



Komerční banka Group

Financial results as of 31 December 2018

ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, CONSOLIDATED, UNAUDITED



PRAGUE, 7 FEBRUARY 2019



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 December 2018, 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

■ HIGHLIGHTS OF KB's PERFORMANCE

■ MACROECONOMIC ENVIRONMENT

■ STRATEGY

■ BUSINESS PERFORMANCE

■ FINANCIAL PERFORMANCE

■ ASSET QUALITY & COST OF RISK

■ DIVIDEND PROPOSAL & OUTLOOK FOR 2019

■ APPENDIX

KEY PERFORMANCE INDICATORS FROM 4Q 2018

The number of clients with KB Mobile Banking leapt by 40% to 611,000, the highest figure on the Czech market. In two months, 51,000 clients activated KB Klíč application

**Mobile banking clients
+175,000 YoY to 611,000**

Total number of KB Bank and Group clients continued increasing. KB Group as a whole was attending to 2.4 million clients

**KB bank customers
+3,000 YoY to 1,668,000**

In a market characterised by intense competition, the total volume of KB Group's lending expanded by 4.7% year on year. Pace of growth similar both in retail and business lending

**Loans to clients
up by 4.7%**

The overall volume of standard client deposits within KB Group expanded by 5.2%. Bank deposits from individuals were higher by fully 10%

**Deposits from clients
up by 5.2% YoY**

KB reported a 3.7% increase in revenues, driven mainly by net interest income

**Net banking income
up by 3.7%**

Recurring operating costs increased slower than the inflation, in spite of higher staff remuneration, cost of changing office locations and progress on digitalisation

**Recurring OPEX
up by 1.9%**

KB recorded a successful recovery performance and low client loan default rates, positively influenced by the late-expansion phase of the business cycle

**Net release of provisions
CZK 0.6 billion**

Recurring net profit improved by 5.8% year on year. Reported net profit including one-off almost stable (-0.6% year on year)

**Attributable net profit
CZK 14.8 billion**

KB has thoroughly altered its organisation and way of working in order to better serve its clients and get ready for the fundamentally changed banking industry of the future



SHARING VALUE WITH KEY STAKEHOLDERS

EMPLOYEES

Developing non-discriminatory and purposeful corporate culture

CZK 7.8 billion of personnel expenditures in 2018

A 6.5% average salary increase in 2019

Hired 1,300 new colleagues in 2018

One paid day a year for volunteer activities newly available to each employee

SOCIETY

Strict adherence to ethical and regulatory standards

CZK 3.3 billion in income tax, CZK 2.1 billion in employer's social and health insurance charges, CZK 0.8 billion in bank levies in Czechia

Supporting financial literacy, volunteering, grants for disadvantaged populations, cultural and sports events

KB has become the general partner of the Economic Olympic Games for students

CLIENTS

Winning trust of 2.4 million clients

Improved client satisfaction levels as measured by NPS across all segments, leading position in corporate segments

660 million transactions reliably executed in 2018

PWM The Banker
Best Private Bank in
Czechia



The Best Life Insurer
in Czechia for
Komerční pojišťovna

ENVIRONMENT

Responsible lending and sourcing practices

Gas and heat consumption reduced by 19% and 9%, respectively, influenced by a moving to the new HQ building at LEED Gold standard

Electricity consumption down thanks to gradual switch to LED lighting

500,000 kilometres less travelled by company cars with meetings replaced by video calls

First seven electric cars introduced to the fleet

Cancelled procurement of drinks in plastic bottles and plastic tableware

SHAREHOLDERS

Return on equity 15.3%

Net profit growth +5.8% excluding one-offs

CZK 9.7 billion gross dividend (before tax)

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GOVERNMENT INVESTMENTS PICKING UP AFTER PROTRACTED SLUGGISHNESS

- GDP in 3Q18 up +2.4% YoY, +0.6% QoQ. Growth driven by fixed investments and household consumption
- Investment activity of corporations strong in 2018, complemented recently by government investments
- Unemployment low at 1.9% in November¹, nominal wages up 8.5% in 3Q 2018
- House price growth still fast at 9% YoY in Q3²
- CPI inflation at 2.0% in December, generally driven by fast wage growth, but recently weaker due to deceleration of core inflation and YoY decline of food prices
- Rapid normalisation of monetary policy. Five 25bps hikes in CNB's 2W repo rate during 2018, latest on 1 November to current 1.75%. Further hikes expected in 2019
- Market rates as of 31 December 2018: 3M PRIBOR to 2.01%, up 125 bps year-to-date, 10Y IRS at 1.66%, down 9 bps YtD. The Czech yield curve inverted due to drop of long interest rate following the global market sell-off at the end of last year.

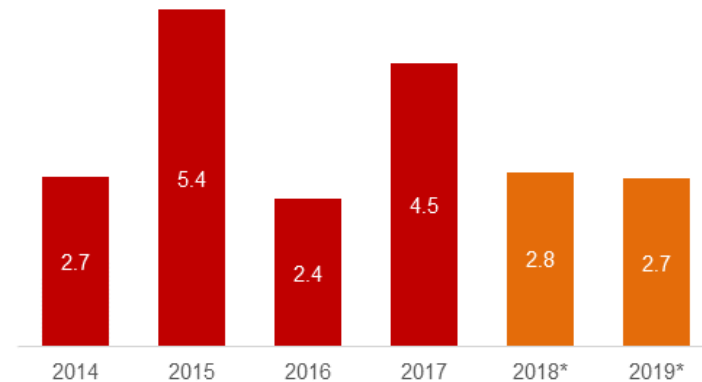
Notes: Source of indicators Czech Statistical Office, CNB, unless stated otherwise

1) Seasonally adjusted, according to Eurostat

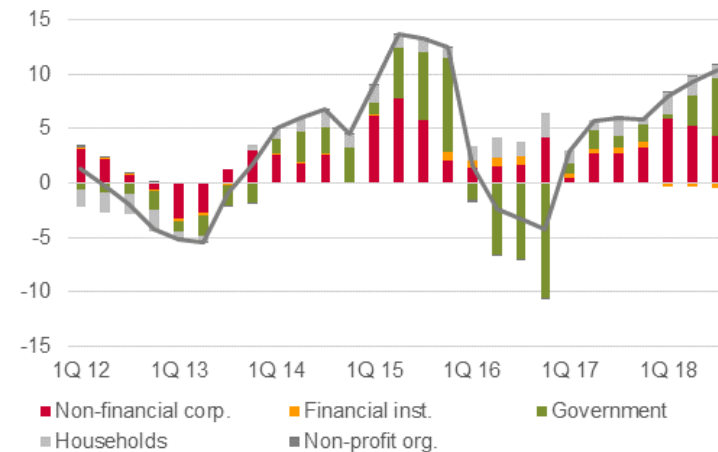
2) Realised prices for second-hand flats, source: Czech Statistical Office

3) Source: KB Economic Research forecast

Czech GDP growth (% , yoy)



Fixed investment decomposition (% , yoy, pp)



Source: Czech Statistical Office

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TANGIBLE PROGRESS IN STRATEGIC TRANSFORMATION

Pursuing improvements in client experience

Introduced 24/7 instant payments within KB, significant acceleration of inter-bank payments

Established 48 new Business centres customised to the preferences of SME clients

Added 82* machines to the largest network of deposit-taking ATMs in the country, to a total 320 machines

Mortgage rate fixations extended up to 15 years

Leadership in digital banking

Highest number of clients with mobile banking application on the market, at 611,000 up 175,000 YoY (37% of client base).

Volume of transactions submitted in 2018 from mobile banking rose 89% to reach CZK 46 bil.

Aggregation of accounts from two other Czech banks in KB's Mojobanka internet banking as well as in the Mobilní banka app

Successful rollout of KB Klíč app for authentication in a smartphone. 51,000 clients activated the app in the first two months, more than 100,000 as of today

KB introduced Garmin Pay and Fitbit Pay options to the Czech market

New fully on-line products from Komerční pojišťovna developed with a partner start-up platform : Mutumutu life insurance and Cubiq insurance of personal belongings

Launched KB SmartSolutions platform for start-up projects

Organisational optimisation

Full scale rollout of agile@KB – 16 tribes and 5 centres of expertise designed and operational

40% of HQ staff deployed in agile teams

Major overhaul of organisation structure, with significant reduction in management positions, complete redefinition of marketing, IT, information management and project management functions

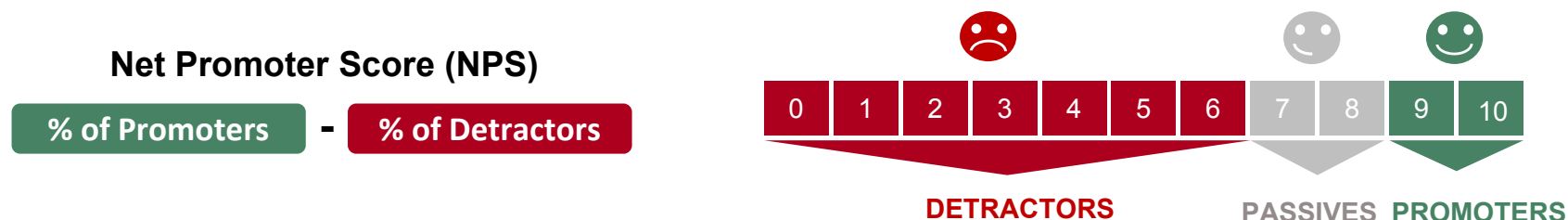
Branch network reorganised with significantly leaner management structure, reduced number of management districts to five from ten

No. of branches reduced by 22

Headcount (FTE, end-of-period) down by 2.8% YoY

* year-on-year comparison

POSITIVE DEVELOPMENT IN CLIENT SATISFACTION



KB's NPS client satisfaction scores improved year-on-year in all segments

Individual clients NPS at 24

- best scores for bank advisors, 91% happy with the recent branch visit, improved value-for-money perception
- 74% clients happy with the mobile banking app (Mobilní banka ranked #2 on the market in independent benchmarking)

Small business clients NPS at 20

- higher rates achieved among top small business clients
- 78% customers happy with the mobile banking application (best rate on the market in this segment)
- new Business centres (Firemní centra) allowing better customisation of service

Medium-sized corporations NPS at 34, large corporations NPS at 59

- leading position on the market among large and medium-sized corporations
- expertise and professionalism of bank advisors being pillars of high overall satisfaction levels
- solid improvement year on year driven by simplification of lending process, high scores for quality of product offer and electronic banking

NPS among corporate clients in Slovakia at 58

- excellent quality advisory from relationship managers quoted as the main differentiation factor

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SELECTED DEALS OF THE FOURTH QUARTER OF 2018

CAR MANUFACTURING



Hyundai Motor Manufacturing, s.r.o.

MT Financing

EUR 200,000,000

Sole Lender

2018

WHOLESALE OF FUELS



W.A.G. payment solutions, a.s.

Bridge Acquisition Financing

EUR 60,000,000

Arranger, Original Lender, Agent and Security Agent

2018

PRODUCTION OF MINERAL PRODUCT



BOHEMIATEX, s.r.o.

Investment Financing

CZK 175,600,000

Complex bank services provider

2018

ENTERTAINMENT



Italian Gaming Holding a.s.

Club Facility

EUR 280,000,000

Arranger

2018

RETAIL OF PHARMA PRODUCTS



Česká lékárna holding, a.s.
Baramoore International s.r.o.

Senior Multicurrency Term and Revolving Facilities

CZK 2,600,000,000
EUR 395,000,000

Mandated Lead Arranger

2018

UTILITIES



Vodovody a kanalizace Nymburk, a.s.

Investment Financing

CZK 100,000,000

Complex bank services provider

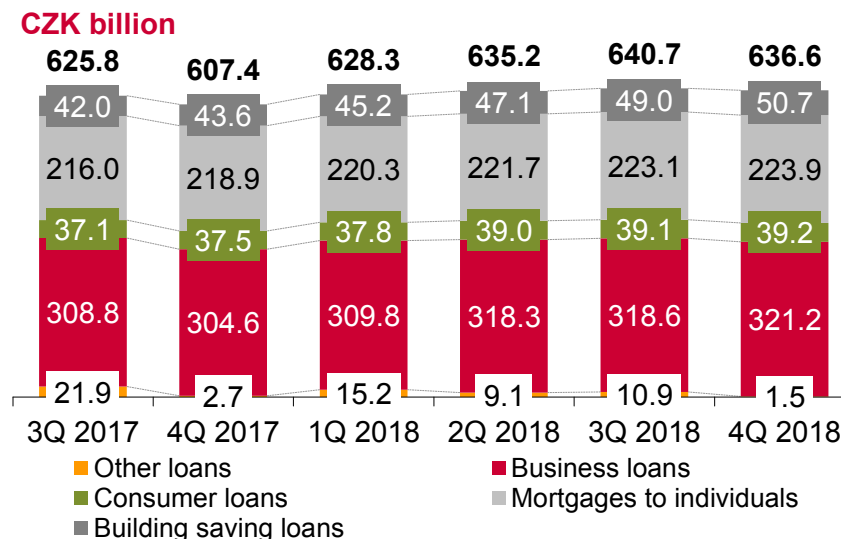
2018

CONTINUED GROWTH DESPITE INTENSE COMPETITION ON THE MARKET

- Gross loans +4.7% YoY, +0.9% QoQ to CZK 634.6 billion (excluding repo operations but including Debt securities issued by KB's corporate clients).
- Including repo, lending rose +4.8% YoY, -0.6% QoQ to CZK 636.6 billion
- Group housing loans +4.6% YoY, of which
 - Mortgages +2.3% YoY to CZK 223.9 billion
 - Modrá pyramida's lending +16.2% to CZK 50.7 billion
- Consumer loans (KB + ESSOX Group) up by 4.6% YoY to CZK 39.2 billion
- Business loans +5.5% YoY, of which
 - Small businesses (KB) +4.0% to CZK 35.5 billion
 - Corporations (incl. Factoring KB) rose by +5.4% to CZK 257.6 billion
 - SGEF (leasing) +7.7% to CZK 28.1 billion
- Net loans to deposits ratio* at 77.9%

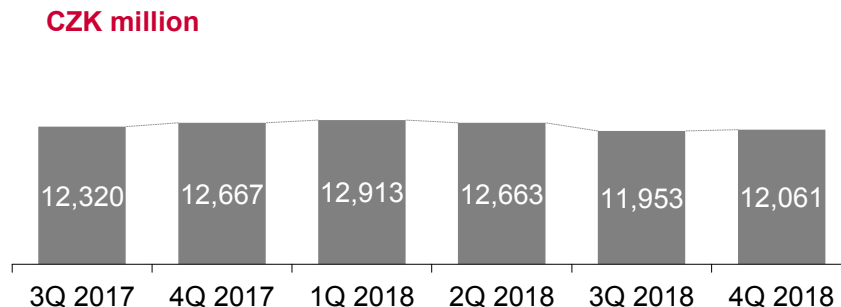
*excluding repo operations with clients but including debt securities held by KB issued by the Bank's clients

Group lending (including repo, incl. client bonds)



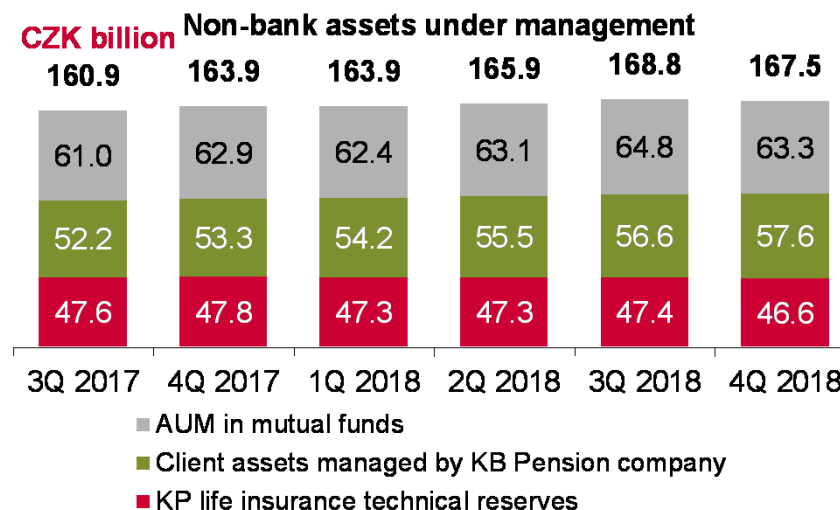
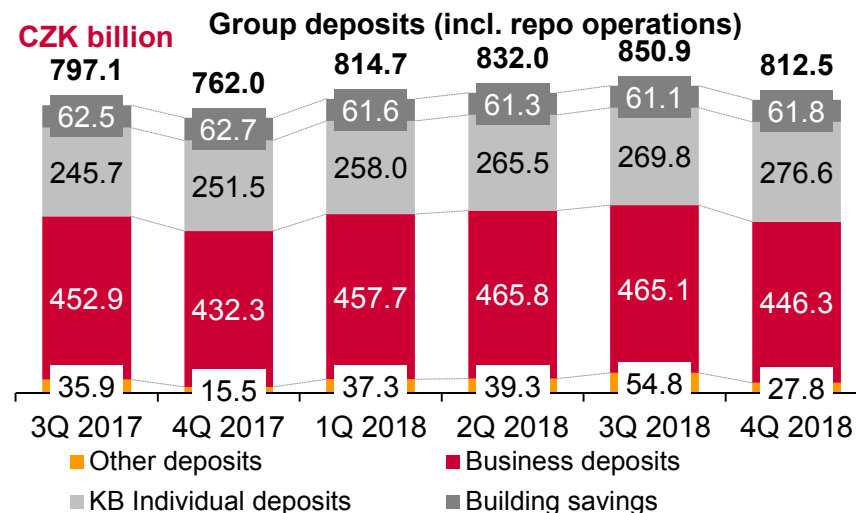
Sales volume of housing loans

(KB mortgages + MPSS loans)



GROWTH RELATIVELY FASTER IN RETAIL AND ON TERM DEPOSITS

- Standard Group deposits (excluding repo) up +5.2% YoY to CZK 795.6 billion, -1.7% QoQ
- Total amounts due to clients +6.6% YoY, -4.5% QoQ to CZK 812.5 billion
- KB (bank) deposits from individuals +10.0% YoY to CZK 276.6 billion
- MPSS building savings -1.4% YoY to CZK 61.8 billion, influenced by repricing of old contracts
- Deposits from businesses +3.2% to CZK 446.3 billion
- Current accounts 2.0% to CZK 568.2 billion, term and savings accounts +15.3% to CZK 221.0 billion
- Clients' pension assets +8.1% to CZK 57.6 billion
- KP life insurance technical reserves at CZK 46.6 billion (-2.4 YoY)
- Assets in mutual funds (sold by KB+MPSS) increased by 0.7% YoY to CZK 63.3 billion

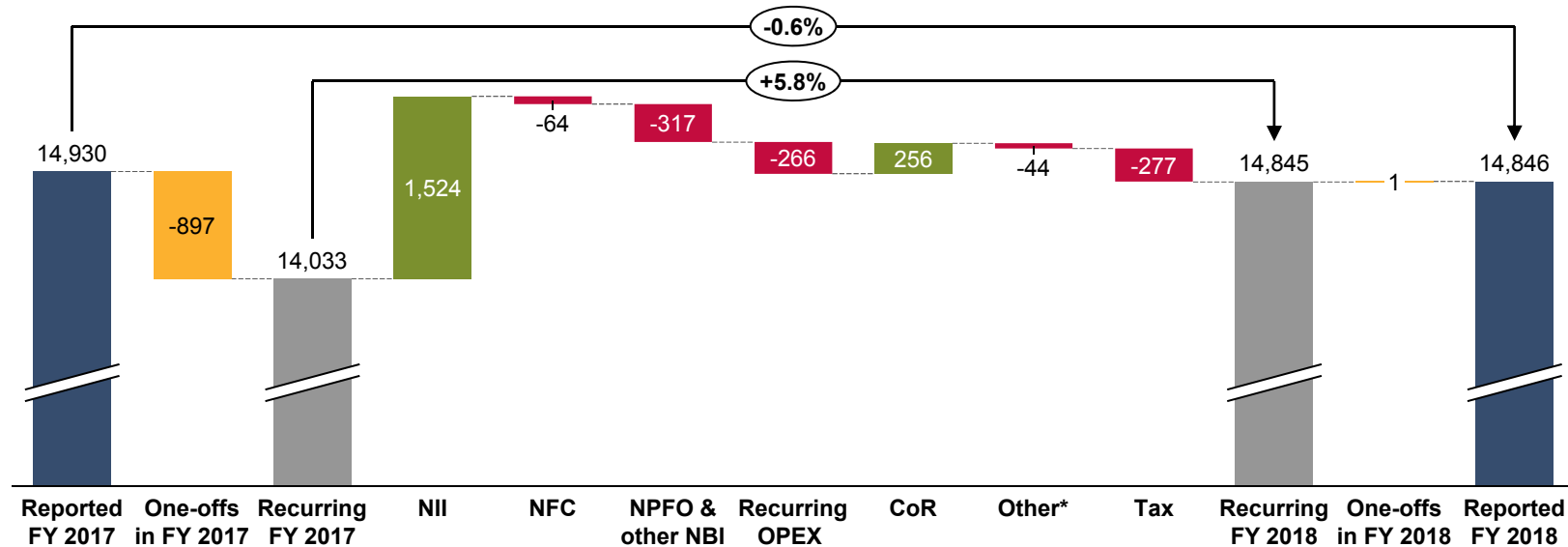


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IMPROVED RECURRING PROFITABILITY

Drivers for year on year change in attributable net income (as of 31 December 2018)



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

One-off items:

FY 2017: Net positive contribution from the sale and revaluation of KB's headquarters buildings

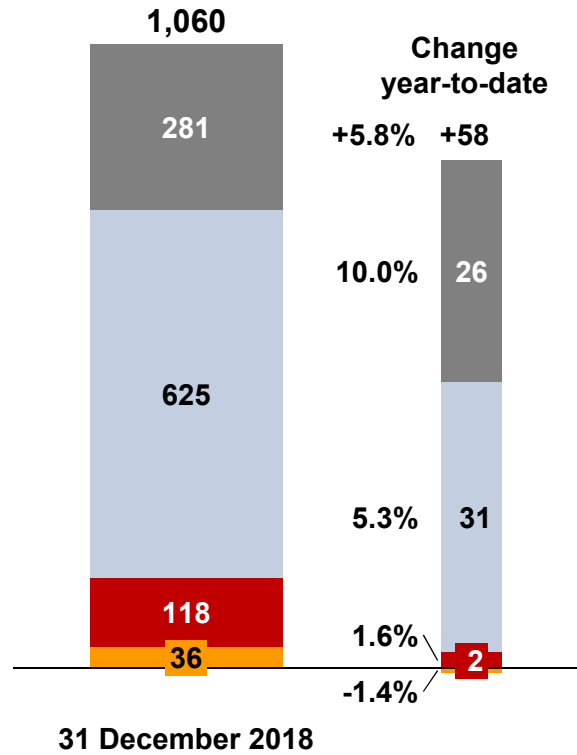
FY 2018: Finalisation of sale price for KB's former stake in Cataps; creation of restructuring reserve; release of over-accrued amounts for corporate services

Profitability indicators for FY 2018 (Annualised)	Return on average equity	Return on average Tier 1 capital	Return on average assets
	15.3%	18.9%	1.4%

BALANCE SHEET GROWTH DRIVEN MAINLY BY DEPOSITS FROM CLIENTS AND BANKS

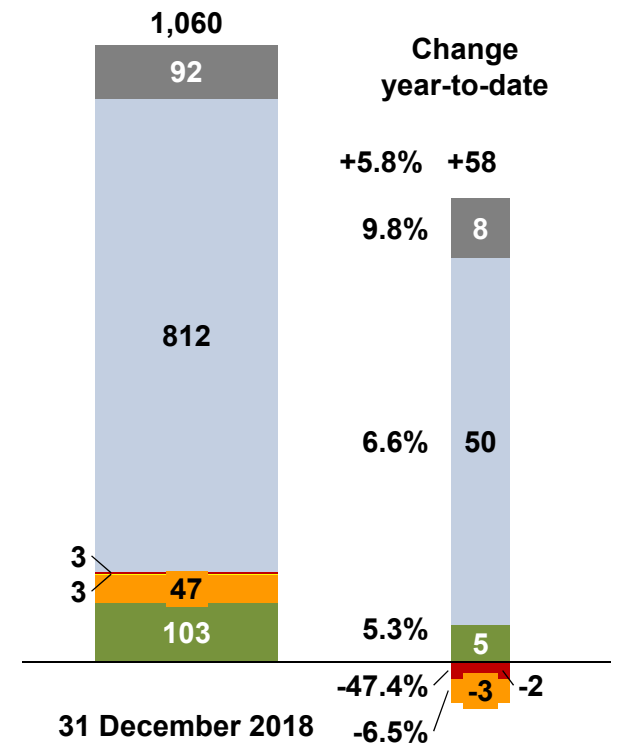
CZK billion

Assets



- Amounts due/from banks incl. central bank
- Loans to clients
- Securities & trading derivatives
- Other assets

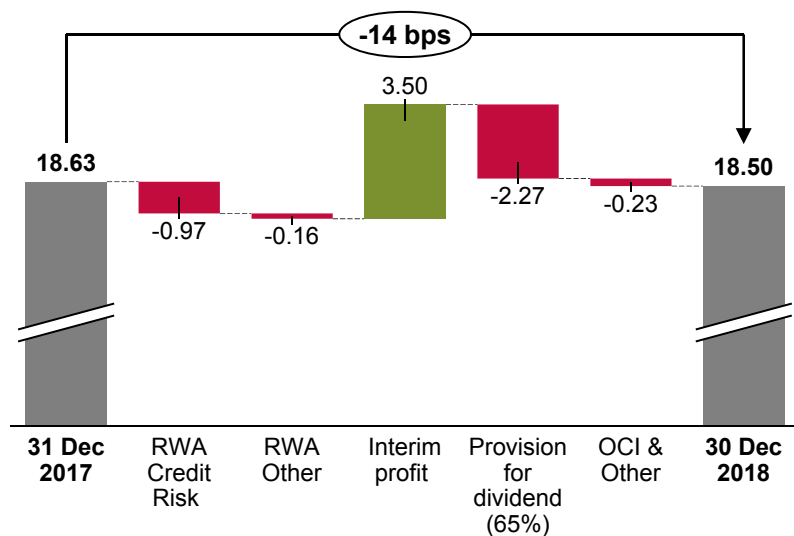
Liabilities & Equity



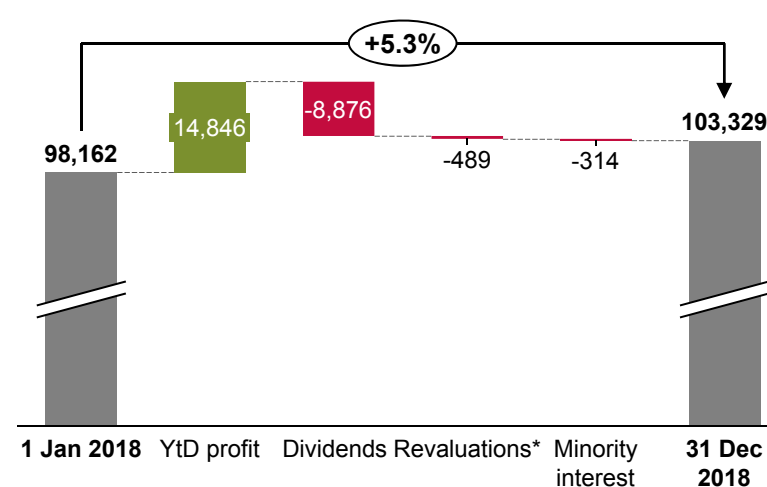
- Amounts due to banks
- Clients deposits
- Issued securities
- Other liabilities
- Equity
- Subordinated debt

RECURRING CAPITAL GENERATION

Contributions to capital adequacy ratio in FY 2018 (%)



Contributions to equity in FY 2018 (CZK million)



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

Regulatory capital indicators

	Total capital adequacy	Core Tier 1 ratio	Total capital (CZK billion)	CET1 capital (CZK billion)	Total RWA (CZK billion)	Credit RWA (CZK billion)	RWA / Total assets
Current	18.5%	17.9%	83.4	80.8	451.1	375.4	42.6%
30 Sep 2018	18.4%	17.8%	82.6	80.0	450.0	371.3	39.6%
1 Jan 2018	18.6%	18.0%	79.1	76.5	424.6	352.9	42.5%

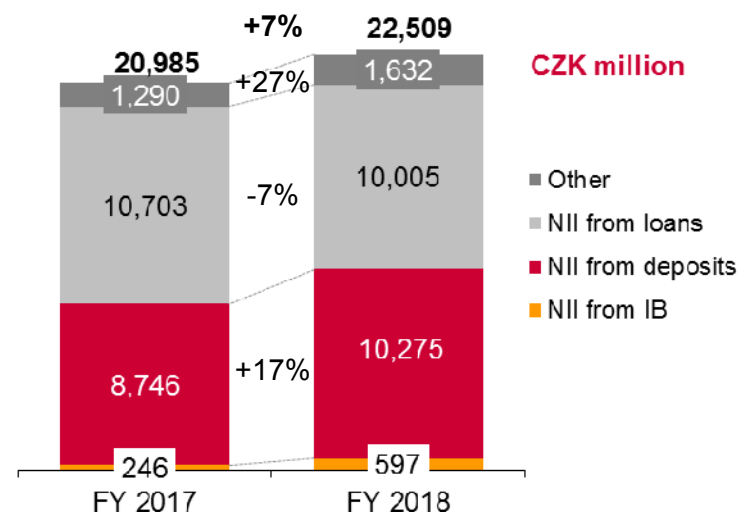
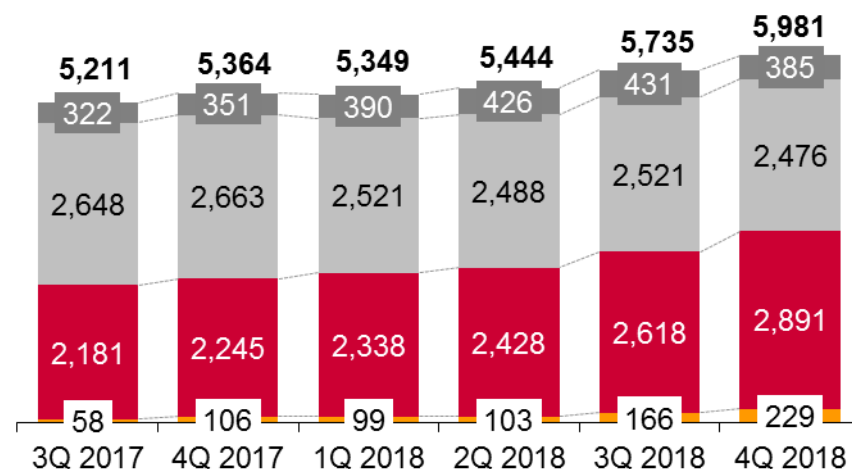
POSITIVE EFFECT OF GROWING VOLUMES AND INTEREST RATES

- Net interest income in FY 2018 up by 7.3% YoY. NII in 4Q 2018 was up 4.3% QoQ
- NII from deposits up due to higher reinvestment yields and increase in volumes
- Spreads on lending under pressure reflecting intense competition
- Average market rates on new CZK lending (%)*

	Consumer loans	Housing loans	Non-financial corporations	3M PRIBOR
Dec-18	8.63	2.92	3.31	2.01
Sep-18	8.53	2.70	2.97	1.70
Dec-17	8.70	2.38	2.33	0.76

- Other NII influenced by effect of flattening / inverting yield curve on yield from hedging derivatives
- Net Interest Margin at 2.33% in FY 2018, essentially flat YoY

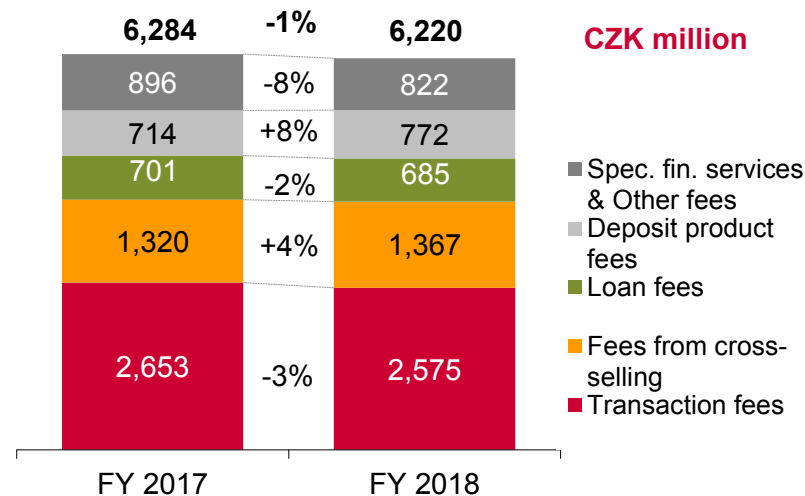
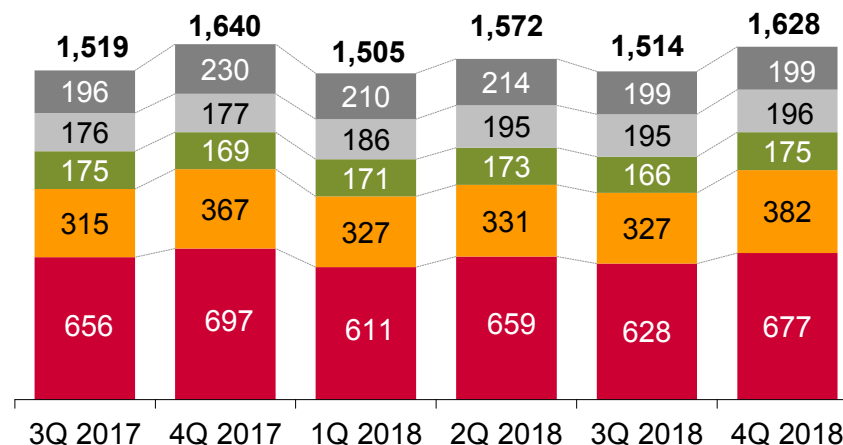
* Source: ARAD banks statistics of the Czech National Bank



Adjusted for reclassification of early prepayment fees from NFC to NII and for separation of dividend income from NII since 2018

IMPROVING STRUCTURE OF FEE INCOME

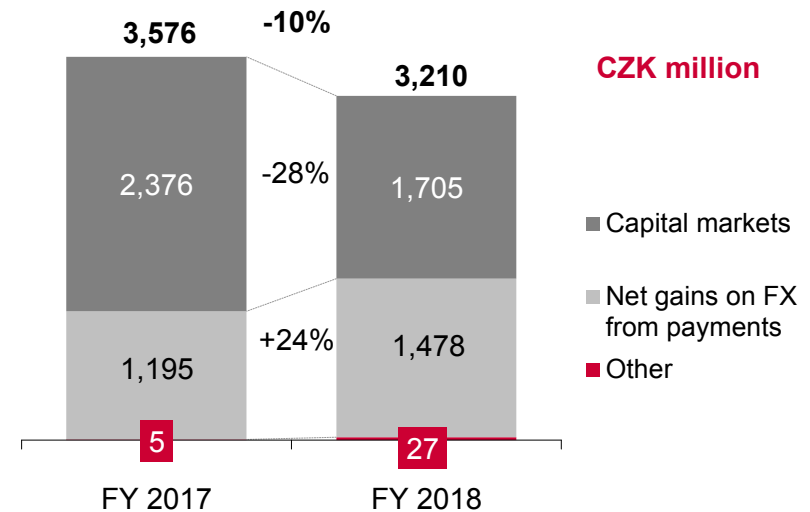
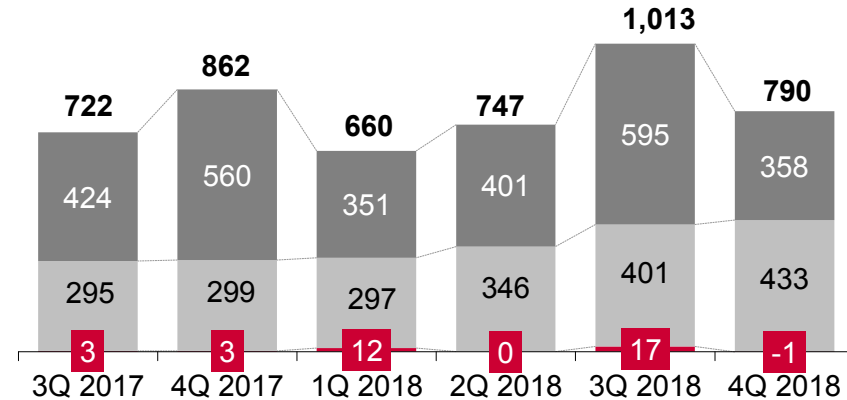
- NFC in FY 2018 down 1.0% YoY, 4Q +7.5% QoQ
- Deposit product fees – supported by clients upgrading to premium account bundles
- Transaction fees – Overall number of transactions up (mainly card payments), but bigger share of transactions and ATM withdrawals was included in packages
- Loan fees – lower fees for housing loans from KB and Modrá pyramida
- Fees from cross-selling supported mainly by the volume growth in mutual funds
- Specialised financial services and other fees – lower fees from bank guarantees; credit structuring. Better income from bond issuance, custody, depository & trade finance



Adjusted for reclassification of early prepayment fees from NFC to NII

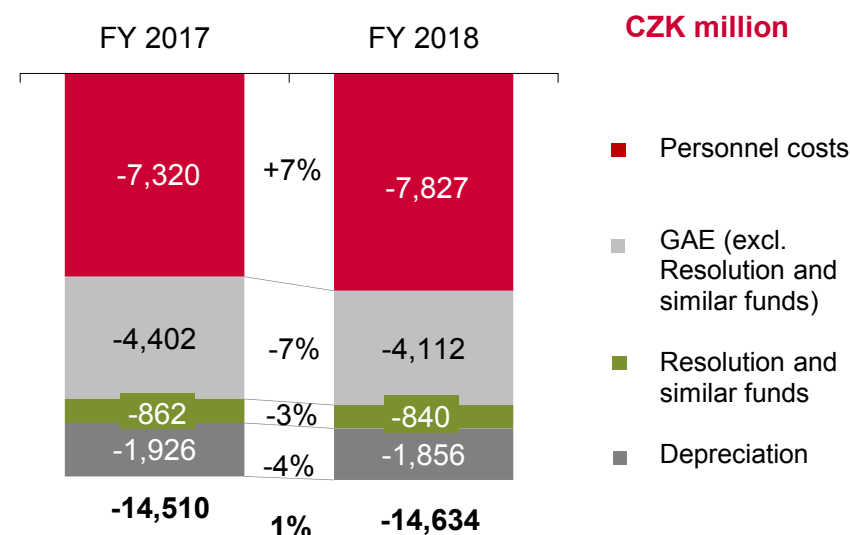
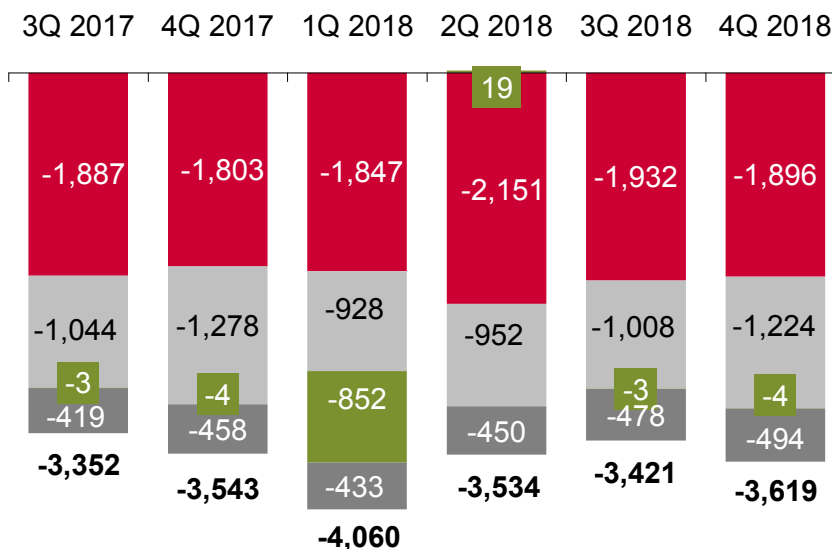
EXCELLENT RESULT FOR THE FULL YEAR

- NPFO in FY 2018 down by 10.2% YoY, 4Q18 lower by 22.0% QoQ
- YoY decrease in NPFO due to the significant client hedging activity in 2017 linked to the end of CNB's currency interventions
- QoQ weaker because Q3 result was exceptional influenced by a few large hedging structures developed for clients
- Decrease of long-term rates at year-end influenced valuation of certain positions and demand of some clients for IR hedging
- A part of gains from market operations shifted to interest income reflecting increase in rates
- Recovery in gains on FX from payments on an increase in foreign transaction activity and FX spreads



RECURRING COSTS GREW LESS THAN INFLATION

- Recurring* OPEX for FY 2018 grew by +1.9% YoY. Reported OPEX in FY 2018 was up 0.9% YoY
- Recurring* Cost / Income in FY 2018 at 45.1% (v. 45.9% in FY 2017). Reported Cost / Income in 9M 2018 at 45.4% (v. 46.7% in FY 2017)
- FY 2018 recurring* personnel expenses +3.9% YoY. 4Q18 down -1.9% QoQ
- Full year average number of employees -0.9% YoY
- FY 2018 recurring* GAE down 3.8% YoY, with savings on marketing and telco services. 4Q18 +21.4% QoQ with seasonally higher marketing and move to new HQ
- Recurring* D&A in FY 2018 up 10.2% YoY, driven by software, IT equipment and technical improvements to buildings. 4Q18 up 3.6% QoQ



Note *) excluding an impairment of KB's headquarters building, booked in D&A line in 1Q 2017 of CZK 242 mil. and CZK 295 million restructuring reserve created in 2Q 2018 for KB Change restructuring (o/w CZK 223 million in personnel expenses and CZK 71 million in GAE) and a release in 2Q 2018 of CZK 193 million over-accrued in previous years in GAE for various services from SG Group entities

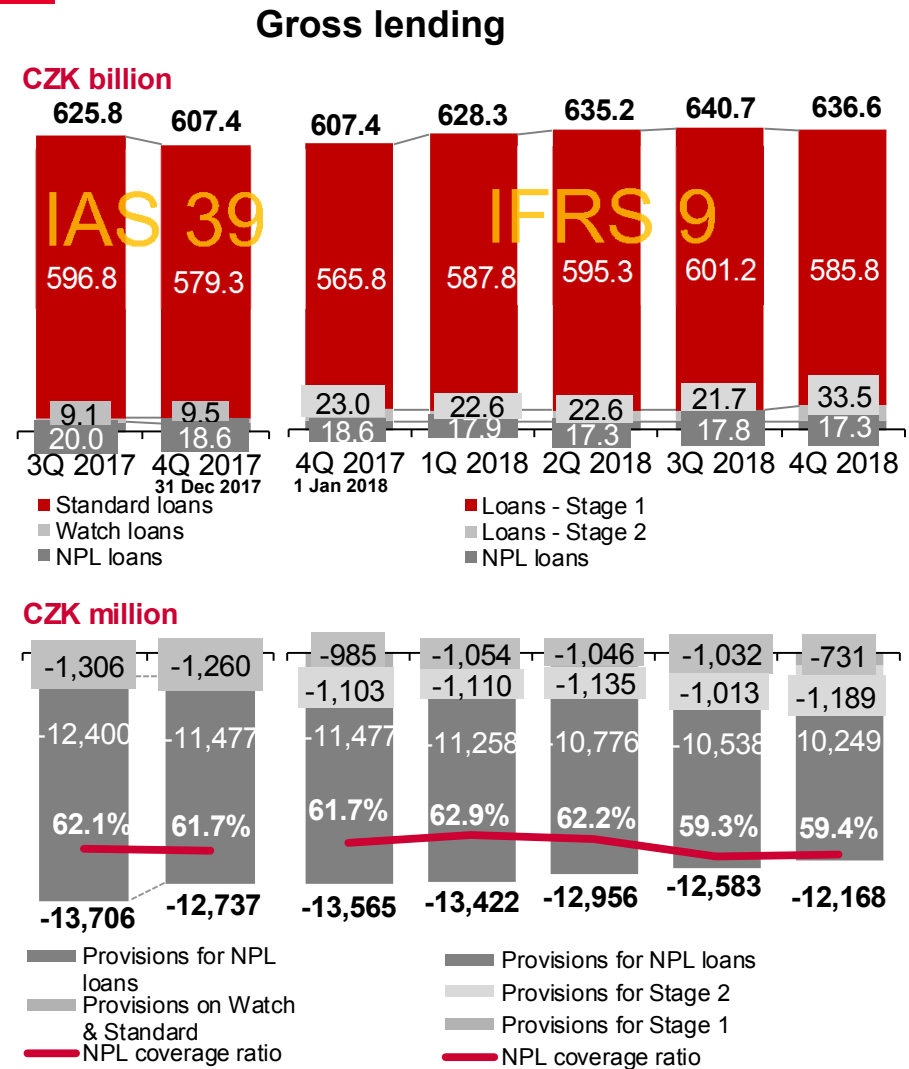
Additionally, CZK 1,052 million gain in 1Q 2017 from sale of a HQ building was recognised in Net profit from other assets

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SOUND ASSET QUALITY, REFINED IFRS 9 STAGING

- Loan exposure up 4.8 % YoY and -0.6% QoQ
- Stage 2 exposure up 54% QoQ, following full alignment with IFRS 9 methodology (CZK 11 bil. transferred to Stage 2 from Stage 1)
- NPL exposure ratio down to 2.7% YoY (vs. 3.1% in 4Q 2017) driven by low default rates, good recovery performance, write-offs and portfolio sales
- NPL provision coverage ratio stable at 59.4%

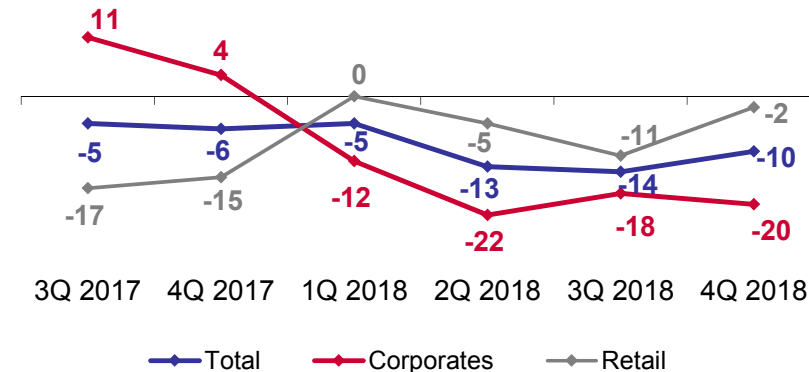


Note: NPL (non-performing loans) exposure defined as per 575/2013 regulation (IFRS9 Stage 3 exposure)

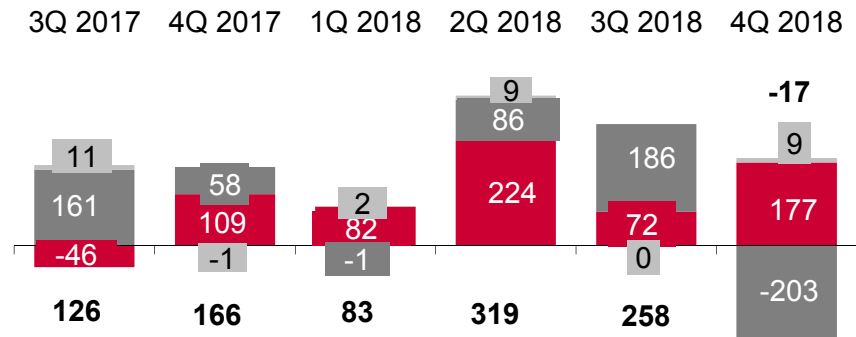
LOW COST OF RISK, NEW RESERVES IN RETAIL

- FY 2018 CoR net release at CZK 642 million (vs. CoR net release at CZK 387 million for FY 2017)
- CoR on corporate loan portfolio at -20 bps for FY 2018 (vs. 4 bps for FY 2017), driven by continued low default rates, good recovery performance levels and positive impact from IFRS9 provisioning model update
- CoR on retail loan portfolio at -2 bps for FY 2018 (vs. -15 bps for FY 2017). 4Q 18 reflecting new reserves to cover recent market developments (upcoming insolvency law, residential real estate price evolution)

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



Total Cost of Risk development (CZK million)



- CoR non-commercial
- CoR Retail (commercial)
- CoR Corporates (commercial)

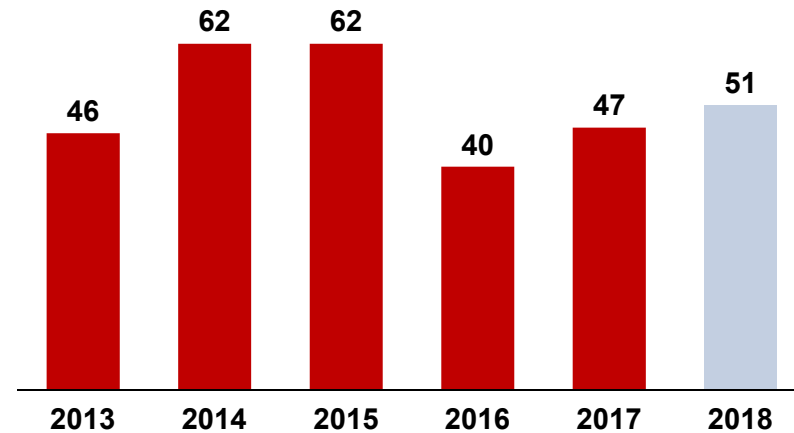
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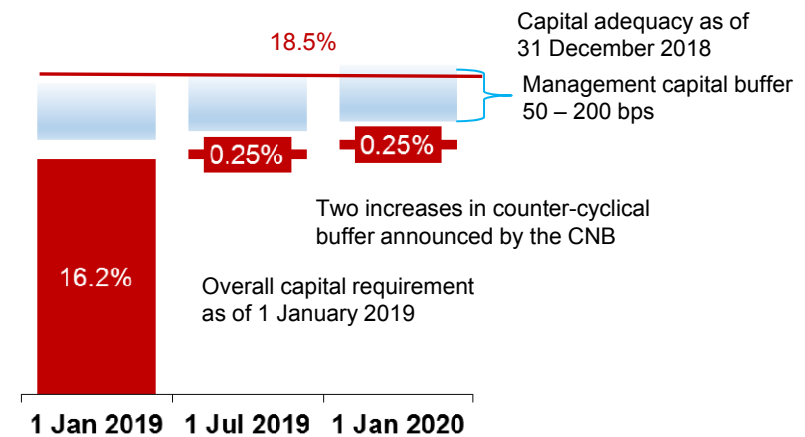
PROPOSED 65% PAYOUT FROM 2018 RESULT, INTENTION TO PROPOSE 65% FROM 2019

- In accordance with its intention announced in February 2018 regarding the share of net profit to be paid out in dividends, the Management Board proposes to the Supervisory Board a dividend of CZK 9,693 million (i.e. CZK 51 per share) from the 2018 profit
- That would put the payout ratio at 65% of KB Group's attributable consolidated net profit
- The gross dividend yield based on 2018's closing share price would be 6.02%
- The distribution of the year's earnings is subject to a vote of the Annual General Meeting
- Considering the current state of affairs, the Management Board intends for 2019 to propose distributing as dividends 65% of attributable consolidated net profit earned in the year, subject to no significant change in regulatory requirements

Dividend per share (gross, in CZK, recalculated)



KB's capital position and requirements



OUTLOOK FOR 2019

Macroeconomic assumptions

- Czech economy to grow close to 3.0% driven by household consumption and investments
- Tight labour market still to generate growth bottlenecks and keep inflation around the 2% inflation target which allow further two hikes of 2W repo rate by the CNB
- Yield curve to remain inverted for the year as the long end is by a pessimistic global outlook pressure and low inflationary expectations, the short end to be supported by CNB rates

Banking market outlook

- Banking loans to grow at a mid- single digit pace in 2019
- Housing loans to slow down to low-single digit growth, due to new regulations and worsened affordability
- Deposits to maintain pace of growth, with relatively faster retail

KB business outlook

- Loans to grow in a mid- single digit pace overall, unsecured consumer lending possibly faster
- Housing loans to maintain the pace from last year
- Total deposits will grow relatively faster in the retail segments, and on saving and term accounts

KB financial outlook

- Slight growth in total revenues driven by net interest income. Fee income to stabilise or modestly improve. NPFO may somewhat decrease from excellent 2018 level
- Pace of reported OPEX to be similar as inflation. Relatively faster growing personnel expenses
- Cost of risk will be influenced by overall macroeconomic conditions, smaller potential for recoveries and NPL sales, and provisioning on an expected loss basis in accordance with IFRS 9

Potential risks to the outlook

- Sharper than expected slowdown in the Czech and European economic growth, potentially linked to disruptions in international trade due to brexit or barriers to trade
- Ever-present risks such as sudden changes in main rates, a possible solitary impairment of a large credit exposure, or a significant worsening of competitive situation

AGENDA

- HIGHLIGHTS OF KB's PERFORMANCE
- MACROECONOMIC ENVIRONMENT
- STRATEGY
- BUSINESS PERFORMANCE
- FINANCIAL PERFORMANCE
- ASSET QUALITY & COST OF RISK
- DIVIDEND PROPOSAL & OUTLOOK FOR 2019
- **APPENDIX**

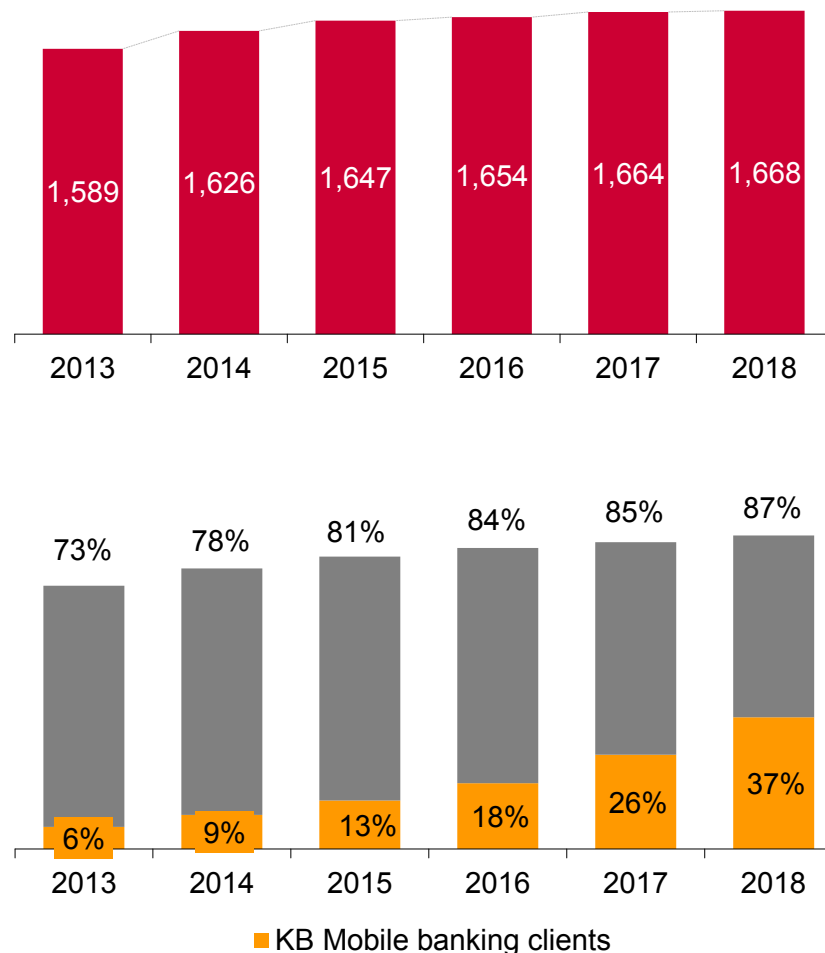
NUMBER OF CLIENTS AND DISTRIBUTION NETWORK

- KB Group's 2.4 million clients(+0%), of which
 - KB bank 1,668,000 clients (+0%)
 - MPSS 490,000 clients (+0%)
 - KBPS 532,000 clients (+0%)
 - ESSOX (Group) 212,000 active clients (-2%)

- Network
 - 364 branches for retail clients, 10 corporate divisions and 4 divisions for large corporate clients in CZ, one in Slovakia
 - 776 ATMs (of which 320 deposit-taking)
 - MPSS: 204 points of sale; 720 sales agents
 - SGEF: 7 branches in CZ, 2 in Slovakia
 - ESSOX Group: 1,689 points of sale

- Direct Channels
 - 1,455,000 clients (i.e. 87% of KB client base) using direct banking channels
 - 611,000 clients with mobile banking (+40%)
 - Two call centres, internet and mobile banking

Number of bank clients (thousands, CZ)



YEAR-TO-DATE INCOME STATEMENT

Profit and Loss Statement

	Reported*			Recurring		
	FY 2017	FY 2018	Change YoY	FY 2017	FY 2018	Change YoY
(CZK million, unaudited)						
Net interest income and similar income	20,985	22,509	7.3%	20,985	22,509	7.3%
Net fee & commission income	6,284	6,220	-1.0%	6,284	6,220	-1.0%
Net profit of financial operations	3,576	3,210	-10.2%	3,576	3,210	-10.2%
Dividend and other income	215	264	22.8%	215	264	22.8%
Net banking income	31,060	32,203	3.7%	31,060	32,203	3.7%
Personnel expenses	-7,320	-7,827	6.9%	-7,320	-7,604	3.9%
General admin. expenses (excl. regulatory funds)	-4,402	-4,112	-6.6%	-4,402	-4,234	-3.8%
Resolution and similar funds	-862	-840	-2.6%	-862	-840	-2.6%
Depreciation, amortisation and impairment of operating assets	-1,926	-1,856	-3.6%	-1,684	-1,856	10.2%
Total operating expenses	-14,510	-14,634	0.9%	-14,268	-14,534	1.9%
Gross operating income	16,550	17,569	6.2%	16,792	17,670	5.2%
Cost of risk	387	642	65.9%	387	642	65.9%
Net operating income	16,937	18,211	7.5%	17,179	18,312	6.6%
Income from share of associated companies	216	238	10.2%	216	238	10.2%
Profit/(loss) attributable to exclusion of companies from consolidation	-7	82	+/-	-7	0	n.a.
Impairment losses on goodwill	0	2	n.a.	0	2	n.a.
Net profits on other assets	1,140	-14	+/-	81	-14	+/-
Profit before income taxes	18,286	18,520	1.3%	17,469	18,538	6.1%
Income taxes	-3,012	-3,349	11.2%	-3,091	-3,368	9.0%
Net profit	15,274	15,171	-0.7%	14,378	15,170	5.5%
Profit attributable to the Non-controlling owners	344	325	-5.5%	344	325	-5.5%
Profit attributable to the Group's equity holders	14,930	14,846	-0.6%	14,034	14,845	5.8%

* Within update of its reporting methodology, mainly implementation of the new IFRS 9 reporting standard, KB reclassified as from 1 January 2018 certain items of the Income Statement and the Statement of Financial Position. For improved information value, the data for 2017 above are based on a pro-forma retrospective restatement of the respective accounting lines of the Income Statement from 2017 and adjusted for reclassification of early prepayment fees from NFC to NII.

Note for recurring figures:

FY 2017: Adjusted for net positive contribution from the sale and revaluation of KB's headquarters buildings (CZK 242 mil. in Depreciation, amortisation and impairment of operating assets; CZK 1,059 mil. in Net profit on other assets; CZK 79 mil. in Income taxes).

FY 2018: Finalisation of sale price for KB's former stake in Cataps in connection with the sale of additional 19% in Cataps (CZK 82 mil. in Profit attributable to exclusions of companies from consolidation), restructuring reserve (CZK -223 mil. in Pers. expenses, CZK -71 mil. in GAE and CZK 56 mil. in Income taxes) and release of corporate service fees for SG assistance (CZK 193 mil. in GAE and CZK -37 mil. in Income taxes)

QUARTERLY REPORTED PROFIT & LOSS (INCLUDING ONE-OFF ITEMS)

Profit and Loss Statement

(CZK million, unaudited)	Reported*				
	4Q 2017	3Q 2018	4Q 2018	Change YoY	Change QoQ
Net interest income and similar income	5,364	5,735	5,981	11.5%	4.3%
Net fee & commission income	1,640	1,514	1,628	-0.7%	7.5%
Net profit of financial operations	862	1,013	790	-8.4%	-22.0%
Dividend and other income	67	72	72	7.5%	0.0%
Net banking income	7,934	8,335	8,472	6.8%	1.6%
Personnel expenses	-1,803	-1,932	-1,896	5.2%	-1.9%
General admin. expenses (excl. regulatory funds)	-1,278	-1,008	-1,224	-4.2%	21.4%
Resolution and similar funds	-4	-3	-4	0.0%	33.3%
Depreciation, amortisation & impairment of op. assets	-458	-478	-494	7.9%	3.3%
Total operating expenses	-3,543	-3,421	-3,619	2.1%	5.8%
Gross operating income	4,390	4,913	4,853	10.5%	-1.2%
Cost of risk	166	258	-17	+/-	+/-
Net operating income	4,557	5,171	4,836	6.1%	-6.5%
Income from share of associated companies	51	59	66	29.4%	11.9%
Profit/(loss) attributable to exclusion of companies from consolidation	-7	0	0	n.a.	n.a.
Impairment losses on goodwill	0	0	0	n.a.	n.a.
Net profits on other assets	7	0	-30	+/-	n.a.
Profit before income taxes	4,607	5,230	4,872	5.8%	-6.8%
Income taxes	-820	-913	-921	12.3%	0.9%
Net profit	3,787	4,317	3,951	4.3%	-8.5%
Profit attributable to the Non-controlling owners	82	113	63	-23.2%	-44.2%
Profit attributable to the Group's equity holders	3,705	4,204	3,888	4.9%	-7.5%

* Within update of its reporting methodology, mainly implementation of the new IFRS 9 reporting standard, KB reclassified as from 1 January 2018 certain items of the Income Statement and the Statement of Financial Position. For improved information value, the data for 2017 above are based on a pro-forma retrospective restatement of the respective accounting lines of the Income Statement from 2017 and adjusted for reclassification of early prepayment fees from NFC to NII.

BALANCE SHEET GROWTH DRIVEN MAINLY BY DEPOSITS FROM CLIENTS AND BANKS

Balance Sheet	31 Dec 2017	1 Jan 2018	31 Dec 2018	Ytd	Ytd
(CZK million, unaudited)	According to IAS 39	According to IFRS 9	According to IFRS 9	rel.	abs.
Assets	1,004,039	1,001,652	1,059,932	5.8%	58,280
Cash and current balances with central bank	32,663	32,663	24,851	-23.9%	-7,812
Loans and advances to banks	228,373	222,821	256,268	15.0%	33,447
Loans and advances to customers (net)	598,102	593,639	624,954	5.3%	31,315
Securities and trading derivatives	108,468	115,913	117,761	1.6%	1,848
Other assets	36,432	36,616	36,099	-1.4%	-517
Liabilities and shareholders' equity	1,004,039	1,001,652	1,059,932	5.8%	58,280
Amounts due to banks	84,050	84,050	92,271	9.8%	8,221
Amounts due to customers	762,043	762,043	812,451	6.6%	50,408
Securities issued	4,832	4,832	2,540	-47.4%	-2,292
Subordinated debt	2,560	2,560	2,578	0.7%	18
Other liabilities	50,208	50,005	46,764	-6.5%	-3,241
Total equity	100,346	98,162	103,329	5.3%	5,167
o/w Minority equity	3,797	3,712	3,398	-8.5%	-314

* Values from the Statement of Financial Position as of 1 January 2018 after first time application of IFRS 9, which changed accounting methodology for measurement and classification of financial assets, among other changes

CAPITAL & PROFITABILITY INDICATORS

	Reported		Recurring	
	31/12/2017	31/12/2018	31/12/2017	31/12/2018
(year-to-date, IFRS9)				
Capital adequacy	18.6%	18.5%		
Tier 1 ratio = Core Tier 1 ratio	18.0%	17.9%		
Risk weighted assets for credit risk (CZK billion)	352.9	375.4		
Net interest margin*, annualised	n.a.*	2.3%	2.3%**	2.3%
Loan (net) / deposit ratio (excl. repo with clients)	n.a.*	77.9%	78.9%**	77.9%
Cost / income ratio	46.7%	45.4%	45.9%	45.1%
Return on average equity (ROAE), annualised	n.a.*	15.3%	14.3%**	15.3%
Return on average regulatory capital	19.8%	18.3%	18.7%	18.3%
Return on average assets (ROAA), annualised	n.a.*	1.4%	1.5%**	1.4%
Earnings per share (CZK), annualised	79	79	74	79
Average number of employees during the period	8,492	8,411		

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

* not available under IFRS 9 reporting standard.

** based on methodology according to IAS 39

BUSINESS PERFORMANCE OF SUBSIDIARIES 1/2

	FY 2017	FY 2018	YoY
Modrá pyramida (100%), #2 building savings & loans company			
Volume of new loans (CZK million)	14,639	14,230	-3%
Volume of total loans (gross, CZK million)	43,634	50,688	16%
Volume of deposits (CZK million)	62,669	61,770	-1%
Number of clients	488,012	489,860	0%
Average number of FTEs	327	328	0%
Number of points of sale	216	204	-6%
KB Penzijní společnost (100%), a manager of pension funds			
Number of new contracts	31,822	32,626	3%
Number of clients	531,523	531,616	0%
Assets under management (CZK million)	53,265	57,571	8%
of which in Transformed fund	49,432	52,196	6%
Average number of FTEs	48	49	2%
ESSOX (50.93%), #2 non-bank consumer lender and car financing company*			
Volume of total loans (gross, CZK million)	15,500	17,286	12%
Number of active clients	215,158	211,975	-1%
Average number of FTEs	395	403	2%

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

BUSINESS PERFORMANCE OF SUBSIDIARIES 2 / 2

	FY 2017	FY 2018	YoY
Factoring KB (100%), #1 on the Czech factoring market			
Factoring turnover (CZK million)	42,838	50,168	17%
Volume of total financing (gross, CZK million)	7,974	8,965	12%
Average number of FTEs	45	44	-2%
Komerční pojišťovna (49%), a universal insurance company			
Volume of technical reserves - Saving (CZK million)	47,782	46,642	-2%
Gross written premium (CZK million)	6,150	5,146	-16%
of which in life insurance	5,731	4,686	-18%
of which in non-life insurance	419	460	10%
Average number of FTEs	189	220	16%
SGEF Czech Republic (50.1%), a provider of asset-backed financing in Czech Rep. and Slovakia			
Volume of new financing (CZK million)	11,948	11,995	0%
Volume of total financing (gross, CZK million)	26,129	28,129	8%
Average number of FTEs	126	130	3%

MACROECONOMIC ENVIRONMENT – CZECH REPUBLIC

Macroeconomic Indicators	2015	2016	2017	2018*	2019*
Real GDP (% , average)	5.4	2.4	4.5	2.8	2.7
Inflation (% , average)	0.3	0.7	2.5	2.1	2.3
Household consumption (% , average)	3.8	3.5	4.4	3.5	3.2
Unemployment (% , av. , MLSA meth.)	5.0	3.9	2.9	2.3	2.1
M2 (% , average)	7.9	8.6	9.5	5.4	5.5
3M PRIBOR (% , average)	0.1	0.1	0.2	1.1	2.2

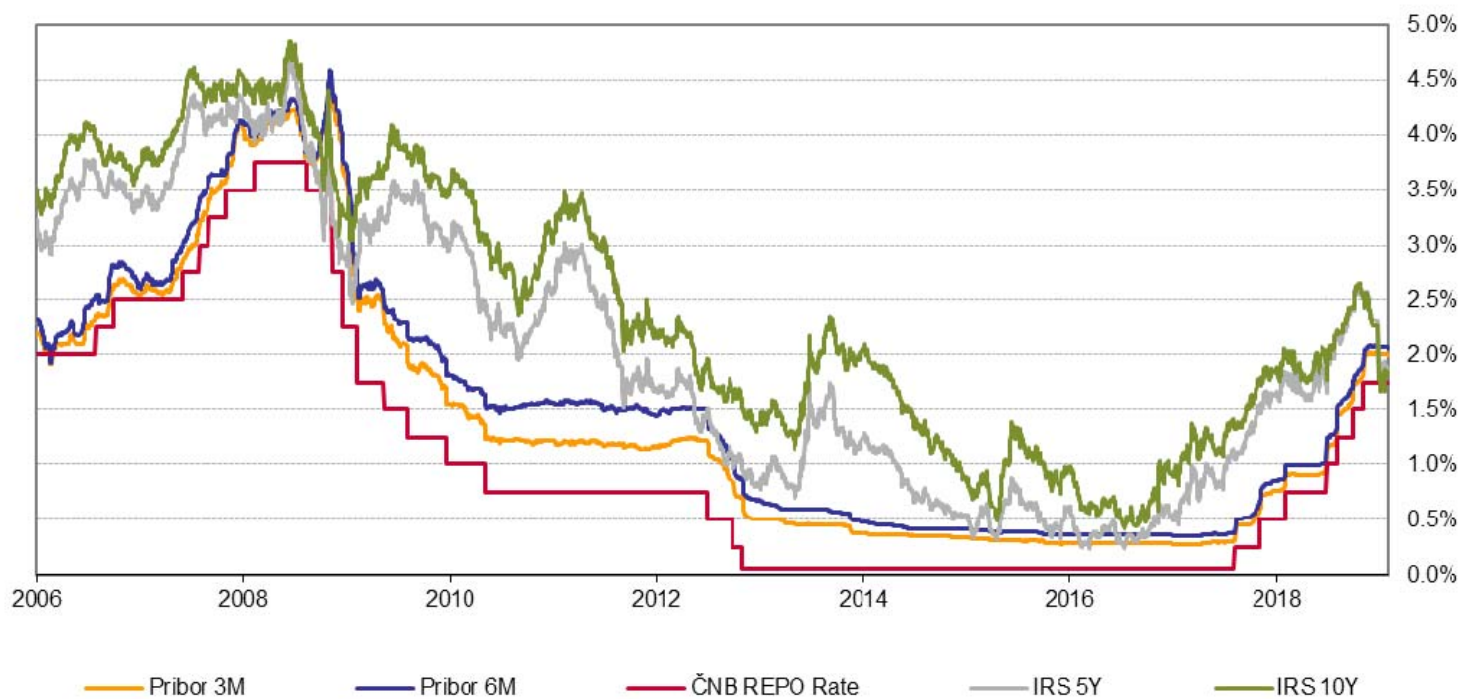
Potential of the market **	2015	2016	2017	2018*	2019*
Loans / GDP (year-end)	60.5	61.9	61.1	63.2	62.6
Real estate loans / GDP (year-end)	21.1	22.1	22.7	23.4	23.2
Deposits / GDP (year-end)	76.6	79.0	82.5	84.3	85.1
Household loans / GDP (year-end)	26.9	27.9	28.4	29.3	29.0

* *KB estimate*

** *Banking sector*

INTEREST RATES EVOLUTION

(for the period 1 January 2006 – 30 January 2019)

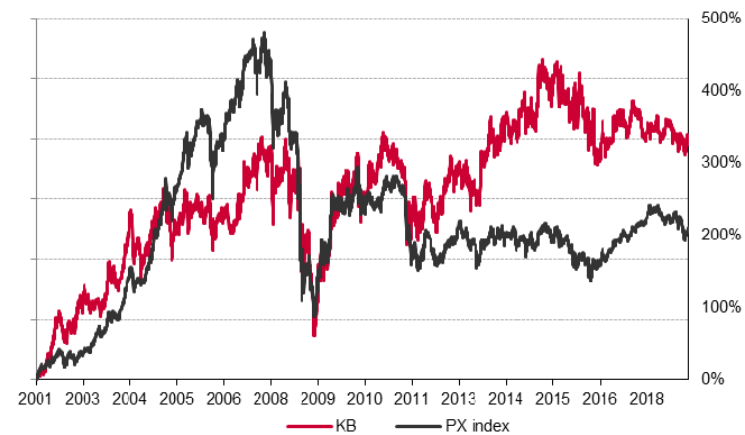


KB #1 LISTED CZECH BANK

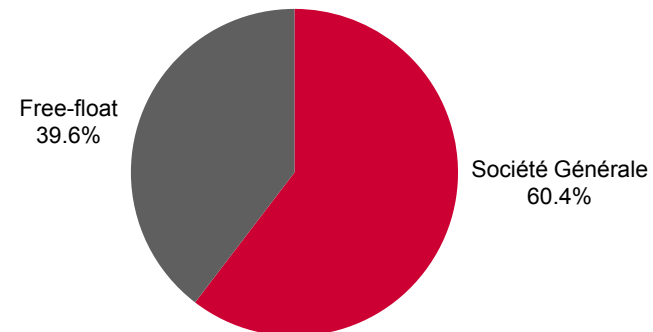
As of 31 December 2018

- The number of shareholders comprised 48,265 corporate entities and private individuals.
- Of the Bank's total share capital of CZK 19,004,926,000 divided into 190,049,260 shares with a nominal value of CZK 100 each, Société Générale S.A. held 60.35%.
- KB held 1,193,360 own shares in treasury, representing 0.63% stake on registered capital

Development of KB share price and PX index
(1 January 2001 – 30 January 2019)



Shareholder structure





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