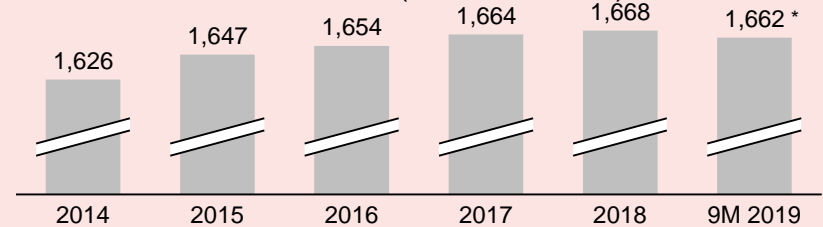
# NUMBER OF CLIENTS AND DISTRIBUTION NETWORK

	9M 2018	9M 2019	YoY
<b>Number of clients</b>			
KB Group's clients	2,391,000	2,367,000	-24,000
Komerční banka	1,669,000	1,662,000	-7,000*
– individual clients	1,411,000	1,405,000	-6,000*
– using at least one direct banking channel	1,446,000	1,476,000	30,000
– internet banking clients	1,379,000	1,414,000	35,000
– mobile banking clients	570,000	739,000	169,000
Modrá pyramida	483,000	485,000	2,000
KB Penzijní společnost	532,000	531,000	-1,000
ESSOX (Group)	213,000	204,000	-9,000
<b>Distribution network</b>			
KB Retail branches	375	344	-31
KB Business centres	10	10	0
KB Corporate divisions	5	5	0
Modrá pyramida points of sale	212	201	-11
SGEF branches	9	9	0
ESSOX Group points of sale	1,195	1,094	-101**
ATMs	763	787	24
of which deposit-taking	299	375	76
of which contactless	0	227	227
Number of active debit cards	1,388,000	1,398,000	10,000
Number of active credit cards	178,000	179,000	1,000
Number of cards virtualized into payment apps	19,000	142,000	123,000
KB key authentication users	0	381,000	381,000

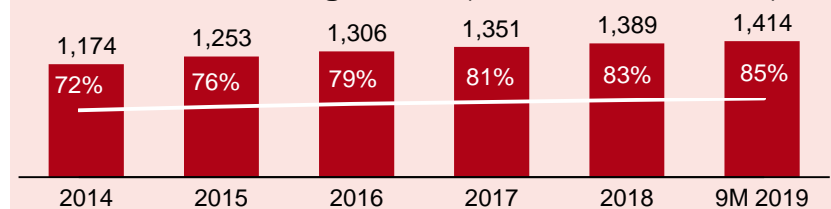
\* Affected by write-off of non-active defaulted clients

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

## Number of bank clients (thousands, CZ)

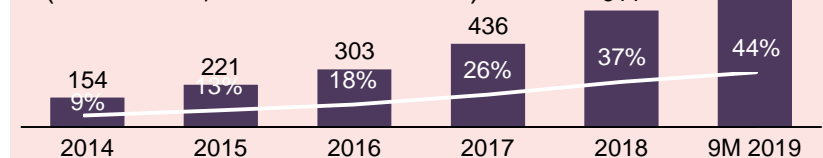


## KB Internet banking clients (thousands, % of total)



## KB mobile banking clients

(thousands, % of total number)



# YEAR-TO-DATE INCOME STATEMENT

## Profit and Loss Statement

	Reported*			Recurring		
	9M 2018	9M 2019	Change YoY	9M 2018	9M 2019	Change YoY
(CZK million, unaudited)						
Net interest income and similar income	16,673	17,670	6.0%	16,673	17,670	6.0%
Net fee & commission income	4,446	4,441	-0.1%	4,446	4,441	-0.1%
Net profit of financial operations	2,420	2,177	-10.0%	2,420	2,177	-10.0%
Dividend and other income	192	150	-21.9%	192	150	-21.9%
<b>Net banking income</b>	<b>23,731</b>	<b>24,437</b>	<b>3.0%</b>	<b>23,731</b>	<b>24,437</b>	<b>3.0%</b>
Personnel expenses	-5,931	-5,822	-1.8%	-5,708	-5,822	2.0%
General admin. expenses (excl. regulatory funds)	-2,888	-2,745	-5.0%	-3,010	-2,745	-8.8%**
Resolution and similar funds	-836	-850	1.7%	-836	-850	1.7%
Depreciation, amortisation and impairment of operating assets	-1,361	-1,807	32.8%	-1,361	-1,807	32.8%**
<b>Total operating expenses</b>	<b>-11,015</b>	<b>-11,224</b>	<b>1.9%</b>	<b>-10,915</b>	<b>-11,224</b>	<b>2.8%</b>
<b>Gross operating income</b>	<b>12,716</b>	<b>13,213</b>	<b>3.9%</b>	<b>12,816</b>	<b>13,213</b>	<b>3.1%</b>
Cost of risk	659	328	-50.2%	659	328	-50.2%
<b>Net operating income</b>	<b>13,375</b>	<b>13,541</b>	<b>1.2%</b>	<b>13,475</b>	<b>13,541</b>	<b>0.5%</b>
Income from share of associated companies	172	215	25.0%	172	215	25.0%
Profit/(loss) attributable to exclusion of companies from consolidation	82	55	-32.9%	0	0	n.a.
Impairment losses on goodwill	2	0	n.a.	2	0	n.a.
Net profits on other assets	16	16	0.0%	16	16	0.0%
<b>Profit before income taxes</b>	<b>13,647</b>	<b>13,827</b>	<b>1.3%</b>	<b>13,665</b>	<b>13,772</b>	<b>0.8%</b>
Income taxes	-2,428	-2,530	4.2%	-2,447	-2,530	3.4%
<b>Net profit</b>	<b>11,220</b>	<b>11,297</b>	<b>0.7%</b>	<b>11,218</b>	<b>11,242</b>	<b>0.2%</b>
Profit attributable to the Non-controlling owners	262	236	-9.9%	262	236	-9.9%
<b>Profit attributable to the Group's equity holders</b>	<b>10,958</b>	<b>11,061</b>	<b>0.9%</b>	<b>10,956</b>	<b>11,006</b>	<b>0.5%</b>

## Items excluded in "recurring":

### 9M 2018:

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

### 9M 2019

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

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

\*\* Excluding effect of IFRS16 implementation General admin. expenses would grow by 2.1% and Depreciation by 8.7%.

# QUARTERLY INCOME STATEMENT (INCLUDING ONE-OFF ITEMS)

CONSOLIDATED INCOME STATEMENT – QUARTERLY VIEW

## Profit and Loss Statement

	Reported*				
	3Q 2018	2Q 2019	3Q 2019	Change YoY	Change QoQ
(CZK million, unaudited)					
Net interest income and similar income	5,787	5,867	5,911	2.1%	0.7%
Net fee & commission income	1,462	1,533	1,480	1.2%	-3.5%
Net profit of financial operations	1,013	768	839	-17.2%	9.2%
Dividend and other income	72	49	36	-50.0%	-26.5%
<b>Net banking income</b>	<b>8,335</b>	<b>8,216</b>	<b>8,265</b>	<b>-0.8%</b>	<b>0.6%</b>
Personnel expenses	-1,932	-1,939	-1,978	2.4%	2.0%
General admin. expenses (excl. regulatory funds)	-1,008	-994	-910	-9.7%	-8.5%
Resolution and similar funds	-3	-1	-3	0%	>100%
Depreciation, amortisation & impairment of op. assets	-478	-589	-621	29.9%	5.4%
<b>Total operating expenses</b>	<b>-3,421</b>	<b>-3,524</b>	<b>-3,512</b>	<b>2.7%</b>	<b>-0.3%</b>
<b>Gross operating income</b>	<b>4,913</b>	<b>4,692</b>	<b>4,753</b>	<b>-3.3%</b>	<b>1.3%</b>
Cost of risk	258	178	-26	+/-	+/-
<b>Net operating income</b>	<b>5,171</b>	<b>4,870</b>	<b>4,726</b>	<b>-8.6%</b>	<b>-3.0%</b>
Income from share of associated companies	59	80	74	25.4%	-7.5%
Profit/(loss) attributable to exclusion of companies from consolidation	0	55	0	n.a.	n.a.
Impairment losses on goodwill	0	0	0	n.a.	n.a.
Net profits on other assets	0	14	1	n.a.	-92.9%
<b>Profit before income taxes</b>	<b>5,230</b>	<b>5,019</b>	<b>4,801</b>	<b>-8.2%</b>	<b>-4.3%</b>
Income taxes	-913	-890	-883	-3.3%	-0.8%
<b>Net profit</b>	<b>4,317</b>	<b>4,129</b>	<b>3,918</b>	<b>-9.2%</b>	<b>-5.1%</b>
Profit attributable to the Non-controlling owners	113	93	70	-38.1%	-24.7%
<b>Profit attributable to the Group's equity holders</b>	<b>4,204</b>	<b>4,036</b>	<b>3,848</b>	<b>-8.5%</b>	<b>-4.7%</b>

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

# QUARTERLY INCOME STATEMENT (EXCLUDING ONE-OFF ITEMS)

CONSOLIDATED INCOME STATEMENT – QUARTERLY VIEW

## Profit and Loss Statement

(CZK million, unaudited)	Recurring				
	3Q 2018	2Q 2019	3Q 2019	Change YoY	Change QoQ
Net interest income and similar income	5,787	5,867	5,911	2.1%	0.7%
Net fee & commission income	1,462	1,533	1,480	1.2%	-3.5%
Net profit of financial operations	1,013	768	839	-17.2%	9.2%
Other income	72	49	36	-50.0%	-26.5%
<b>Net banking income</b>	<b>8,335</b>	<b>8,216</b>	<b>8,265</b>	<b>-0.8%</b>	<b>0.6%</b>
Personnel expenses	-1,932	-1,939	-1,978	2.4%	2.0%
General admin. expenses (excl. regulatory funds)	-1,008	-994	-910	-9.7%**	-8.5%
Resolution and similar funds	-3	-1	-3	0.0%**	>100%
Depreciation, amortisation and impairment of operating assets	-478	-589	-621	29.9%**	5.4%
<b>Total operating expenses</b>	<b>-3,421</b>	<b>-3,524</b>	<b>-3,512</b>	<b>2.7%</b>	<b>-0.3%</b>
<b>Gross operating income</b>	<b>4,913</b>	<b>4,692</b>	<b>4,753</b>	<b>-3.3%</b>	<b>1.3%</b>
Cost of risk	258	178	-26	+/-	+/-
<b>Net operating income</b>	<b>5,171</b>	<b>4,870</b>	<b>4,726</b>	<b>-8.6%</b>	<b>-3.0%</b>
Income from share of associated companies	59	80	74	25.4%	-7.5%
Profit/(loss) attributable to exclusion of companies from consolidation	0	0	0	n.a.	n.a.
Impairment losses on goodwill	0	0	0	n.a.	n.a.
Net profits on other assets	0	14	1	n.a.	-92.9%
<b>Profit before income taxes</b>	<b>5,230</b>	<b>4,963</b>	<b>4,801</b>	<b>-8.2%</b>	<b>-3.3%</b>
Income taxes	-913	-890	-883	-3.3%	-0.8%
<b>Net profit</b>	<b>4,317</b>	<b>4,074</b>	<b>3,918</b>	<b>-9.2%</b>	<b>-3.8%</b>
Profit attributable to the Non-controlling owners	113	93	70	-38.1%	-24.7%
<b>Profit attributable to the Group's equity holders</b>	<b>4,204</b>	<b>3,981</b>	<b>3,848</b>	<b>-8.5%</b>	<b>-3.3%</b>

## Items excluded in “recurring”:

2Q 2019

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

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

\*\* Excluding effect of IFRS16 implementation General admin. expenses would grow by 0.7% and Depreciation by 7.9%.

# BALANCE SHEET

<b>Balance Sheet</b> (CZK million, unaudited)	<b>30 Sep 2018</b>	<b>31 Dec 2018</b>	<b>30 Sep 2019</b>	<b>YoY rel.</b>	<b>YoY abs.</b>	<b>Ytd rel.</b>	<b>Ytd abs.</b>
<b>Assets</b>	<b>1,136,746</b>	<b>1,059,932</b>	<b>1,226,874</b>	<b>7.9%</b>	<b>90,128</b>	<b>15.8%</b>	<b>166,942</b>
Cash and current balances with central bank	14,060	24,851	30,514	117.0%	16,454	22.8%	5,663
Loans and advances to banks	330,179	256,268	366,063	10.9%	35,884	42.8%	109,795
Loans and advances to customers (net)	630,025	624,954	646,916	2.7%	16,891	3.5%	21,962
Securities and trading derivatives	129,710	117,761	142,841	10.1%	13,131	21.3%	25,080
Other assets	32,773	36,099	40,540	23.7%	7,767	12.3%	4,441
<b>Liabilities and shareholders' equity</b>	<b>1,136,746</b>	<b>1,059,932</b>	<b>1,226,874</b>	<b>7.9%</b>	<b>90,128</b>	<b>15.8%</b>	<b>166,942</b>
Amounts due to banks	125,518	92,271	151,436	20.6%	25,918	64.1%	59,165
Amounts due to customers	850,904	812,451	899,950	5.8%	49,046	10.8%	87,499
Securities issued	3,706	2,540	4,719	27.3%	1,013	85.8%	2,179
Subordinated debt	2,577	2,578	2,587	0.4%	10	0.3%	9
Other liabilities	54,538	46,764	63,519	16.5%	8,981	35.8%	16,755
Total equity	99,502	103,329	104,664	5.2%	5,162	1.3%	1,335
o/w Minority equity	3,332	3,398	3,062	-8.1%	-270	-9.9%	-336

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

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



# CAPITAL & PROFITABILITY INDICATORS

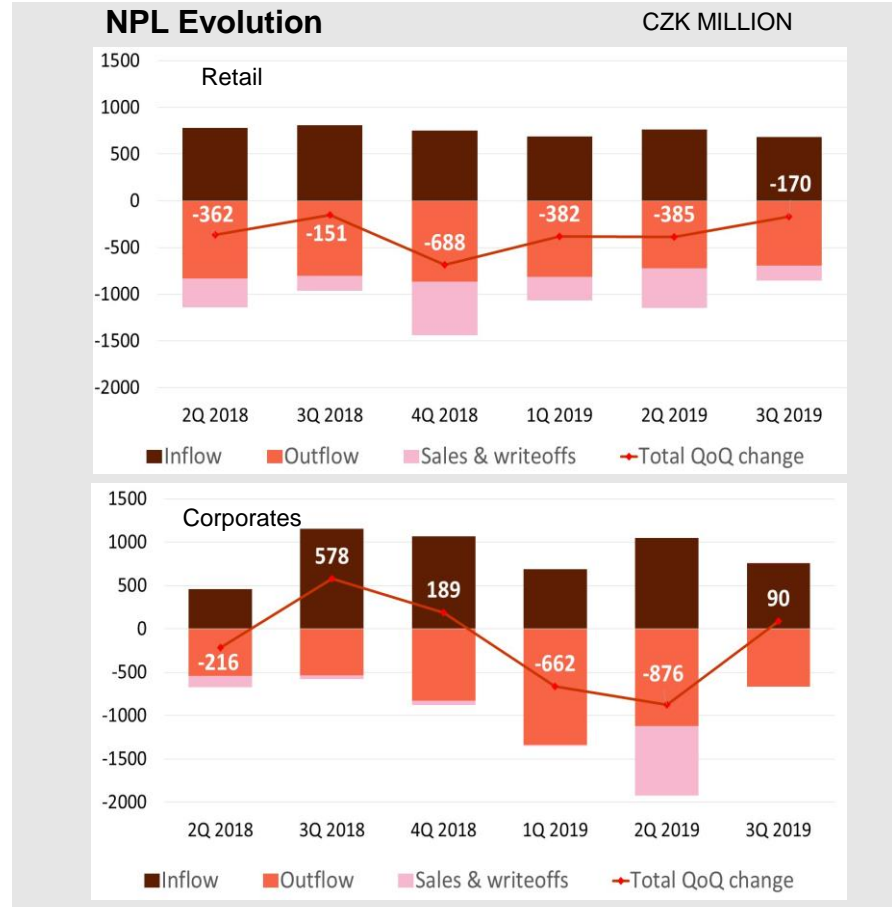
(year-to-date, IFRS 9)	Reported		Recurring*	
	30/09/2018	30/09/2019	30/09/2018	30/09/2019
Capital adequacy	18.4%	19.4%		
Tier 1 ratio = Core Tier 1 ratio	17.8%	18.9%		
Risk weighted assets for credit risk (CZK billion)	371.3	371.6		
Net interest margin, annualised	2.2%	2.2%	2.2%	2.2%
Loan (net) / deposit ratio (excl. repo with clients)	76.3%	74.8%	76.3%	74.8%
Cost / income ratio	46.4%	45.9%	45.1%	44.2%
Return on average equity (ROAE), annualised	15.3%	14.6%	15.6%	15.0%
Return on average Tier 1 capital	18.7%	17.8%	18.9%	18.3%
Return on average assets (ROAA), annualised	1.4%	1.3%	1.4%	1.3%
Earnings per share (CZK), annualised	77	78	79	80
Average number of employees during the period	8,435	8,155		

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

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

# DECREASING NPL EXPOSURE

- Retail NPL exposure contraction reflecting net outflows from default classification and portfolio sales
- Corporate NPL exposure evolution driven by 2 main factors: concentrated and limited inflow into default, concentrated and strong recovery performance. Negligible increase in NPL exposure in 3Q 2019 driven by one bigger isolated new default offset by successful recoveries



# BUSINESS PERFORMANCE OF SUBSIDIARIES 1/2

	9M 2018	9M 2019	YoY
<b>Modrá pyramida (100%), #2 building savings &amp; loans company</b>			
Volume of new loans (CZK million)	10,369	6,980	-33%
Volume of total loans (gross, CZK million)	48,969	54,899	12%
Volume of deposits (CZK million)	61,113	61,210	0%
Number of clients	483,315	485,486	0%
Average number of FTEs	329	327	0%
Number of points of sale	212	201	-5%
<b>KB Penzijní společnost (100%), a manager of pension funds</b>			
Number of new contracts	25,029	24,498	-2%
Number of clients	531,506	530,725	0%
Assets under management (CZK million)	56,565	61,037	8%
of which in Transformed fund	51,452	54,110	5%
Average number of FTEs	48	48	0%
<b>ESSOX (50.93%), #2 non-bank consumer lender and car financing company*</b>			
Volume of total loans (gross, CZK million)	16,639	17,455	5%
Number of active clients	213,421	204,177	-4%
Average number of FTEs	403	393	-2%

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

## BUSINESS PERFORMANCE OF SUBSIDIARIES 2/2

	9M 2018	9M 2019	YoY
<b>Factoring KB (100%), #1 on the Czech factoring market</b>			
Factoring turnover (CZK million)	36,572	39,320	8%
Volume of total financing (gross, CZK million)	8,366	8,576	3%
Average number of FTEs	44	44	-1%
<b>Komerční pojišťovna (49%), a universal insurance company</b>			
Volume of technical reserves - Saving (CZK million)	47,442	47,713	1%
Gross written premium (CZK million)	4,313	6,601	53%
of which in life insurance	3,931	6,180	57%
of which in non-life insurance	382	421	10%
Average number of FTEs	219	222	1%
<b>SGEF Czech Republic (50.1%), a provider of asset-backed financing in Czech Rep. and Slovakia</b>			
Volume of new financing (CZK million)	8,396	9,736	16%
Volume of total financing (gross, CZK million)	26,795	28,682	7%
Average number of FTEs	128	139	9%

# MACROECONOMIC ENVIRONMENT – CZECHIA

Macroeconomic indicators	2015	2016	2017	2018	2019f	2020f
Real GDP (% , average)	5.4	2.4	4.5	2.9	2.5	2.0
Household consumption (% , average)	3.8	3.5	4.4	3.3	2.8	2.4
Inflation (% , average)	0.3	0.7	2.5	2.1	2.7	2.7
Unemployment (% , avg., ILO methodology)	5.1	4.0	2.9	2.2	1.9	2.3
M2 (% , average)	7.9	8.6	9.5	5.3	6.6	6.3
3M PRIBOR (% , average)	0.3	0.3	0.4	1.3	2.1	2.2

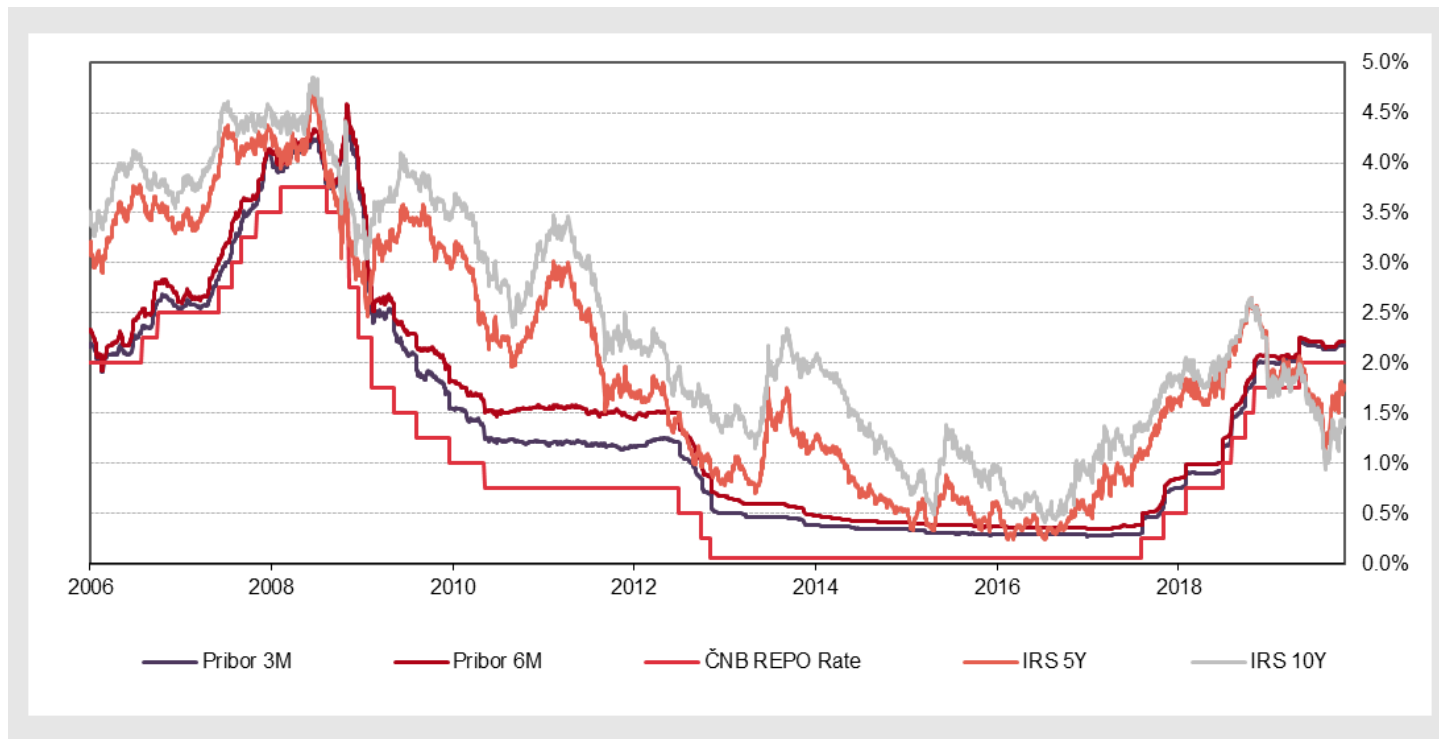
Potential of the market *	2015	2016	2017	2018	2019f	2020f
Loans/GDP (year-end)	60.5	61.9	61.1	62.0	61.4	62.9
Real estate loans (year-end)	21.1	22.1	22.7	23.4	23.3	24.0
Deposits/GDP (year-end)	76.6	79.0	82.5	83.3	85.7	90.5
Household loans/GDP (year-end)	25.7	26.7	27.3	27.9	27.9	28.6

f - KB forecast

\* Banking sector

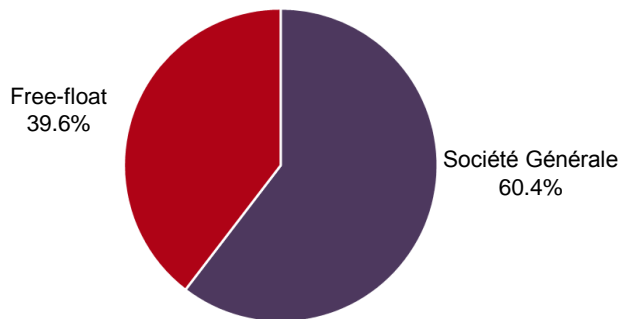
# INTEREST RATES EVOLUTION

For the period 1 Jan 2006 – 31 October 2019

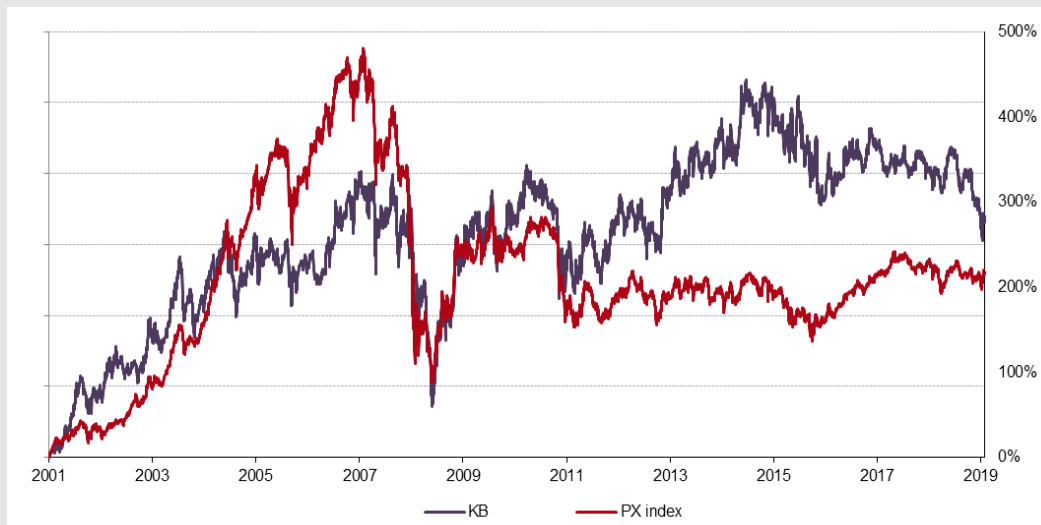


# KB #1 LISTED CZECH BANK

## Shareholder structure



## Development of KB share price and PX index (1 January 2001 – 31 October 2019)



- The number of shareholders comprised 50,160 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

# INVESTOR RELATIONS

---



## **Komerční banka, a.s.**

Na Příkopě 33, 114 07 Prague 1

Email: [investor\\_relations@kb.cz](mailto:investor_relations@kb.cz)

Tel.: +420 955 532 156, +420 955 532 155, +420 955 532 734

Internet: [www.kb.cz/investors](http://www.kb.cz/investors)

Twitter: @KB\_investors

Reuters: BKOM.PR

Bloomberg: KOMB CP

