Komerční banka, a.s.

RESULTS

H1 2024

Regulatory information

Komerční banka, a.s.

First half 2024: Komerční banka reports growing number of customers and volume of client assets under management

“Komerční banka Group turned out strong results in its transformation as well as in the business and financial performance. We recorded significant growth in the number of retail banking clients, which we attribute to the attractive proposition of our New Era of Banking. We also observed growth in the volume of deposits and total lending. The strong dynamics of growth in client assets under management continued, too.

“Komerční banka is optimising its physical presence across the Czech Republic. After downsizing of the branch network, we are introducing the new KB Poradenství advice points. We are reconstructing branches in a new, modern, and sustainable concept. At the same time, we are strengthening KB’s remote virtual Na Dálku branch service.

“In accordance with the long-term real estate management strategy and to bring all head office employees together from multiple locations across Prague into a single state-of-the-art office centre, we have agreed to sell our building at Václavské náměstí 42. As it is being acquired by the City of Prague, we believe this building will continue in future to well serve the inhabitants of Prague.

“By signing a Memorandum of Understanding with SGEF International, we have set a stage for consolidating our ownership in SGEF Czech Republic. We expect from this transaction to reinforce KB Group’s leading position in the Corporate Clients segment,” remarked Jan Juchelka, Komerční banka’s Chairman of the Board of Directors and Chief Executive Officer, adding “On the other hand, interest income was under pressure mainly because competition on the deposit market was intense and demand in the market for investment loans remained subdued. The decline in net profit was affected by a creation of credit risk provisions in the first half, whereas provisions had been released during the first half of the previous year.”

- **KB Group’s lending to customers rose by 3.7% year on year to CZK 824.1 billion. Deposits from clients grew by 6.5% from a year earlier to CZK 1,059.4 billion. Volume of non-bank assets (mutual funds, pension funds, life insurance) under management expanded by 13.9% to CZK 268.5 billion.**

- **The number of customers in standalone Komerční banka increased by 47,000 year on year to 1,708,000. Some 439,000 clients had already enrolled in KB’s new digital bank introduced in April 2023. KB Group was serving 2,203,000 clients.**

- **First half 2024: Total revenues were down by (3.0%) year on year to CZK 17.5 billion. Operating expenditures decreased by (0.2%) to CZK 9.1 billion. The Group reported a CZK 0.6 billion net creation of provisions for credit risk. Income taxes reached CZK 1.5 billion. Net profit attributable to the Group’s equity holders, at CZK 6.3 billion, was down by (21.5%) year on year.**

- **Second quarter 2024: Total revenues decreased by (4.6%) year on year to CZK 8.7 billion. Operating expenditures were up by 4.6% to CZK 4.3 billion. The Group reported a CZK 0.1 billion net creation of provisions for credit risk. Income taxes reached CZK 0.8 billion. Net profit attributable to the Group’s equity holders, at CZK 3.5 billion, was down by (21.8%) year on year.**

- **Volume of regulatory capital reached CZK 106.3 billion, capital adequacy stood at 18.9%, and the Core Tier 1 ratio was 17.8%.**

- **Komerční banka signed a Memorandum of Understanding with SGEF SA with a view for KB to fully own SG Equipment Finance Czech Republic s.r.o. The Bank will buy the remaining 49.9% stake in the company that it does not already hold.**

- **KB had 74,908 shareholders (greater by 2,605 year on year), of which 68,864 were private individuals from the Czech Republic.**

Prague, 1 August 2024 – Komerční banka reported today its unaudited consolidated results for the first half of 2024.

Business and financial performance
Lending to clients went up by 3.7% to CZK 824.1 billion.[1]

The volume of housing loans outstanding grew by 4.7%. Within that total, lending from Modrá pyramida building society expanded faster than did KB's mortgage portfolio. New production of housing loans in the first half of 2024 was higher by 39.1% compared to the previous year's first half. The rise in consumer lending reached 5.1%, growing within the Bank across all product categories. Growth in lending to businesses, at 2.8%, was still affected by subdued investment activity in the slow economy, increased bond issuance by large corporations, as well as by the Bank's selective approach to such lending.

Deposits from clients improved by 6.5% year on year to CZK 1,059.4 billion.[2] The year-on-year increase was concentrated in savings accounts and term deposits while the volumes on current accounts started to climb again in the second quarter of this year. Meanwhile, the volume of KB Group clients' assets in mutual funds, pension savings, and life insurance has risen by 13.9% year on year to CZK 268.5 billion, with clients' investments in mutual funds making the main contribution to this growth.

Total revenues reached CZK 17.5 billion, lower by (3.0%) compared to the first half 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 (0.2%), at CZK 9.1 billion. Personnel expenses were higher by 6.9%. The average number of employees declined 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 were down a bit, mainly due to lower expenses related to marketing. The full-year levy to the regulatory funds decreased markedly as 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 0.6 billion. Net creation of credit risk allowances related predominantly to the portfolios of loans to consumers and small businesses segments and it was partly offset by successful resolution of a few corporate client exposures. KB did not reduce the inflation overlay reserve which had been created in 2021 and 2022. The mortgage portfolio and the large corporate clients segment continued to demonstrate strong resilience.

Reported net profit attributable to shareholders for 2024's first half decreased by (21.5%) year on year to CZK 6.3 billion. Income taxes came to CZK 1.5 billion.

Shareholders, capital, and dividends
KB's capital adequacy ratio reached a strong 18.9%, and Core Tier 1 capital stood at 17.8%. 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 170% and the Net Stable Funding Ratio at 135%, both indicators standing significantly above their applicable regulatory minimums.

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 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. It 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.

The General Meeting approved the reported financial statements for 2023 and the proposal for distribution of profit. It further approved the consolidated financial statements for 2023 and the Remuneration Report for 2023. It also decided on revision of the Articles of Association. The General Meeting elected Ms Delphine Garcin-Meunier as a member of the Supervisory Board. Ms Garcin-Meunier

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[1] Including debt securities issued by KB's corporate clients and excluding reverse repo operations with clients. The volume including reverse repo operations with clients increased by 3.7% to CZK 824.4 billion.

[2] Excluding repo operations with clients. The total volume of 'Amounts due to customers' moved up by 10.0% to CZK 1,200.5 billion.

and Mr Petr Dvořák were elected as members of the Audit Committee. The General Meeting also decided to appoint KPMG Česká republika Audit s.r.o. to perform the statutory audit for the year 2024.

As of 30 June 2024, Komerční banka had 74,908 shareholders (up by 2,605 year on year), of which 68,864 (greater by 2,685 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 second quarter of 2024
Komerční banka proceeded with the strategic implementation of its KB2025 programme. Client enrolment in the KB+ proposition, which is being built as a component of the Bank's new digital infrastructure, progressed quickly. About 439,000 customers were utilising the new digital bank as of 30 June 2024, and that figure surpassed 500,000 in July.

On 18 July 2024, with a view to become sole shareholder of SG Equipment Finance Czech Republic s.r.o. (SGEF CR), Komerční banka signed a non-binding Memorandum of Understanding with Société Générale Equipment Finance, S.A. (SGEF SA) and Société Générale, S.A. (SG SA) to acquire the remaining 49.9% stake in SGEF CR. This transaction will consolidate KB's control over a dynamic and profitable company with a leading position in several segments of the market for financing of business investments and strong potential for further growth. The planned transaction aligns with SG SA's planned sale of its Equipment Finance activities to Groupe BPCE, excluding in the Czech Republic and Slovakia. The transaction is expected to close in the first quarter of 2025.

In June, Komerční banka signed an agreement with the City of Prague on the sale of its fully owned subsidiary VN 42, s.r.o., which owns the head office building at Václavské náměstí 796/42 in Prague. This transaction has concluded the long-term strategic consolidation of Komerční banka Group's staff from multiple locations into a state-of-the-art office centre in Prague–Stodůlky, thereby fostering the company culture while enhancing collaboration and innovation by bringing KB's team together. The new and modern workspace is designed to boost efficiency and productivity and it offers amenities that support KB's commitment to excellence and employee well-being. Transfer of the company to the City of Prague took place at the beginning of July 2024.

In June, two companies of the Komerční banka Group – KB Advisory, s.r.o. and ENVIROS, s.r.o. – decided to join forces and offer their clients expert services under a single brand. The two companies have specific expertise in the field of energy and sustainability, and, upon their merger, will provide comprehensive solutions and advice to businesses, institutions, and municipalities.

Since July, KB Group has centralised processing and administration of housing loans from KB and Modrá pyramida within its One Mortgage Factory operated by Modrá pyramida. This will simplify processes while enhancing efficiency and speed. Modrá pyramida has also expanded its scope of activity with additional focus on helping Czech households to reduce their energy consumption.

KB was recognised through several awards during the second quarter. The Pluxee Zaměstavatel roku (Employer of the Year) ranking placed KB third among employers with more than 5,000 employees. Komerční banka was also honoured with the Green Crown Award for its Loan for Sustainable Technologies and SGEF stood third in this contest with its Photovoltaics for One Crown solution. Furthermore, KB received a Sustainability Banking Award from global banking technology provider Temenos.

Jitka Haubová, member of KB's Board of Directors and the Chief Operating Officer, was elected to the Executive Board of the International Chamber of Commerce (ICC), the institutional representative of companies in more than 170 countries that is focused on making it easier for businesses to trade internationally.

Market environment (in second quarter 2024)[1)]

Public discussions in the second quarter of 2024 focused on elections in Europe, as well as on the US presidential campaigns. Although no imminent economic challenges were present during the second quarter, the persistently weak global demand for industrial goods and problems rearising with supplies of selected components for domestic car production inhibited Czechia's economy from accelerating GDP growth. The country reported GDP growth of 0.3% in the second quarter over the prior quarter (0.4% year over year), reflecting industry sluggish performance. In the previous, first quarter of 2024, the Czech economy had expanded by 0.2% quarter on quarter (0.3% year on year). GDP growth was supported by both final private as well as government consumption in about equal measures, and the trade balance recorded a positive contribution. Fixed investment contributed negatively to GDP growth. During the first two months of 2024's second quarter, the manufacturing sector experienced year-on-year contraction of 1.8% while car production in the same period was down by 4.0% compared to the previous year. The labour market remained tight, and nominal wage growth surpassed price-change dynamics after some quarters of lagging behind.[2)] The unemployment rate continued to be one of the lowest in the EU, standing at 2.6% in May 2024 (as per the Eurostat methodology after seasonal adjustment).[3)]

In the second quarter of 2024, the Czech Republic saw a continuing moderation in inflation compared to previous periods. Industrial producer prices added 1.1% year on year in the second quarter. Quarter-on-quarter dynamics were at (0.4%). Agricultural producer prices were lower by (10.5%) year on year and on a quarter-on-quarter basis by (11.1%), driven down only by crop product prices while price dynamics in livestock product were marginally positive. Prices of construction work continued to rise by an average 2.1% year on year, 0.7% quarter on quarter. Muted development of these primary prices contributed to consumer price inflation's remaining within the tolerance band around the inflation target. Consumer price inflation reached 0.1% in quarter-on-quarter terms. Year on year, prices increased by 2.5%. Monthly time series for consumer prices inflation stayed within the tolerance band around the inflation target of 2% in all months during the second quarter. In 2024's second 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 (highest weight in the consumer basket) rose by 3.1%. Other segments recorded higher dynamics, but, due to their lower weights, did not contribute significantly to overall consumer price inflation. Conversely, prices of food and non-alcoholic beverages (second-greatest weight) decreased by (3.5%). The dynamics of core inflation declined to 2.4% in second quarter 2024.[4)]

This stable price development allowed the Czech National Bank to implement two additional reductions in its main two-week monetary policy repo rate during the second quarter of 2024. At the beginning of May, the rate was cut by 50 basis points to 5.75%. There followed another 50 bps reduction to 5.25% at the end of June. Hence, year to date, the two-week repo rate is already lower by 200 bps. As of the end of 2024's first half, the three-month PRIBOR rate stood at 4.71%, showing a decrease of (206) bps since the beginning of the year. The 10-year interest rate swap climbed to 3.89%, up by 40 bps over the same period. The longer end of the interest rate swap curve has been marginally positive in its slope, with the 5-year IRS rate at 3.85%, an increase of 31 bps year to date. Yields on 10-year Czech government bonds have also gone up (by 42 bps since the start of the year, to 4.24%). The Czech crown depreciated against the euro by 0.3% year to date, reaching CZK 25.0 per euro by the end of June.

The latest information on residential real estate prices, available for the first quarter of 2024 from the Czech Statistical Office, showed prices for second-hand homes in Prague had grown by 0.2% quarter on quarter and were again higher by 1.0% as compared to the previous year's first quarter.[5)] Prices of second-hand flats in the rest of the country were up by 3.2% quarter on quarter but were (0.2%) lower year on year. Prices of newly developed flats in Prague slipped by (1.0%) in the first quarter of 2024 and fell by (3.0%) from the same quarter a year earlier. According to the European house price index,[6)] Czech residential real estate prices were up quarter on quarter by 0.9% and year over year by 1.2%.

Total bank lending for the overall market (excluding repo operations) had grown by 6.1% year on year as of June 2024.[7)] Lending to individuals rose by 4.5%, with housing loans expanding 3.6% year on year as new mortgage production gained in momentum while recovering as interest rates continued gradually to decline. Lending to businesses and other corporations increased year on year by 7.7% in June 2024, with growth recorded across all main segments and mainly in euro-denominated loans.

The volume of client deposits in Czech banks had expanded by 6.5% year over year as of June 2024.[8)] Deposits from individuals had grown in total by 8.3% while the market deposits from businesses and other corporations were up by 4.8% year over year. Switching from current to term and saving deposits moderated, as the volumes on current accounts increased by 1.7%, volume on saving accounts dropped by (2.1%) year on year, while those on term deposits swelled by 27.9% as compared to the same month a year earlier.

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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 first quarter 2024 showed wage inflation at +7.0% year on year (up by 4.8% 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 May 2024.

4) Source: https://www.cnb.cz/arad/#/en/display_link/single__SCPIMZM09YOYPECNA_ ARAD statistics of the CNB.

5) Source: https://csu.gov.cz/produkty/indices-of-realized-flat-prices-1-quarter-of-2024 Publication code 014007-23, released 14 June 2024.

6) Source: https://ec.europa.eu/eurostat/databrowser/view/prc_hpi_q/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

	30 Jun 2023	30 Jun 2024	Change YoY
KB Group's clients	2,227,000	2,203,000	(24,000)
Komerční banka	1,661,000	1,708,000	47,000
– individual clients	1,417,000	1,465,000	48,000
– New Digital Bank clients	15,000	439,000	424,000
– internet banking clients	1,532,000	1,583,000	51,000
– mobile banking clients	1,194,000	1,375,000	181,000
Modrá pyramida	446,000	407,000	(39,000)
KB Penzijní společnost	491,000	452,000	(40,000)
ESSOX (Group)	133,000	115,000	(18,000)
KB branches (CZ)	215	207	(8)
KB Poradenství outlets	n.a.	186	n.a.
SGEF branches	9	9	0
ATMs (KB network)	852	793	(59)
– of which deposit-taking	536	504	(32)
– of which contactless	690	757	67
ATMs (Total shared network)	2,062	1,982	(80)
Number of active debit cards	1,487,000	1,563,000	76,000
Number of active credit cards	206,000	224,000	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 30 June 2024.

BUSINESS PERFORMANCE

Loans to customers
Total **gross volume of lending to clients** rose by 3.7% year on year to CZK 824.1 billion.[1)]

In **lending to individuals,** the overall volume of housing loans grew by 4.7% from the year earlier. Within this total, the portfolio of mortgages to individuals increased by 3.8% to CZK 281.6 billion. Modrá pyramida's loan portfolio developed even faster, by 7.5% to CZK 95.1 billion. New production of housing loans was higher by 39.1% compared to the previous year's first half. The volume of KB Group's consumer lending (provided by the Bank and ESSOX Group in the Czech Republic and Slovakia) was up by 5.1%, at CZK 38.6 billion, growing in the Bank across all product categories.

The total volume of **loans to businesses** and other lending provided by KB Group was greater by 2.7% year on year, at CZK 408.8 billion. Growth in lending to businesses was affected by subdued investment activity in the slow economy, increased bond financing of large corporatíons, as well the Bank's taking a selective approach to making these loans. Lending to small businesses remained flat at CZK 47.9 billion. The overall CZK volume of credit granted by KB to medium-sized, large corporate, and other clients in the Czech Republic and Slovakia[2)] climbed by 2.4% year on year to CZK 325.8 billion. At CZK 35.2 billion, the total credit and leasing amounts outstanding at SGEF were up by 8.2% year over year.

1) Including debt securities issued by KB's corporate clients and excluding reverse repo operations with clients.The volume including reverse repo operations with clients increased by 3.7% to CZK 824.4 billion.

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

Amounts due to customers and assets under management
The **volume of standard client deposits** within KB Group increased by 6.5% year on year to CZK 1,059.4 billion.[1] Within the total deposit base, volumes on current accounts grew by 1.7% year on year but were already up by 4.9% in the second quarter as the trend of clients switching money from current accounts to term and savings accounts seemed to be fading.

Deposits at Komerční banka from individual clients were up by 5.0% from the year earlier to CZK 340.0 billion. The deposit book at Modrá pyramida diminished by (5.8%) to CZK 50.8 billion. Total deposits from businesses and other corporations were higher by 8.1% , at CZK 660.3 billion.

The volumes in mutual funds held by KB Group clients grew by 26.2% to CZK 146.8 billion. Client assets managed by KB Penzijní společnost were 2.0% greater, at CZK 75.5 billion. Technical reserves in life insurance at Komerční pojišťovna were smaller by 2.0% year on year, at CZK 46.2 billion.

The Group's liquidity as measured by the ratio of net loans[2] to deposits (excluding repo operations with clients but including debt securities held by KB and issued by the Bank's clients) stood at 78.5%. The Group's liquidity coverage ratio ended the first half at 154%, well above the regulatory limit of 100%.

FINANCIAL PERFORMANCE

Income statement
Komerční banka's **revenues (net operating income)** reached CZK 17,547 million, down by (3.0%) compared to the first half 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' demand for investments in mutual funds, insurance products, and wealth management solutions in private banking. Greater, too, was 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 (2.9%), at CZK 12,435 million, in spite of the expanded volumes of loans and deposits. The average costs of deposits were significantly higher year on year, although these began to decrease moderately during the second quarter. The average lending spreads were almost stable year on year, with a slightly positive trend appearing this year. KB also 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 6 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 6.9% to CZK 3,259 million. This growth was mainly driven by cross-selling of mutual funds, life insurance, and wealth management solutions in private banking, as well as by stronger demand among corporate clients for various financial services, such as bond issuance, custody and depository services, asset management, guarantees, and, in the second quarter, also loan syndications. The Bank also paid less for received 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 clients' switching to the new digital bank and by lower number of building savings contracts. Income from loan services decreased slightly, as higher production of consumer loans was offset by lower fees from financing products for businesses.

Net profit on financial operations was down by (17.8%) from the strong result of 2023's first half to CZK 1,695 million. Clients' hedging and trading activity moderated in the context of a soft economy and decreasing rates. Financial markets saw also intense competition among service providers across asset classes. The result of the previous year's first half also included gain from sales of bonds reported on the banking book. Gains from foreign exchange payments were higher year on year, reflecting recovery in travelling and related transaction activity of clients together with spreads adjustments.

Dividend and other income was up by (9.1%) to CZK 159 million. This line item primarily comprises revenues from property rental and ancillary services and dividends from associated companies.

[1] Excluding volatile repo operations with clients. The total volume of 'Amounts due to customers' increased by 13.8% year on year to CZK 1,200.5 billion.

[2] Gross volume of loans reduced by the volume of provisions for loan losses.

Operating expenses declined by (0.2%) to CZK 9,076 million. The average number of employees decreased by 0.3% to 7,523[1] as a lower number of staff in support functions and the distribution network was partially offset by hiring of additional IT and data specialists. The Bank has agreed with the trade unions on increasing salaries in the annual compensation review by an average 4.5%, effective from April. Personnel expenses subsequently grew by 6.9% to CZK 4,349 million. General administrative expenses (not including contributions to the regulatory funds) were down by (0.7%), at CZK 2,109 million. This category generally remained under tight control, with main savings in this category related to marketing. The full-year levy to the regulatory funds (Deposit Insurance Fund, Resolution Fund) was lower by (38.6%) year on year, at CZK 784 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 13.0% to CZK 1,835 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 down by (5.9%), at CZK 8,471 million.

Cost of risk (impairment losses, provisions for loans, and net result from loans written off) reached CZK 585 million (i.e. a net creation of provisions or +22 basis points in relative terms) compared to a net provisions release of CZK (899) 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 and it was partly offset by successful resolution of a few corporate client exposures. KB did not reduce the inflation overlay reserve that had been created in 2021 and 2022. The mortgage portfolio continued to demonstrate strong resilience.

Income from shares in associated undertakings (i.e. Komerční pojišťovna) was up by 4.7% year on year, at CZK 133 million, influenced by interest rate developments, as well as by creation and utilisation of the insurance reserves.

Net loss on subsidiaries and associates reached CZK (54) million, mainly due to impairment of a stake in a subsidiary of KB Smart Solutions. In the same period of 2023, this line had been at CZK 0.

Net profits (losses) on other assets reached a negative CZK (33) 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 half, net loss on other assets had been CZK (7) million.

Income tax was lower by (19.4%), at CZK 1,477 million.

KB Group's consolidated **net profit** for the first half of 2024 came to CZK 6,455 million, down by (21.2%) in comparison with the year earlier. Of this total, CZK 110 million was profit attributable to the non-controlling owners of minority stakes in KB's subsidiaries (higher by 2.8% year on year).

Reported **net profit attributable to the Group's equity holders** totalled CZK 6,344 million, which is (21.5%) less year on year.

Other comprehensive income stood at CZK (138) million. This derived mainly from revaluation of some cash flow hedging positions and liabilities. **Consolidated comprehensive income** for the first half of 2024 totalled CZK 6,317 million, of which CZK 113 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 30 June 2024 with the values from the statement of financial position as of 31 December 2023.

<u>Assets</u>
As of 30 June 2024, KB Group's total assets had grown by 1.1% year to date to CZK 1,533.7 billion.

Cash and current balances with central banks were up by 174.8%, at CZK 35.3 billion. Financial assets held for trading at fair value through profit or loss (trading securities and derivatives) decreased by (5.5%) to CZK 45.8 billion. The fair value of hedging financial derivatives declined by (11.0%) to CZK 7.6 billion.

Year to date, there was a (14.0%) drop in financial assets at fair value through other comprehensive income totalling CZK 14.4 billion. This item consisted mainly of debt securities issued by government institutions.

Financial assets at amortised cost grew by 0.1% to CZK 1,398.8 billion. The largest portion of this consisted of (net) loans and advances to customers, which decreased year to date by (0.2%) to CZK 831.9 billion. A 98.0% share in the gross amount of client loans was classified in Stage 1 or Stage 2 while 2.0% 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 12.0 billion. Loans and advances to banks climbed by 3.4% to

[1] Recalculated to a full-time equivalent number.

CZK 425.8 billion. The majority of this item consists in reverse repos with the central bank. The value held in debt securities was down by (7.4%) and reached CZK 141.0 billion at the end of June 2024.

Revaluation differences on portfolio hedge items totalled CZK (0.9) billion, higher by 12.1%. Current and deferred tax assets stood at CZK 1.6 billion. Prepayments, accrued income, and other assets, which include receivables from securities trading and settlement balances, decreased overall by (10.4%) to CZK 5.6 billion. Assets held for sale declined by (3.6%) to CZK 0.8 billion.

Investments in associates declined by (11.8%) in comparison with the 2023 year-end value, to CZK 2.7 billion.

The net book value of tangible assets decreased by (2.2%) to CZK 7.9 billion. Intangible assets grew by 2.1% to reach CZK 10.4 billion. Goodwill, which derives primarily from the acquisitions of Modrá pyramida, SGEF, and ESSOX, remained unchanged at CZK 3.8 billion.

Liabilities
Total liabilities were 1.9% higher in comparison to the end of 2023 and stood at CZK 1,414.7 billion.

Financial liabilities at amortised cost went up by 2.3% to CZK 1,276.2 billion. Amounts due to customers comprise the largest proportion of this sum, and these climbed by 6.5% to CZK 1,200.5 billion. This total included CZK 141.1 billion in liabilities from repo operations with clients and CZK 5.9 billion of other payables to customers. Amounts due to banks decreased through the first half of 2024 by (42.6%) to CZK 60.7 billion.

Revaluation differences on portfolios hedge items were CZK (35.7) billion. Current and deferred tax liabilities ended at CZK 0.9 billion, down by (17.8%). Accruals and other liabilities, which include payables from securities trading and settlement balances, grew by 38.5% to CZK 24.0 billion.

The provisions balance was (6.4%) 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 65.3 billion, was up by 1.2% 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 declined year to date by (7.2%) to CZK 119.0 billion. The value of non-controlling interests reached CZK 3.3 billion. As of 30 June 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 106.3 billion as of 30 June 2024. **Capital adequacy** stood at 18.9%. Core Tier 1 (CET1) capital totalled CZK 100.1 billion and the Core Tier 1 ratio was 17.8%. Tier 2 capital summed to CZK 6.2 billion, which was 1.1% of risk-weighted assets.

As of 30 June 2024, Komerční banka's overall capital requirements (OCR) were at approximately 16.9%. The minimum required level of CET1 was 12.2% and the minimum Tier 1 capital ratio stood at 14.2%.

During 2024, the CNB decreased the required level of countercyclical capital buffer by 25 bps with effect from 1 January, by another 25 bps with effect from 1 April, and by 50 bps to 1.25% with effect from 1 July 2024. As from 1 January 2025, the CNB will newly set a systemic risk buffer requirement at a rate of 50 bps.

KB Group's Liquidity Coverage Ratio came to 170% as of 30 June 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 6.25% as of 30 June 2024 (and decreases by 0.50% from 1 July 2024 due to reduction of the countercyclical buffer but increases again from 1 January 2025 due to introduction of the systemic risk buffer at 0.50%.)

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 30 June 2024, KB had accepted such loans in a total principal volume of EUR 2.4 billion.[1] KB Group's MREL ratio stood at 29.7%.

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

Developments in the Group structure in the second quarter of 2024

In June, Komerční banka concluded an agreement with the City of Prague on the sale of its fully owned subsidiary VN 42, s.r.o., which owns the head office building at Václavské náměstí 796/42 in Prague. Transfer of the company took place at the beginning of July 2024. The sale will have positive impact on the consolidated result in the third quarter of 2024. The sale also includes an agreement on the lease of some premises in the building at Václavské náměstí 42 by Komerční banka until the end of 2026 at the latest.

In June, the Commercial Register recorded a merger of ENVIROS s.r.o. and KB Advisory, s.r.o. Both companies had been fully owned by KB SmartSolutions, s.r.o., which itself is 100% owned by Komerční banka, a.s. Following the merger, ENVIROS s.r.o. continues as the successor company. ENVIROS is a leading energy, environmental, and management consultancy. It operates mainly in the Czech Republic, but also in Slovakia, and provides its services internationally. KB SmartSolutions invested in ENVIROS s.r.o. in July 2022 and acquired 100% of its shares. KB Advisory, s. r. o. was established on 16 September 2019 as a consultancy for small and medium-sized enterprises and municipalities.

In July, Komerční banka signed a Memorandum of Understanding with Société Générale Equipment Finance, S.A. (SGEF SA) and its parent company Société Générale, S.A. (SG SA) with a view to purchase from SGEF SA the remaining 49.9% stake in SG Equipment Finance Czech Republic s.r.o. (SGEF CR). This intended acquisition would happen concomitantly with the contemplated sale by the SG Group of its Equipment Finance activities, including the shares in SGEF SA (but excluding activities in the Czech Republic and Slovakia), to BPCE group, a French financial group. The signing of this Memorandum of Understanding follows a previously signed Memorandum of Understanding entered into between Société Générale and BPCE that was announced in April 2024. The acquisition by Komerční banka, which already holds 50.1% of SGEF CR, of the remaining 49.9% stake in SGEF CR would thus complete the transaction. The continuation of business co-operation with clients and suppliers common to SGEF SA and SGEF CR would be ensured by a Business Co-operation Agreement into which both companies intend to enter. The closing of the acquisition is contemplated to occur in the first quarter of 2025.

Expected development and main risks to that development in 2024

Note: This outlook updates and thus replaces the outlook presented on 8 February 2024 on the occasion of Komerční banka's announcing its results for the full year 2023. Given the high level of uncertainty and risks related to projecting future business results, investors should exercise caution and judgement before making their investment decisions while considering these forward-looking estimates and targets.

After stable development during 2023, according to the Czech Statistical Office,[1)] the Czech economy is expected to grow marginally in 2024. Weak domestic demand was the main reason for the Czech economy's feeble performance in the past year. Households had seen their purchasing power eroded by high inflation and have cut back on spending as a result. Nevertheless, the labour market remains tight and corporate profitability resilient. Higher nominal wage growth should therefore continue in 2024 and contribute to a resumption of real wage growth in the context of a rapid decline in inflation. On the other hand, tight monetary policy, fiscal consolidation efforts of the Czech government, and sluggish performance of some trading partners, Germany in particular, are likely to weigh on the domestic economy in 2024.

Inflation is expected to come down rapidly, and its average rate during the year should already fit into the Czech National Bank's 1–3% tolerance band. In December 2023, the central bank commenced its policy rate cutting cycle with a decrease in the two-week repo rate by 25 bps to 6.75%. Reflecting a sharp weakening in inflation dynamics across the CEE region, the CNB's repo rate will probably be cut sharply through 2024, moving to below 4% at the year's end.

The Czech Parliament adopted in 2023 a set of measures aimed at reducing the state budget deficit in 2024 and thereafter. Those elements of the fiscal consolidation package having significant impact on the Group include an increase in the corporate income taxation rate to 21% from 19% and lowering of limits for tax-exempt employee benefits and meal vouchers. Moreover, the package lowers the limit for application of the upper 23% personal income tax rate and increases mandatory sickness insurance paid by employees by 0.6% (of the gross salary). Additional measures include changes in the rates of value-added tax, increases in excise taxes and real estate property taxes, cancellation of certain tax exemptions, and higher minimum taxes for entrepreneurs.

The Slovak Parliament approved in December 2023 a new levy on banks in Slovakia, with a rate for 2024 at 30% of accounting pre-tax profit.

In December 2022, Parliament approved a bill introducing a new tax impacting several banks, including Komerční banka. This so-called "windfall tax" will be applied to profits of selected banks generated in the years 2023, 2024, and 2025. The windfall tax rate of 60% is constructed as a surcharge on top of the standard 19% tax rate, which means that the effective tax rate for the "windfall" part of the profit is 79%. Windfall is defined as the difference between the income tax base (profit before tax) of the respective year and the

[1)] https://www.czso.cz/csu/czso/hdp_narodni_ucty average profit before tax in the four years 2018–2021, increased by 20%. The windfall tax is imposed on (standalone) banks with net interest income that had exceeded CZK 6 billion in 2021. Within KB Group, it applies to standalone Komerční banka. Given the income tax base of standalone KB in 2018, 2019, 2020, and 2021, the windfall tax base comes to CZK 15.8 billion. According to the projections for the financial results detailed below, the new tax's impact in 2024, if any, should be limited.

According to the joint decision of the College of Supervisors of the Société Générale Group (where the Czech National Bank participates as a local regulator), effective from 1 January 2024, Komerční banka is required to maintain a capital ratio on a sub-consolidated basis at the minimum level of 10.6% (Total SREP Capital Ratio), representing a decrease by 30 bps in comparison with the ratio required previously.

Moreover, credit institutions in the Czech Republic are simultaneously subject to the combined capital requirements, which are additive to the TSCR requirement set in the aforementioned joint decision. As of 1 January 2024, KB was required to maintain a combined capital buffer comprising the capital conservation buffer at 2.5%, the O-SII capital buffer at 2.0%, and the countercyclical buffer determined by competent authorities for exposures in a particular country (at 2.0% in the Czech Republic effective from 1 October 2023). The countercyclical buffer requirement was lowered in two steps to 1.25% effective from July 2024 (and the CNB also announced introduction of a systemic risk buffer requirement at a rate of 0.50% from 1 January 2025).

Thus, Komerční banka's overall capital requirement as of 1 January 2024 stood at approximately 17.1% in relation to the volume of risk-weighted assets, and as of 30 June 2024 it was approximately 16.9%. The minimum Common Equity Tier 1 capital ratio was at approximately 12.46% as of 1 January 2024 (12.2% as of 30 June) and the minimum Tier 1 capital ratio at about 14.45% (14.2%) in relation to the volume of risk-weighted assets. Komerční banka will continue in its capital planning to apply prudent assumptions about the future development of regulatory capital requirements.

As of 1 January 2024, KB has also met the regulatory requirements for own funds and eligible liabilities (MREL) from the EU's banks recovery and resolution directive, at 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.

Pursuing the so-called "single point of entry" resolution strategy, and if such a need ensues from the developing volumes of risk exposures and regulatory requirements, KB may continue in 2024 to fulfil its MREL requirements by taking on senior non-preferred loans from Société Générale S.A.

The banking market for loans in 2024 is expected to expand at a mid-single-digit pace. Both corporate and retail lending should grow similarly. Credit activity in the economy should be driven by easing of domestic and foreign monetary policy and mildly strengthening domestic economic growth. On the contrary, a high level of households' and firms' own funds is likely to limit financing needs.

The outstanding volume of housing loans on the market should grow also at a mid-single-digit pace, albeit slightly faster than in 2023. New production of housing loans is expected to improve strongly. That growth should be supported by relative improvement in affordability of housing, lower interest costs, reduced value-added tax on construction works, as well as relaxed prudential limits imposed by the CNB. Offer of longer fixed-term mortgages has been limited due to refinancing risk concerns not fully alleviated by an amendment to the Consumer Credit Act.

Consumer lending market should grow around mid-single-digit pace. The expected recovery in household consumption will be mainly supported by solid household savings and high aggregate household savings, but it is not likely to be accompanied by a large surge in borrowing.

Corporate lending market should grow at a mid-single-digit pace, as the willingness of businesses to invest will be underpinned by the gradual easing of monetary conditions and development of business confidence and aggregate demand. Nevertheless, large liquidity buffers will allow corporations to finance less capital-intensive investments from their own funds. A growing share of financing for real estate projects has been flowing through domestic real estate investment funds, and large corporations have taken recourse to debt capital markets to meet their funding needs. The outlook for growth in corporate lending is also pushed down by the low GDP growth estimate as well as the unfavourable outlook for industry, which accounts for a large share of domestic credit demand. Euro-denominated loans are likely to maintain their relative interest rate advantage this year, albeit to a lesser extent than previously, given the expected earlier and faster rate cutting by the CNB compared to that of the ECB.

Expansion in the volume of deposits on the market may slow to mid-single digits in total. A slowing in household deposits growth would be consistent with expected recovery in consumer spending and, as interest rates fall, the outflow to non-bank solutions in search of higher returns could intensify. The slowdown in business deposits could reflect lower profitability or stronger investment activity by corporations.

Komerční banka will continue implementing the changes in accordance with its KB2025 programme that had been announced in November 2020. A cornerstone of the transformation programme consists in building a new digital banking infrastructure that includes a new core banking system, the KB+ mobile application, internet banking, a card management system, and analytical tools allowing an upgraded client proposition.

In 2023, KB had commenced onboarding of new clients to the new platform and a gradual migration of clients from the legacy system. KB intends to welcome 1,000,000 clients into the new digital bank by the end of 2024. The migration that has begun in the Individuals segment will include in 2024 also entrepreneurs and later clients in the corporate segment. The advancements in building the new digital bank for clients in retail segments will enable KB during 2024 to progressively refocus its development capacities on services and systems within the new digital bank for corporate clients.

In this context, KB management expects that the Group's loan portfolio will record a mid-single-digit growth rate for 2024. The volume of housing loans outstanding should grow at a mid-single-digit pace, supported by recovery on the market. Consumer lending will expand at a mid-single-digit pace thanks to improvements in the offer and the sales process, along with the expected rebound in households' consumption. The corporate loan book should grow at a low- to mid-single-digit pace.

KB Group's total deposit balances are expected to expand at a mid- to high-single-digit pace. Deposits of clients from corporate clients should grow somewhat faster than do volumes in retail segments. The volumes on current accounts are expected to resume their growth.

The volume of clients' assets in mutual funds should expand at a double-digit pace. Meanwhile, assets in pensions fund will expand by low-single digits and volume of technical reserves in life insurance will change insignificantly.

Following a correction in 2023, KB Group's total net operating income (revenues) for 2024 should return to growth by a low- to mid-single-digit figure. Net interest income will probably improve slightly, combining moderate volume growth with modestly smaller average interest margins. Net fees and commissions should improve by mid-single digits, driven mainly again by growth of the volumes in mutual funds. The net profit on financial operations is expected to repeat the strong result of the previous year, fuelled by foreign currency transactions and expansion of services for smaller corporations.

As ever, operating expenses remain under tight control. The figure for the full year 2024 will rise at a low-single-digit pace, thus more slowly than will revenues. The Group will continue its transformation, which consists in developing the new digital infrastructure, overall simplification, and optimisation as to the composition and numbers of employees and premises in use.

Personnel expenses will be higher by a mid-single-digit percentage rate. The management has agreed with the trade unions on raising wages by an average 4.5% from April 2024 on a constant staff basis, and a further 0.3% increase is dedicated towards eliminating the equal-pay gap. Depreciation and amortisation charges will be growing at a low-double-digit pace, reflecting investments in the digital transformation. Regulatory levies for the Resolution and Deposit insurance have been booked in the first half, lower by 39% year on year in accordance with the decision of the regulator regarding the charge for the whole banking system. Other administrative costs will reach the same or even lower amount compared to 2023, thanks to the ongoing optimisation of operations.

Cost of risk will be influenced by several factors. On the one hand, there will be continuing low unemployment and decreasing interest rates. On the other, the economy will still be growing below its potential. In such context, cost of risk is expected to increase in comparison with the low levels recorded in 2023. Nevertheless, reflecting the resilient credit profile of KB's asset portfolio, the cost of risk in 2024 is expected to remain materially below the through-the-cycle range of 20–30 bps.

The key risks to the expectations described above comprise further escalation of geopolitical conflicts, in particular the war in Ukraine and its economic repercussions, including disruptions to trade, fuel supplies, and transport connections. Generally, the open Czech economy would be sensitive to a worsening external economic environment, as well as to abrupt changes to relevant exchange and interest rates or to monetary or fiscal policies.

Management expects that KB's operations will generate sufficient profit in 2024 to cover the Group's capital needs ensuing from its growing volume of assets as well as to pay out dividends. 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.

ANNEX: Consolidated results as of 30 June 2024 under International Financial Reporting Standards (IFRS)

Profit and Loss Statement	Reported			Recurring		
	1H 2023	1H 2024	Change YoY	1H 2023	1H 2024	Change YoY
(CZK million, unaudited)						
Net interest income	12,812	12,435	(2.9%)	12,812	12,435	(2.9%)
Net fee and commission income	3,049	3,259	6.9%	3,049	3,259	6.9%
Net profit on financial operations	2,063	1,695	(17.8%)	2,063	1,695	(17.8%)
Dividend and other income	175	159	(9.1%)	175	159	(9.1%)
Net banking income	**18,099**	**17,547**	**(3.0%)**	**18,099**	**17,547**	**(3.0%)**
Personnel expenses	(4,069)	(4,349)	6.9%	(4,069)	(4,349)	6.9%
General admin. expenses (excl. regulatory funds)	(2,123)	(2,109)	(0.7%)	(2,123)	(2,109)	(0.7%)
Resolution and similar funds	(1,277)	(784)	(38.6%)	(1,277)	(784)	(38.6%)
Depreciation, amortisation and impairment of operating assets	(1,624)	(1,835)	13.0%	(1,624)	(1,835)	13.0%
Total operating expenses	**(9,093)**	**(9,076)**	**(0.2%)**	**(9,093)**	**(9,076)**	**(0.2%)**
Operating profit	**9,006**	**8,471**	**(5.9%)**	**9,006**	**8,471**	**(5.9%)**
Impairment losses	911	(589)	+/-	911	(589)	+/-
Net gain from loans and advances transferred and written off	(13)	4	+/-	(13)	4	+/-
Cost of risk	**899**	**(585)**	**+/-**	**899**	**(585)**	**+/-**
Net operating income	**9,906**	**7,886**	**(20.4%)**	**9,906**	**7,886**	**(20.4%)**
Income from share of associated companies	127	133	4.7%	127	133	4.7%
Net profit/(loss) on subsidiaries and associates	0	(54)	n.a.	0	(54)	n.a.
Net profits on other assets	(7)	(33)	>100%	(7)	(33)	>100%
Profit before income taxes	**10,025**	**7,932**	**(20.9%)**	**10,025**	**7,932**	**(20.9%)**
Income taxes	(1,832)	(1,477)	(19.4%)	(1,832)	(1,477)	(19.4%)
Net profit for the period	**8,193**	**6,455**	**(21.2%)**	**8,193**	**6,455**	**(21.2%)**
Profit attributable to the Non-controlling owners	107	110	2.8%	107	110	2.8%
Profit attributable to the Group's equity holders	**8,086**	**6,344**	**(21.5%)**	**8,086**	**6,344**	**(21.5%)**

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Statement of Financial Position	31 Dec 2023	30 Jun 2024	Ytd
(CZK million, unaudited)			
Assets	**1,516,302**	**1,533,717**	**1.1%**
Cash and current balances with central bank	12,835	35,265	>100%
Loans and advances to banks	411,644	425,819	3.4%
Loans and advances to customers (net)	833,542	831,938	(0.2%)
Securities and trading derivatives	217,484	201,238	(7.5%)
Other assets	40,798	39,457	(3.3%)
Liabilities and shareholders' equity	**1,516,302**	**1,533,717**	**1.1%**
Amounts due to banks	105,694	60,705	(42.6%)
Amounts due to customers	1,127,228	1,200,507	6.5%
Securities issued	12,431	12,567	1.1%
Subordinated and senior non preferred debt	64,560	65,340	1.2%
Other liabilities	78,106	75,580	(3.2%)
Total equity	128,284	119,017	(7.2%)

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Key ratios and indicators	30 Jun 2023	30 Jun 2024	Change year on year
Capital adequacy (CNB)	20.0%	18.9%	▼
Tier 1 ratio (CNB)	19.5%	17.8%	▼
Total risk-weighted assets (CZK billion)	524.6	560.8	6.9%
Risk-weighted assets for credit risk (CZK billion)	427.3	447.6	4.7%
Net interest margin (NII / average interest-bearing assets)[III]	2.0%	1.7%	▼
Loans (net) / deposits ratio[IV]	80.2%	78.5%	▼
Cost / income ratio[V]	50.2%	51.7%	▲
Return on average equity (ROAE)[VI]	13.5%	10.5%	▼
Return on average Tier 1 capital[VII]	16.1%	12.7%	▼
Return on average assets (ROAA)[VIII]	1.2%	0.8%	▼
Earnings per share (CZK)[IX]	85.6	67.2	(21.5%)
Average number of employees during the period	7,549	7,523	(0.3%)

Business performance in retail segment – overview	30 Jun 2024	Change year on year
CZK bil.		
Mortgages to individuals – volume of loans outstanding	281.6	3.8%
Building savings loans (MPSS) – volume of loans outstanding	95.1	7.5%
Consumer loans (KB + ESSOX + PSA Finance) – volume of loans outstanding	38.6	5.1%
Small business loans – volume of loans outstanding	47.9	1.1%
Insurance premiums written (KP)	3,761.5	3.2%

Senior non-preferred loans as of 30 June 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 30 June 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:

31 October 2024	9M and 3Q 2024 results
6 February 2025	FY and 4Q 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)	1H 2024		1H 2023	
Net interest income income, year to date	**12,435**		**12,812**	
Of which:				
Loans and advances at amortised cost	36,595		30,191	
Debt securities at amortised cost	2,191		2,160	
Other debt securities	108		271	
Financial liabilities at amortised cost	(23,146)		(16,814)	
Hedging financial derivatives – income	22,530		23,685	
Hedging financial derivatives – expense	(25,843)		(26,681)	
(source: Balance Sheet)	**30 Jun 2024**	**31 Dec 2023**	**30 Jun 2023**	**31 Dec 2022**
Cash and current balances with central banks/Current balances with central banks	28,318	4,530	4,162	6,167
Loans and advances to banks	425,819	411,644	383,240	233,398
Loans and advances to customers	831,938	833,542	797,985	781,463
Financial assets held for trading at fair value through profit or loss / Debt securities	22,193	19,621	11,868	9,968
Non-trading financial assets at fair value through profit or loss / Debt securities	0	0	0	132
Financial asset at fair value through other comprehensive income (FV OCI) / Debt securities	14,381	16,729	27,362	30,119
Debt securities	141,014	152,238	152,825	139,276
Interest-bearing assets (end of period)	**1,463,663**	**1,438,304**	**1,377,441**	**1,200,524**
Average interest-bearing assets, year to date	**1,450,983**		**1,288,983**	
NIM year to date, annualised	**1.71%**		**1.99%**	