

04 August 2015

Komerční Banka – 2Q15 Preview

Top Line Higher on Volume, Risk Costs at Subnormal Level

Banks	CURRENT PRICE	5,570 CZK	HOLD CURRENT RATING
CZECH REPUBLIC	TARGET PRICE	5,600 CZK	

Bloomberg	KOMB CP
Reuters	BKOMBI PR
www.kb.cz	
Market Cap	CZK212,019m
Shares outst.	38.0m
Free float	39.6%
Next corporate event	
Results 2Q15: 05 August 2015	
Performance	1M 3M 12M
Absolute	+3% +4% +23%
Relative	-2% +3% +12%

2Q15 Results Preview

Komerční will release its 2Q15 results tomorrow (August 5) at 7 am CET. **We expect the bank to report a 3.3% y-o-y increase in net profit to CZK 3.42bn, largely driven by lower cost of risk. Operating profit should edge higher by 1.7% y/y* on solid business volume.**

We expect net interest income to rise by 0.6% y/y to CZK 5.16bn. Net interest margin (NIM) improve by minor 2 bps q/q to 2.50%, but down from 2.67% a year ago, which should be more than offset by an increase of interest bearing assets (+8.0% y/y) positively affected by large (though low-margin) deposit inflows in 2H14. Income from net fees and commissions is expected to come in lower by 3.1%. Income from financial operations should advance by 27.1% y/y influenced by market developments in 2Q15 as rising interest rates and CZK appreciation may have increased demand for IR and FX hedging.

Operating costs should stay flat bringing the C/I ratio slightly lower to 42.2% from 42.9% in 2Q14. Cost of risk should stay at sub-normal level seen in previous quarters. Hence, we expect cost of risk at 16 bps over total bank's exposure (versus 8 bps or 21 bps in 1Q15 and 2Q14, respectively), or CZK 200mn, down by 23.7% y/y.

As cost of risk is at cyclically low levels with rather limited room for positive surprises, investors should focus more on operating trends and outlook for 2015. We think the recent strong Czech macrodata pave the way for better outlook for top line in 2H15 and beyond.

Komerční - 2Q15 preview

CZK bln.	2Q14*	2Q15E Patria	2Q15E Cons.	y/y Patria	y/y Cons.
Net interest income	5,13	5,16	5,14	0,6%	0,1%
Net fees & commissions	1,79	1,74	1,71	-3,1%	-4,5%
Income from FO + other	0,54	0,69	0,65	27,1%	21,3%
Total banking income	7,46	7,59	7,50	1,7%	0,5%
Operating profit	4,26	4,39	4,25	2,9%	-0,2%
Cost of risk	-0,26	-0,20	-0,14	-23,7%	-46,2%
Profit before tax	4,05	4,24	4,16	4,5%	2,5%
Net profit	3,31	3,42	3,32	3,3%	0,6%

Conference call, Wednesday Aug 5 @ 2 pm CET, call-in +44 (0)20 7031 4064, PIN 954561

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* Note, for comparison reasons 2Q14 figures are adjusted for the effect of the deconsolidation of Transformed Fund

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The company disclosures can be consulted on our website <http://www.patria.cz/stocks/research/recommendation.html>

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