

# Komerční banka Group

## Financial results as of 31 March 2017

According to International Financial Reporting Standards, consolidated, unaudited

Prague, 4 May 2017

NA PARTNERSTVÍ ZÁLEŽÍ



## Disclaimer

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

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

Results and ratios in this presentation are as of 31 March 2017, 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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# Market conditions in the first quarter 2017 influenced by expected exit from currency interventions

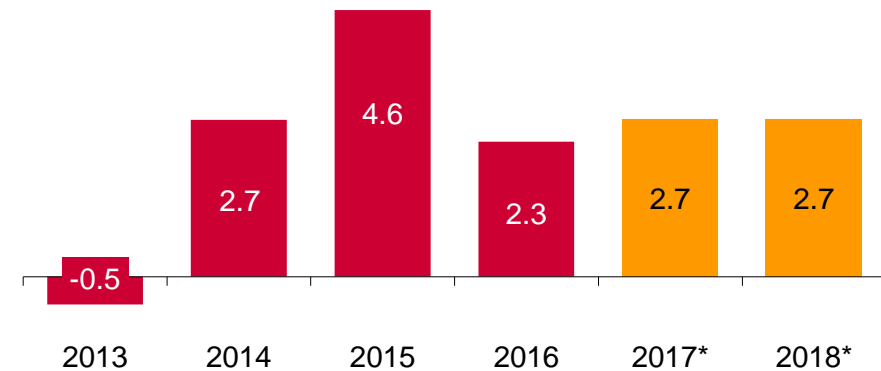
- GDP in 4Q16 up 0.4% QoQ, (+1.9% YoY). Positive contribution from domestic consumption and foreign trade while investment activity was low due to weak public investments
- Unemployment (3.4% acc. to Eurostat<sup>1</sup>) lowest in EU
- CPI inflation accelerated further to 2.6% YoY in March
- During 1Q17, CNB intervened immensely to defend the floor on CZK/EUR. CNB's foreign currency reserves exceeded 70% of GDP in March 2017 (vs. 37% in March 2016 and 47% in December 2016)
- On 6 April, CNB removed floor on CZK/EUR, switched to managed float currency regime. In days following the removal, CZK volatility was moderate.
- Monetary policy 2W repo rate stays at 0.05%. 3M PRIBOR still below 30 bps. 10Y IRS increased to 1.3%, 10Y CZGB around 90 bps<sup>2</sup>

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

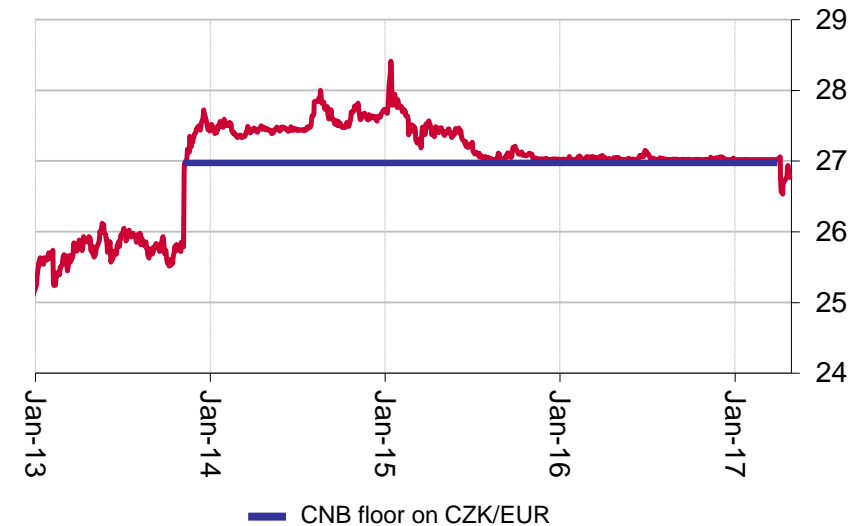
1) February 2017

2) as of 28 April 2017

### Real GDP outlook (YoY, %)



### CZK volatility moderate immediately after removal of the floor



Source: CNB, CSO, 2017-2018\* KB Economic & Strategy Research forecasts

# KB in first quarter 2017: Active support of the Czech economy, preparing for the future

## Growth in the volume of loans and assets under management

- KB Group's lending to clients expanded by 8.6% year on year to CZK 596.1 billion.
- Total client deposits rose by 12.7% from year earlier to CZK 758.2 billion.
- Assets of KB Group's clients in mutual funds, pension savings and life insurance grew by a strong 9.4% to CZK 155.0 billion.

## Solid financial drivers

- Revenues were up by 1.7% to CZK 7.8 billion. The growth was driven by gains from financial operations, while net interest income and net fees and commissions declined.
- Recurring operating expenditures rose by 1.6% to CZK 4.0 billion. Reported operating expenditures declined by 18.5% to CZK 3.2 billion, due to inclusion of one-off revaluation and gain from sale of KB's headquarters buildings.
- Negligible cost of risk at -6 basis points (net provisions release of CZK 0.1 billion), reflecting the favourable economic conditions and successful recovery performance.

## Improving efficiency and teams cooperation

- KB is pursuing strategy to house headquarters at two locations in Prague, in order to create space for close co-operation of various teams:
  - KB concluded the sale of current HQ building Na Prikope. KB will keep there its flagship branch.
  - KB invests substantially in modernisation of its current head office building at Václavské náměstí in the centre of Prague.
  - KB Group is buying a new modern building adjacent to the offices in Stodůlky, which will provide a technologically advanced and ergonomic environment.

## Net profit boosted by exceptional factors and favourable conditions in 1Q 2017

- Recurring attributable net profit increased by 11.2% to CZK 3.2 billion influenced by exceptional quarterly result from financial operations and cost of risk. (i.e. excluding one-off effects from restructuring of the real estate and including full year costs of the Resolution and Deposit Insurance funds in the base of first quarter 2016).
- Reported net profit attributable to the Bank's shareholders totalled CZK 4.1 billion, which is 41.0% more than in the first quarter of 2016, due to net gain from restructuring of HQ.

# Selected deals of the first quarter of 2017

## REAL ESTATE



**OLYMPIA BRNO s.r.o.**

Term Facility Agreement

**EUR 75,000,000**

Agent, Security Agent and Lender

**2017**

## REAL ESTATE



**CTPARK GAMMA SRL**

Real Estate Financing

**EUR 22,300,000**

Club Loan Facility

**2017**

## PUBLIC SECTOR



**MĚSTO AŠ**

Municipal Loan

**CZK 200,000,000**

Loan provider

**2017**

## MANUFACTURING



**FATRA a.s.**

L/T investment loan

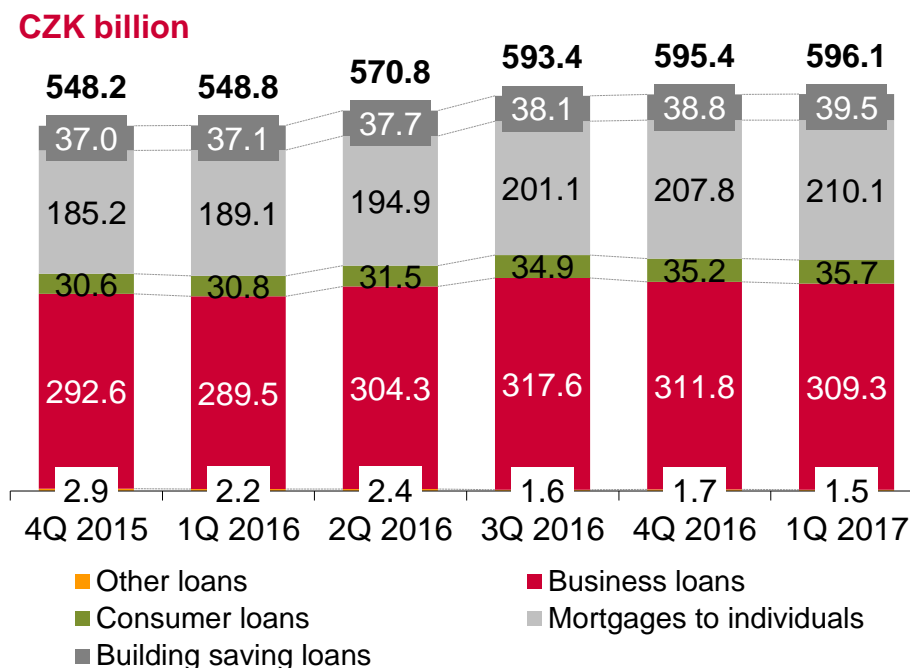
**CZK 800,000,000**

Sole lender

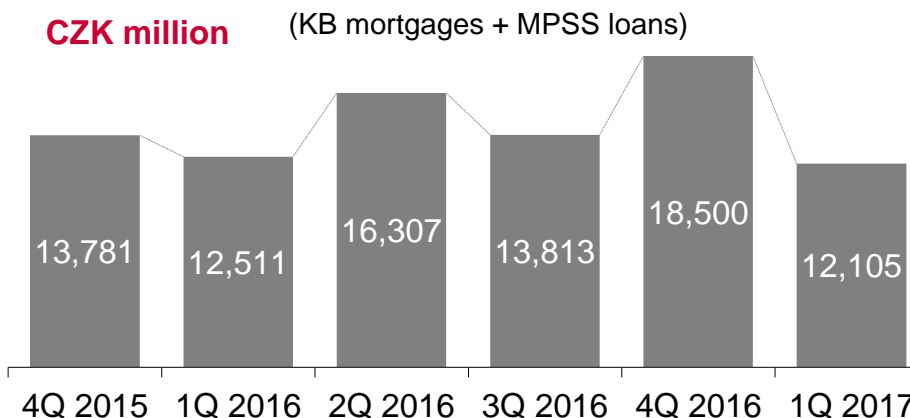
**2017**

# Solid trend mainly in retail and long-term corporate lending, while short-term financing subdued

- Gross loans up 8.6% YoY<sup>1</sup>, +0.1% QoQ to CZK 596.1 billion
- Group housing loans +10.3% YoY, of which
  - Mortgages +11.1% YoY to CZK 210.1 billion
  - Modrá pyramida's loan portfolio +6.3% to CZK 39.5 billion
- Consumer loans (KB + ESSOX + retail lending by PSA Finance) up by 15.7% YoY to CZK 35.7 billion. Excluding retail financing by PSA, consumer loans expanded by 9.5%
- Business loans up 6.8% YoY, of which:
  - Small businesses (KB) +5.4% to CZK 32.5 bil.
  - Corporations (incl. Factoring KB) +7.1% to CZK 251.3 billion. Excluding wholesale financing by PSA, corporate loans up by 5.9%
  - SGEF (leasing) +5.9% to CZK 25.5 billion



## Sales volume of housing loans

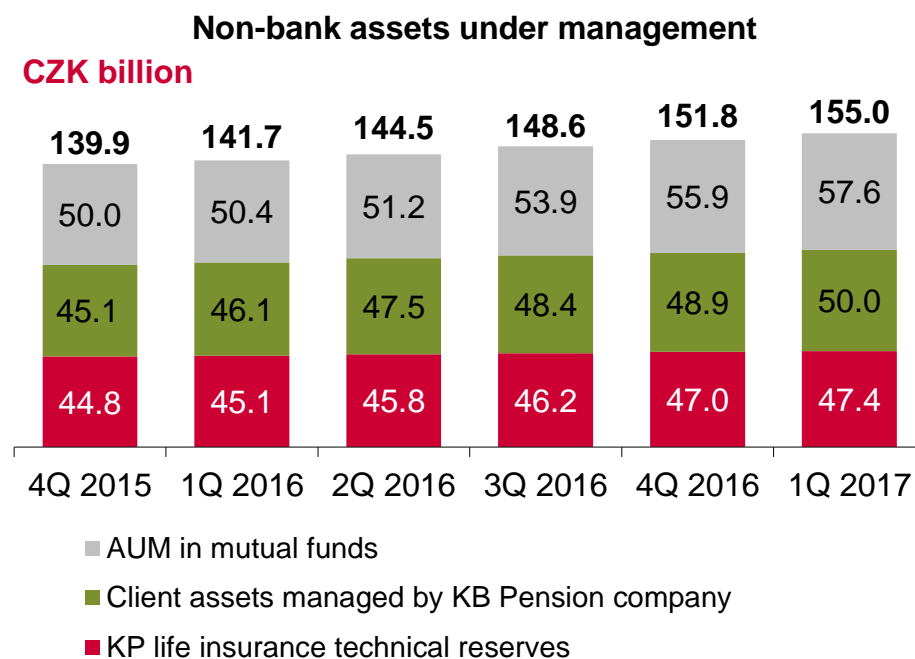
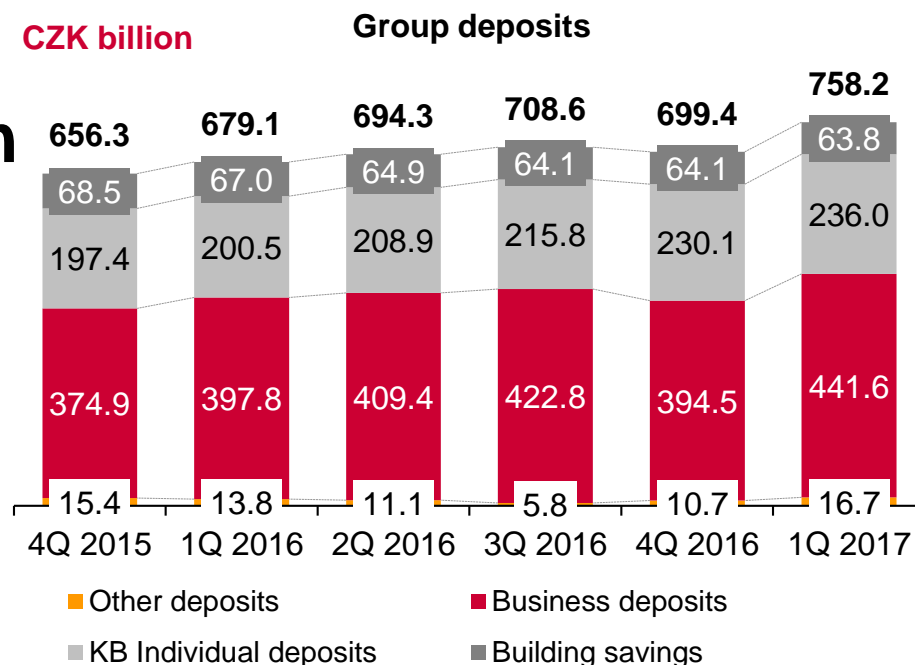


Note: 1) Contribution of loans granted by PSA Finance acquired and consolidated from 1 July 2016 amounted to CZK 4.7 billion, or 0.9 percentage points

# Inflow of deposits driven by economy, supported by interventions and Resolution

- Standard Group deposits (excluding repo) grew by +12.7% YoY to CZK 758.2 billion, +9.2% QoQ. Total amounts due to clients +11.6% YoY, +8.4% QoQ.
- Deposits from business clients +11.0% YoY to CZK 441.6 billion. Corporate deposits volatile in the past two quarters due to preference of large depositors to avoid costs of the Resolution Fund and inflow of liquidity linked to CNB interventions
- KB (bank) deposits from individuals +17.7% YoY to CZK 236.0 billion
- MPSS building savings -4.8% YoY to CZK 63.8 billion
- Current accounts +15.1% to CZK 547.9 billion, term and savings accounts +8.4% to CZK 203.5 billion
- Clients' pension assets +8.5% to CZK 50.0 billion
- KP life insurance technical reserves rose by 5.1% YoY to CZK 47.4 billion
- AUM in mutual funds (sold by KB+MPSS) increased by 14.2% YoY to CZK 57.6 billion

## Deposits and other assets under management





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# Recurring net profit up on slightly growing revenues and operating costs, net release of provisions

## Profit and Loss Statement

(CZK million, unaudited)	Reported			Recurring		
	1Q 2016	1Q 2017	Change YoY	1Q 2016	1Q 2017	Change YoY
Net interest income	5,234	5,165	-1.3%	5,234	5,165	-1.3%
Net fees & commissions	1,700	1,564	-8.0%	1,700	1,564	-8.0%
Income from financial operations	734	1,051	43.2%	734	1,051	43.2%
Other income	27	41	51.9%	27	41	51.9%
<b>Net banking income</b>	<b>7,694</b>	<b>7,821</b>	<b>1.7%</b>	<b>7,694</b>	<b>7,821</b>	<b>1.7%</b>
Personnel expenses	-1,692	-1,763	4.2%	-1,692	-1,763	4.2%
General admin. expenses (excl. regulatory funds)	-943	-991	5.1%	-943	-991	5.1%
Resolution and similar funds	-835	-856	2.5%	-871	-856	-1.7%
Depreciation, impairment and disposal of fixed assets	-409	449	+/-	-409	-368	-10.0%
<b>Operating costs</b>	<b>-3,879</b>	<b>-3,160</b>	<b>-18.5%</b>	<b>-3,915</b>	<b>-3,978</b>	<b>1.6%</b>
<b>Gross operating income</b>	<b>3,815</b>	<b>4,661</b>	<b>22.2%</b>	<b>3,779</b>	<b>3,843</b>	<b>1.7%</b>
Cost of risk	-225	84	+/-	-225	84	+/-
<b>Net operating income</b>	<b>3,590</b>	<b>4,745</b>	<b>32.2%</b>	<b>3,554</b>	<b>3,927</b>	<b>10.5%</b>
Profit on subsidiaries and associates	51	55	7.8%	51	55	7.8%
<b>Profit before income taxes</b>	<b>3,641</b>	<b>4,800</b>	<b>31.8%</b>	<b>3,605</b>	<b>3,982</b>	<b>10.5%</b>
Income taxes	-653	-615	-5.8%	-646	-694	7.4%
<b>Net profit</b>	<b>2,988</b>	<b>4,185</b>	<b>40.1%</b>	<b>2,959</b>	<b>3,288</b>	<b>11.1%</b>
Minority profit/(loss)	95	104	9.5%	95	104	9.5%
<b>Net profit attributable to equity holders</b>	<b>2,894</b>	<b>4,081</b>	<b>41.0%</b>	<b>2,864</b>	<b>3,184</b>	<b>11.2%</b>

### Note for recurring figures:

1Q 2016: Adjusted for difference between final amount of Resolution and similar funds (only DIF and RF, excl. Securities brokers) for FY 2016 and the amount already booked in 1Q 2016 (CZK -36 mil. in Resolution and similar funds and CZK 7 mil. in Income taxes )

1Q 2017: Adjusted for net positive contribution from the sale and revaluation of KB's headquarters buildings (CZK 817 mil. in Depreciation, impairment and disposal of fixed Assets, CZK 79 mil. in Income taxes).

# Balance sheet reflecting inflow of liquidity into the Czech banking system in 1Q 2017

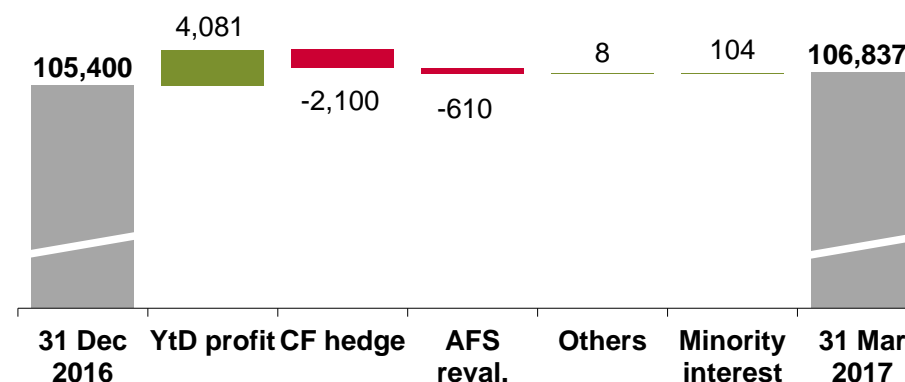
<b>Balance Sheet</b> (CZK million, unaudited)	<b>31 Mar 2016 Reported</b>	<b>31 Dec 2016 Reported</b>	<b>31 Mar 2017 Reported</b>	<b>YoY</b>	<b>Ytd</b>
<b>Assets</b>	<b>933,291</b>	<b>922,737</b>	<b>1,035,880</b>	<b>11.0%</b>	<b>12.3%</b>
Cash and balances with central bank	151,603	112,241	202,454	33.5%	80.4%
Amounts due from banks	64,633	51,771	82,751	28.0%	59.8%
Loans and advances to customers (net)	534,539	580,198	581,554	8.8%	0.2%
Securities and trading derivatives	133,336	134,591	128,487	-3.6%	-4.5%
Other assets	49,180	43,935	40,633	-17.4%	-7.5%
<b>Liabilities and shareholders' equity</b>	<b>933,291</b>	<b>922,737</b>	<b>1,035,880</b>	<b>11.0%</b>	<b>12.3%</b>
Amounts due to banks	64,812	54,124	104,898	61.8%	93.8%
Amounts due to customers	679,096	699,377	758,150	11.6%	8.4%
Securities issued	18,475	13,423	13,961	-24.4%	4.0%
Other liabilities	59,668	50,412	52,034	-12.8%	3.2%
Shareholders' equity	111,240	105,400	106,837	-4.0%	1.4%

# Shareholders' equity marginally up year-to-date

- Shareholders' equity rose year to date by 1.4% to CZK 106.8 billion. The generation of net profit was almost offset by lower revaluation gains on cash flow hedges and revaluation of the AFS portfolio
- Revaluation gains on cash flow hedges were lower due to a rise in market interest rates in comparison with the end of 2016
- The revaluation of the AFS portfolio (which comprises primarily reinvestment of client deposits) declined as a result of amortising the revaluation differences on securities reclassified from the AFS to HTM portfolio in 2014 and due to higher market interest rates in comparison with the end of 2016
- Total regulatory capital = Core Tier 1 capital amounted to CZK 72.8 billion, up +9.3% YoY

As of 31 March 2017, CZK -757 million was transferred from Other comprehensive income (Cash flow hedging) to Net profit (net of tax)

## Contributions to equity in 1Q 2017



## Shareholders' equity

(CZK million)	31/03/2017
Share capital & reserve funds	86,296
Current year attributable net profit	4,081
Others	432
<b>Equity for adjusted ROAE calculation</b>	<b>90,809</b>
Cash flow hedge	9,279
AFS securities' fair value changes	2,814
Minority equity	3,935
<b>Total Shareholders' equity</b>	<b>106,837</b>

## Specific Q1 factors affected the indicators

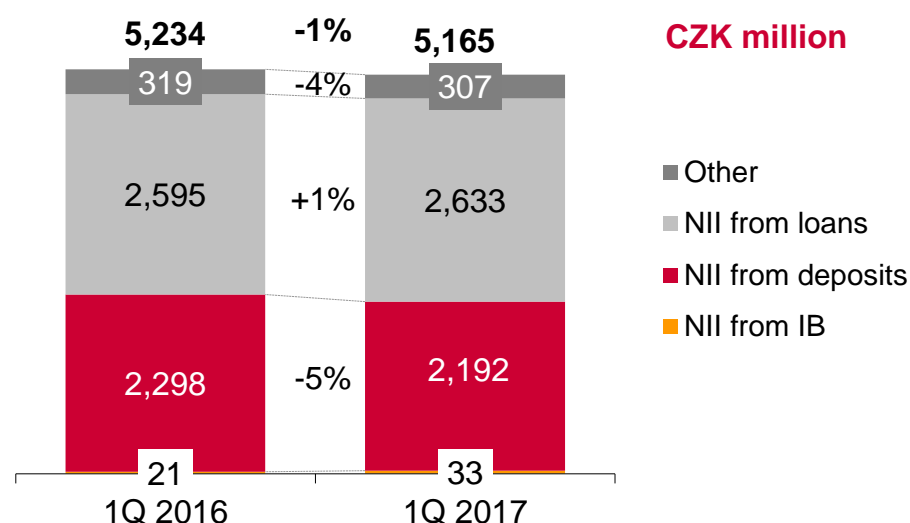
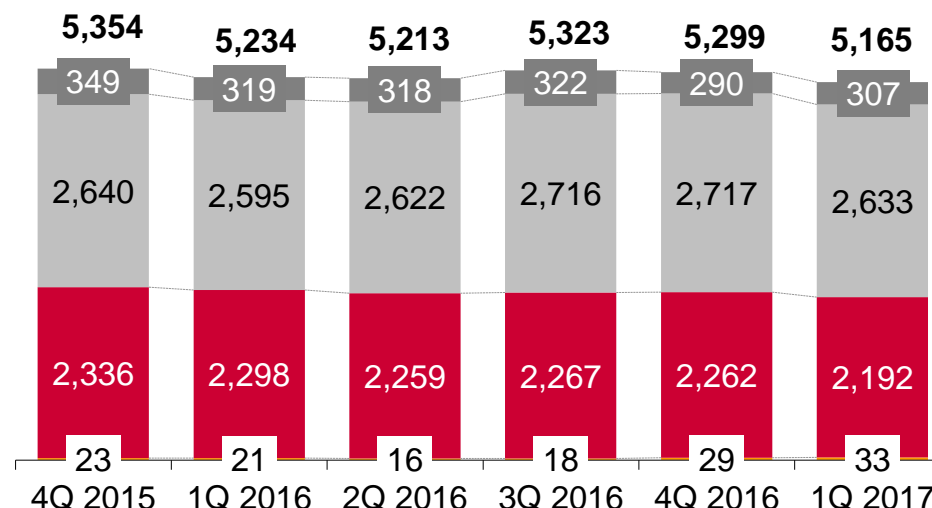
(year-to-date)	Reported			Recurring
	31/03/2016	31/12/2016	31/03/2017	31/03/2017
Capital adequacy (reported, comprising only Core Tier 1	16.0%	16.2%	15.7%	
Total risk weighted assets (CZK billion)	416.7	442.9	462.7	
Risk weighted assets for credit risk (CZK billion)	349.6	376.9	392.3	
Net interest margin (NII/Av. interest bearing assets), annualised	2.5%	2.5%	2.3%	
Loans (net) / deposits ratio	78.7%	81.2%	76.7%	
Cost / income ratio	50.4%	46.2%	40.4%	50.9%
Return on average equity (ROAE), annualised	11.0%	13.4%	16.0%	12.6%
Adjusted return on average equity (adjusted ROAE), annualised *	13.4%	16.0%	18.4%	14.5%
Return on average regulatory capital	17.4%	19.8%	22.6%	17.8%
Return on average assets (ROAA), annualised	1.3%	1.5%	1.7%	1.3%
Earnings per share (CZK), annualised	61	72	86	67
Average number of employees during the period	8,404	8,458	8,459	

- NIM and Loan/Deposit ratios in 1Q 2017 affected by amplified deposits volumes reflecting inflow of liquidity into the Czech banking system before end of currency interventions
- Contribution to the regulatory capital from a part of the AFS revaluation reserve related to disposable securities in AFS portfolio amounted to 23 bps of Total capital and Core Tier 1 adequacy, as of 31 March 2017
- In the first quarter 2017, KB amended its credit risk models in accordance with regulatory requirements. As a result, risk-weighted assets increased by CZK 8 billion

\*) 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)

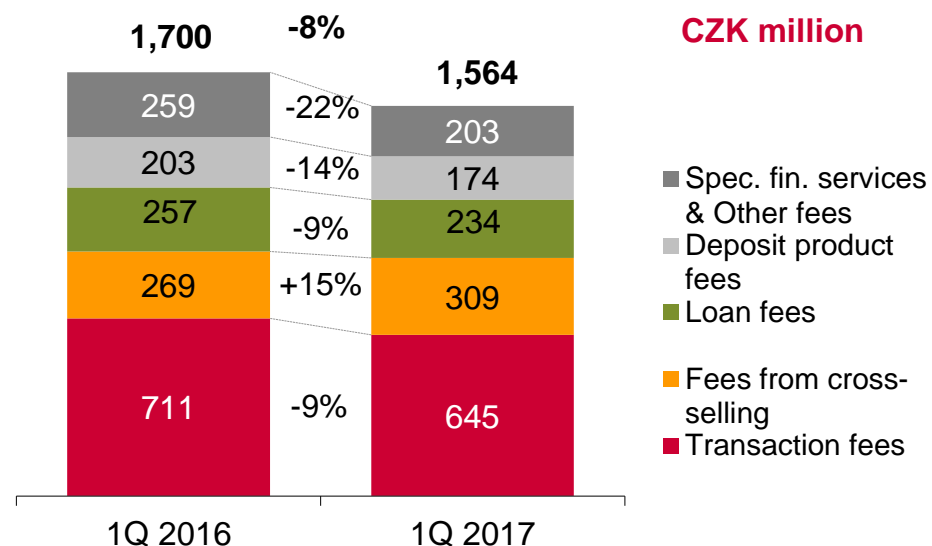
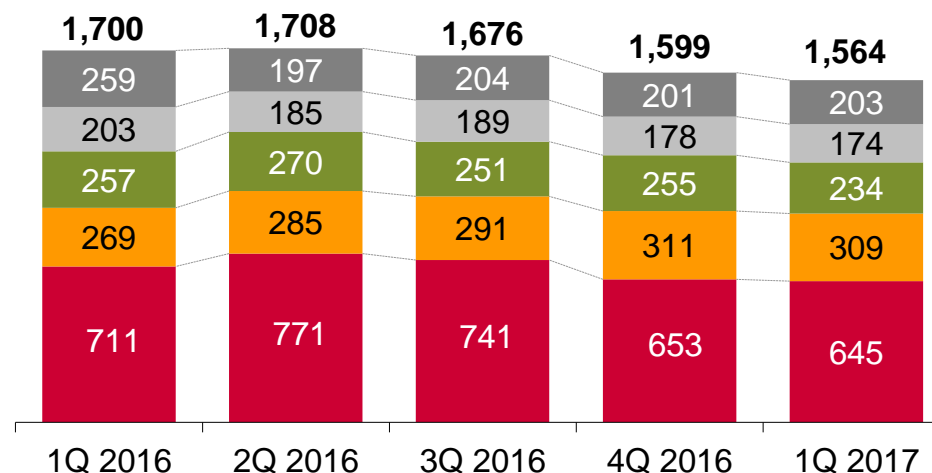
# NII resilient despite still low interest rates

- NII -1.3% YoY in 1Q 2017, -2.5% QoQ
- NII from loans – supported by volumes. Pressure on spreads in unsecured retail lending
- Despite recent increase in market interest rates, KB still replacing maturing long-term reinvestments of deposits and capital at the current, on average lower, interest rates
- Inflow of short-term deposits does not contribute to net interest income when short-term market rates being close to zero
- Decline in NII from deposits moderated by long-term hedging policy
- The net interest margin narrowed to 2.3% in 1Q 2017 from 2.5% one year earlier, mainly as a result of strong inflow of deposits (i.e. a larger denominator in the indicator’s formula)



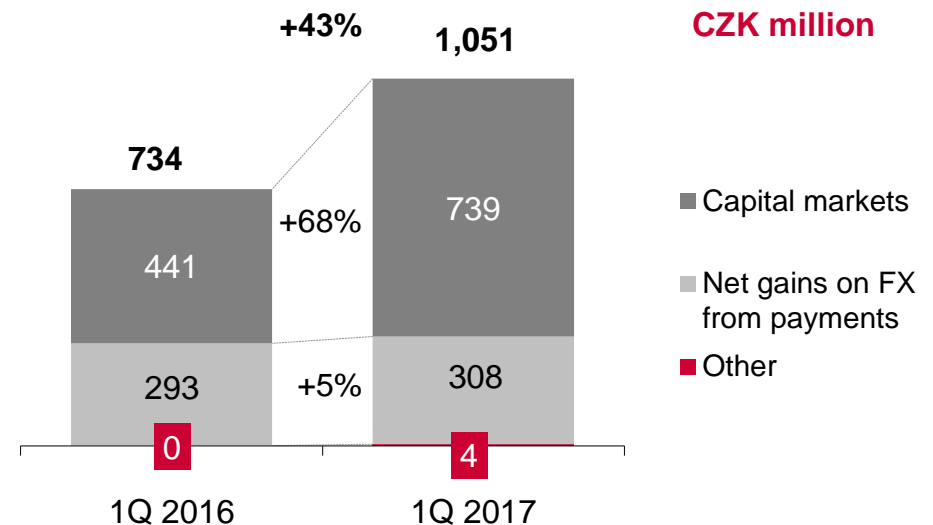
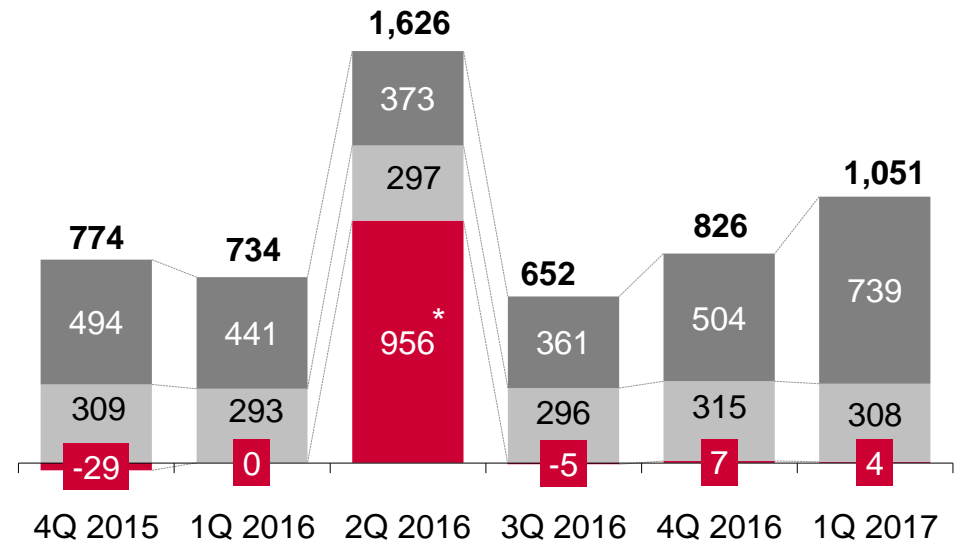
# Absorbing effect of the sale of card acquiring in 2016

- NFC in 1Q 2017 declined by 8.0% YoY, -2.2% QoQ.
- Deposit product fees - More rewards paid out in the MojeOdměny loyalty programme. Lower number of accounts in Modrá pyramida
- Loan fees – lower mortgage fees. Decreased net fees at ESSOX linked to new consumer credit law and acquisition of PSA. Lower prepayment fees in Modrá pyramida. Competitive pressure on service margins at Factoring KB.
- Fees from cross-selling – growth driven by rising volume of client assets under management
- Transaction fees – YoY transaction activity increased. Income from 4Q 2016 affected by the sale of merchant card acquiring in September 2016, to create KB SmartPay alliance
- Specialised financial services and other fees – lower fees for syndications. Income from safe deposit boxes newly accrued over whole year. Income from guarantees affected by still weak construction activity. Revenues from custody & depository up



# Huge client-driven flows before end of currency floor

- Net profit from financial operations in 1Q 2017 rose by 43.2% YoY, +27.2% QoQ
- Clients' strong currency hedging activity ahead of the CNB's ending its interventions
- Solid trend of demand for IR hedging linked to expected future increase in long-term rates, including large, complex hedging transaction
- The fees and commissions from FX transactions grew along with increasing foreign transactions turnover

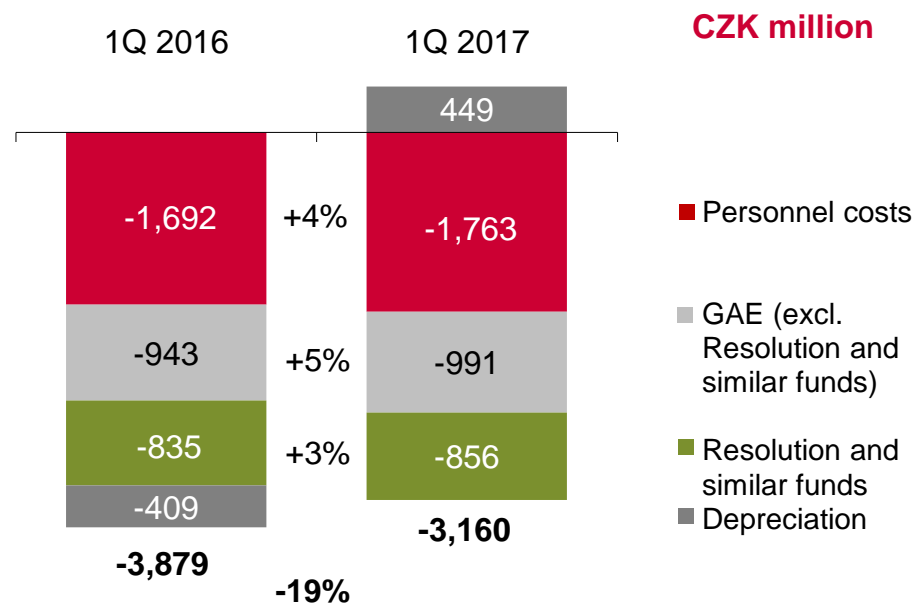
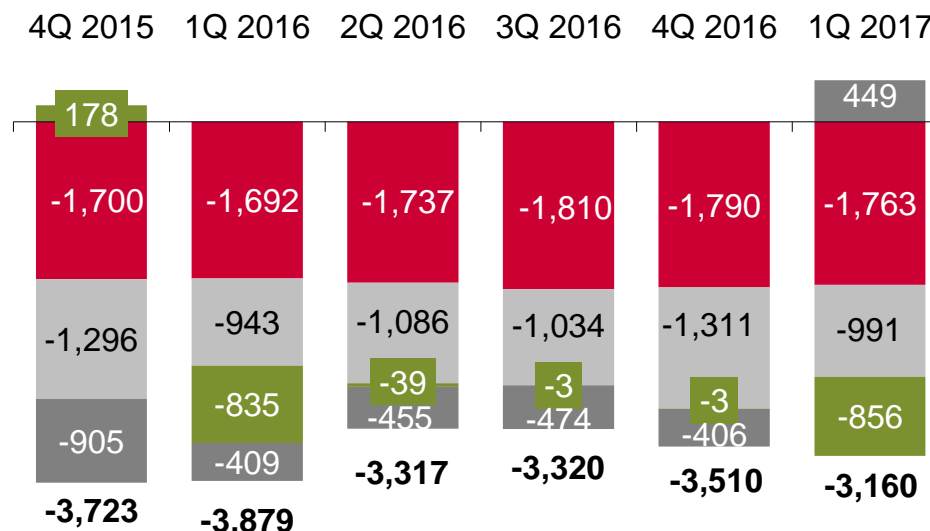


\* One-off reimbursement of CZK 959 million (before tax) for KB's stake in VISA Europe, recognised in 2Q 2016



# Good cost control, contribution from HQ restructuring

- Reported OPEX in 1Q 2017 declined 18.5% YoY, -10.0% QoQ, due to one-off net gain from the sale and revaluation of KB's headquarters buildings<sup>1</sup>
- Recurring OPEX in 1Q 2017 +1.6% YoY, +13.3% QoQ (including full year cost of Resolution and Deposit insurance in 1Q of both years<sup>2</sup>)
- Personnel expenses up 4.2% YoY. Lower base in 1Q 2016 due to release of over-accrual for bonuses. Average number of employees +0.7%
- The Group spent more in relation to marketing activities, sales of products and real estate operations



Notes:

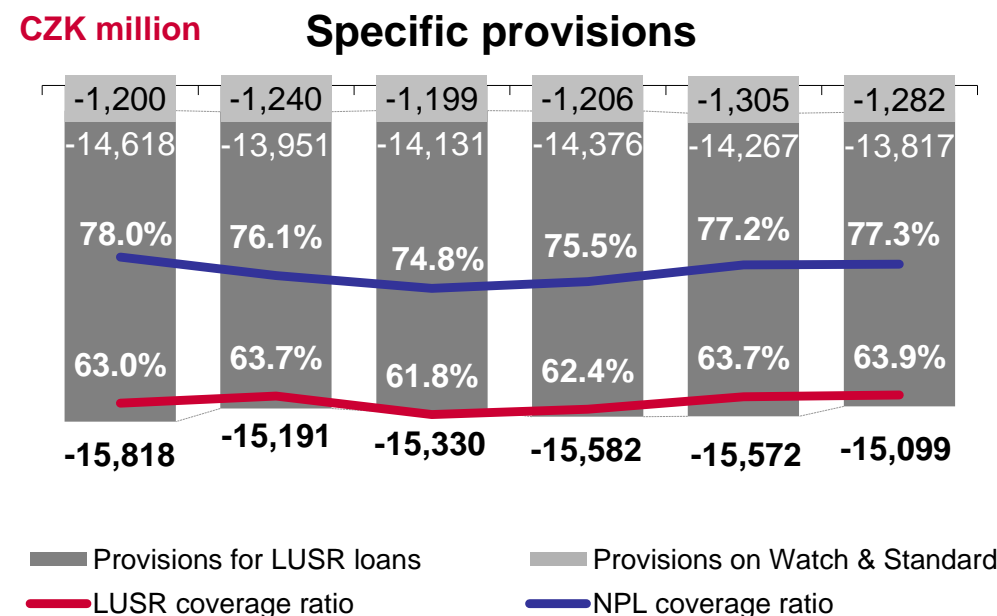
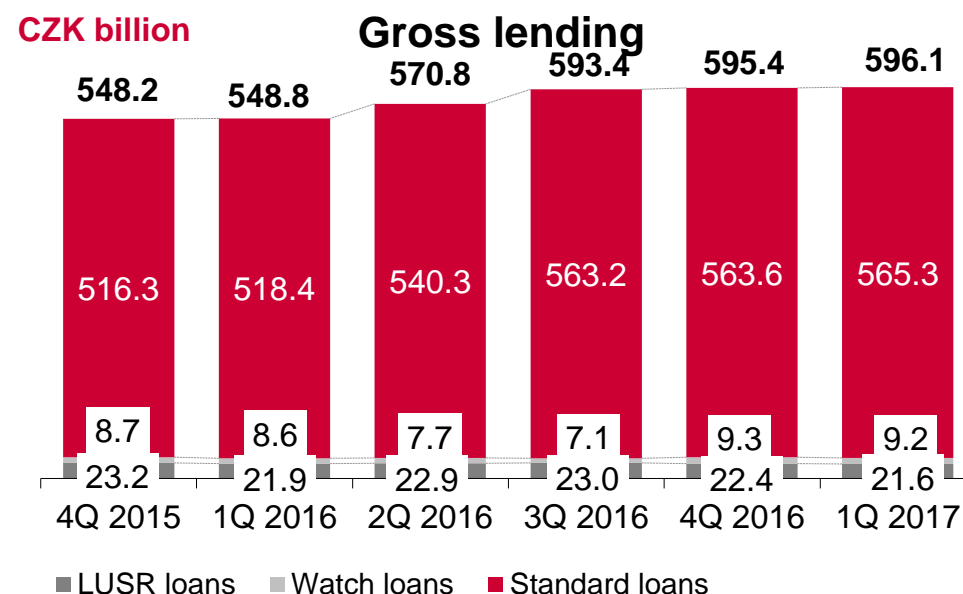
- 1) CZK 817 million in depreciation and CZK 79 mil. in taxes
- 2) CZK 871 million in 2016. For 2017, the full year cost is estimated. KB's final amount for 2017 will be assessed by the CNB in the second quarter

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# Persisting sound asset quality

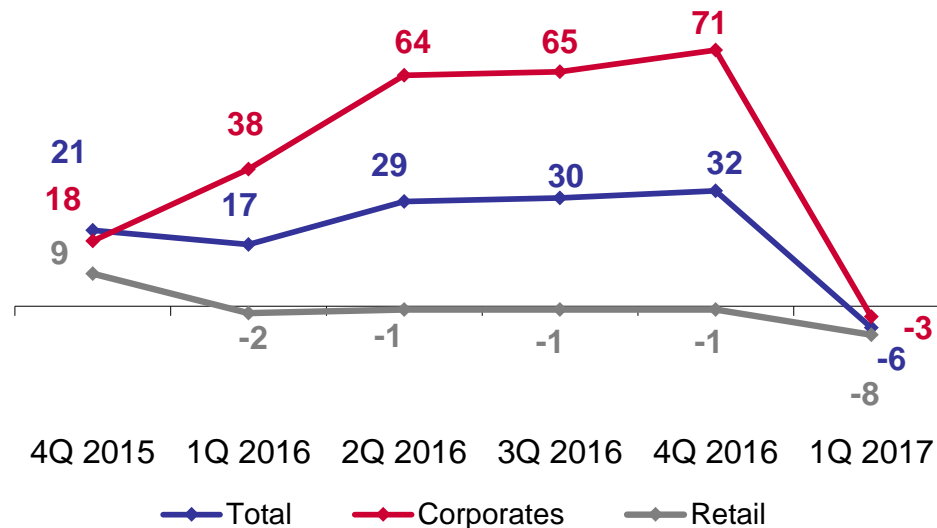
- Loan exposure +8.6% YoY, QoQ +0.1%
- LUSR exposure ratio down to 3.6% (4% in 1Q 2016) and NPL exposure ratio down to 2.4% (2.7% in 1Q 2016) driven by exposure growth, successful recovery, low default rates and write-offs
- Provision coverage ratio for LUSR portfolio stable at 63.9% (63.7% in 1Q 2016)
- Provision coverage ratio for NPL portfolio slightly up to 77.3% (76.1% in 1Q 2016) driven by additional provisions increase on a few defaulted Corporate clients. QoQ stable



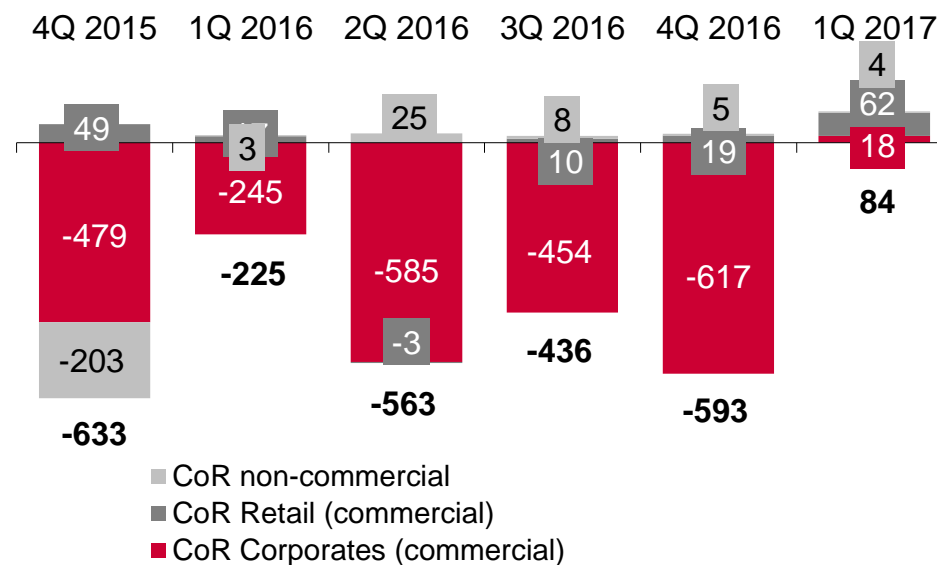
# Cost of risk at exceptionally low level

- YtD Cost of Risk significantly decreased to -6 bps in 1Q 2017 compared to results observed in recent quarters
- Negative Cost of Risk on Corporates at -3 bps (vs. 38 bps in 1Q 2016) driven by low number of new defaults without any single big exposure and good recoveries
- Persisting negative Cost of Risk on Retail at -8 bps (vs. -2 bps in 1Q 2016) driven by decreasing number of defaults and successful recovery on Individuals (-16 bps in 1Q 2017 vs. -6 bps in 1Q 2016). Cost of Risk on Small Business at satisfactory level (81 bps in 1Q 2017 vs. 26 bps in 1Q 2016)

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



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



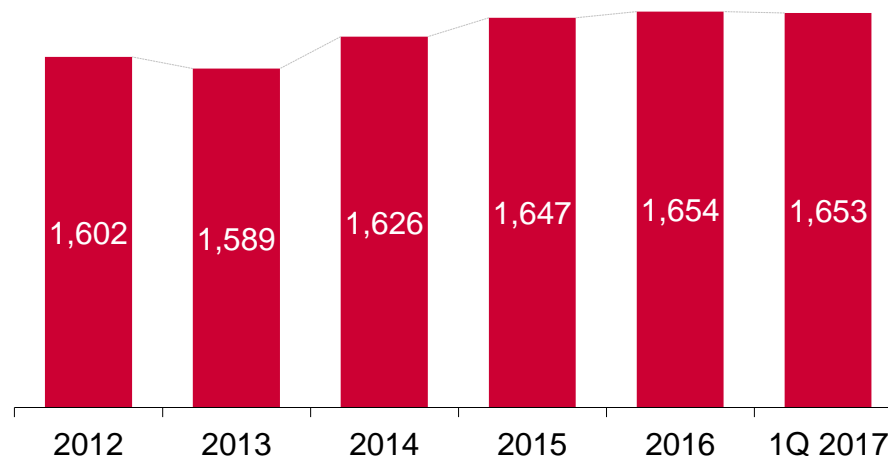
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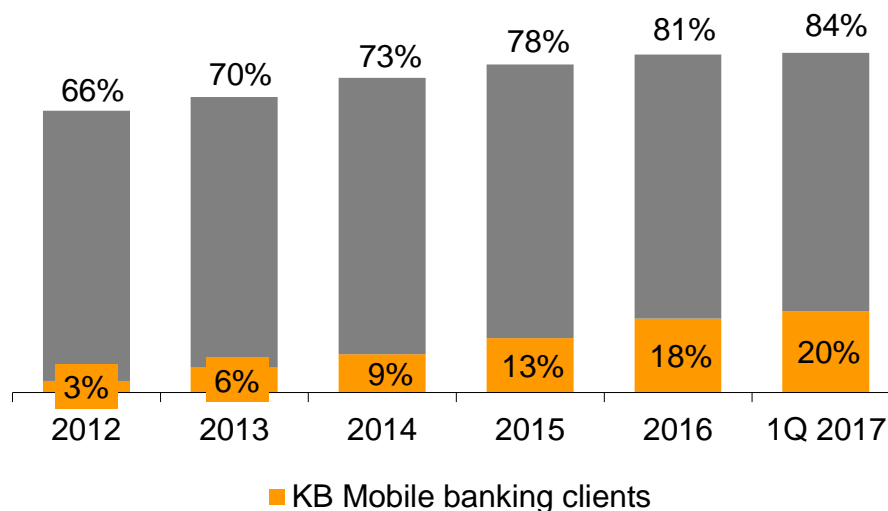
# Number of clients and distribution network

- KB Group's 2.4 million clients, of which
  - KB bank 1,653,000 clients (0%)
  - MPSS 487,000 clients (-5%)
  - KBPS 534,000 clients (-2%)
  - ESSOX 199,000 active clients (-7%)
- Network
  - 391 branches for retail clients, 10 corporate divisions and 4 divisions for large corporate clients in CZ, 1 in Slovakia
  - 767 ATMs (of which 199 deposit ATMs)
  - MPSS: 215 points of sale; approx. 900 sales agents
  - SGEF: 7 branches in CZ, 2 in Slovakia
- Direct Channels
  - 1,393,000 clients (i.e. 84% of KB client base) using direct banking channels
  - Two call centres, internet and mobile banking

Number of bank clients (thousands, CZ)



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



# Consolidated income statement – quarterly view

<b>Profit and Loss Statement</b>	<b>1Q 2016</b>	<b>4Q 2016</b>	<b>1Q 2017</b>	<b>Change YoY</b>	<b>Change QoQ</b>
(CZK million, unaudited)					
Net interest income	5,234	5,299	5,165	-1.3%	-2.5%
Net fees & commissions	1,700	1,599	1,564	-8.0%	-2.2%
Income from financial operations	734	826	1,051	43.2%	27.2%
Other income	27	47	41	51.9%	-12.8%
<b>Net banking income</b>	<b>7,694</b>	<b>7,770</b>	<b>7,821</b>	<b>1.7%</b>	<b>0.7%</b>
Personnel expenses	-1,692	-1,790	-1,763	4.2%	-1.5%
General admin. expenses (excl. regulatory funds)	-943	-1,311	-991	5.1%	-24.4%
Resolution and similar funds	-835	-3	-856	2.5%	n.a.
Depreciation, impairment and disposal of fixed assets	-409	-406	449	-209.8%	-210.6%
<b>Operating costs</b>	<b>-3,879</b>	<b>-3,510</b>	<b>-3,160</b>	<b>-18.5%</b>	<b>-10.0%</b>
<b>Gross operating income</b>	<b>3,815</b>	<b>4,260</b>	<b>4,661</b>	<b>22.2%</b>	<b>9.4%</b>
Cost of risk	-225	-593	84	-137.3%	-114.2%
<b>Net operating income</b>	<b>3,590</b>	<b>3,666</b>	<b>4,745</b>	<b>32.2%</b>	<b>29.4%</b>
Profit on subsidiaries and associates	51	102	55	7.8%	-46.1%
<b>Profit before income taxes</b>	<b>3,641</b>	<b>3,769</b>	<b>4,800</b>	<b>31.8%</b>	<b>27.4%</b>
Income taxes	-653	-629	-615	-5.8%	-2.2%
<b>Net profit</b>	<b>2,988</b>	<b>3,140</b>	<b>4,185</b>	<b>40.1%</b>	<b>33.3%</b>
Minority profit/(loss)	95	92	104	9.5%	13.0%
<b>Net profit attributable to equity holders</b>	<b>2,894</b>	<b>3,048</b>	<b>4,081</b>	<b>41.0%</b>	<b>33.9%</b>

# Recurring P&L – quarterly view

<b>Profit and Loss Statement</b>	<b>1Q 2016 recurring</b>	<b>4Q 2016 recurring</b>	<b>1Q 2017 recurring</b>	<b>Change YoY</b>	<b>Change QoQ</b>
(CZK million, unaudited)					
Net interest income	5,234	5,299	5,165	-1.3%	-2.5%
Net fees & commissions	1,700	1,599	1,564	-8.0%	-2.2%
Income from financial operations	734	825	1,051	43.2%	27.4%
Other income	27	47	41	51.9%	-12.8%
<b>Net banking income</b>	<b>7,694</b>	<b>7,770</b>	<b>7,821</b>	<b>1.7%</b>	<b>0.7%</b>
Personnel expenses	-1,692	-1,790	-1,763	4.2%	-1.5%
General admin. expenses (excl. regulatory funds)	-943	-1,311	-991	5.1%	-24.4%
Resolution and similar funds	-871	-3	-856	-1.7%	>100%
Depreciation, impairment and disposal of fixed assets	-409	-405	-368	-10.0%	-9.1%
<b>Operating costs</b>	<b>-3,915</b>	<b>-3,510</b>	<b>-3,978</b>	<b>1.6%</b>	<b>13.3%</b>
<b>Gross operating income</b>	<b>3,779</b>	<b>4,260</b>	<b>3,843</b>	<b>1.7%</b>	<b>-9.8%</b>
Cost of risk	-225	-593	84	+/-	+/-
<b>Net operating income</b>	<b>3,554</b>	<b>3,667</b>	<b>3,927</b>	<b>10.5%</b>	<b>7.1%</b>
Profit on subsidiaries and associates	51	103	55	7.8%	-46.6%
<b>Profit before income taxes</b>	<b>3,605</b>	<b>3,770</b>	<b>3,982</b>	<b>10.5%</b>	<b>5.6%</b>
Income taxes	-646	-629	-694	7.4%	10.3%
<b>Net profit</b>	<b>2,959</b>	<b>3,141</b>	<b>3,288</b>	<b>11.1%</b>	<b>4.7%</b>
Minority profit/(loss)	95	92	104	9.5%	13.0%
<b>Net profit attributable to equity holders</b>	<b>2,864</b>	<b>3,049</b>	<b>3,184</b>	<b>11.2%</b>	<b>4.4%</b>

Notes:

1Q 2016: Adjusted for difference between final amount of Resolution and similar funds for FY 2016 and the amount already booked in 1Q 2016.

1Q 2017: Adjusted for net positive contribution from the sale and revaluation of KB's headquarters buildings.



# Business performance of subsidiaries 1/2

	1Q 2016	1Q 2017	YoY
<b>Modrá pyramida (100%), #2 building savings &amp; loans company</b>			
Volume of new loans (CZK million)	2,079	3,358	62%
Volume of total loans (gross, CZK million)	37,120	39,453	6%
Volume of deposits (CZK million)	67,015	63,793	-5%
Number of clients	511,627	487,387	-5%
Average number of FTEs	326	331	2%
Number of points of sale	219	215	-2%
<b>KB Penzijní společnost (100%), a manager of pension funds</b>			
Number of new contracts	8,246	8,271	0%
Number of clients	543,926	533,930	-2%
Assets under management (CZK million)	46,118	50,018	8%
of which in Transformed fund	43,927	47,304	8%
Average number of FTEs	47	46	-2%
<b>ESSOX (50.93%), standalone, #2 non-bank consumer lender and car financing company</b>			
Volume of new contracts (CZK million)	1,101	1,606	46%
Volume of total loans (gross, CZK million)	9,213	10,111	10%
Number of active clients	213,209	198,928	-7%
Average number of FTEs	343	353	3%

## Business performance of subsidiaries 2/2

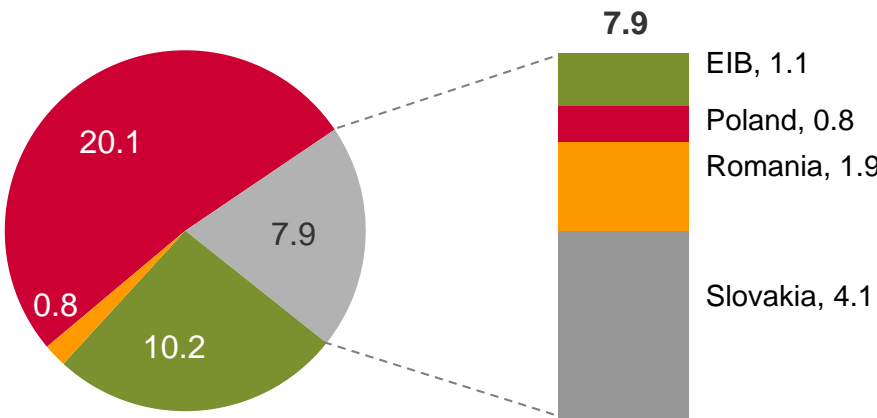
	1Q 2016	1Q 2017	YoY
<b>Factoring KB (100%), #1 on the Czech factoring market</b>			
Factoring turnover (CZK million)	8,107	9,598	18%
Volume of total financing (gross, CZK million)	6,205	7,241	17%
Average number of FTEs	44	45	3%
<b>Komerční pojišťovna (49%), a universal insurance company</b>			
Volume of technical reserves (CZK million)	45,107	47,408	5%
Premium written (CZK million)	1,767	2,149	22%
of which in life insurance	1,579	1,947	23%
of which in non-life insurance	188	201	7%
Average number of FTEs	176	186	6%
<b>SGEF Czech Republic (50.1%), a provider of asset-backed financing in Czech Rep. and Slovakia</b>			
Volume of new financing (CZK million)	2,091	2,222	6%
Volume of total financing (gross, CZK million)	24,054	25,469	6%
Average number of FTEs	124	126	1%

# Debt securities portfolio in the banking book

CZK billion, as of 31 March 2017

### Available-for-sale portfolio

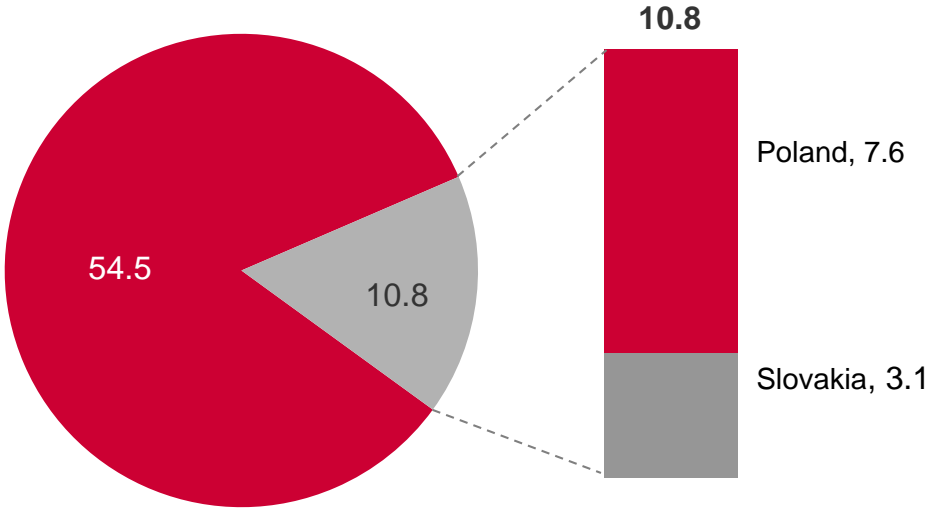
CZK 39.0 billion



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

### Held-to-maturity portfolio

CZK 65.3 billion



- Czech sovereign
- Foreign sovereign

# Macroeconomic environment – Czech Republic

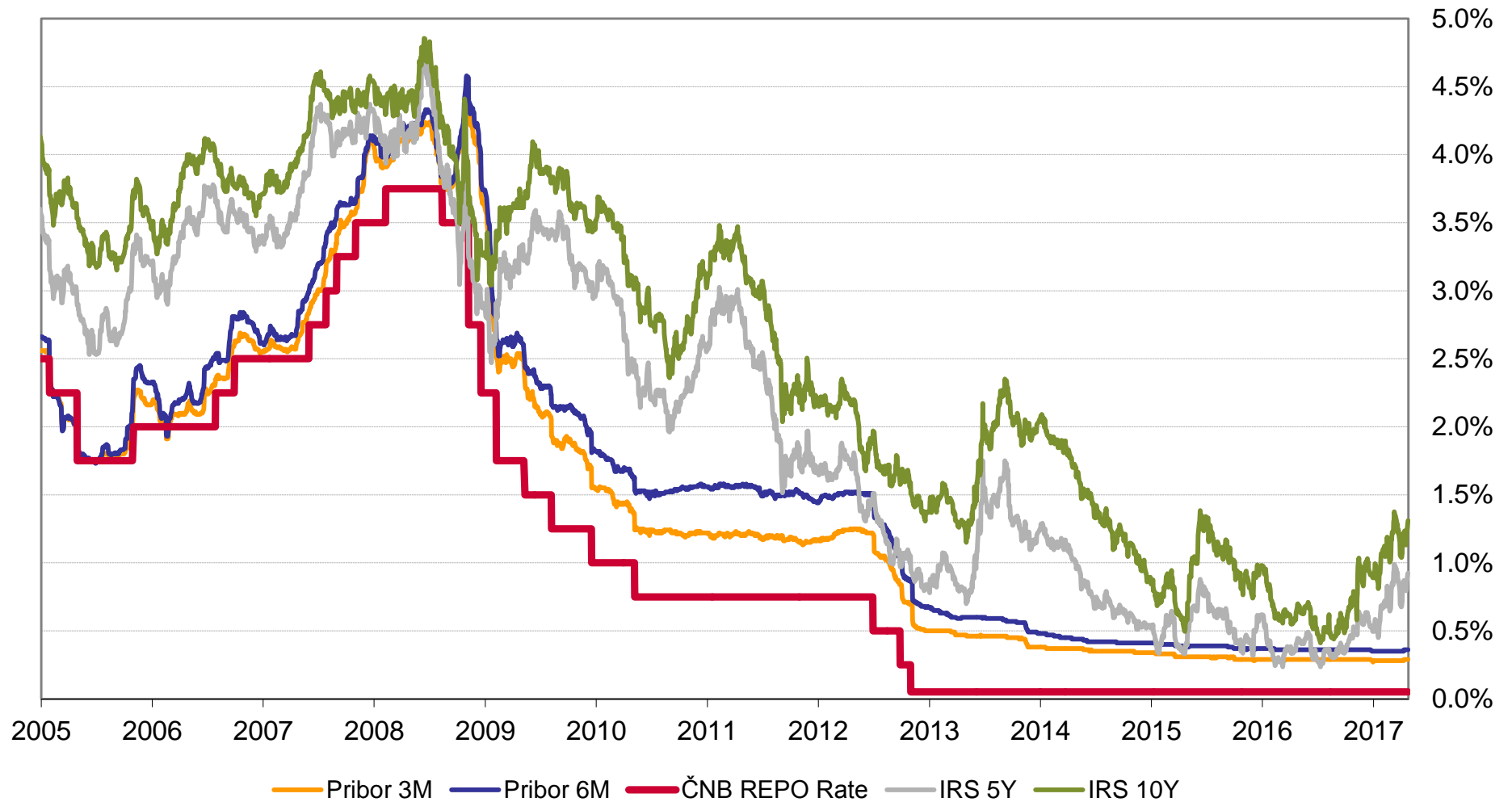
<b>Macroeconomic Indicators</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017*</b>	<b>2018*</b>
Real GDP (% , average)	-0.5	2.7	4.6	2.3	2.7	2.7
Inflation (% , average)	1.4	0.4	0.3	0.7	2.3	2.3
Household consumption (% , average)	0.5	1.8	3.1	2.9	2.9	2.5
Unemployment (% , av., MLSA meth.)	7.8	7.6	6.4	5.4	4.1	3.5
M2 (% , average)	4.6	4.3	6.3	7.2	7.7	7.7
3M PRIBOR (% , average)	0.5	0.4	0.3	0.3	0.3	1.0
<b>Potential of the market **</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016*</b>	<b>2017*</b>	<b>2018*</b>
Loans / GDP (year-end)	61.4	61.1	61.1	62.6	63.5	64.2
Real estate loans / GDP (year-end)	20.8	20.9	21.3	22.3	22.5	22.8
Deposits / GDP (year-end)	81.5	79.7	77.3	79.9	80.9	80.4
Household loans / GDP (year-end)	26.7	26.5	27.1	28.2	28.4	28.8

\* *KB estimate*

\*\* *Banking sector, year end*

# Interest rates evolution

(for the period 1 January 2005 – 25 April 2017)

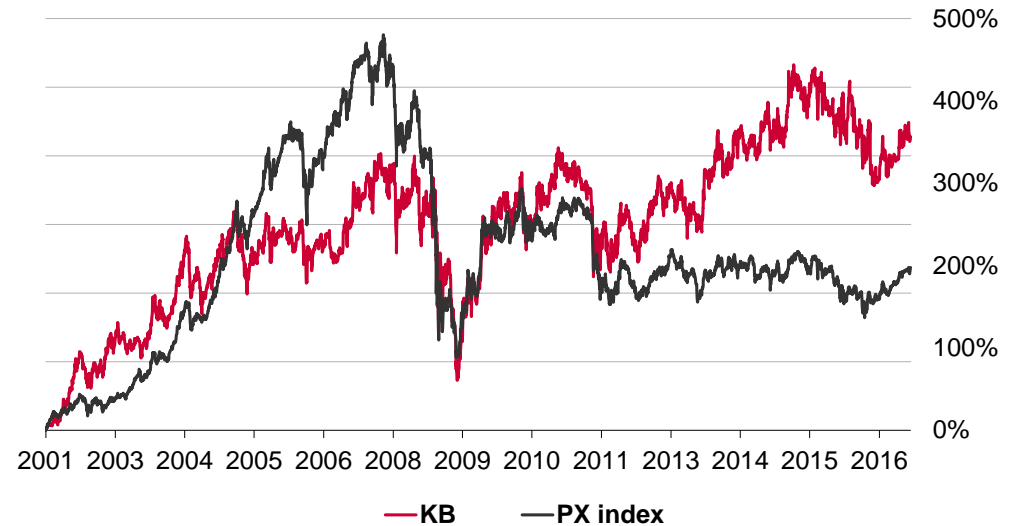


# KB #1 listed Czech bank

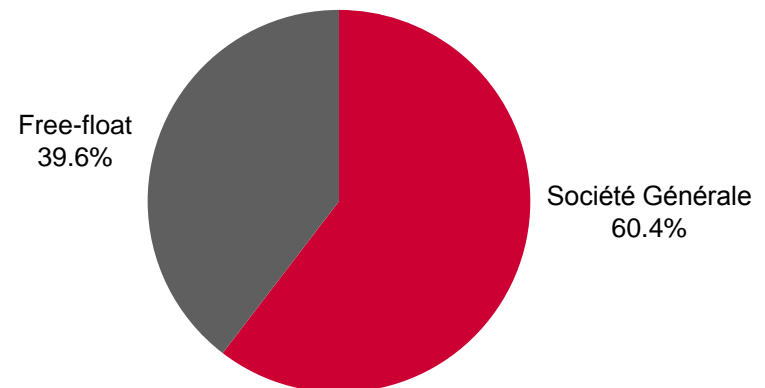
As of 31 March 2017

- The Bank had 46,082 shareholders as of the end of the quarter (+1,485 year on year), of which 40,749 were private individuals from the Czech Republic (+1,414 year on year).
- Of the Bank's total share capital of CZK 19,004,926,000 divided into 190,049,260 shares with a nominal value of CZK 100 each, Société Générale S.A. held 60.35%.
- KB held 1,193,360 own shares in treasury, representing 0.63% stake on registered capital

Development of KB share price and PX index  
(1 October 2001 – 25 April 2017)



Shareholder structure





## **Investor Relations**

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