

Komerční banka Group

Financial results as of 31 March 2014

According to International Financial Reporting Standards, consolidated, unaudited

Prague, 7 May 2014

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 March 2014, 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

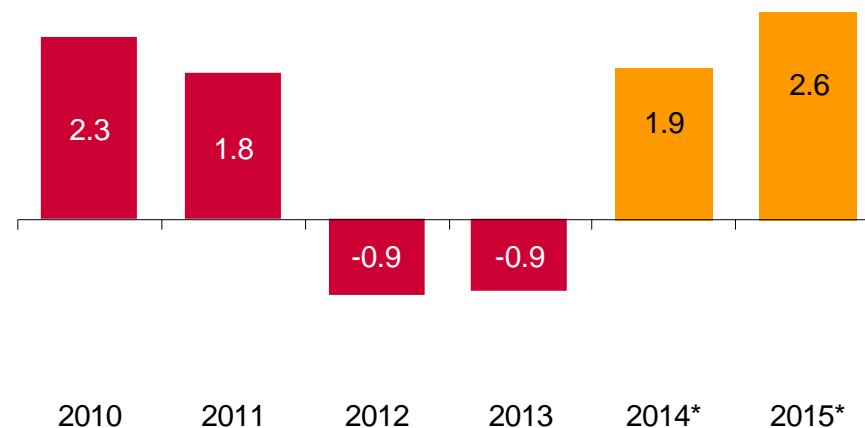
Agenda

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■ Loan portfolio quality and cost of risk	19
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Czech economy

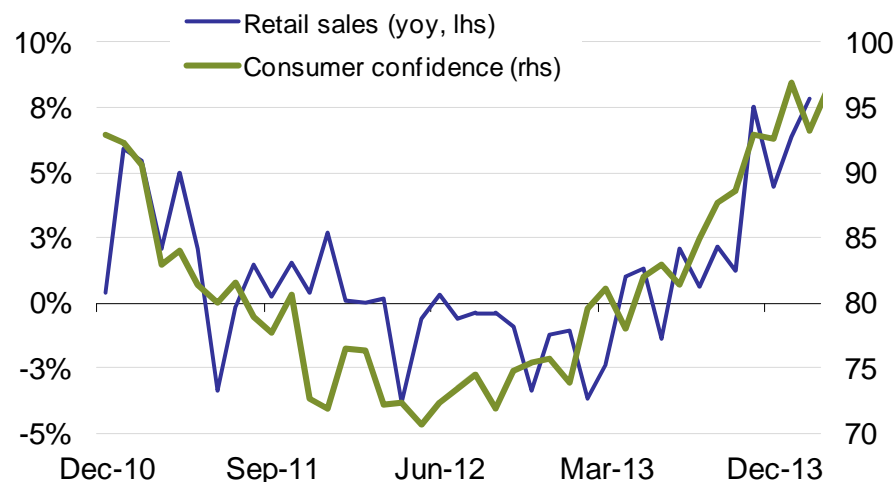
- Firm recovery. GDP in 4Q 2013 rose by 1.8% QoQ, +1.2% YoY (partly affected by one-offs), main contribution came from gross fixed capital formation (+5.1% QoQ, +2.7% YoY)
- In 1Q 14 industrial and construction production rose, exports and trading surplus expanded, unemployment improved, retail sales strong
- The economic rebound not yet reflected in better demand of corporations for loans. Consumer lending already improving
- Core inflation marginally positive thanks to CNB intervention. March CPI at 0.2% YoY and lack of demand-pull inflation present no base for short-term change in monetary policy
- CNB 2W repo rate maintained at 0.05% since November 2012. Long-term (10Y) CZGB yield dropped below 2.0% as a consequence of flight to safety in the CEE region

Real GDP outlook (YoY, %)



Source: CSO, 2014–2015* KB Economic & Strategy Research forecasts

Retail sales (YoY, %)



Sources of data: Czech Statistical Office, KB

Komerční banka in the first quarter of 2014

Good business performance

- Gross loans up 2.7% driven by mortgages. Recovery in consumer loans
- Deposits +8.4% increasing in all segments, mainly in corporate
- Solid growth in non-bank AUM (life insurance, mutual funds, pension funds)
- Number of clients rose by 8,700, with improving trend in 1Q 2014
- Strong sales of retail products. Sales of MůjÚčet account packages for individuals doubled, sales of small business packages up by 50%, mortgage sales rose by 26%
- Contactless payments in vending machines introduced

Solid financial results

- Revenues -0.6% as growth in business volumes was offset by low market interest rates, intense competition and delayed pick-up in business lending
- Operating costs +0.3%. Cost-to-income at 41.3%
- Cost of risk +10.2% in comparison with low 2013 base
- Net profit CZK 3,081 million, down 2.1%
- Basel III Core Tier I ratio at 16.2% including 2013 retained earnings
- LCR safely above the required level
- Net loans-to-deposits ratio 74.7%

Note: year over year comparisons, results for the first three months of 2014

Selected deals of the first quarter



PRAŽSKÁ
PLYNÁRENSKÁ
a.s.

Term Loan Facility Agreement

CZK 4,100,000,000

Acquisition financing of 49,35 %
share in Pražská plynárenská, a.s.

KB as Mandated Lead Arranger

CZECH REP.



CARTHAMUS a.s.
Senior Term Loan Facility
Agreement

CZK 430,000,000

KB as Sole Arranger and Leader

CZECH REP. April 2014



ENERGETICKÝ A PRŮMYSLVÝ HOLDING

Czech Gas Holding Investment

Term Loan Facility Agreement

Acquisition financing of ca 40%
share in NAFTA, a.s.

EUR 105,200,000

KB as Mandated Lead Arranger,
Coordinator, Facility Agent

CZECH REP. April 2014



Ondřejovická strojírna, a.s.

Export Letter of Credit

CZK 175,000,000

Complex bank services provider

CZECH REP. 26 Mar 2014



GA Energo technik

GA ENERGO TECHNIK S.R.O.

Bank Guarantee

CZK 112,000,000

Complex bank services provider

CZECH REP. 5 Mar 2014



CGMC družstvo

Investment and Revolving Facility

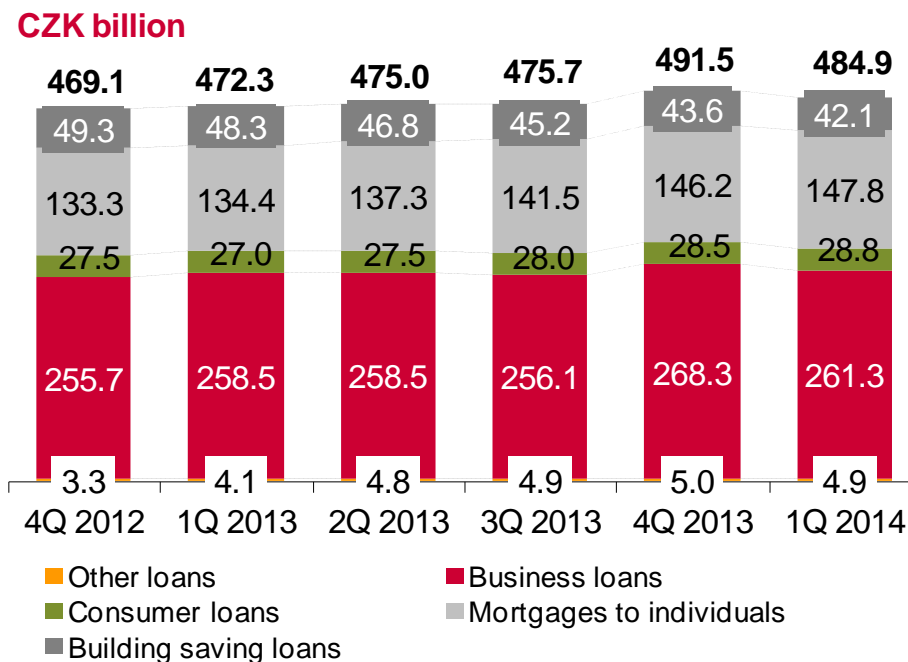
CZK 120,000,000

Complex bank services provider

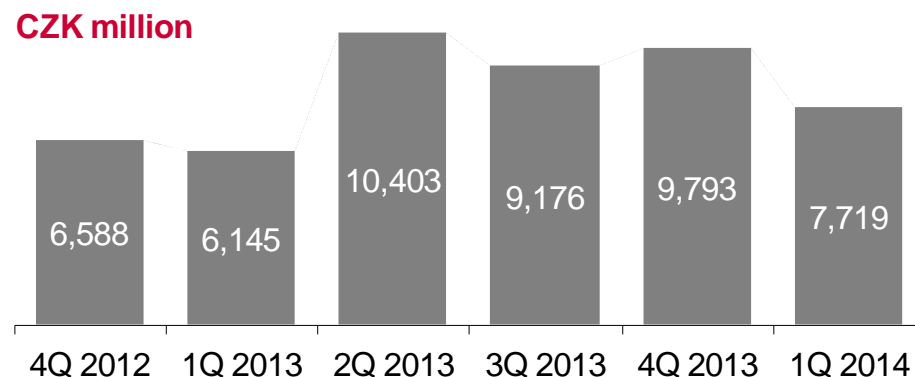
CZECH REP. 26 Mar 2014

Lending to clients

- Gross loans rose 2.7% YoY*, -1.3% QoQ. Growth driven by mortgages, recovery in consumer lending
- Mortgages to individuals up 10.0% YoY to CZK 147.8 billion
- Loans from Modrá pyramida down 12.7% YoY to CZK 42.1 billion affected by MPSS agents selling more KB mortgages
- Consumer loans provided by KB and ESSOX up by 6.4% YoY to CZK 28.8 billion
- Business loans up 1.1% YoY*, of which:
 - Small businesses (KB) -1.3% to CZK 28.1 bil.
 - Corporations (incl. Factoring KB) +1.1%* to CZK 212.1 billion
 - SGEF +4.0% to CZK 21.2 billion
- Irrevocable off-balance sheet commitments at CZK 131.9 billion



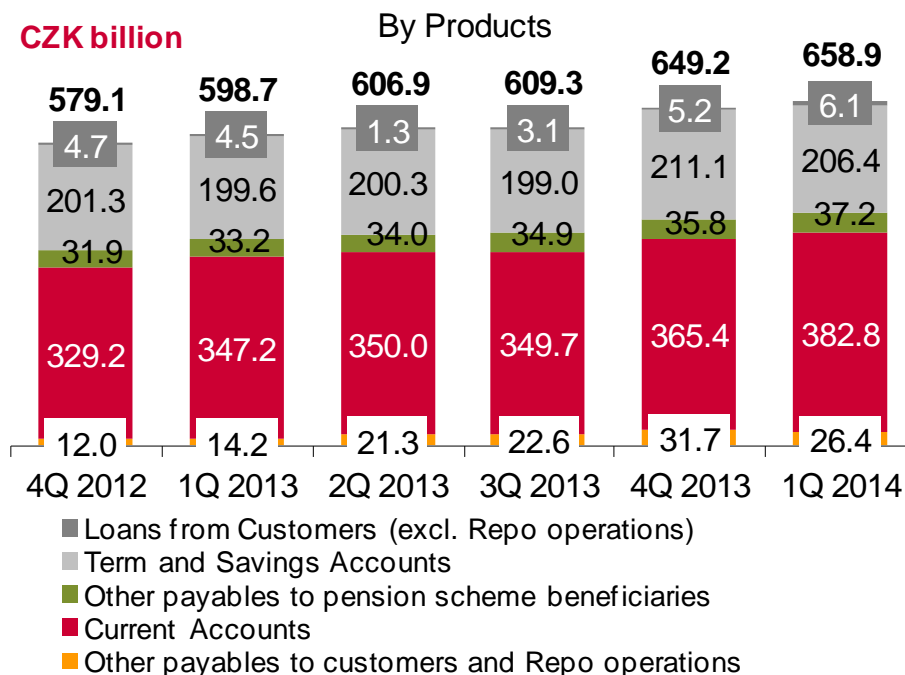
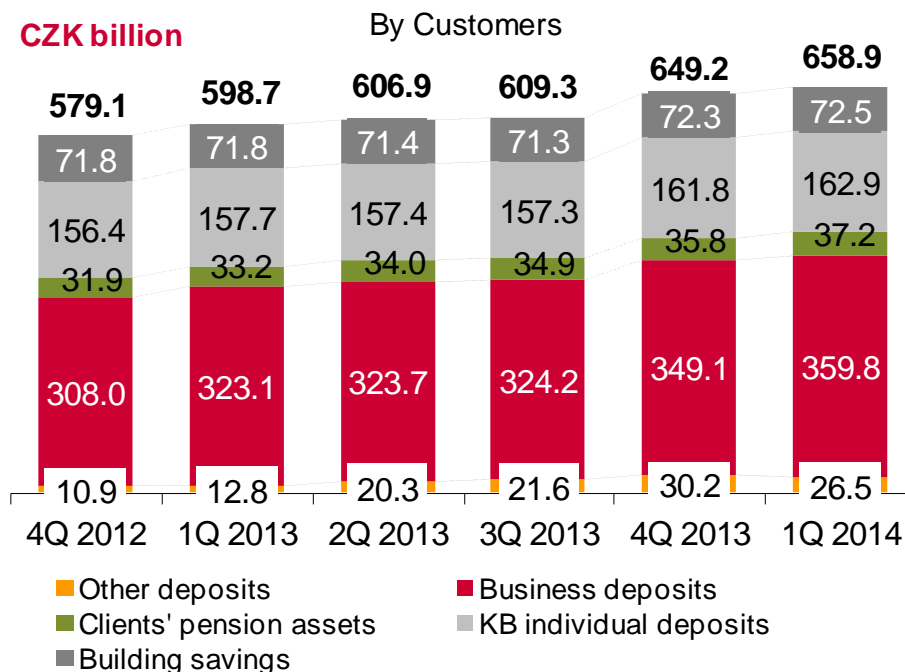
Sales volume of mortgages to individuals



Deposits and assets under management

- Group deposits up 8.4% YoY* to CZK 639.3 bil., +2.4% QoQ (excluding repos with clients). Total amounts due from clients +10.0% YoY*
- Deposits from business clients increased by 11.4% YoY to CZK 359.8 billion
- KB (bank) deposits from individuals increased by 3.3% YoY to CZK 162.9 billion
- Clients' pension assets in Transformed Fund grew by 11.8% YoY to CZK 37.2 billion
- MPSS deposits up 1.1% YoY to CZK 72.5 bil.
- KP life insurance technical reserves up 26.7% YoY to CZK 38.0 billion
- AUM in mutual funds (sold through KB) increased by 7.0% YoY to CZK 32.0 billion

* Slight contribution to the CZK YoY growth rates of loans and deposits (mainly in corporate segments) from revaluation of foreign currency instruments, following CZK depreciation after CNB intervention in November 2013



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Consolidated financial results

Profit and Loss Statement (CZK million, unaudited)	1Q 2013	1Q 2014	Change YoY
Net interest income	5,259	5,279	0.4%
Net fees & commissions	1,725	1,690	-2.0%
Income from financial operations	597	571	-4.4%
Other income	33	26	-21.2%
Net banking income	7,614	7,566	-0.6%
Personnel expenses	-1,634	-1,655	1.3%
General administrative expenses	-1,044	-1,028	-1.5%
Depreciation, impairment and disposal of fixed assets	-438	-441	0.7%
Operating costs	-3,116	-3,124	0.3%
Gross operating income	4,498	4,441	-1.3%
Cost of risk	-470	-518	10.2%
Net operating income	4,027	3,923	-2.6%
Profit on subsidiaries and associates	35	40	14.3%
Share of profit of pension scheme beneficiaries	-133	-121	-9.0%
Profit before income taxes	3,929	3,843	-2.2%
Income taxes	-705	-666	-5.5%
Net profit	3,224	3,176	-1.5%
Minority profit/(loss)	78	95	21.8%
Net profit attributable to equity holders	3,146	3,081	-2.1%

Consolidated statement of financial position

Balance Sheet (CZK million, unaudited)	31 Mar 2013	31 Dec 2013	31 Mar 2014	Change YoY	Change YtD
Assets	811,032	863,980	869,566	7.2%	0.6%
Cash and balances with central bank	51,452	44,405	55,187	7.3%	24.3%
Amounts due from banks	67,130	125,735	118,936	77.2%	-5.4%
Loans and advances to customers (net)	454,052	473,090	466,168	2.7%	-1.5%
Securities and trading derivatives	193,195	182,533	189,638	-1.8%	3.9%
Other assets	45,204	38,218	39,637	-12.3%	3.7%
Liabilities and shareholders' equity	811,032	863,980	869,566	7.2%	0.6%
Amounts due to banks	33,766	49,680	36,938	9.4%	-25.6%
Amounts due to customers	598,735	649,158	658,896	10.0%	1.5%
Securities issued	22,834	22,417	22,572	-1.1%	0.7%
Other liabilities	53,087	46,187	49,164	-7.4%	6.4%
Subordinated debt	0	0	0	n.a.	n.a.
Shareholders' equity	102,611	96,538	101,996	-0.6%	5.7%

Shareholders' equity

Development year-to-date

Total shareholders' equity
as of 31 December 2013

+5,458

Total shareholders' equity
as of 31 March 2014

	31/12/2013	1/1/2014	Increase	Decrease	31/03/2014
Share capital	19,005	19,005			19,005
Capital and reserve funds	47,439	59,967	21		59,988
- Retained earnings, reserve funds and dividends	48,165	60,693	21		60,714
- Treasury shares	-726	-726			-726
Current year attributable net profit	12,528	0	3,081		3,081
Cash flow hedge	8,181	8,181	1,871		10,053
AFS securities' fair value changes	6,211	6,211	377		6,588
Others	294	294	12		306
Minority equity	2,879	2,879	96		2,975
Total Shareholders' equity	96,538	96,538	5,458	0	101,996
Equity for adjusted ROAE calculation*	77,323	77,323	3,500		80,823

* Average Group shareholders' equity w/o minority equity, cash flow hedging and revaluation of AFS securities

Financial ratios

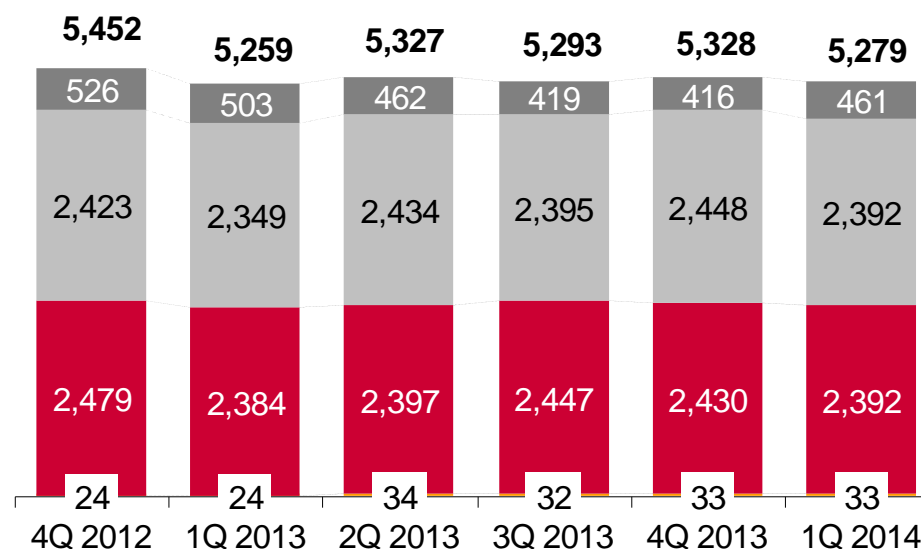
Key ratios and indicators (year-to-date)	31 Mar 2013	31 Mar 2014	Change YoY
Capital adequacy *	14.9%	16.2%	n.a.
Tier 1 ratio *	14.9%	16.2%	n.a.
Total risk weighted assets (CZK billion) *	360.9	375.5	n.a.
Risk weighted assets for credit risk (CZK billion) *	304.7	314.6	n.a.
Net interest margin (NII/Av. interest bearing assets), annualised	2.9%	2.6%	▼
Loans (net) / deposits ratio	75.8%	70.7%	▼
Loans (net) / deposits ratio excl. TF client assets	80.2%	74.7%	▼
Cost / income ratio	40.9%	41.3%	▲
Return on average equity (ROAE), annualised	12.7%	12.8%	▲
Adjusted return on average equity (adjusted ROAE), annualised* *	16.3%	15.2%	▼
Return on average assets (ROAA), annualised	1.6%	1.4%	▼
Earnings per share (CZK), annualised	333	326	-2.1%
Average number of employees during the period	8,637	8,537	-1.2%

* according to Basel II methodology in 2013, Basel III since 2014

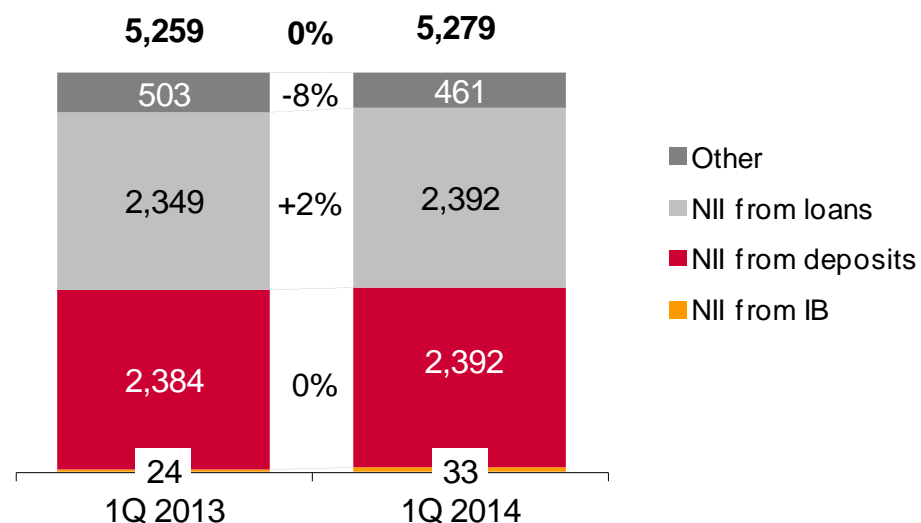
** Adjusted ROAE is computed as net profit attributable to equity holders divided by (average Group shareholders' equity w/o minority equity, cash flow hedging and revaluation of AFS securities)

Net interest income

- NII in 1Q 2014 up by 0.4% YoY. 1Q down by 0.9% QoQ
- NII from loans – YoY up due to growing volumes. Development of spreads on some loan products reflects intense competition
- NII from deposits – erosion of spreads moderating, still caused by low yield from reinvestment of deposits partially offset by adjustments in deposit remuneration
- NII from other – lower yield on reinvestment of capital due to low interest rates
- Decrease in net interest margin influenced by inflow of large-ticket deposit placements with negligible contribution to NII

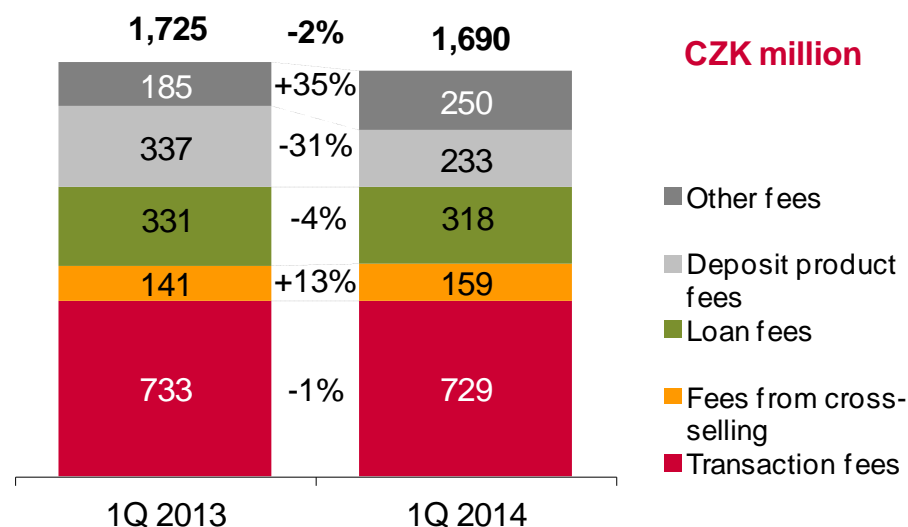
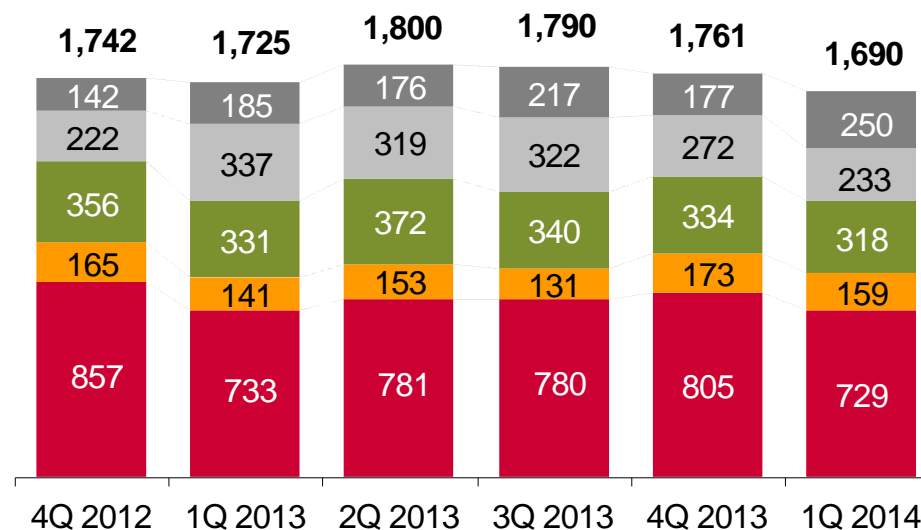


CZK million



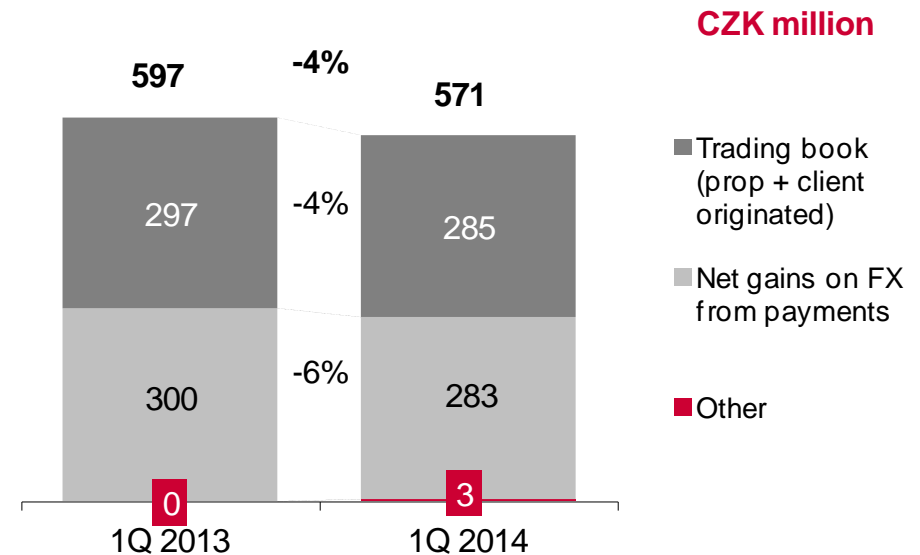
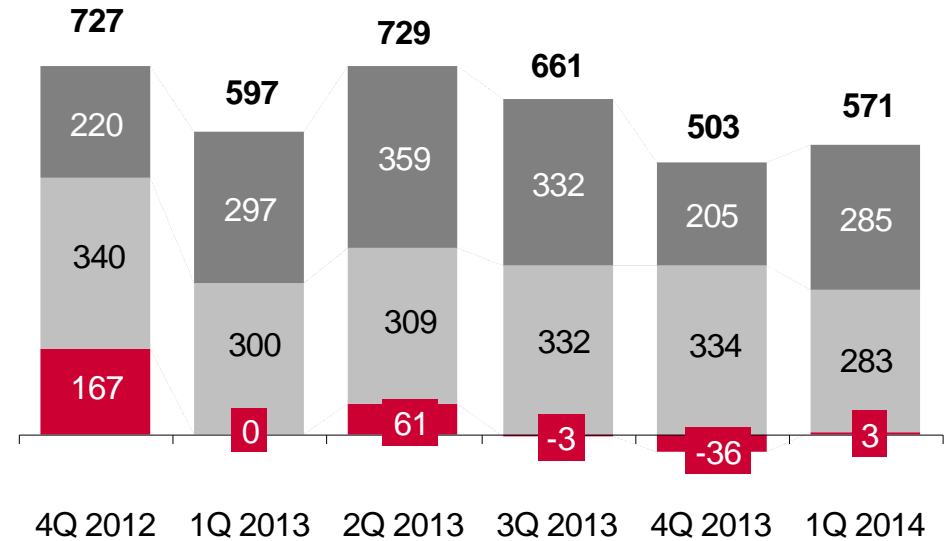
Net fees and commissions

- NFC in 1Q 2014 down by 2.0% YoY. 1Q down by 4.0% QoQ
- Deposit product fees – clients' shift to cheaper packages within the MojeOdměny rewards programme
- Loan fees – cumulating influence of sales of retail loans without fees for administration since 2013
- Fees from cross-selling – revenue growth driven by increased volume of client assets in mutual funds and life insurance
- Transaction fees – higher number of cashless transactions at lower average prices. Revenues from payment cards increased
- Other fees – high income in 1Q 2014 from loan syndications. YoY increase in fees for trade finance products



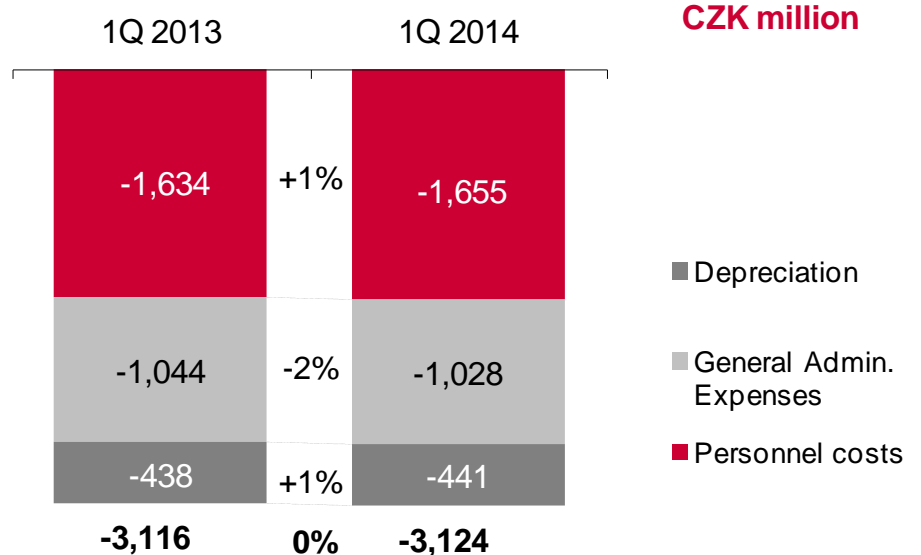
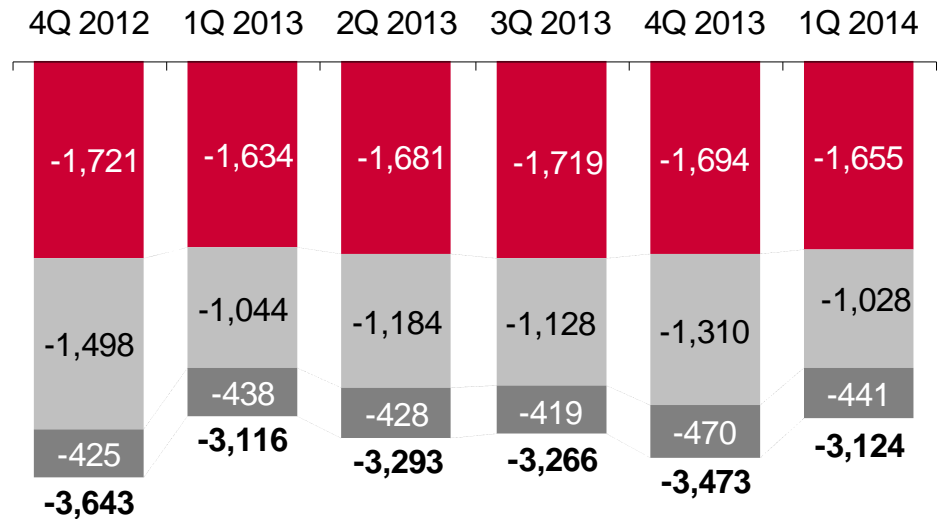
Net profit from financial operations

- Net profit from financial operations in 1Q 2014 down by 4.4% YoY. 1Q increase by 13.5% QoQ due to previous quarter affected by extraordinary negative derivative valuation adjustments
- Limited demand for FX and IR hedging due to low volatility of CZK exchange and interest rates influenced by measures of the central bank
- Good 1Q result of treasury operations
- Net gains from FX payments reflected lower average spreads



Operating costs

- OPEX in 1Q 2014 up by 0.3% YoY. 1Q down by 10.0% QoQ affected by usual seasonality
- Personnel costs in 1Q 2014 up by 1.3% YoY. Average staff level decreased by 1.2%
- GAE declined by 1.5% YoY. Marketing expenditures increased, while main savings were achieved in real estate costs
- Depreciation & Amortisation rose slightly by 0.7% YoY. The mild increase was mainly driven by new software applications



CZK million

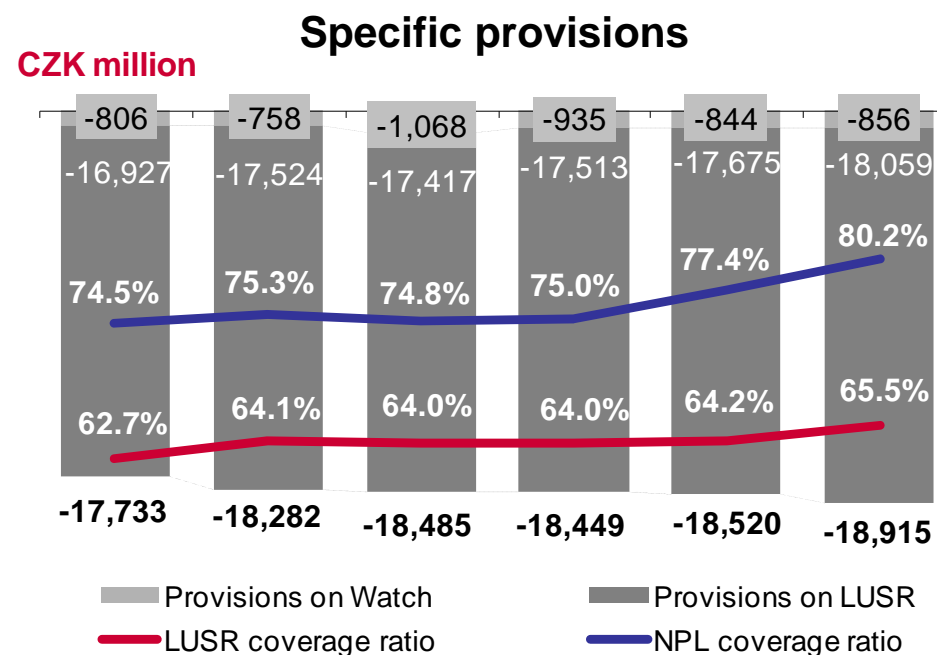
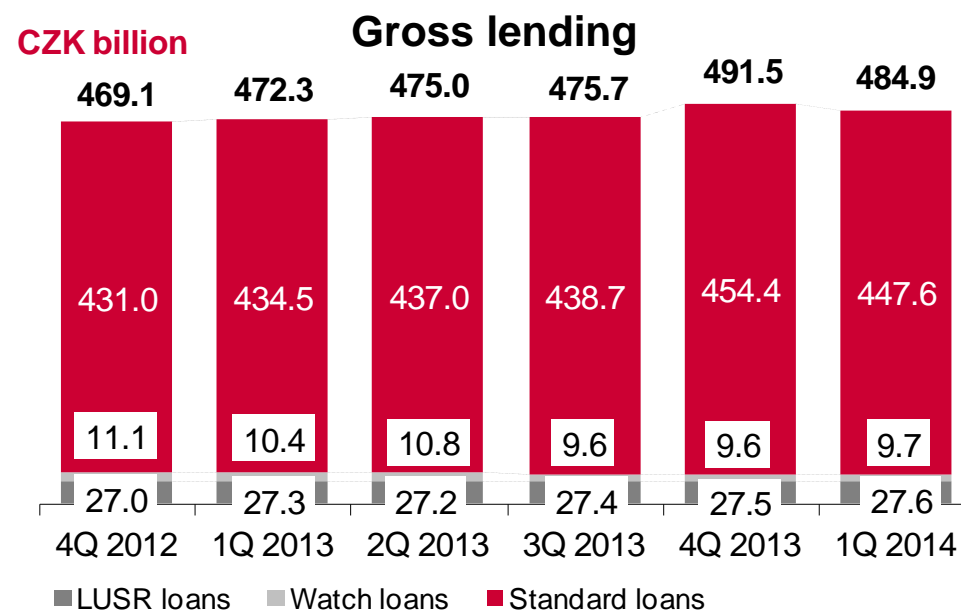
- Depreciation
- General Admin. Expenses
- Personnel costs

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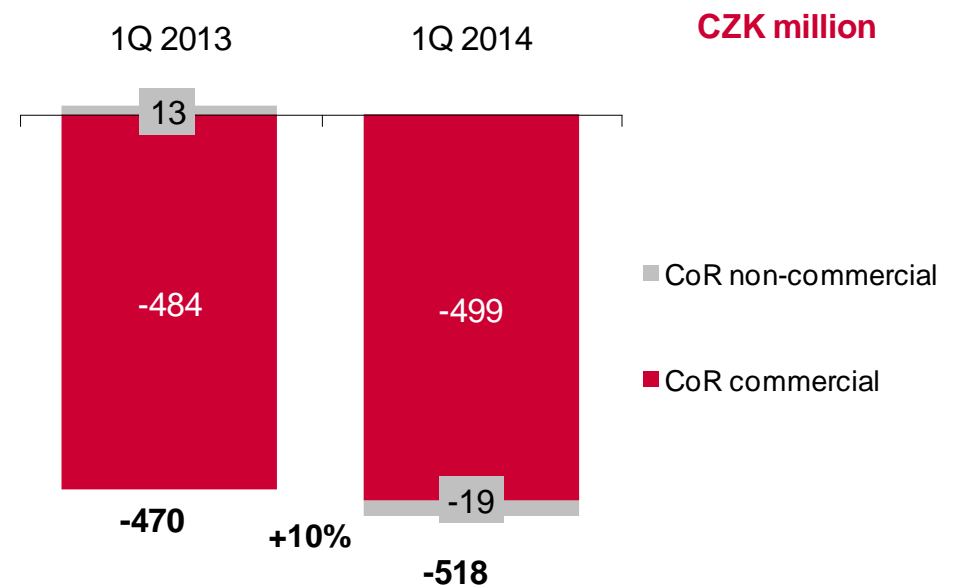
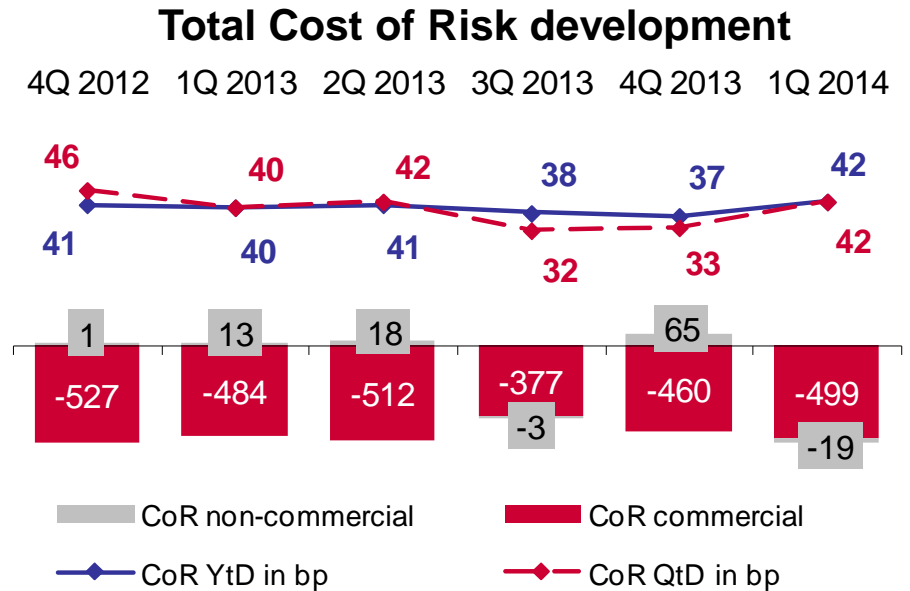
Loan quality

- Loan exposure +2.7% YoY, -1.3% QoQ
- Share of Standard and Watch loan exposure stable at 94.3% (94.4% in 4Q 2013)
- Share of LUSR exposure at 5.7% (5.6% in 4Q 2013)
- Share of NPL exposure at 4.2% (3.8% in 4Q 2013). QoQ NPL exposure increased to CZK 20.3 billion (CZK 18.5 billion in 4Q 2013), solely driven by KB Group NPL reporting harmonization
- Provision coverage ratio for LUSR portfolio QoQ increased to 65.5%, for NPL portfolio QoQ increased to 80.2% (77.4% in 4Q 2013) mainly driven by KB Group NPL reporting harmonization



Cost of risk

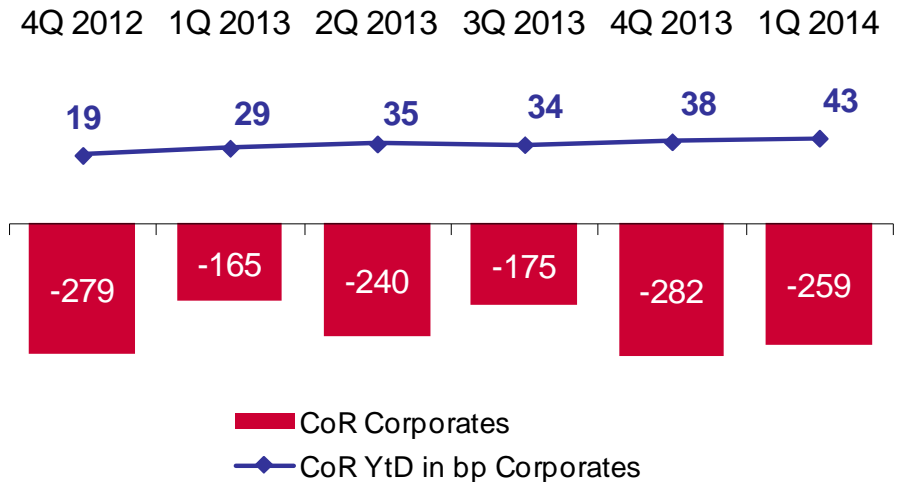
- 1Q 2014 cost of commercial risk in CZK increased QoQ driven by Retail segment
- YoY cost of risk up to 42 bps from 40 bps driven by Corporates
- 1Q 2014 contribution to cost of risk by KB group entities: KB 88%, ESSOX 5%, Modrá pyramida 4%, Factoring KB 2%, SGEF 1%



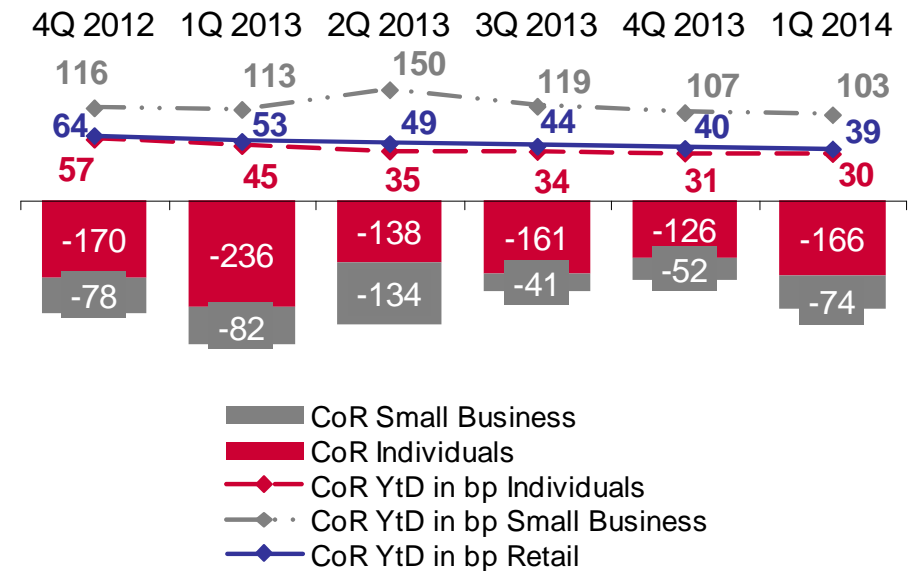
Commercial cost of risk - zoom on client segments

- 1Q 2014 cost of risk on Corporates slightly decreased QoQ
- YoY Corporate cost of risk up to 43 bps from 29 bps influenced mainly by creations on a few large exposures
- 1Q 2014 Retail cost of risk in CZK increased QoQ from the low base of previous quarter
- YoY Retail cost of risk down to 39 bps from 53 bps with improvement reported in both segments. Main contribution to the YoY decline from mortgages and consumer loans

KB Group – Corporate Segments



KB Group – Retail Segments



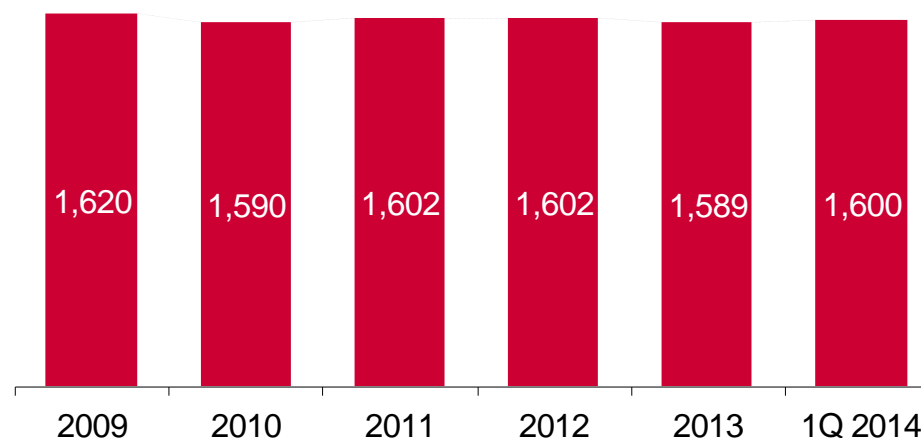
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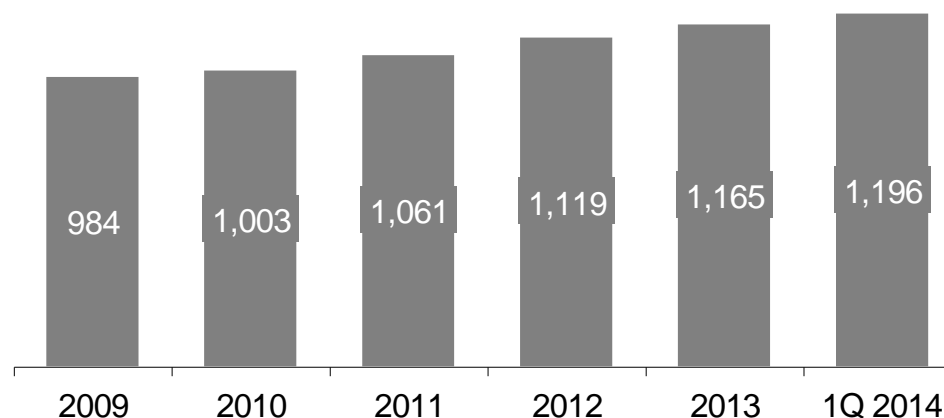
Number of clients and distribution network

- KB Group's 2.5 million clients, of which
 - KB bank 1,600,000 clients (+1%)
 - MPSS 577,000 clients (-3%)
 - KBPS 560,000 clients (-1%)
 - ESSOX 286,000 active clients (+10%)
- Network
 - 398 branches for retail clients, 10 corporate divisions and 4 divisions for large corporate clients in CZ, 1 in Slovakia
 - 728 ATMs
 - MPSS: 205 points of sale; 1,122 sales agents (of which 520 full-time professionals)
 - SGEF: 7 branches in CZ, 2 in Slovakia
- Direct Channels
 - 1,196,000 clients (i.e. 75% of KB client base) using direct banking channels
 - Two call centres, internet and mobile banking

Number of bank clients (ths., CZ)



Number of clients – Direct Channels (ths.)



Consolidated financial results

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Net interest income	5,259	5,328	5,279	0.4%	-0.9%
Net fees & commissions	1,725	1,761	1,690	-2.0%	-4.0%
Income from financial operations	597	503	571	-4.4%	13.5%
Other income	33	20	26	-21.2%	30.0%
Net banking income	7,614	7,612	7,566	-0.6%	-0.6%
Personnel expenses	-1,634	-1,694	-1,655	1.3%	-2.3%
General administrative expenses	-1,044	-1,310	-1,028	-1.5%	-21.5%
Depreciation, impairment and disposal of fixed assets	-438	-470	-441	0.7%	-6.2%
Operating costs	-3,116	-3,473	-3,124	0.3%	-10.0%
Gross operating income	4,498	4,139	4,441	-1.3%	7.3%
Cost of risk	-470	-395	-518	10.2%	31.1%
Net operating income	4,027	3,744	3,923	-2.6%	4.8%
Profit on subsidiaries and associates	35	110	40	14.3%	-63.6%
Share of profit of pension scheme beneficiaries	-133	-112	-121	-9.0%	8.0%
Profit before income taxes	3,929	3,742	3,843	-2.2%	2.7%
Income taxes	-705	-657	-666	-5.5%	1.4%
Net profit	3,224	3,085	3,176	-1.5%	2.9%
Minority profit/(loss)	78	114	95	21.8%	-16.7%
Net profit attributable to equity holders	3,146	2,970	3,081	-2.1%	3.7%

KB consolidated group

Pension insurance	KB Penzijní společnost (100%)	Management company for Transformed Fund (pension fund with 560,000 clients) and for new pension funds in 2nd and 3rd pillars of the Czech pension system
Building society	Modrá pyramida stavební spořitelna (100%)	#2 largest building savings bank according to loan volume with 577,000 clients and 1,122 strong agent distribution network
Consumer credit	ESOX (50.93%)	Consumer credit and car finance company. #4 non-bank consumer loan provider in the Czech Republic
Insurance	Komerční pojišťovna (49%)	Universal insurance company focused on life insurance
Corporate services	KB, branch in Slovakia	The Slovak business division focuses on serving large corporate clients
	Factoring KB (100%)	#3 on the Czech factoring market, offering domestic, foreign and reverse factoring
	SGEF Czech Republic (50.1%)	Leading provider of asset-backed financing in the Czech Republic and also active in Slovakia

Business performance of subsidiaries 1/2

		1Q 2013	1Q 2014	Change YoY
MPSS	Volume of new loans (CZK million)	791	536	-32%
	Volume of total loans (gross, CZK million)	48,285	42,150	-13%
	Volume of deposits (CZK million)	71,775	72,531	1%
	Number of clients	596,825	576,638	-3%
	Average number of FTEs	341	343	1%
	Number of points of sale	213	205	-4%
KB PS	Number of new contracts	4,830	6,278	30%
	Number of clients	565,637	560,423	-1%
	Assets under management (CZK million)	33,222	37,675	13%
	of which in Transformed fund	33,237	37,173	12%
	Average number of FTEs	53	49	-7%
ESSOX	Volume of new contracts (CZK million)	1,054	1,008	-4%
	Volume of total loans (gross, CZK million)	9,309	9,682	4%
	Number of active clients	260,446	285,895	10%
	Average number of FTEs	341	351	3%

Business performance of subsidiaries 2/2

		1Q 2013	1Q 2014	Change YoY
Factoring KB	Factoring turnover (CZK million)	5,403	7,670	42%
	Volume of total financing (gross, CZK million)	3,287	4,875	48%
	Average number of FTEs	41	42	2%
KP	Volume of technical reserves (CZK million)	30,026	38,040	27%
	Premium written (CZK million)	2,228	3,853	73%
	of which in life insurance	2,069	3,680	78%
	of which in non-life insurance	159	173	9%
	Average number of FTEs	154	154	0%
SGEF	Volume of new loans (CZK million)	1,725	1,597	-7%
	Volume of total loans (gross, CZK million)	20,400	21,207	4%
	Average number of FTEs	118	115	-3%

Standalone results of KB group companies and associated undertakings

	Account. standards	Share of KB	Net Profit	YoY	Equity	YoY	Assets	YoY
CZK million								
KB	IFRS	100%	2,552	-13.3%*	88,425	-1.0%	781,306	9.2%
- o/w KB branch in Slovakia	IFRS	100%	37	12.1%	n.a.	n.a.	24,956	28.7%
ESSOX, s.r.o.	IFRS	50.93%	125	4.2%	3,527	5.6%	10,170	4.0%
Factoring KB, a.s.	CAS	100%	5	-37.5%	1,641	2.8%	6,176	35.0%
KB Penzijní společnost, a.s.	CAS	100%	28	n.a.	865	31.1%	957	23.3%
Bastion European Investments S.A.	IFRS	100%	21	-4.5%	3,388	4.0%	6,589	4.0%
Komerční pojišťovna, a.s.	IFRS	49%	81	14.1%	2,335	11.3%	45,335	24.1%
Modrá pyramida SS, a.s.	IFRS	100%	252	-12.8%	8,188	-2.0%	82,282	0.3%
SG Equipment Finance CZ s.r.o.	IFRS	50.1%	79	12.9%	2,395	6.4%	25,622	6.2%
KB Real Estate, s.r.o.	IFRS	100%	0	n.a.	494	0.0%	1,077	-5.3%
Protos	IFRS	90%	58	-18.3%	13,832	-1.1%	13,892	-1.1%
Czech Banking Credit Bureau	CAS	20%	1	-66.7%	5	-37.5%	43	30.3%

* Affected by extraordinary dividend from a subsidiary received in 1Q 2013

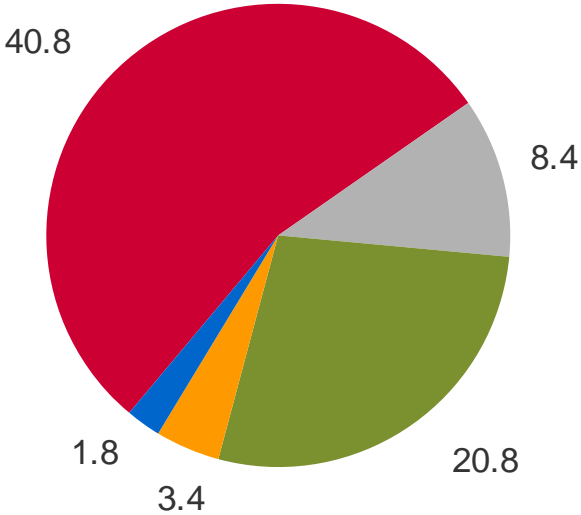
Note: Fully consolidated companies are: Essox, Factoring, KB PS, Bastion, Modra pyramida, SGEF CZ, KB Real Estate and Protos. CBCB is not consolidated. In 2013, NP 33, s.r.o. and VN 42, s.r.o. were established by KB as its 100% subsidiaries. The objects of the companies are facility management and real estate activities.

Securities portfolio in the banking book

CZK billion

Available-for-sale portfolio

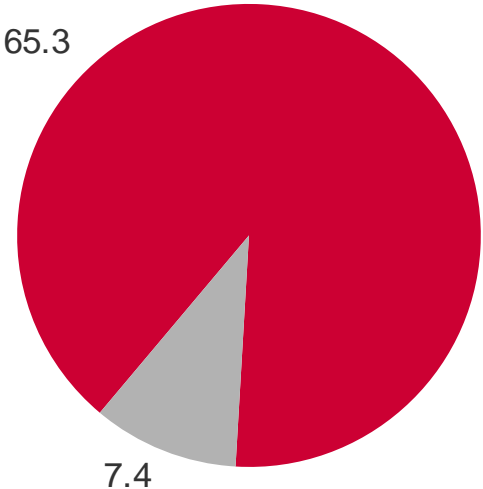
CZK 75.3 billion



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

Held-to-maturity portfolio

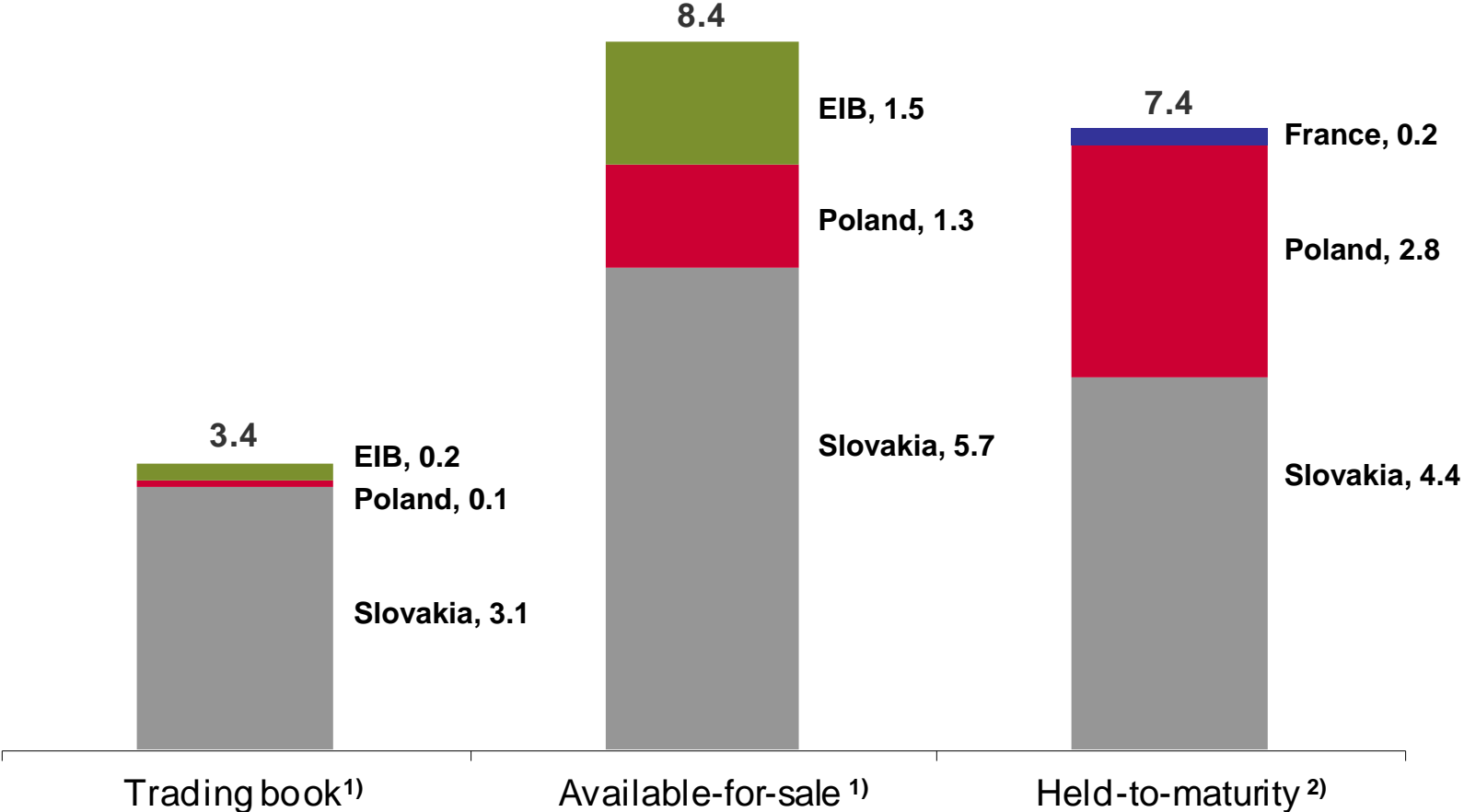
CZK 72.6 billion



- Czech sovereign
- Foreign sovereign

Foreign sovereign exposure

CZK billion



Measurement at [1] fair value; [2] amortized cost

Macroeconomic environment – Czech Republic

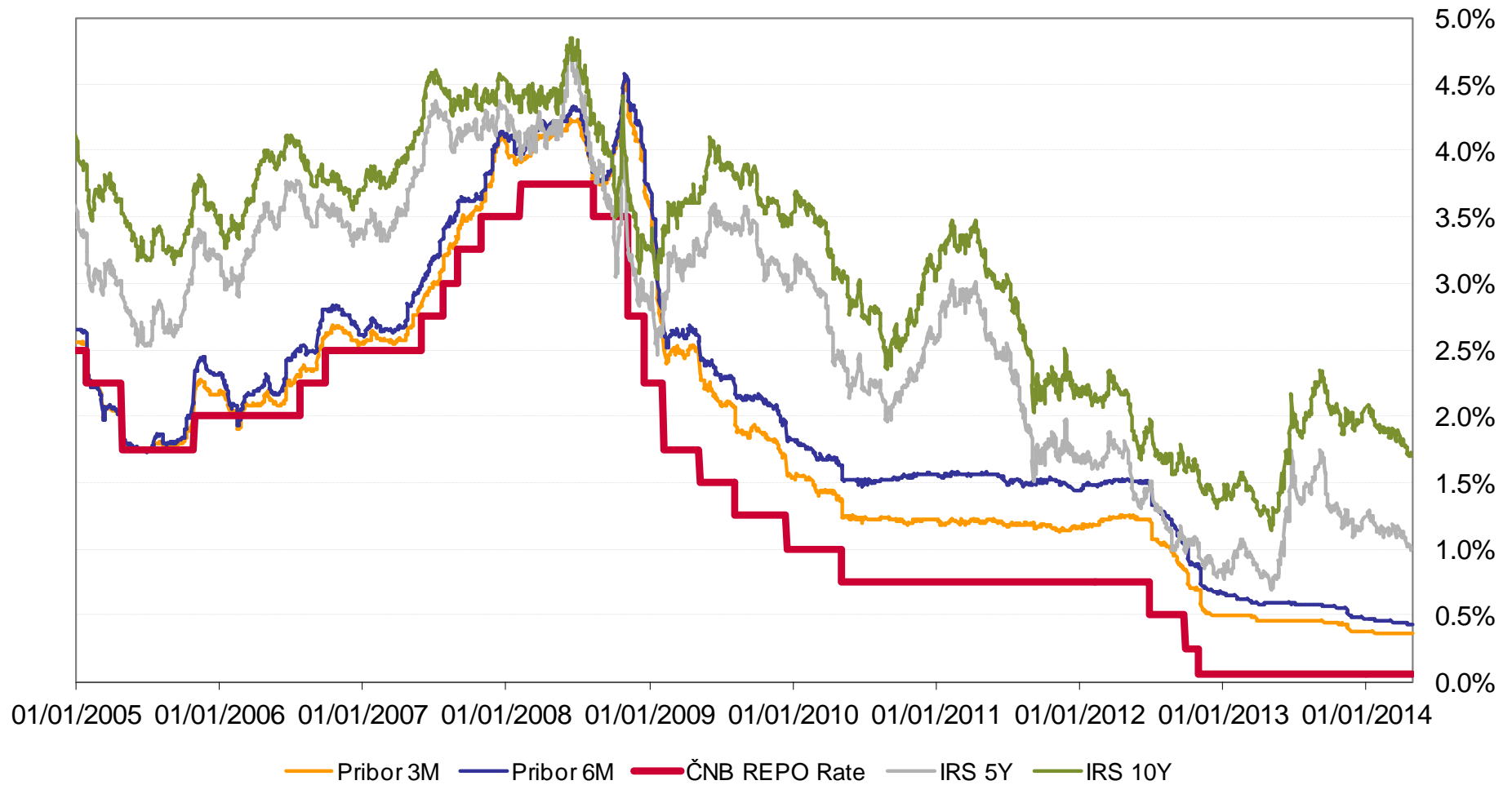
Macroeconomic Indicators	2010	2011	2012	2013	2014*	2015*
Real GDP (% , average)	2.3	1.8	-0.9	-0.9	1.9	2.6
Inflation (% , average)	1.5	1.9	3.3	1.4	0.8	1.8
Household consumption (% , average)	0.9	0.5	-2.1	0.1	1.1	1.2
Unemployment (% , av., MLSA meth.)	7.0	6.6	6.8	7.8	7.7	7.1
M2 (% , average)	4.0	3.4	6.0	4.6	4.6	5.4
3M PRIBOR (% , average)	1.3	1.2	1.0	0.5	0.4	0.4
Potential of the market **	2010	2011	2012	2013	2014*	2015*
Loans / GDP (year-end)	57.4	60.3	61.4	64.7	65.6	65.9
Real estate loans / GDP (year-end)	19.2	20.2	21.1	21.9	22.4	22.5
Deposits / GDP (year-end)	73.6	76.3	81.3	86.0	85.5	84.6
Household loans / GDP (year-end)	25.4	26.4	27.2	28.1	28.6	28.9

* KB estimate

** Banking sector, year end

Interest rates evolution

(for the period 1 January 2005 – 28 April 2014)



Development of KB's share price and PX Index

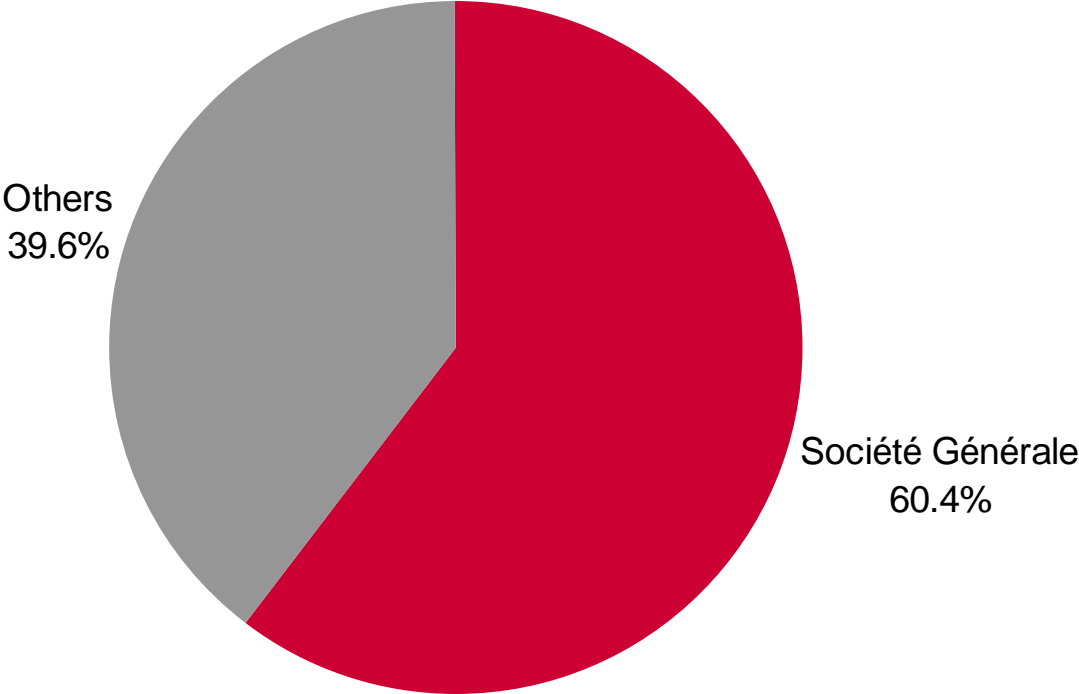
(for the period 1 October 2001 – 28 April 2014)



KB shareholders

As of 31 March 2014

Shares on registered capital according to excerpt from the Securities centre



As of 31 March 2014, KB held 238,672 own shares in treasury, representing 0.63% stake on registered capital.



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