

Komerční banka, a.s.

RESULTS

Q1 2024



Regulatory information

Komerční banka, a.s.

Komerční banka's first-quarter performance highlights strategic advancements

"The financial result for the first quarter shows improvement at the level of operating profit. We continue expanding our deposit base and the volume of client assets under management, and we see a positive trend in lending as well. I am especially happy that growth in the number of the Bank's clients has been accelerating. The reported decline in net profit is due to a creation of credit risk provisions in the first quarter, while provisions had been released in the first quarter of the previous year," remarked Jan Juchelka, Komerční banka's Chairman of the Board of Directors and Chief Executive Officer.

"In the coming quarters, we will further enrich the client proposition in the New Era of Banking by Komerční banka. We will continue developing our new digital bank and will advance in our strategic transformation. Komerční banka will remain a loyal corporate citizen and one of the largest taxpayers in the Czech Republic. As ever, we will stand by our clients and ready to back projects reinforcing long-term prosperity for Czechia, because the success of our country is a prerequisite for Komerční banka's own successful development," Jan Juchelka added.

- | **KB Group's lending to customers rose by 4.6% year on year to CZK 825.5 billion.**
- | **Deposits from clients grew by 7.2% from a year earlier to CZK 1,049.8 billion.**
- | **Volume of non-bank assets (mutual funds, pension funds, life insurance) under management expanded by 15.3% to CZK 261.8 billion.**
- | **Standalone Komerční banka had 1,678,000 customers, up by 22,000 year on year. Some 255,000 clients had already enrolled in KB's new digital bank introduced in April 2023. KB Group was serving 2,195,000 clients.**
- | **Total revenues were down by an (1.5%) year on year to CZK 8.8 billion. Operating expenditures decreased by (4.1%) to CZK 4.8 billion. The Group reported a CZK 0.5 billion net creation of provisions for credit risk. Income taxes reached CZK 0.7 billion. Net profit attributable to the Group's equity holders, at CZK 2.8 billion, was down by (21.3%) year on year.**
- | **Volume of regulatory capital reached CZK 106.2 billion, capital adequacy stood at 18.8%, and the Core Tier 1 ratio was 17.7%.**
- | **The Annual General Meeting held on 24 April 2024 approved an annual dividend payment of CZK 82.66 per share (before tax) to Komerční banka shareholders as of 6 May. The dividend will be payable from 27 May 2024.**
- | **KB had 74,415 shareholders (greater by 2,968 year on year), of which 68,023 were private individuals from the Czech Republic.**

Prague, 3 May 2024 – Komerční banka reported today its unaudited consolidated results for the first quarter of 2024.

Business and financial performance

Lending to clients went up by 4.6% to CZK 825.5 billion.¹⁾

The volume of housing loans outstanding grew by 4.5%. Within that total, lending from Modrá pyramida building society expanded faster than did KB's mortgage portfolio. New production of housing loans was higher by 34.2% compared to the previous year's first quarter. The growth in consumer lending reached 6.5%, boosted by greater utilisation of credit cards and overdrafts. Growth in lending to businesses, at 4.5%, was still affected by subdued investment activity and working capital needs in the slow economy, as well as by the Bank's selective approach to such lending.

Deposits from clients improved by 7.2% year on year to CZK 1,049.8 billion.²⁾ The growth was concentrated in savings accounts and term deposits while the volumes on current accounts were lower from the prior year. Meanwhile, the volume of KB Group clients' assets in mutual funds, pension savings, and life insurance has risen by 15.3% year on year to CZK 261.8 billion.

Total revenues reached CZK 8.8 billion, lower by (1.5%) compared to the first quarter of 2023. Net interest income declined slightly, as costs of funds were elevated and there were increased interest costs related to the volume of new liabilities mandated by regulation (MREL). Furthermore, from October 2023, the CNB stopped paying interest on banks' obligatory deposits (minimum reserves) with the central bank. Net fee and commission income was up modestly, reflecting especially clients' larger investments in mutual funds and greater demand among corporate clients for various financial services, such as bond issuance, custody services, and issuance of guarantees. Net profit on financial operations came down slightly from the strong levels of last year, as clients' hedging and trading activities moderated in the context of a sluggish economy and decreasing rates.

Operating expenses were down by (4.1%), at CZK 4.8 billion. Personnel expenses were higher by 9.6%. The average number of employees rose slightly even as a lower number of staff in support functions and the distribution network was offset by hiring of more IT and data specialists. Administrative costs declined due to lower expenses related to marketing, IT support, and real estate. The estimated full-year levy to the regulatory funds decreased markedly because the CNB adjusted downwards the aggregate contribution from Czech banks to the Resolution Fund and the comparison base from last year was also influenced by an increased charge for deposit insurance due to the failure of Sberbank CZ. Greater depreciation and amortisation charges reflected the ongoing investments into digitalisation.

Cost of risk reached CZK 0.5 billion. Net creation of credit risk allowances related predominantly to the portfolios of loans to consumers and small businesses segments as well as to a very limited number of medium-sized corporate client situations. KB did not reduce the inflation overlay reserve which had been created in 2021 and 2022. The mortgage portfolio and the segment of large corporate clients continued to record a strong level of resilience.

Reported net profit attributable to shareholders for 2024's first quarter decreased by (21.3%) year on year to CZK 2.8 billion. Income taxes came to CZK 0.7 billion.

Shareholders, capital, and dividends

KB's capital adequacy ratio reached a strong 18.8%, and Core Tier 1 capital stood at 17.7%. During 2024, the reported capital ratios are adjusted for the 'foreseeable dividend' at the level of a 100% payout ratio. That is in accordance with management's published intention.

The liquidity coverage ratio was 154%, significantly above the regulatory minimum of 100%.

The Annual General Meeting held on 24 April 2024 approved a dividend payment of CZK 15.7 billion, or CZK 82.66 per share before tax. This represents 100% of attributable consolidated net profit generated by KB in 2023. The dividend can be claimed by every shareholder holding a Komerční banka share as of 6 May 2024. The dividend's payment date is 27 May 2024.

The approved profit distribution is in line with the long-term capital management plan, which maintains capital adequacy at a level appropriate to the risks assumed under the given economic conditions in the Czech Republic and in view of the Bank's business opportunities. The proposal also maintains adequate scope for the Bank's future business growth and, in the opinion of the Board of Directors, provides shareholders with a fair share of profits.

Considering the current state of affairs, KB's management intends for 2024 to propose distributing as dividends 100% of attributable consolidated net profit earned in the year.

¹⁾ Including debt securities issued by KB's corporate clients and held by KB. The volume of reverse repo operations with clients as of 31 March 2024 as well as of 31 March 2023 was nil.

²⁾ Excluding repo operations with clients. The total volume of 'Amounts due to customers' moved up by 13.8% to CZK 1,228.6 billion.

As of 31 March 2024, Komerční banka had 74,415 shareholders (up by 2,968 year on year), of which 68,023 (greater by 2,876 from the year earlier) were private individuals from the Czech Republic. Strategic shareholder Société Générale maintained its 60.4% stake while minority shareholders owned 39.0% and KB held 0.6% of the registered capital in treasury.

Selected achievements and initiatives in the first quarter of 2024

Komerční banka continued implementing its strategic KB2025 programme. Enrolment of clients to the KB+ application – which is developed as part of the Bank's new digital infrastructure – advanced rapidly. As of 31 March 2024, some 255,000 clients were using the new digital bank, and their number exceeded 300,000 during April.

A part of the KB2025 programme's Operational Efficiency pillar is the OneGroup initiative, which aims to leverage resources and skills, create synergies, and fully exploit the strengths of individual companies across the Group. As part of the OneGroup initiative, from February 2024, Modrá pyramida's finance functions are outsourced to KB's Strategy and Finance division.

As part of the building savings sector, Modrá pyramida remains a reliable partner for its clients in the area of housing. All of the Group's housing-related products, including mortgages, are managed by Modrá pyramida for Komerční banka Group from one place in order to simplify processes while increasing efficiency and speed. Modrá pyramida has also expanded its scope of activity with additional focus on helping Czech households to reduce their energy consumption.

Komerční banka was named #1 sustainable bank in the 2023 Visa Awards. The jury recognised KB's innovative work in the area of sustainability, including its co-operation with the Laformela fashion brand on production of clothing made of captured carbon dioxide.

Moreover, KB received two recognitions in the Mastercard Awards 2024. The title Responsible Innovation went to KB's Touch cards featuring a new card design with tactile notches cut out to make life easier for visually impaired clients. KB was also named Premium Card Issuer for having the fastest growth in the volume of transactions made using premium payment cards.

Komerční banka also announced that the Board of Directors had decided to enter into exclusive negotiation with the City of Prague on potential sale of KB's fully owned subsidiary VN 42, s.r.o., which owns the head office building at Václavské náměstí 796/42 in Prague. This decision does not create an obligation to conclude a transaction or to agree on its terms and conditions.

Market environment (in first quarter 2024)¹⁾

In the first quarter of 2024, global financial markets experienced notable volatility, primarily driven by escalating conflict in the Middle East. This turbulence particularly affected Asian markets, resulting in a significant decline of stock prices and increase in commodity prices. Despite these economic challenges, the Czech Republic has maintained a stable economic environment. The country reported GDP growth of 0.5% in the first quarter over the prior quarter, and, together with other economic indicators, it is signalling potential improvement after a period of stagnation in 2023. Additionally, the inflation rate in the Czech Republic was reported at 2% in March, remaining, as in February, at the inflation target. This all suggests a positive economic outlook as the year progresses.

The Czech economy had expanded by just 0.4% quarter on quarter in the fourth quarter ((0.2%) year on year). In the first quarter, then, real GDP increased by 0.5% on a quarterly basis and was 0.4% higher on a year-on-year basis, supported by final consumption expenditures and increasing trade balance. During the first two months of 2024, the manufacturing sector experienced modest year-on-year expansion of 0.7%. Additionally, car production in the same period was up by 7.9% compared to the previous year. Despite a tight labour market, nominal wage growth did not keep up with inflation.²⁾ The unemployment rate continued to be one of the lowest in the EU, standing at 2.6% in February 2024 (as per the Eurostat methodology after seasonal adjustment).³⁾

In the first quarter of 2024, the Czech Republic saw a notable moderation in inflation compared to previous periods. Industrial producer prices declined by (0.9%) year on year in the first quarter. Quarter-on-quarter dynamics were at 2.3%. Agricultural producer prices were lower by (17.3%) year on year and on a quarter-on-quarter basis by (0.3%), driven down by both livestock and crop production. Only prices of construction work continued to rise by an average 1.7% year on year, 0.2% quarter on quarter. Consumer prices climbed, with inflation reaching 1.4% in quarter-on-quarter terms. Year on year, prices increased by 2.0%, marking a significant reduction of (5.6) pp from the year-on-year inflation rate reported in the fourth quarter of 2023. Monthly time series for prices closely followed by the inflation-targeting national bank then tracked exactly the inflation target of 2% in both February and March. In 2024's first quarter, the Czech Republic experienced year-on-year price increases or stagnation in all major segments of the consumer basket apart from food and non-alcoholic beverages. Specifically, housing-related costs rose by 3.4% and prices for alcoholic beverages and tobacco by 4.7%. Conversely, prices of food and non-alcoholic beverages decreased by (4.9%). The dynamics of core inflation declined to 2.6% in March.⁴⁾

This favourable price development brought a second wind to the Czech National Bank, which implemented two reductions in its main two-week monetary policy repo rate during the first quarter of 2024. Initially, at the beginning of February, the rate was cut by 50 basis points to 6.25%. There followed another 50 bps reduction to 5.75% at the end of March. As of the end of 2024's first quarter, the three-month PRIBOR rate stood at 5.61%, showing a decrease of (116) bps since the beginning of the year. The 10-year interest rate swap climbed to 3.71%, up by 22 bps over the same period. Nevertheless, the interest rate swap curve has been positively sloping since January, with the 5-year IRS rate at 3.65%, an increase of 11 bps year to date. Yields on 10-year Czech government bonds have also gone up (by 20 bps since the start of the year, to 4.02%). Additionally, the Czech crown depreciated against the euro by 2.3% year to date, reaching CZK 25.3 per euro by the end of March.

The latest information on residential real estate prices, available for the fourth quarter of 2023 from the Czech Statistical Office, showed prices for second-hand homes in Prague had grown by 3.2% quarter on quarter and were lower by (2.6%) as compared to the previous year's fourth quarter.⁵⁾ Prices of second-hand flats in the rest of the country were down by (0.3%) quarter on quarter and were (6.4%) lower year on year. Prices of newly developed flats in Prague slipped by (1.9%) in the fourth quarter of 2023 and fell by (3.3%) from the same quarter a year earlier. Czech residential real estate prices according to the European house price index⁶⁾ were up quarter on quarter by 0.3% but down year on year by (1.0%).

Total bank lending for the overall market (excluding repo operations) grew by 7.5% year on year as of March 2024.⁷⁾ Lending to individuals rose by 5.1%, with housing loans expanding 4.2% year on year as new mortgage production was recovering from the drop and interest rates are gradually declining. Lending to businesses and other corporations increased year on year by 10.0% in March 2024, with growth recorded across all main segments and mainly in euro-denominated loans.

The volume of client deposits in Czech banks expanded by 8.6% year over year as of March 2024.⁸⁾ Deposits from individuals had grown in total by 8.0% while the market deposits from businesses and other corporations were up by 9.2% year over year. Switching from current to term and saving deposits moderated, but the volumes on current accounts were (3.4%) lower while those on term deposits swelled by 19.8% year on year and saving accounts added 21.4% as compared to the same month a year earlier.

¹⁾ Unless stated otherwise, data sources for this section: Czech Statistical Office, Czech National Bank, KB Economic Research. Comparisons are year on year.

²⁾ The latest available data for the fourth quarter showed wage inflation at +6.3% year on year (down by (1.2%) in real terms).

³⁾ Source: https://ec.europa.eu/eurostat/databrowser/view/EI_LMHR_M/default/table?lang=en&category=euroind.ei_lm Data as of February 2024.

⁴⁾ Source: https://www.cnb.cz/arad/#/en/display_link/single_SCPIMZM09YOYPECNA ARAD statistics of the CNB.

⁵⁾ Source: <https://www.czso.cz/csu/czso/indices-of-realized-flat-prices-4-quarter-of-2023> Publication code 014007-23, released 15 March 2024.

⁶⁾ Source: https://ec.europa.eu/eurostat/databrowser/view/prc_hpi_q_custom_10886471/default/table?lang=en

⁷⁾ Source of data on banking market developments: ARAD statistics of the CNB, www.cnb.cz/arad.

⁸⁾ Source of data on banking market developments: ARAD statistics of the CNB, www.cnb.cz/arad.

Developments in the client portfolio and distribution networks

	31 Mar 2023	31 Mar 2024	Change YoY
KB Group's clients	2,232,000	2,195,000	(37,000)
Komerční banka	1,656,000	1,678,000	22,000
– individual clients	1,412,000	1,436,000	23,000
– New Digital Bank clients	n.a.	255,000	n.a.
– internet banking clients	1,523,000	1,552,000	29,000
– mobile banking clients	1,169,000	1,297,000	128,000
Modrá pyramida	451,000	418,000	(34,000)
KB Penzijní společnost	500,000	463,000	(37,000)
ESSOX (Group)	133,000	116,000	(16,000)
KB branches (CZ)	217	212	(5)
Modrá pyramida points of sale	n.a.	186	n.a.
SGEF branches	9	9	0
ATMs (KB network)	855	792	(63)
– of which deposit-taking	533	505	(28)
– of which contactless	662	722	60
ATMs (Total shared network)	2,052	1,979	(73)
Number of active debit cards	1,490,000	1,520,000	30,000
Number of active credit cards	202,000	221,000	18,000

Comments on business and financial results

The financial data published below are from unaudited consolidated results compiled under IFRS (International Financial Reporting Standards). Unless stated otherwise, the data are as of 31 March 2024.

BUSINESS PERFORMANCE

Loans to customers

Total **gross volume of lending to clients** rose by 4.6% year on year to CZK 825.5 billion.¹⁾

In **lending to individuals**, the overall volume of housing loans grew by 4.5% from the year earlier. Within this total, the portfolio of mortgages to individuals expanded by 3.3% to CZK 278.5 billion. Modrá pyramida's loan portfolio developed even faster, by 8.3% to CZK 93.7 billion. New production of housing loans was higher by 34.2% compared to the previous year's first quarter. The volume of KB Group's consumer lending (provided by the Bank and ESSOX Group in the Czech Republic and Slovakia) was up by 6.5%, at CZK 38.2 billion, boosted by increased utilisation of credit cards and overdrafts.

The total volume of **loans to businesses** and other lending provided by KB Group was greater by 4.5% year on year, at CZK 415.0 billion. Growth in lending to businesses was still affected by subdued investment activity and working capital needs in the slow economy, as well by the Bank's taking a selective approach to making these loans. Lending to small businesses remained flat at CZK 47.6 billion. The overall CZK volume of credit granted by KB to medium-sized, large corporate, and other clients in the Czech Republic and Slovakia²⁾ climbed by 4.4% year on year to CZK 332.7 billion. At CZK 34.7 billion, the total credit and leasing amounts outstanding at SGEF were up by 10.2% year over year.

Amounts due to customers and assets under management

The **volume of standard client deposits** within KB Group increased by 7.2% year on year to CZK 1,049.8 billion.³⁾ Within the total deposit base, volumes on current accounts diminished by (4.4%) as clients have been switching some money from current accounts to term and savings accounts.

¹⁾ Including debt securities issued by KB's corporate clients. There were no reverse repo operations with clients to report as of 31 March 2024 or 31 March 2023.

²⁾ Inclusive of factor finance outstanding at Factoring KB and merchant and car dealers' financing from ESSOX Group.

³⁾ Excluding volatile repo operations with clients. The total volume of 'Amounts due to customers' increased by 13.8% year on year to CZK 1,228.6 billion.

Deposits at Komerční banka from individual clients were up by 5.3% from the year earlier to CZK 337.3 billion. The deposit book at Modrá pyramida diminished by (5.2%) to CZK 51.3 billion. Total deposits from businesses and other corporations were higher by 8.1% , at CZK 646.1 billion.

The volumes in mutual funds held by KB Group clients grew by 30.2% to CZK 141.0 billion. Client assets managed by KB Penzijní společnost were 1.1% greater, at CZK 74.1 billion. Technical reserves in life insurance at Komerční pojišťovna were smaller by 2.7% year on year, at CZK 46.7 billion.

The Group's liquidity as measured by the ratio of net loans¹⁾ to deposits (excluding repo operations with clients but including debt securities held by KB and issued by the Bank's clients) stood at 79.9%. The Group's liquidity coverage ratio ended the first quarter at 154%, well above the regulatory limit of 100%.

FINANCIAL PERFORMANCE

Income statement

Komerční banka's **revenues (net operating income)** reached CZK 8,822 million, down by (1.5%) compared to the first quarter of 2023. Net interest income declined slightly, as costs of funds were elevated and there were increased interest costs relating to the volume of new liabilities mandated by regulation (MREL). Furthermore, the CNB ceased from October 2023 paying interest on banks' obligatory deposits (minimum reserves) with the central bank. Net fee and commission income was up modestly, reflecting especially clients' larger investments in mutual funds and greater demand among corporate clients for various financial services, such as bond issuance, custody services, and issuance of guarantees. Net profit on financial operations came down slightly from the strong levels of last year, as clients' hedging and trading activity moderated in the context of a sluggish economy and decreasing interest rates.

Net interest income was down by (1.1%), at CZK 6,276 million, in spite of the expanded volumes of loans and deposits. Switching of deposit volumes from current accounts to savings and term deposits, together with higher rates paid on deposit products, led to significantly higher average costs of deposits. The average lending spreads stabilised. KB had to absorb interest costs stemming from loans accepted in order to meet the minimum requirement for own funds and eligible liabilities (MREL) set by the CNB. Moreover, from October 2023, the CNB stopped paying interest on banks' obligatory deposits (minimum reserves) that it holds. Net interest margin for the 3 months of 2024, computed as the ratio of net interest income to interest-earning assets reported on the balance sheet, reached 1.7%. That compares to 2.0% a year earlier.

Net fee and commission income grew by 4.9% to CZK 1,589 million. This growth was mainly driven by cross-selling of mutual funds and life insurance and by stronger demand of corporate clients for various financial services, such as bond issuance, custody services, and issuance of guarantees. Transaction fees contributed positively, too, as clients' transaction activity continued to pick up speed, especially in card payments but also in other non-cash payments. Deposit product fees were down slightly, influenced by client acquisition costs and lower number of building savings contracts. Income from loan services decreased somewhat, due to lower fees for committed lines and from loans to small businesses.

Net profit on financial operations decreased by (16.2%) from the very strong result of 2023's first quarter to CZK 838 million. Clients' hedging and trading activity moderated in the context of a sluggish economy and decreasing rates. Financial markets saw also intense competition among service providers across asset classes. Gains from foreign exchange payments were higher year on year, reflecting seasonality of travel, transaction activity of clients, and spreads adjustments.

Dividend and other income was up by 28.0% to CZK 119 million. This line item primarily comprises revenues from property rental and ancillary services and dividends from associated companies.

Operating expenses declined by (4.1%) to CZK 4,804 million. The average number of employees increased by 0.3% to 7,563²⁾ as a lower number of staff in support functions and the distribution network was offset by hiring of more IT and data specialists. Personnel expenses subsequently grew by 9.6% to CZK 2,131 million. General and administrative expenses (not including contributions to the regulatory funds) were down by (7.6%), at CZK 1,018 million. The main savings in this category related to marketing, IT support, and real estate. The estimated full-year levy to the regulatory funds (Deposit Insurance Fund, Resolution Fund) was lower by (35.4%) year on year, at CZK 753 million, because the CNB adjusted downwards the aggregate contribution from Czech banks to the Resolution Fund and the comparison base from last year was also influenced by the temporarily increased charge for deposit insurance due to the failure of Sberbank CZ. Depreciation, amortisation, and impairment of operating assets grew by 13.5% to CZK 902 million, driven by higher charges reflecting investments in pursuit of KB's digitalisation strategy.

The sum of profit before allowances for loan losses, provisions for other risk, profit on subsidiaries, and income tax (**operating profit**) was up by 1.7%, at CZK 4,018 million.

¹⁾ Gross volume of loans reduced by the volume of provisions for loan losses.

²⁾ Recalculated to a full-time equivalent number.

Cost of risk (impairment losses, provisions for loans, and net result from written-off loans) reached CZK 485 million (i.e. a net creation of provisions or +22 basis points in relative terms) compared to a net provisions release of CZK (432) million a year earlier (or -21 basis points in relative terms). Net creation of credit risk allowances related predominantly to the portfolios of loans to consumers and small businesses segments as well as to a very limited number of medium-sized corporate client situations. KB did not reduce the inflation overlay reserve which had been created in 2021 and 2022. The mortgage portfolio and the segment of large corporate clients continued to record a strong level of resilience.

Income from shares in associated undertakings (i.e. Komerční pojišťovna) was up by 11.3% year on year, at CZK 69 million, influenced by interest rate developments, as well as creation and utilisation of the insurance reserves.

Net loss on subsidiaries and associates reached CZK (43) million due to impairment of a stake in a subsidiary of KB Smart Solutions. In the same period of 2023, this line was at CZK 0.

Net profits (losses) on other assets reached a negative CZK (30) million due to a creation of allowances for buildings held for sale and costs related to sale of buildings. In the previous year's first quarter, net loss on other assets had been CZK (1) million.

Income tax was lower by (19.7%), at CZK 669 million.

KB Group's consolidated **net profit** for the first quarter of 2024 reached CZK 2,861 million, which was down by (20.8%) in comparison with the year earlier. Of this total, CZK 56 million was profit attributable to the non-controlling owners of minority stakes in KB's subsidiaries (up by 12.0% year on year).

Reported **net profit attributable to the Group's equity holders** totalled CZK 2,804 million, which is (21.3%) less year on year.

Other comprehensive income reached CZK (99) million. This derived mainly from revaluation of some cash flow hedging positions and liabilities securities. **Consolidated comprehensive income** for the first quarter of 2024 totalled CZK 2,762 million, of which CZK 60 million was attributable to owners of non-controlling stakes.

Statement of financial position

Unless indicated otherwise, the following text provides a comparison of the balance sheet values as of 31 March 2024 with the values from the statement of financial position as of 31 December 2023.

Assets

As of 31 March 2024, KB Group's total assets had grown by 6.5% year to date to CZK 1,614.5 billion.

Cash and current balances with central banks were up by 79.5%, at CZK 23.0 billion. Financial assets held for trading at fair value through profit or loss (trading securities and derivatives) increased by 3.8% to CZK 50.3 billion. The fair value of hedging financial derivatives declined by (11.0%) to CZK 7.7 billion.

Year to date, there was a (10.5%) drop in financial assets at fair value through other comprehensive income totalling CZK 15.0 billion. This item consisted mainly of debt securities issued by government institutions.

Financial assets at amortised cost grew by 6.3% to CZK 1,485.3 billion. The largest portion of this consisted of (net) loans and advances to customers, which increased year to date by 0.6% to CZK 838.9 billion. A 97.9% share in the gross amount of client loans was classified in Stage 1 or Stage 2 while 2.1% of the loans were classified in Stage 3 (non-performing loans). The volume of loss allowances created for amounts due from customers came to CZK 12.5 billion. Loans and advances to banks climbed by 19.9% to CZK 493.7 billion. The majority of this item consists in reverse repos with the central bank. The value held in debt securities was up by 0.3% and reached CZK 152.6 billion at the end of March 2024.

Revaluation differences on portfolio hedge items totalled CZK (0.8) billion, higher by 0.5%. Current and deferred tax assets stood at CZK 1.3 billion. Prepayments, accrued income, and other assets, which include receivables from securities trading and settlement balances, increased overall by 10.0% to CZK 6.9 billion. Assets held for sale declined by (3.6%) to CZK 0.8 billion.

Investments in associates rose by 2.3%, to CZK 3.1 billion, compared to the 2023 year-end value.

The net book value of tangible assets decreased by (2.6%) to CZK 7.8 billion. Intangible assets grew by 1.0% to reach CZK 10.3 billion. Goodwill, which primarily derives from the acquisitions of Modrá pyramida, SGEF, and ESSOX, remained unchanged at CZK 3.8 billion.

Liabilities

Total liabilities were 6.9% higher in comparison to the end of 2023 and stood at CZK 1,483.4 billion.

Financial liabilities at amortised cost went up by 7.7% to CZK 1,344.2 billion. Amounts due to customers comprise the largest proportion of this sum, and these climbed by 9.0% to CZK 1,228.6 billion. This total included CZK 178.8 billion of liabilities from repo operations with clients and CZK 14.2 billion of other payables to customers. Amounts due to banks decreased through the 3 months of 2024 by (4.8%) to CZK 100.6 billion.

Revaluation differences on portfolios hedge items were CZK (36.3) billion. Current and deferred tax liabilities ended at CZK 1.0 billion, down by (0.4%). Accruals and other liabilities, which include payables from securities trading and settlement balances, grew by 22.1% to CZK 21.2 billion.

The provisions balance was (5.3%) lower, at CZK 0.8 billion. Provisions for other credit commitments are held to cover credit risks associated with credit commitments issued. The provisions for contracted commitments principally comprise those for ongoing contracted contingent commitments, legal disputes, self-insurance, and the retirement benefits plan.

Subordinated and senior non-preferred debt, at CZK 66.1 billion, was up by 2.3% year to date, due to the Czech crown's depreciated exchange rate vis-à-vis the euro. That is because MREL instruments are denominated in euro.

Equity

Total equity rose year to date by 2.2% to CZK 131.1 billion. The value of non-controlling interests reached CZK 3.3 billion. As of 31 March 2024, KB held in treasury 1,193,360 of its own shares constituting 0.63% of the registered capital.

Regulatory capital and other regulatory requirements

Total **regulatory capital** for the capital adequacy calculation came to CZK 106.2 billion as of 31 March 2024. **Capital adequacy** stood at 18.8%. Core Tier 1 (CET1) capital totalled CZK 99.8 billion and the Core Tier 1 ratio was 17.7%. Tier 2 capital summed to CZK 6.4 billion, which was 1.1% of risk-weighted assets.

As from 1 January 2024, Komerční banka's overall capital requirements (OCR) were at approximately 17.1%. The minimum required level of CET1 was 12.2% and the minimum Tier 1 capital ratio stood at 14.2%. The OCR decreased by approximately 0.25% following a decision of the CNB to lower the countercyclical buffer requirement for Czech exposures by 25 basis points with effect from 1 April 2024.

KB Group's Liquidity Coverage Ratio came to 154% as of 31 March 2024. The applicable regulatory minimum is 100%.

Effective from 1 January 2024, KB Group needed to comply with an MREL minimum requirement equal to 21.2% of the consolidated total risk exposure and 5.91% of the consolidated total exposure. The MREL requirement is defined as the sum of the amount of loss absorption and recapitalisation. In addition to the MREL, expressed as a percentage of risk-weighted assets, the Group must also fulfil the combined capital buffer. This requirement stood at 6.50% as of 31 March 2024 (and decreases by 0.25% as from 1 April 2024 due to reduction of the countercyclical buffer.)

Pursuing the so-called "single point of entry" resolution strategy, KB intends to fulfil its MREL requirements by taking on senior non-preferred loans from Société Générale S.A. As of 31 March 2024, KB had accepted such loans in a total principal volume of EUR 2.4 billion.¹⁾ KB Group's MREL ratio stood at 29.6%.

Developments in the Group structure during the first quarter of 2024

In March, KB Smart Solutions, a fully owned subsidiary of Komerční banka, decreased to 25.317% from 33.171% its stake in MonkeyData s.r.o. MonkeyData fully owns a subsidiary, Lemonero, s.r.o., which provides financing to e-shops utilising an AI-powered scoring model.

Also in March, Komerční banka's Board of Directors decided to enter into exclusive negotiation with the City of Prague on potential sale of KB's fully owned subsidiary VN 42, s.r.o., which owns the head office building at Václavské náměstí 796/42 in Prague. This decision does not represent an obligation to conclude a transaction or to agree on its terms and conditions.

¹⁾ An overview of senior non-preferred tranches to meet the MREL requirements is provided in the Annex.

ANNEX: Consolidated results as of 31 March 2024 under International Financial Reporting Standards (IFRS)

Profit and Loss Statement	Reported			Recurring		
	1Q 2023	1Q 2024	Change YoY	1Q 2023	1Q 2024	Change YoY
(CZK million, unaudited)						
Net interest income	6,349	6,276	(1.1%)	6,349	6,276	(1.1%)
Net fee and commission income	1,515	1,589	4.9%	1,515	1,589	4.9%
Net profit on financial operations	1,000	838	(16.2%)	1,000	838	(16.2%)
Dividend and other income	93	119	28.0%	93	119	28.0%
Net banking income	8,958	8,822	(1.5%)	8,958	8,822	(1.5%)
Personnel expenses	(1,944)	(2,131)	9.6%	(1,944)	(2,131)	9.6%
General admin. expenses (excl. regulatory funds)	(1,102)	(1,018)	(7.6%)	(1,102)	(1,018)	(7.6%)
Resolution and similar funds	(1,166)	(753)	(35.4%)	(1,166)	(753)	(35.4%)
Depreciation, amortisation and impairment of operating assets	(795)	(902)	13.5%	(795)	(902)	13.5%
Total operating expenses	(5,007)	(4,804)	(4.1%)	(5,007)	(4,804)	(4.1%)
Operating profit	3,951	4,018	1.7%	3,951	4,018	1.7%
Impairment losses	447	(502)	+/-	447	(502)	+/-
Net gain from loans and advances transferred and written off	(15)	18	+/-	(15)	18	+/-
Cost of risk	432	(485)	+/-	432	(485)	+/-
Net operating income	4,384	3,533	(19.4%)	4,384	3,533	(19.4%)
Income from share of associated companies	62	69	11.3%	62	69	11.3%
Net profit/(loss) on subsidiaries and associates	0	(43)	n.a.	0	(43)	n.a.
Net profits on other assets	(1)	(30)	>100%	(1)	(30)	>100%
Profit before income taxes	4,444	3,530	(20.6%)	4,444	3,530	(20.6%)
Income taxes	(833)	(669)	(19.7%)	(833)	(669)	(19.7%)
Net profit for the period	3,611	2,861	(20.8%)	3,611	2,861	(20.8%)
Profit attributable to the Non-controlling owners	50	56	12.0%	50	56	12.0%
Profit attributable to the Group's equity holders	3,561	2,804	(21.3%)	3,561	2,804	(21.3%)

Statement of Financial Position	31 Dec 2023	31 Mar 2024	Ytd
(CZK million, unaudited)			
Assets	1,516,302	1,614,499	6.5%
Cash and current balances with central bank	12,835	23,044	79.5%
Loans and advances to banks	411,644	493,726	19.9%
Loans and advances to customers (net)	833,542	838,935	0.6%
Securities and trading derivatives	217,484	217,961	0.2%
Other assets	40,798	40,833	0.1%
Liabilities and shareholders' equity	1,516,302	1,614,499	6.5%
Amounts due to banks	105,694	100,592	(4.8%)
Amounts due to customers	1,127,228	1,228,555	9.0%
Securities issued	12,431	12,713	2.3%
Subordinated and senior non preferred debt	64,560	66,070	2.3%
Other liabilities	78,106	75,518	(3.3%)
Total equity	128,284	131,051	2.2%

Key ratios and indicators	31 Mar 2023	31 Mar 2024	Change year on year
Capital adequacy (CNB)	19.8%	18.8%	▼
Tier 1 ratio (CNB)	19.2%	17.7%	▼
Total risk-weighted assets (CZK billion)	525.0	564.6	7.5%
Risk-weighted assets for credit risk (CZK billion)	429.1	448.7	4.6%
Net interest margin (NII / average interest-bearing assets) ⁱⁱⁱ	2.0%	1.7%	▼
Loans (net) / deposits ratio ^{iv}	80.5%	79.9%	▼
Cost / income ratio ^v	55.9%	54.5%	▼
Return on average equity (ROAE) ^{vi}	11.6%	8.9%	▼
Return on average Tier 1 capital ^{vii}	14.3%	11.2%	▼
Return on average assets (ROAA) ^{viii}	1.0%	0.7%	▼
Earnings per share (CZK) ^x	75.4	59.4	(21.3%)
Average number of employees during the period	7,541	7,563	0.3%

Business performance in retail segment – overview	31 Mar 2024	Change year on year
CZK bil.		
Mortgages to individuals – volume of loans outstanding	278.5	3.3%
Building savings loans (MPSS) – volume of loans outstanding	93.7	8.3%
Consumer loans (KB + ESSOX + PSA Finance) – volume of loans outstanding	38.2	6.5%
Small business loans – volume of loans outstanding	47.6	1.6%
Insurance premiums written (KP)	2,153.4	3.1%

Senior non-preferred loans as of 31 March 2024:

Drawing date	Principal	Call option date*	Interest rate (ACT/360)
27 Jun 2022	EUR 250m	28 Jun 2027	3M Euribor + 2.05%
21 Sep 2022	EUR 250m	21 Jun 2026	1M Euribor + 1.82%
21 Sep 2022	EUR 250m	21 Sep 2029	1M Euribor + 2.13%
9 Nov 2022	EUR 250m	9 Nov 2025	1M Euribor + 2.05%
9 Nov 2022	EUR 250m	9 Nov 2027	1M Euribor + 2.23%
9 Nov 2022	EUR 250m	9 Nov 2028	3M Euribor + 2.28%
15 Jun 2023	EUR 250m	15 Jun 2026	3M Euribor + 1.70%
15 Jun 2023	EUR 200m	15 Jun 2028	3M Euribor + 2.01%
28 Nov 2023	EUR 250m	30 Nov 2026	3M Euribor + 1.51%
28 Nov 2023	EUR 200m	29 Nov 2027	3M Euribor + 1.61%

* Call option exercise date is one year before final maturity date.

Subordinated debt as of 31 March 2024:

Drawing date	Principal	Call option date*	Interest rate (ACT/360)
10 Oct 2022	EUR 100m	11 Oct 2027	3M Euribor + 3.79%
29 Nov 2023	EUR 100m	29 Nov 2028	3M Euribor + 2.82%

* Call option exercise date is five years before final maturity date

Financial calendar:

1 August 2024	1H and 2Q 2024 results
31 October 2024	9M and 3Q 2024 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. **Net interest margin (NIM):** 'Net interest income' divided by average interest-earning assets (IEA) year to date. IEA comprise 'Cash and current balances with central banks' ('Current balances with central banks' only), 'Loans and advances to banks', 'Loans and advances to customers', 'Financial assets held for trading at fair value through profit or loss' (debt securities only), 'Non-trading financial assets at fair value through profit or loss' (debt securities only), 'Financial assets at fair value through other comprehensive income' (debt securities only), and 'Debt securities';
- IV. **Net loans to deposits:** ('Net loans and advances to customers' inclusive of debt securities held by KB and issued by the Bank's clients less 'reverse repo operations with clients') divided by the quantity ('Amounts due to customers' less 'repo operations with clients');
- V. **Cost-to-income ratio:** 'Operating costs' divided by 'Net operating income';
- VI. **Return on average equity (ROAE):** annualised 'Net profit attributable to the Group's equity holders' divided by the quantity average group 'shareholders' equity' less 'Minority equity', year to date;
- VII. **Return on average Tier 1 capital:** annualised 'Net profit attributable to the Group's equity holders' divided by average group 'Tier 1 capital', year to date;
- VIII. **Return on average assets (ROAA):** annualised 'Net profit attributable to the Group's equity holders' divided by average 'Total assets', year to date;
- IX. **Earnings per share:** annualised 'Net profit attributable to the Group's 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)	1Q 2024	1Q 2023		
Net interest income, year to date	25,595	28,632		
Of which:				
Loans and advances at amortised cost	66,139	51,842		
Debt securities at amortised cost	4,407	3,187		
Other debt securities	442	559		
Financial liabilities at amortised cost	(38,798)	(22,194)		
Hedging financial derivatives – income	48,102	37,176		
Hedging financial derivatives – expense	(54,697)	(41,938)		
(source: Balance Sheet)	31 Mar 2024	31 Dec 2023	31 Mar 2023	31 Dec 2022
Cash and current balances with central banks/Current balances with central banks	15,640	4,530	9,384	6,167
Loans and advances to banks	493,726	411,644	339,065	233,398
Loans and advances to customers	838,935	833,542	788,248	781,463
Financial assets held for trading at fair value through profit or loss / Debt securities	22,869	19,621	12,413	9,968
Non-trading financial assets at fair value through profit or loss / Debt securities	0	0	129	132
Financial asset at fair value through other comprehensive income (FV OCI) / Debt securities	14,966	16,729	28,826	30,119
Debt securities	152,646	152,238	153,700	139,276
Interest-bearing assets (end of period)	1,538,782	1,438,304	1,331,765	1,200,524
Average interest-bearing assets, year to date	1,488,543	1,266,144		
NIM year to date, annualised	1.69%	2.01%		

