Komerční banka, a.s.

RESULTS

FY 2023

Regulatory information

Komerční banka, a.s.

Komerční banka's consolidated results for the full year 2023: Solid performance amidst ongoing transformation and a stagflationary economy

"The results of 2023 attest to Komerční banka's strength and success. Among many initiatives and achievements, the most important milestone came on 18 Apri. That is the day we launched the 'New Era of KB', bringing a modern, convenient and user-friendly solution to our clients. The KB+ app is today being used by more than 180,000 clients, benefitting from new features, subscription plans and paperless digital solution. In 2023, we also completed building out of the joint production and processing centre for housing loans granted by both KB and Modrá Pyramida. These and other achievements have been acknowledged by several important awards, including the Mastercard Bank of the Year title. In 2024, implementation of the KB 2025 transformation plan continues, and we will offer New Era of Banking services to 1,000,000 retail banking clients," remarked Jan Juchelka, Komerční banka's Chairman of the Board of Directors and Chief Executive Officer.

"In the past year, we achieved strong results. We succeeded in growing the client base as well as the volumes of loans and deposits. Lending to clients expanded even though the demand was influenced by expectations for lower interest rates to come. Deposits from clients leapt by a tenth and exceeded the one trillion crown mark. Clients' assets in non-bank products, and particularly in mutual funds, grew even faster. Net profit reached CZK 15.6 billion. At the same time, KB Group - as it does every year - contributed significant amounts to the public budgets. For example, KB Group paid CZK 4.8 billion in income taxes, CZK 0.4 billion in advances for the windfall tax, CZK 1.3 billion into the Resolution and Deposit Insurance regulatory funds, CZK 2.1 billion for social and health insurance, CZK 1.8 billion in withholding tax, more than CZK 0.8 billion in VAT, and further amounts in other charges," Jan Juchelka added.

- **At CZK 827.7 billion, KB Group's lending to customers rose by 5.5% year on year.**
- **Client deposits grew by 9.7% from a year earlier to CZK 1,006.1 billion. Volume of non-bank assets (mutual funds, pension funds, life insurance) under management expanded by 16.0% to CZK 251.3 billion.**
- **KB Group was serving 2,199,000 clients. Standalone Komerční banka had 1,664,000 customers, up by 13,000 year on year.**
- **Full year 2023 versus 2022: Total revenues were down by (6.3%) year on year to CZK 36.2 billion. Operating expenditures increased by 8.2% to CZK 17.3 billion. Cost of risk was very small. Attributable net profit, at CZK 15.6 billion, was down by (11.4%) year on year.**
- **Fourth quarter 2023 vis-à-vis 4Q 2022: Total revenues decreased by (4.4%) to CZK 9.2 billion. Operating expenditures rose by 9.5% to CZK 4.3 billion. The Group reported a CZK 1.1 billion net release of provisions for credit risk. Net profit attributable to shareholders, at CZK 3.3 billion, was down by (29.7%).**
- **During 2023, KB Group paid into public budgets CZK 4.8 billion in income taxes, CZK 0.4 billion in advances for windfall tax, CZK 1.3 billion into the Resolution and Deposit Insurance regulatory funds, CZK 2.1 billion for social and health insurance, CZK 1.8 billion in withholding tax, more than CZK 0.8 billion in VAT, and further amounts in other charges. The employees paid an additional CZK 0.7 billion in income tax and CZK 0.7 billion in social and health insurance out of their incomes from KB Group.**
- **Regulatory capital reached CZK 105.9 billion, total capital ratio stood at 18.8%, the CET1 ratio at 17.7%.**
- **The Board of Directors will propose a dividend of CZK 82.66 per share, totalling CZK 15.7 billion. Shareholders will vote on the proposal at the General Meeting set for 24 April 2024.**
- **KB won the main category in the Mastercard Bank of the Year contest, along with the titles of Corporate Bank of the Year 2023 and Bank without Barriers of the Year 2023. Komerční pojišťovna was named Best Life Insurer 2023 in the VISA Best Insurance Company survey.**

KB had 73,478 shareholders (greater by 4,444 year on year). Of these, 67,449 were private individuals from the Czech Republic with shares representing 14.9% of Komerční banka's equity.

Prague, 8 February 2024 – Komerční banka reported today its unaudited consolidated results for the full year 2023.

Business and financial performance
Lending to clients went up by 5.5% year on year to CZK 827.7 billion.[1] The demand for loans, mainly in retail segments, was influenced by expectations for future interest rate developments.

The volume of housing loans outstanding grew by 4.2%, with lending from Modrá pyramida building society expanding faster than did KB's mortgage portfolio. New production of housing loans improved since March after declining sharply during 2022. Overall production of housing loans in 2023 was nevertheless lower by (5.8%) in comparison with the previous year. The growth in consumer lending was quite dynamic, driven mainly by loan consolidation.

Growth in lending to businesses, at 6.4%, reflected corporations' subdued investment activity and effects of FX rate fluctuations on the CZK value of euro-denominated business loans. Loans to large corporations expanded relatively faster than did lending to small and medium-sized enterprises.

Deposits from clients improved by 9.7% year on year to CZK 1,006.1 billion.[2] Meanwhile, the volume of KB Group clients' assets in mutual funds, pension savings, and life insurance rose by 16.0% year on year to CZK 251.3 billion. Clients were looking for greater returns on their money in saving and term accounts and in mutual funds.

Total revenues reached CZK 36.2 billion, lower by (6.3%) compared to 2022. Net interest income declined, mainly due to narrower average spreads on deposits and loans, and because from October 2023 the Czech National Bank cancelled remuneration of reserves that banks must deposit with the central bank. Net fee and commission income was up modestly, reflecting especially clients' greater transaction activity and larger investments in mutual funds, demand for insurance products, loan syndications, and guarantees. Net profit on financial operations was up slightly, as clients' hedging and trading activity had gradually moderated in the context of a sluggish economy but accelerated again with expectations for the beginning of a cutting phase within the interest rate cycle.

Operating expenses were up by 8.2%, at CZK 17.3 billion. Personnel expenses were higher by 7.8%, driven mainly by increase in average salaries even as the average number of employees rose only marginally. The full-year levy to the regulatory funds was unchanged year on year because the CNB adjusted downwards the aggregate contribution from Czech banks to the Resolution Fund even as the charge for deposit insurance was greater due to the previous year's failure of Sberbank CZ. Increase in administrative costs was driven by expenses related to IT support and transformation of the Bank, marketing, real estate, and high inflation generally. Greater depreciation and amortisation charges reflected the ongoing investments into digitalisation.

Cost of risk for the full 2023 reached a negligible level CZK 0.0 billion. This was made possible by generally low rates of default in corporate and retail segments and successful recovery on several larger corporate exposures, offset by creation of provisions for a few exposures to corporate clients.

Reported net profit attributable to shareholders for 2023 decreased by (11.4%) year on year to CZK 15.6 billion. Income taxes came to CZK 3.3 billion.

Through the full year 2023, KB Group paid into public budgets CZK 4.8 billion in income taxes, CZK 0.4 billion in advances for windfall tax, CZK 1.3 billion to the Resolution and Deposit Insurance regulatory funds, CZK 2.1 billion for social and health insurance, CZK 1.8 billion in withholding tax from interest and dividends, more than CZK 0.8 billion in VAT, and further amounts in other charges. The employees paid an additional CZK 0.7 billion in income tax and CZK 0.7 billion in social and health insurance.

Shareholders, capital, and dividends
KB's capital adequacy ratio reached a strong 18.8%, and Core Tier 1 capital stood at 17.7%. The reported capital ratios are adjusted for the volume of dividend as proposed by the Board of Directors.

The liquidity coverage ratio was 145%, significantly above the regulatory minimum of 100%.

In view of KB's 2023 result, strong capital position, outlook for growth in risk-weighted assets, capital requirements, and intention of the management to maintain the level of capital at effective and safe levels, Komerční banka's Board of Directors has decided to propose to the Annual General Meeting a dividend payment of CZK 15.7 billion. That would come to CZK 82.66 per share and put the payout ratio at 100% of KB Group's attributable consolidated net profit. The corresponding gross dividend yield based on 2023's

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[1] Including debt securities issued by KB's corporate clients and held by KB. The volume of reverse repo operations with clients as of 31 December 2023 as well as of 30 December 2022 was nil.

[2] Excluding repo operations with clients. The total volume of 'Amounts due to customers' moved up by 18.6% to CZK 1,127.2 billion.

closing share price is 11.4%. A final decision on distribution of the results, including payment of dividends, is subject to voting of the Annual General Meeting.

The proposed dividend maintains capital adequacy at a level appropriate to the risks assumed under the given economic conditions in the Czech Republic and with respect to the Bank's business opportunities. The proposal also maintains adequate scope for Komerční banka Group'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.

As of 31 December 2023, Komerční banka had 73,478 shareholders (up by 4,444 year on year), of which 67,449 (greater by 4,399 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.

Achievements and awards (in fourth quarter 2024)
KB Group continued in implementing its strategic KB2025 programme, announced in November 2020. During the fourth quarter, KB continued migrating individual retail banking clients to the new environment of the KB+ banking app based on a new digital banking infrastructure. As of 31 December 2023, some 120,854 were enrolled in this, KB's 'New Era of Banking'.

In a vote of economists, analysts, and business experts, Komerční banka was named winner in the 22nd year of the prestigious MasterCard Bank of the Year survey. KB thus repeated its success from the previous year. In addition to the main prize, it also won first place for Corporate Bank of the Year and Bank without Barriers, as well as second place for Private Bank of the Year. In the VISA Best Insurance Company 2023 awards, KB Pojišťovna defended the title Best Life Insurer.

Market environment (in fourth quarter 2023)[1)]

While many of the problems that the global economy faced during 2022 or first half of 2023 have either been largerly mitigated or have disappeared entirely, some geopolitical risk has reappeared. Most notably, the situation in the Middle East again became more tense. Global trade was also disturbed by attacks on cargo ships in the Red Sea.

The Czech Republic's economy did not experience the expected economic recovery, but neither did it technically go into recession. The primary focus of macroeconomic discourse in the country has been on fiscal policy and interest rate reduction. The President signed a so-called austerity package, with the majority of its provisions went into force on 1 January 2024. The 2024 budget, which includes austerity measures to lower the deficit to CZK 252 billion in 2024,[2)] was approved by Parliament at the end of November. In late December 2023, the CNB cut its key interest rate by 0.25 percentage points, to 6.75%.[3)]

In the third quarter, the Czech economy shrank on a quarter-by-quarter basis. Nevertheless, according to the flash estimate from the Czech Statistical Office, real GDP grew in Q4 by 0.2% quarter over quarter, mainly due to foreign demand and also to household consumption. However, it fell by (0.2%) year over year in the fourth quarter. During Q3 2023, the Czech economy as a whole continued to deteriorate. Real gross domestic product (GDP) decreased by (0.6%) from the prior quarter. Increased government spending and a tentative revival in non-financial corporate investment activity have both somewhat improved economic performance. In November, industry started to slip again. Weak investments as well as household spending, reflecting a sharp drop in real earnings were the key obstacles to economic development. Real average gross wage matched levels last seen in 2021's fourth quarter.[4)] The labour market continued to be tight. The unemployment rate rests one of the lowest among EU countries, 2.4% (according to the Eurostat methodology after seasonal adjustment).[5)] In December, the Czech labour ministry reported slight increase in the unemployment rate.[6)]

Agricultural producer prices increased by 0.4% in Q4 2023 compared to Q3 2023. Year on year, however, they were (14.4%) lower in Q4 2023, mainly driven by prices of crop products. Industrial producer prices decreased by (0.3%) versus the previous quarter. Because of higher prices for base metals and coal, they increased by 0.8% year over year in Q4. Prices for construction work rose by 0.6% in Q4 2023 compared to Q3 2023, and they were 3.2% higher year on year. On average for the full year 2023 compared to 2022, agricultural producer prices were (6.0%) lower, industrial producer prices were 5.0% higher, and construction prices were 6.0% higher. Easing pressure from these primary prices was transmitted into consumer prices. Consumer prices declined by (0.4%) month over month for December and in year-over-year terms the growth had slowed to 6.9% (or to 4.2% when adjusted for the energy tariff impact).[7)] The core price dynamics slowed to 3.6% year on year in December 2023.[8)]

On 21 December 2023, the CNB lowered its main 2W repo monetary policy rate from 7% to 6.75%. As of 29 December 2023, 3M PRIBOR stood at 6.77%, down (49) bps year to date. The 10Y interest rate swap reached 3.49% (lower by 130 bps year to date). The interest rate swap curve remained still slightly inverted, with the 5Y measure at 3.54% (down 169 bps year to date) and yields on 10-year Czech government bonds at 3.82% (120 bps lower year to date) by the end of December. The Czech crown exchange rate vis-à-vis the euro was 1.6% weaker quarter on quarter and by 2.5% year over year. It ended 2023 at 24.7 CZK/EUR.

Information on the development of residential real estate prices is available for the third quarter. Prices paid in 2023's third quarter[9)] for previously owned flats were down by (7%) year on year across Czechia and by (5.3%) year on year in Prague. Prices obtained for new flats (in Prague only) were (5.7%) lower than a year earlier. Residential property prices in the Czech Republic increased by 0.3% quarter on quarter and decreased by (3.5%) year on year, according to the European House Price Index.[10)]

Total bank lending in the fourth quarter across the market as a whole (apart from repo operations) increased by 6.9%[11)] annually. Loans to individuals in December increased by 5.0% year on year. Consumer loans grew by 7.9% annually, while housing lending resumed its upward trajectory in 4Q, in December we saw 4.2 % growth year over year. Volume of lending to businesses and other corporations increased by 8.9 %.

In December the total of deposits in Czech banks was up by 14.4%[12)] annually. Deposits from households had increased by 6.9%, whilst market deposits from businesses had risen by 23.8% annually. In comparison to December of a year earlier, the volumes in savings accounts had climed up by 21.6%, term deposits had increased by 55.1% year over year, whereas current account volumes were down -3.4%.

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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) Source: https://www.mfcr.cz/cs/ministerstvo/media/tiskove-zpravy/2023/poslanecka-snemovna-schvalila-statni-rozpocet-pro-53897 (in Czech only)

3) Source: https://www.cnb.cz/en/cnb-news/press-releases/CNB-cuts-interest-rates-00004/

4) Source: https://www.czso.cz/csu/czso/labour_and_earnings_ekon

5) Source: https://ec.europa.eu/eurostat/documents/2995521/18278350/3-09012024-AP-EN.pdf/616998cd-5675-cd0d-8fb2-180a16c9af53 Data as of November 2023

6) Source: https://www.mpsv.cz/web/cz/mesicni Data as of December 2023

7) Source: https://www.czso.cz/csu/czso/ari/consumer-price-indices-inflation-december-2023

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

9) Source: https://www.czso.cz/csu/czso/indices-of-realized-flat-prices-3-quarter-of-2023, Publication code 014007-23, released 14 December 2023.

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

11) Source of data on banking market developments: ARAD statistics of the CNB, https://www.cnb.cz/arad/#/en/home

12) Source of data on banking market developments: ARAD statistics of the CNB, https://www.cnb.cz/arad/#/en/home

Developments in the client portfolio and distribution networks

	31 Dec 2022	31 Dec 2023	Change YoY
KB Group's clients	2,240,000	2,199,000	(41,000)
Komerční banka	1,652,000	1,664,000	13,000
– individual clients	1,408,000	1,422,000	13,000
– New Digital Bank clients	n.a.	121,000	n.a.
– internet banking clients	1,515,000	1,564,000	49,000
– mobile banking clients	1,145,000	1,283,000	138,000
Modrá pyramida	461,000	429,000	(32,000)
KB Penzijní společnost	505,000	474,000	(31,000)
ESSOX (Group)	132,000	117,000	(15,000)
KB branches (CZ)	218	212	(6)
Modrá pyramida points of sale	198	199	1
SGEF branches	9	9	0
ATMs (KB network)	850	796	(54)
– of which deposit-taking	521	510	(11)
– of which contactless	645	688	43
ATMs (Total shared network)	1,412	1,974	562
Number of active debit cards	1,473,000	1,499,000	26,000
Number of active credit cards	194,000	215,000	22,000
Number of cards virtualized into payment apps	497,000	671,000	174,000
KB key authentication users	1,089,000	1,194,000	105,000

Comments on business and financial results

The financial data published below are from unaudited consolidated results compiled under IFRS (International Financial Reporting Standards). Unless stated otherwise, the data are as of 31 December 2023.

BUSINESS PERFORMANCE

Loans to customers
Total **gross volume of lending to clients** rose by 5.5% year on year to CZK 827.7 billion.[1)]

In **lending to individuals,** the overall volume of housing loans grew by 4.2% from the year earlier. Within this total, the portfolio of mortgages to individuals expanded by 2.9% to CZK 276.4 billion. Modrá pyramida's loan portfolio developed even faster, by 8.5% to CZK 92.5 billion. Sales of housing loans in 2023 were lower by (5.8%) in comparison with the year 2022, at CZK 36.3 billion. However, these sales had been recovering since March. The volume of KB Group's consumer lending (provided by the Bank and ESSOX Group in the Czech Republic and Slovakia) was up by 6.9%, at CZK 37.2 billion.

The total volume of **loans to businesses** and other lending provided by KB Group was greater by 6.4% year on year, at CZK 421.6 billion. Lending to small businesses expanded by 1.6%to CZK 47.5 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 6.9% year on year to CZK 339.9 billion. At CZK 34.2 billion, the total credit and leasing amounts outstanding at SGEF were up by 8.7% year over year.

Amounts due to customers and assets under management
The **volume of standard client deposits** within KB Group increased by 9.7% year on year to CZK 1,006.1 billion.[3)] Year-on-year growth was faster in deposits from corporate clients. During the year, clients were often investing their savings in mutual funds and they also were switching their deposits from current accounts to term and savings accounts.

[1)] Including debt securities issued by KB's corporate clients. There were no reverse repo operations with clients to report as of 31 December 2023 or 31 December 2022.

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

[3)] Excluding volatile repo operations with clients. The total volume of 'Amounts due to customers' increased by 0.4% year on year to CZK 1,124.6 billion.

Deposits at Komerční banka from individual clients improved by 3.1% from the year earlier to CZK 337.9 billion. The deposit book at Modrá pyramida diminished by (6.5%) to CZK 52.3 billion. Total deposits from businesses and other corporations were up by 15.6% to CZK 608.4 billion.

The volumes in mutual funds held by KB Group clients grew by 33.7% to CZK 131.4 billion. Client assets managed by KB Penzijní společnost were 1.5% greater, at CZK 74.1 billion. Technical reserves in life insurance at Komerční pojišťovna were up by 1.0% year on year, at CZK 45.7 billion.

The Group's liquidity as measured by the ratio of net loans[1)] to deposits (excluding repo operations with clients but including debt securities held by KB and issued by the Bank's clients) stood at 82.8%. The Group's liquidity coverage ratio ended the year at 145%, well above the regulatory limit of 100%.

FINANCIAL PERFORMANCE

Income statement
Komerční banka's **revenues (net operating income)** reached CZK 36,199 million, down by (6.3%) compared to the full year 2022. Net interest income declined due to higher costs of deposits, lower average spreads on lending products, and cancelled remuneration of mandatory reserve deposits with the CNB from October 2023, which effects were not offset by expanding volumes. Net fee and commission income was up slightly on a broad-based positive trend, driven particularly by clients' larger investments in mutual funds and greater contribution from life insurance, private banking and guarantees. Net profit on financial operations was up modestly, reaching an excellent result in the context of a sluggish economy that is affecting hedging and trading activity of corporate clients.

Net interest income was down by (10.6%), at CZK 25,595 million. The volume of loans expanded, but the average lending spreads narrowed. Switching of deposit volumes from current accounts to savings and term deposits, together with higher rates paid on deposit products, led to significantly higher average costs of deposits. KB also had to bear additional costs of loans it must take to meet the new regulatory requirement for a minimum level of eligible liabilities (MREL). The decision of the Czech National Bank to stop remuneration of banks' mandatory deposits with the central bank has weighed on interest income since the fourth quarter. The contribution to net interest income from investment banking was stable year on year. Net interest margin for 2023, computed as the ratio of net interest income to interest-earning assets reported on the balance sheet, reached 1.9%. That compares to 2.4% a year earlier.

Net fee and commission income grew by 4.8% to CZK 6,414 million. Transaction fees contributed to this development, as clients' transaction activity was greater, especially in card payments but also in other non-cash payments. Deposit product fees were up slightly, as the base from the previous year had been influenced by a humanitarian allowance for war refugees from Ukraine. Fees from cross-selling improved as well, with better contribution from mutual funds and insurance products. Income from loan services was higher, mainly due to expanded consumer lending. There was an improvement also in net fee income from services in private banking, loan syndications, and guarantees.

Net profit on financial operations increased by 4.5% year on year to CZK 3,832 million. This excellent result was achieved on the back of client activity in currency and interest rate hedging and trading. Small and medium-sized corporate clients continued to appreciate tailored hedging strategies, and particularly those based on currency options. Gains from foreign exchange payments were lower year on year, reflecting transaction activity of clients and their cost optimisation, as well as spreads adjustments. The result also included gain of CZK 294 million from sales of bonds reported on the banking book.

Dividend and other income was up by 68.1% to CZK 358 million. This line item primarily comprises revenues from property rental and ancillary services.

Operating expenses rose by 8.2% to CZK 17,321 million. Reflecting a combined rise in average salaries and 0.7% increase in the average number of employees to 7,551, personnel expenses grew by 7.8% to CZK 8,335 million[2)] General and administrative expenses (not including contributions to the regulatory funds) were up by 8.4%, at CZK 4,300 million. Growth in this category was driven by marketing, IT support and real estate, as well as costs related to the transformation and overall inflation. The full-year charge to the regulatory funds (Deposit Insurance Fund, Resolution Fund) was stable year on year, at CZK 1,292 million, because the CNB reduced the Czech banks' aggregate contribution to the Resolution Fund in 2023 but the levy for the Deposit Insurance Fund was increased following the previous year's failure of Sberbank CZ. Depreciation, amortisation, and impairment of operating assets grew by 12.2% to CZK 3,393 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 (16.5%), at CZK 18,878 million.

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

[2)] Recalculated to a full-time equivalent number.

Cost of risk (impairment losses, provisions for loans, and net result from loans transferred and written off) reached CZK 14 million compared to CZK 1,181 million a year earlier. The level of new defaults remained relatively low across all client segments. The Group achieved successful recoveries relating to several exposures in the corporate client segment, but this contribution was offset by creation of provisions for individual exposures with weakened credit profile in the corporate segment. Net provisioning in retail segments remained low, although the Group observed a moderate increase in default intensity for the consumer and small business portfolios. The cost of risk in relative terms and as measured against the average volume of the lending portfolio during the full year 2023 came to 0 basis points. That compares with 15 basis points for 2022.

Income from shares in associated undertakings (i.e. Komerční pojišťovna) was up by 52.8% year on year, at CZK 330 million, influenced by interest rate developments, creation and utilisation of the insurance reserves, and implementation of the IFRS 17 accounting standard at Komerční pojišťovna.

Net profit on subsidiaries and associates was CZK 0, compared to CZK 73 million a year earlier, when it had included a gain from revaluation of a stake in a subsidiary.

Net profits (losses) on other assets reached a negative CZK (87) million. In the previous year, net profit on other assets had been CZK 111 million. This line comprises mainly result from sales of buildings, disposals and impairment of intangible assets (software), and related costs.

Income tax was lower by (17.8%), at CZK 3,288 million.

KB Group's consolidated **net profit** for the year 2023 reached CZK 15,819 million, which was down by (11.3%) in comparison with the year earlier. Of this total, CZK 207 million was profit attributable to the non-controlling owners of minority stakes in KB's subsidiaries (down by 4.6% year on year).

Reported **net profit attributable to the Group's equity holders** totalled CZK 15,612 million, which is (11.4%) less year on year.

Other comprehensive income reached CZK (638) million. This derived mainly from revaluation of some cash flow hedging positions and debt securities. **Consolidated comprehensive income** for the full year 2023 totalled CZK 15,181 million, of which CZK 210 million was attributable to owners of non-controlling stakes.

Statement of financial position

Unless indicated otherwise, the following text provides a comparison of the balance sheet values as of 31 December 2023 with the values from the statement of financial position as of 31 December 2022.

Assets

As of 31 December 2023, KB Group's total assets had grown by 16.2% year to date to CZK 1,516.3 billion.

Cash and current balances with central banks were down by (9.6%), at CZK 12.8 billion. Financial assets held for trading at fair value through profit or loss (trading securities and derivatives) decreased by (15.4%) to CZK 48.5 billion. The fair value of hedging financial derivatives declined by (60.2%) to CZK 8.6 billion.

Year to date, there was a (44.4%) drop in financial assets at fair value through other comprehensive income totalling CZK 16.8 billion. This item consisted mainly of debt securities issued by government institutions.

Financial assets at amortised cost grew by 21.1% to CZK 1,397.4 billion. The largest portion of this consisted of (net) loans and advances to customers, which increased year to date by 6.7% to CZK 833.5 billion. A 98.1% share in the gross amount of client loans was classified in Stage 1 or Stage 2 while 1.9% of the loans were classified in Stage 3 (non-performing). The volume of loss allowances created for amounts due from customers came to CZK 12.1 billion. Loans and advances to banks climbed by 76.4% to CZK 411.6 billion. The majority of this item consists in reverse repos with the central bank. The value held in debt securities was up by 9.3% and reached CZK 152.2 billion at the end of December 2023.

Revaluation differences on portfolio hedge items totalled CZK (0.8) billion, lower by (68.0%). Current and deferred tax assets stood at CZK 0.9 billion. Prepayments, accrued income, and other assets, which include receivables from securities trading and settlement balances, increased overall by 8.3% to CZK 6.3 billion. Assets held for sale climbed by 798.0% to CZK 0.8 billion.

Influenced by Komerční pojišťovna's transition to the IFRS 17 standard, investments in associates rose by 14.9%, to CZK 3.0 billion, compared to the 2022 year-end restated value of CZK 2.7 billion.

The net book value of tangible assets decreased by (8.3%) to CZK 8.0 billion. Intangible assets grew by 12.9% to reach CZK 10.2 billion. Goodwill, which primarily derives from the acquisitions of Modrá pyramida, SGEF, and ESSOX, remained unchanged at CZK 3.8 billion.

Liabilities
Total liabilities were 17.6% higher in comparison to the end of 2022 and stood at CZK 1,388.0 billion.

Financial liabilities at amortised cost went up by 18.8% to CZK 1,247.8 billion. Amounts due to customers comprise the largest proportion of this sum, and these climbed by 18.6% to CZK 1,127.2 billion. This total included CZK 121.0 billion of liabilities from repo operations with clients and CZK 7.1 billion of other payables to customers. Amounts due to banks increased through 2023 by 24.1% to CZK 105.7 billion.

Revaluation differences on portfolios hedge items were CZK (34.9) billion. Current and deferred tax liabilities ended at CZK 1.0 billion, down by (61.4%). Accruals and other liabilities, which include payables from securities trading and settlement balances, grew by 2.9% to CZK 17.3 billion.

The provisions balance was (25.8%) lower, at CZK 0.9 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 64.6 billion, was up by 66.8% year to date, as KB continued to subscribe new loans during 2023 to meet regulatory minimum requirements for own funds and eligible liabilities (MREL).

Equity
Total equity rose year to date by 2.9% to CZK 128.3 billion, whereas the positive contribution from the net profit generated during the year was offset by the volume of the annual dividend paid in May. Values of retained earnings as well as income from share of associated undertakings were restated as of the end of 2022 as a result of Komerční pojišťovna's adopting the IFRS 17 standard. The value of non-controlling interests reached CZK 3.2 billion. As of 31 December 2023, 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 105.9 billion as of 31 December 2023. **Capital adequacy** stood at 18.8%. Core Tier 1 (CET1) capital totalled CZK 99.7 billion and the Core Tier 1 ratio was 17.7%. Tier 2 capital summed to CZK 6.2 billion, which was 1.1% of risk-weighted assets.

As from 1 January 2024, Komerční banka's overall capital requirements (OCR) were at approximately 17.1%. The minimum required level of CET1 was 12.5% and the minimum Tier 1 capital ratio stood at 14.5%.

KB Group's Liquidity Coverage Ratio came to 149% as of 31 December 2023. The applicable regulatory minimum is 100%.

Besides regulatory capital, banks are required to maintain a minimum requirement for own funds and eligible liabilities (MREL) at a level set by the decision of resolution authorities. Effective as of 1 January 2024, KB Group is required to comply with an MREL 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 maintain the combined capital buffer. According to current regulations and the criteria from the supervisor, this requirement stood at 6.50% as of 1 January 2024.

Pursuing the so-called "single point of entry" resolution strategy, KB fulfils its MREL requirements by taking on senior non-preferred loans from Société Générale S.A. As of 31 December, KB had accepted such loans in a total principal volume of EUR 2.4 billion.[1)] KB Group's MREL ratio stood at 29.3%.

Developments in the Group structure during the fourth quarter of 2023

On 1 November, My Smart Living, s.r.o., fully owned by KB indirectly via KB's subsidiary KB SmartSolutions, s.r.o., was put into liquidation. The company name was changed to "My Smart Living, s.r.o. v likvidaci". My Smart Living had been an operator of the Cincink real estate portal, which was closed in 2020. KB has utilised the experience which it had gained within its Housing tribe.

In December, KB increased equity of its fully owned subsidiary Modrá pyramida stavební spořitelna, a.s. by CZK 1.1 billion through a financial contribution to Other capital funds.

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

Expected development and main risks to that development in 2024

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 contracting slightly 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 decline 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 basis points 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, reaching around 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 decreases 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 to be imposed on banks in Slovakia, with a rate for 2024 at 30% of accounting pre-tax profit.

In December 2022, the 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 a difference between the income tax base (profit before tax) of the respective year and the 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 basis points 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 is 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 as from 1 October 2023).

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

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.

[1] https://www.czso.cz/csu/czso/hdp_narodni_ucty

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

The banking market for loans in 2024 is expected to expand at a mid-single-digit pace, thus accelerating marginally in comparison with the previous year. 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 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 should grow also at a mid-single-digit pace and slightly faster than in 2023. 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 could be limited due to refinancing concerns not fully alleviated by an amendment to the Consumer Credit Act.

Consumer lending should maintain its high-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.

The corporate loan book 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 increase in aggregate demand. Nevertheless, large liquidity buffers will allow them to finance less capital-intensive investments from their own funds. Euro-denominated loans are likely to maintain their relative interest rate advantage this year, albeit to a lesser extent, given the expected earlier and faster rate cutting by the CNB compared to that of the ECB. 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.

Growth 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 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 commenced onboarding of new clients to the new platform and a gradual migration of clients from the legacy system. The migration that has begun in the Individuals segment will be followed in 2024 by that for entrepreneurs and later also by the corporate clients 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 in 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 accelerate its growth to upper mid-single-digit pace, supported by recovery on the market and improved efficiency of the sales and internal process from deploying the Group’s single mortgage production centre. Consumer lending will expand at a high-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 mid-single-digit pace.

Total deposit balances are expected to expand at a mid-single-digit pace, similar to that of total lending. Deposits of clients in retail segments should grow somewhat faster than do volumes from corporate clients.

The volume of clients’ assets in mutual funds should expand at double-digit pace, while assets in pensions funds will expand by low-single digits and volume of technical reserves in life insurance will probably decline.

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 a modest volume growth with modestly smaller average interest margins. Net fees and commissions should improve by low-single digits, driven mainly again by growth of the volumes in mutual funds. The net profit on financial operations will likely grow somewhat faster, fuelled by foreign currency transactions, hedging of financial risks for clients, 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 funds will be decided by the CNB later in the year, but, according to an announcement of the regulator from the autumn of 2023,[1)] the contribution to the Resolution Fund for 2024 should decrease significantly year over year due to a slower modelled growth of deposits in the banking system and the expected rate of return on the assets of the Fund. 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 and there remains considerable uncertainty regarding the external environment and impacts from geopolitical tensions and the necessary global energy transition. In such context, cost of risk is expected to increase in comparison with low levels recorded in the year 2023. Nevertheless, reflecting the resilient credit profile of KB's asset portfolio, the cost of risk in 2024 is expected to remain below 20-30 bps through-the-cycle range.

The key risks to the expectations described above comprise further escalation of the 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 2023 to propose distributing as dividends 100% of attributable consolidated net profit earned in the year.

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1) https://www.cnb.cz/en/resolution/contributions-to-resolution-financing-arrangement/determination-of-annual-contributions/

ANNEX: Consolidated results as of 31 December 2023 under International Financial Reporting Standards (IFRS)

Profit and Loss Statement	Reported			Recurring		
	FY 2022*	FY 2023	Change YoY	FY 2022*	FY 2023	Change YoY
(CZK million, unaudited)						
Net interest income	28,632	25,595	(10.6%)	28,632	25,595	(10.6%)
Net fee and commission income	6,121	6,414	4.8%	6,121	6,414	4.8%
Net profit on financial operations	3,666	3,832	4.5%	3,666	3,832	4.5%
Dividend and other income	213	358	68.1%	213	358	68.1%
Net banking income	**38,632**	**36,199**	**(6.3%)**	**38,632**	**36,199**	**(6.3%)**
Personnel expenses	(7,734)	(8,335)	7.8%	(7,734)	(8,335)	7.8%
General admin. expenses (excl. regulatory funds)	(3,965)	(4,300)	8.4%	(3,965)	(4,300)	8.4%
Resolution and similar funds	(1,292)	(1,292)	0.0%	(1,292)	(1,292)	0.0%
Depreciation, amortisation and impairment of operating assets	(3,023)	(3,393)	12.2%	(3,023)	(3,393)	12.2%
Total operating expenses	**(16,014)**	**(17,321)**	**8.2%**	**(16,014)**	**(17,321)**	**8.2%**
Operating profit	**22,618**	**18,878**	**(16.5%)**	**22,618**	**18,878**	**(16.5%)**
Impairment losses	(1,109)	(120)	(89.2%)	(1,109)	(120)	(89.2%)
Net gain from loans and advances transferred and written off	(72)	106	+/-	(72)	106	+/-
Cost of risk	**(1,181)**	**(14)**	**(98.8%)**	**(1,181)**	**(14)**	**(98.8%)**
Net operating income	**21,437**	**18,864**	**(12.0%)**	**21,437**	**18,864**	**(12.0%)**
Income from share of associated companies	216	330	52.8%	216	330	52.8%
Net profit/(loss) on subsidiaries and associates	73	0	n.a.	73	0	n.a.
Net profits on other assets	111	(87)	+/-	111	(87)	+/-
Profit before income taxes	**21,837**	**19,107**	**(12.5%)**	**21,837**	**19,107**	**(12.5%)**
Income taxes	(3,998)	(3,288)	(17.8%)	(3,998)	(3,288)	(17.8%)
Net profit for the period	**17,839**	**15,819**	**(11.3%)**	**17,839**	**15,819**	**(11.3%)**
Profit attributable to the Non-controlling owners	217	207	(4.6%)	217	207	(4.6%)
Profit attributable to the Group's equity holders	**17,621**	**15,612**	**(11.4%)**	**17,621**	**15,612**	**(11.4%)**

* Restated to reflect IFRS 17.

Statement of Financial Position	31-Dec-22*	31 Dec 2023	Ytd
(CZK million, unaudited)			
Assets	**1,305,304**	**1,516,302**	**16.2%**
Cash and current balances with central bank	14,190	12,835	(9.5%)
Loans and advances to banks	233,398	411,644	76.4%
Loans and advances to customers (net)	781,463	833,542	6.7%
Securities and trading derivatives	226,848	217,484	(4.1%)
Other assets	49,404	40,797	(17.4%)
Liabilities and shareholders' equity	**1,305,304**	**1,516,302**	**16.2%**
Amounts due to banks	85,176	105,694	24.1%
Amounts due to customers	950,692	1,127,228	18.6%
Securities issued	12,156	12,431	2.3%
Subordinated and senior non preferred debt	38,694	64,560	66.8%
Other liabilities	93,910	78,106	(16.8%)
Total equity	124,676	128,284	2.9%

* Restated to reflect IFRS 17.

Key ratios and indicators	31 Dec 2022	31 Dec 2023	Change year on year
Capital adequacy (CNB)	19.5%	18.8%	▼
Tier 1 ratio (CNB)	18.9%	17.7%	▼
Total risk-weighted assets (CZK billion)	523.0	563.9	7.8%
Risk-weighted assets for credit risk (CZK billion)	430.8	452.3	5.0%
Net interest margin (NII / average interest-bearing assets)[III]	2.4%	1.9%	▼
Loans (net) / deposits ratio[IV]	85.2%	82.8%	▼
Cost / income ratio[V]	41.5%	47.8%	▲
Return on average equity (ROAE)[VI]	14.3%	12.7%	▼
Return on average Tier 1 capital[VII]	17.6%	15.7%	▼
Return on average assets (ROAA)[VIII]	1.4%	1.1%	▼
Earnings per share (CZK)[IX]	93.3	82.7	(11.4%)
Average number of employees during the period	7,503	7,551	0.7%

Business performance in retail segment – overview	31 Dec 2023	Change year on year
CZK bil.		
Mortgages to individuals – volume of loans outstanding	276.4	2.9%
Building savings loans (MPSS) – volume of loans outstanding	92.5	8.5%
Consumer loans (KB + ESSOX + PSA Finance) – volume of loans outstanding	37.2	6.9%
Small business loans – volume of loans outstanding	47.5	1.6%
Insurance premiums written (KP)	6,161.8	(11.0%)

Senior non-preferred loans as of 31 December 2023:

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

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

Subordinated debt as of 31 December 2023:

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 one year before final maturity date

Financial calendar:

3 May 2024	1Q 2024 results
1 August 2024	6M and 2Q 2024 results
31 October 2024	9M and 3Q 2024 results

Definitions of the performance indicators mentioned herein:

I. **Housing loans:** mortgages to individuals provided by KB + loans to clients provided by Modrá pyramida;

II. **Cost of risk in relative terms:** annualised 'Allowances for loan losses' divided by the average of 'Gross amount of client loans and advances', year to date;

III. **Net interest margin (NIM)**: 'Net interest income' divided by average interest-earning assets (IEA) year to date. IEA comprise 'Cash and current balances with central banks' ('Current balances with central banks' only), 'Loans and advances to banks', 'Loans and advances to customers', 'Financial assets held for trading at fair value through profit or loss' (debt securities only), 'Non-trading financial assets at fair value through profit or loss' (debt securities only), 'Financial assets at fair value through other comprehensive income' (debt securities only), and 'Debt securities';

IV. **Net loans to deposits:** ('Net loans and advances to customers' inclusive of debt securities held by KB and issued by the Bank's clients less 'reverse repo operations with clients') divided by the quantity ('Amounts due to customers' less 'repo operations with clients');

V. **Cost-to-income ratio:** 'Operating costs' divided by 'Net operating income';

VI. **Return on average equity (ROAE):** annualised 'Net profit attributable to the Group's equity holders' divided by the quantity average group 'shareholders' equity' less 'Minority equity', year to date;

VII. **Return on average Tier 1 capital:** annualised 'Net profit attributable to the Group's equity holders' divided by average group 'Tier 1 capital', year to date;

VIII. **Return on average assets (ROAA):** annualised 'Net profit attributable to the Group's equity holders' divided by average 'Total assets', year to date;

IX. **Earnings per share:** annualised 'Net profit attributable to the Group's equity holders' divided by the quantity average number of shares issued minus average number of own shares in treasury.

Reconciliation of 'Net interest margin' calculation, (CZK million, consolidated, unaudited):

(source: Profit and Loss Statement)	FY 2023	FY 2022
Net interest income income, year-to-date	**25,595**	**28,632**
Of which:		
Loans and advances at amortised cost	66,139	51,842
Debt securities at amortised cost	4,407	3,187
Other debt securities	442	559
Financial liabilities at amortised cost	(38,798)	(22,194)
Hedging financial derivatives – income	48,102	37,176
Hedging financial derivatives – expense	(54,697)	(41,938)

(source: Balance Sheet)	31 Dec 2023	31 Dec 2022	31 Dec 2022	31 Dec 2021
Cash and current balances with central banks / Current balances with central banks	4,530	6,167	6,167	21,455
Loans and advances to banks	411,644	233,398	233,398	257,196
Loans and advances to customers	833,542	781,463	781,463	724,587
Financial assets held for trading at fair value through profit or loss / Debt securities	19,621	9,968	9,968	8,696
Non-trading financial assets at fair value through profit or loss / Debt securities	0	132	132	135
Financial asset at fair value through other comprehensive income (FV OCI) / Debt securities	16,729	30,119	30,119	35,509
Debt securities	152,238	139,276	139,276	114,078
Interest-bearing assets (end of period)	**1,438,304**	**1,200,524**	**1,200,524**	**1,161,656**
Average interest-bearing assets, year-to-date	**1,319,414**		**1,181,090**	
NIM year-to-date, annualised	**1.94%**		**2.42%**	