

# Half-yearly financial report

# 2024



# | Contents

Company profile	3
Highlights from 2024's first half	4
Macroeconomic development	5
Sustainable banking	7
Business performance	9
Financial performance	11
Definitions of the performance indicators mentioned herein	14
Expected development and main risks to that development in 2024	16
Events in corporate governance	19
Changes in Group structure	19
Related parties	20
Report of financial results as of 30 June 2024	23
- Consolidated Income Statement and Statement of Comprehensive Income	24
- Consolidated Statement of Financial Position	25
- Consolidated Statement of Changes in Shareholders' Equity	26
- Consolidated Cash Flow Statement	28
- Notes to the Consolidated Financial Statements	30
Ratings	40
Shareholder structure	40
Management affidavit	41

## Further information

Detailed financial and operational information about Komerční banka Group is available in other publications on KB's website for shareholders and investors, [www.kb.cz/investors](http://www.kb.cz/investors). Additional information on corporate social responsibility and ethics at KB as well as KB's corporate governance is available at [www.kb.cz/en/about-bank](http://www.kb.cz/en/about-bank). Information about KB's products and services is accessible from the homepage, [www.kb.cz/en](http://www.kb.cz/en).

This document contains a number of forward-looking statements relating to the targets and strategies of Komerční banka Group. These statements are based on numerous assumptions, both general and specific. As a result, there is a risk that these

projections will not be fulfilled. Forward-looking statements are valid only as of the date they are made, and it should not be assumed that they will be revised or updated in the light of new information or future events. Readers are therefore advised not to rely on this information 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.

## Contacts

**Komerční banka, a.s.**  
Náměstí Junkových 2772/1, 155 00 Prague 13  
Telephone: (+420) 955 559 550  
Email: [mojebanka@kb.cz](mailto:mojebanka@kb.cz)  
Internet: [www.kb.cz](http://www.kb.cz)

**Contact for shareholders and investors:**  
Investor Relations  
Telephone: (+420) 955 532 155, 955 532 156, 955 532 734  
Internet: [www.kb.cz/investors](http://www.kb.cz/investors)  
E-mail: [investor\\_relations@kb.cz](mailto:investor_relations@kb.cz)

# | Company profile

Komerční banka, a.s. (hereinafter also “KB” or the “Bank”) is the parent company of KB Group (hereinafter also the “Group”) and a member of the Soci t  G n rale international financial group. KB ranks among the leading banking institutions in the Czech Republic, as well as in Central and Eastern Europe. It is a universal bank providing a wide range of services in retail, corporate, and investment banking. Member companies of Komer n  banka Group provide additional specialised financial services, such as pension savings and building society schemes, leasing, factoring, consumer lending, insurance and fintech services. These are accessible through KB’s branch network, KB Poradenstv  advice points, KB’s remote virtual Na D lku branch service and its direct banking channels, as well as the subsidiaries’ own sales networks or networks of the business partners. The Bank also provides services in the Slovak Republic through its branch focused on serving corporate clients as well as through selected subsidiaries.

CZK billion	Loans to clients – gross loans*		Amounts due to customers**	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
<b>KB Group</b>	<b>824.1</b>	<b>794.6</b>	<b>1,059.4</b>	<b>994.7</b>
KB (including KB Slovakia)	701.1	679.5	1,009.6	941.5
- Individuals	312.8	300.8	340.0	323.7
- Businesses and other	388.3	378.7	669.6	617.7
- Small businesses	40.4	40.4	249.9	244.4
- Medium corporates and municipalities	123.7	130.2	277.9	248.1
- Top corporates and other (including KB Slovakia)	224.2	208.1	141.7	125.2
Modr� pyramida	95.1	88.5	50.8	53.9
ESSOX (including PSA FINANCE)	21.0	20.3	0.1	0.1
Factoring KB	10.5	9.4	0.6	1.0
SGEF	35.2	32.5	n.a.	n.a.
BASTION	1.8	1.8	n.a.	n.a.
Consolidation and other adjustments	(40.5)	(37.4)	(1.7)	(1.9)

\* IFRS numbers entering into consolidation, excluding Other amounts due from customers but including debt securities issued by KB corporate clients.

\*\* IFRS numbers entering into consolidation, excluding repo operations with clients.

Komer n  banka was established in 1990 as a state institution, and in 1992 it was transformed into a joint-stock company.

In 2018, the Bank launched a transformation programme, KB Change, which comprised, among other things, simplification of the management and distribution structures and switching of important central functions to agile working methodology. Komer n  banka followed upon full implementation of the transformation steps from that plan by announcing in 2020 a further KB2025 strategic programme, which will assure KB’s leading position in the new era of digital banking.

In 2024, Komer n  banka continued implementing its strategic KB2025 programme. Enrolment of clients to the KB+ application – which is developed as part of the Bank’s new digital infrastructure – advanced rapidly. As of 30 June 2024, some 439,000 clients were using the new digital bank, and that figure surpassed 500,000 in July. A part of the KB2025 programme’s Operational Efficiency pillar is the OneGroup initiative, which aims to leverage resources and skills, create synergies, and fully exploit the strengths of individual companies across the Group. Since July, KB Group has centralised processing and administration of housing loans from KB and Modr  pyramida within its One Mortgage Factory operated by Modr  pyramida. This aims to simplify processes while enhancing efficiency and speed.

Komer n  banka is a vibrant promoter of green financing and at the same time is focusing ever more comprehensively on the environmental, social, and governance (ESG) aspects of its own operations. As a result, Komer n  banka is a constituent company in the FTSE4Good Index Series of companies demonstrating strong ESG practices.

KB’s shares have been listed on the Prague Stock Exchange since its inception in 1993, as well as within the RM-SYST M Czech Stock Exchange. As of 30 June 2024, Komer n  banka had 74,908 shareholders (up by 2,605 year on year), of which 68,864 (greater by 2,685 from the year earlier) were private individuals from the Czech Republic. Strategic shareholder Soci t  G n rale maintained its 60.4% stake while minority shareholders owned 39.0% and KB held 0.6% of the registered capital in treasury.

# | Highlights from 2024's first half

## January

In co-operation with the State Environmental Fund of the Czech Republic, Komerční banka and Modrá pyramida introduced a new subsidy advisory service designed to help clients navigate the individual New Green Savings Subsidy Programme.

## February

The Supervisory Board co-opted Ms. Delphine Garcin Meunier as a substitute member of the Supervisory Board with effect from 1 February 2024 until the Annual General Meeting and, at the same time, elected her as Chair of the Supervisory Board.

KB introduced the Sustainable Housing Loan that allows clients to obtain loans for environmentally friendly and energy-efficient renovations of their homes without the need to secure the loan with real estate.

## March

KB Smart Solutions, a fully owned subsidiary of Komerční banka, decreased to 25.317% from 33.171% its stake in MonkeyData s.r.o. MonkeyData fully owns a subsidiary, Lemonero, s.r.o., which provides financing to e-shops utilising an AI-powered scoring model.

Komerční banka received two recognitions in the Mastercard Awards 2024. The title Responsible Innovation went to KB's Touch cards featuring a new card design with tactile notches cut out to make life easier for visually impaired clients. KB was also named Premium Card Issuer for having the fastest growth in the volume of transactions made using premium payment cards.

## April

The General Meeting held on 24 April 2024 approved the reported financial statements for 2023 and the proposal for distribution of profit, including dividend payment in the amount of CZK 15.7 billion. It further approved the consolidated financial statements for 2023 and the Remuneration Report for 2023. It also decided on revision of the Articles of Association. The General Meeting elected Ms Delphine Garcin-Meunier as a member of the Supervisory Board. Ms Garcin-Meunier and Mr Petr Dvořák were elected as members of the Audit Committee. The General Meeting also decided to appoint KPMG Česká republika Audit s.r.o. to perform the statutory audit for the year 2024.

KB was named #1 sustainable bank in the 2023 Visa Awards. The jury recognised KB's innovative work in the area of sustainability, including its co-operation with the Laformela fashion brand on production of clothing from captured carbon dioxide.

## June

In June, the Commercial Register recorded a merger of ENVIROS s.r.o. and KB Advisory, s.r.o. Both companies had been fully owned by KB SmartSolutions, s.r.o., which itself is 100% owned by Komerční banka, a.s. Following the merger, ENVIROS s.r.o. continues as the successor company and as a leading energy, environmental, and management consultancy for businesses, institutions, and municipalities.

Komerční banka signed an agreement with the City of Prague on the sale of its fully owned subsidiary VN 42, s.r.o., which owns the head office building at Václavské náměstí 796/42 in Prague. This transaction concludes the long-term strategic consolidation of Komerční banka Group's staff from multiple locations into a state-of-the-art office centre in Prague–Stodůlky, thereby fostering the company culture while enhancing collaboration and innovation by bringing KB's team together. Transfer of the VN 42 company to the City of Prague took place at the beginning of July 2024.

KB was honoured with the Green Crown Award for its Loan for Sustainable Technologies, and SGEF stood third in this contest with its Photovoltaics for One Crown solution. Furthermore, KB received a Sustainability Banking Award from global banking technology provider Temenos. Komerční banka also placed third in the Pluxee Employer of the Year competition among employers with more than 5,000 employees. And, as in previous years, KB was again recognised by the Ministry of Finance among the Top 20 income taxpayers in the Czech Republic for 2023.

## Events after the reporting date

On 18 July 2024, the Bank signed a non-binding Memorandum of Understanding with Société Générale Equipment Finance, S.A. (SGEF SA) and its parent company Société Générale, S.A. (SG SA) to purchase the remaining 49.9% interest in SG Equipment Finance Czech Republic from SGEF SA. Implementation of this transaction will consolidate KB's control over a dynamic and profitable company with a leading position in several segments of the market for financing of business investments and strong potential for further growth. This contemplated acquisition would happen concomitantly with the contemplated sale by the SG Group of its activities in Equipment Finance to BPCE group, a French financial group and is subject to the satisfaction of standard conditions precedent. The transaction is expected to close in the first quarter of 2025.

# I Macroeconomic development

Global financial markets started out the first half of 2024 with notable volatility, primarily driven by escalating conflict in the Middle East. This turbulence particularly affected Asian markets, resulting in a significant decline of stock prices and rising commodity prices. In the second quarter, the focus moved to the European and French parliamentary elections and the ongoing US presidential campaigns. Inflationary pressures in the US and the euro area gradually eased and market developments implied increased probability for interest rate cuts. Global demand for industrial goods remained weak, with German industry in particular suffering severely. This, together with problems in the supply of components for domestic car production, held back the Czech economy. As a result, quarter-on-quarter growth accelerated only slightly in the second quarter of this year, from 0.2% in the first quarter to 0.3% in the second quarter. In annual terms, growth was 0.3% in the second quarter, after reaching 0.4% in the previous quarter. According to the Czech Statistical Office, that result was driven mainly by domestic demand on the back of higher final consumption expenditure. This probably included higher quarter-on-quarter spending by households and the government. The recovery in household consumption, although still gradual, was linked to renewed real wage growth and improved consumer sentiment. The Czech Statistical Office made no particular comment about fixed investment in the second quarter. This had fallen by 1.8% quarter on quarter in the first quarter. Contributing negatively were weak industrial activity, below-average business confidence, and a high comparison base. Meanwhile, according to the Czech Statistical Office, foreign demand had a negative impact on quarter-on-quarter GDP growth in the second quarter.<sup>1)</sup>

The view of the Czech economy was also influenced significantly by revision of the national accounts data showing that the economy returned to its pre-pandemic level in the first months of 2022. It also avoided a technical recession in the second half of 2022. The biggest contributor to the upward revision of GDP levels was household consumption. While this remains the main driver of weaker growth in the domestic economy, last year's decline, which had previously reached near-pandemic levels, is much milder after the revision.<sup>2)</sup>

Consumer price inflation returned to the central bank's 2% target in the first half of 2024. After a temporary increase in annual consumer price inflation during April and May, it fell back to 2% in June. The temporary increase was mainly due to volatile food and fuel prices. Core inflation also developed favourably. Although in January it was still at 2.9% year on year, by June it was already at 2.2%. However, price developments for goods and services

continued to diverge significantly. In June, prices for goods rose by just 0.2% year on year while prices for services climbed by 4.9% year over year. Although annual growth in services prices remained high, there was some moderation compared with previous months. A positive element of core inflation consists particularly in its seasonally adjusted month-on-month dynamics. In fact, this fell significantly in May and June, even to below 2% on an annualised basis.<sup>3)</sup>

Average nominal wages rose by 7.0% year on year in the first quarter of 2024. Data for the second quarter will be published only in September. Quarter-on-quarter wage growth accelerated sharply to 2.6%, according to the estimate of KB's economists, from 1.7% in the previous quarter. Given that consumer price inflation (excluding seasonal effects) was 0.3% quarter on quarter in the first quarter, KB estimates that the purchasing power of average wages rose by 2.3% quarter on quarter. Thus, real wages have risen through four consecutive quarters, and their annual growth rate (+4.8% year on year) also turned positive in 2024's first quarter.<sup>4)</sup>

The labour market continued to face significant labour shortages in the first half of 2024, with unemployment remaining minimal. The unemployment rate (MoLSA methodology) stood at 3.6% in June and was slightly higher in seasonally adjusted terms, at 3.8%. The seasonally adjusted ratio showing the number of registered unemployed to the number of vacancies offered by employment offices stood at 1.1.<sup>5)</sup>

Through the first six months of 2024, the Czech National Bank cut interest rates four times by 50 basis points each time, then, in August, it slowed the pace of monetary easing to 25 basis points. All seven members of the Bank Board voted in favour of the smaller move. The policy rate thus fell to 4.5%. The Bank Board continued to emphasise its concern about the rapid rise in services prices and wages. Therefore, it wanted to keep monetary policy tighter for longer as a precautionary measure. According to the CNB's new forecast, the repo rate will end 2024 at slightly above 4%.<sup>6)</sup>

The crown reached its strongest level in April and May, when it strengthened to 24.55 CZK/EUR. The local currency was unable to hold onto its gains, however, despite a rush of investors from the US dollar into emerging market currencies. Developments on global markets reflected the renewed disinflationary trend in the

<sup>1)</sup> <https://csu.gov.cz/rychle-informace/gdp-preliminary-estimate-2-quarter-of-2024>

<sup>2)</sup> <https://csu.gov.cz/produkty/vyvoj-ceske-ekonomiky-v-letech-2018-2023> (in Czech only)

<sup>3)</sup> <https://csu.gov.cz/inflation-consumer-prices?pocet=10&start=0&podskupiny=012&razeni=-datumVydani>

<sup>4)</sup> <https://csu.gov.cz/rychle-informace/average-wages-1-quarter-of-2024>

<sup>5)</sup> <https://www.mpsv.cz/web/en/information-on-unemployment>

<sup>6)</sup> <https://www.cnb.cz/en/monetary-policy/bank-board-decisions/CNB-Board-decisions-1722515400000/>

US and renewed bets on a Fed rate cut this year. The crown's exchange rate moved above 25 CZK/EUR by the end of 2024's first half.<sup>1)</sup>

The state budget showed a deficit of CZK 178.6 billion at the end of June. Compared to CZK 210.4 billion in May, the deficit decreased by more than CZK 30 billion month on month. On a year-on-year basis, the deficit in the first half of the year was lower by CZK 36.7 billion thanks to higher revenues. Revenues increased by CZK 38.9 billion (+4.2%) year on year in the first six months of 2024, with the largest contributions coming from insurance premiums (+CZK 30.4 billion), windfall profits tax (+ CZK 18.2 billion), VAT (+CZK 12.0 billion), and sales tax (+CZK 8.3 billion). Expenditures at the end of June were CZK 2.2 billion, 0.2% higher than a year earlier. As a proportion of nominal GDP, the state budget deficit in the first six months of 2024 was the lowest since 2019, even taking into account the previous significant rise in the price level.<sup>2)</sup>

---

<sup>1)</sup> Source: Bloomberg.

<sup>2)</sup> <https://www.mfcr.cz/cs/ministerstvo/media/tiskove-zpravy/2024/pokladni-plneni-sr-56290> (only in Czech)

# | Sustainable banking

## ESG strategy

It is KB's strategic ambition to be a sustainable banking leader, both on the Czech financial market and within the SG Group. It aims to be perceived as a green bank in the Czech Republic.

The strategic programme KB2025 and KB's ESG strategy are in line with SG Group's ESG strategy that is built on four pillars:

- Culture of responsibility,
- Environmental transition,
- Positive local impact, and
- Responsible employer.

KB Group participates in ESG by Design, a programme launched by Société Générale. The programme's purpose is to manage and co-ordinate implementation of the European Central Bank's action plans while directing and articulating current and future initiatives within Société Générale Group. ESG by Design comprises both risk components and business aspects. It also seeks to operationalise business and regulatory commitments and to embed ESG natively in all of the organisation's processes (e.g. in relation to people, products, IT, and finance).

KB is integrating into its ESG strategy the Sustainable Development Goals adopted in 2015 by member states of the United Nations. These goals serve as guidance towards ensuring prosperity and peace for all, building partnerships, providing for dignified lives free of poverty and inequality, and protecting the environment.

KB is assessing ESG-relevant issues with significant impact on the business, financial, and risk outlook for KB Group, as well as on the interests of the Group's stakeholders. This analysis is created by surveying representatives of KB's stakeholder groups as well as Group managers.

This materiality analysis helps in understanding the relative importance of specific topics and in prioritising the Group's efforts and resources when taking strategic decisions. It is reviewed on an annual basis. The 2023 round identified the following top 5 material topics for KB Group:

- Data security – as financial institutions' ability to keep their data and that of clients safe is seen as a crucial condition for maintaining the trust of clients and other business partners.
- Management of legal and regulatory environment – because assuring full compliance with applicable regulations is a prerequisite for long-term viability of the business. At the same time, ever-increasing and complex regulatory requirements and mandates make it imperative to manage effectively the

various functions involved, including compliance, governance, operational resilience, and cyber security.

- Energy transition – shifting the energy infrastructure away from fossil fuels and towards cleaner energy sources has a number of socio-economic impacts on the whole economy. A successful transition will, among other benefits, create new employment opportunities while improving resilience of the technical infrastructure, sustainability of economic growth, and distribution of income. Financial institutions should deploy their resources to support the energy transition and thus capitalise on the immense opportunities linked to the energy transition's investment needs.
- Business model resilience – long-term viability of the business model requires adequate risk management frameworks, operational resilience, diversification of activities and resources, as well as adaptability and flexibility in relation to ever-changing market conditions.
- Digitalisation – a process evolving all across the economy and society, it determines competitiveness and effectiveness of all players on the financial markets. Leadership in digitalisation can provide the Bank a significant competitive edge within its relevant market segments and in relation to clients, employees, and other business partners.

KB Group is currently conducting a new double materiality analysis in accordance with the requirements of the CSRD directive. Double materiality means a process in which a company needs to consider how its business and actions affect, or may affect in future, the environment, society, and governance, as well as how issues related to sustainability can affect its own financial prosperity. Compared to previous analyses, this one will therefore include an evaluation of not only impacts but also risks and opportunities. Its results will help KB Group to focus and align business goals with the strategy, reduce risks, and enhance sustainability of the Group's activities.

## ESG governance

The main owner of the sustainability concept at Komerční banka is Jan Juchelka, Chairman and CEO, and the sponsor is Jitka Haubová, member of the Board of Directors and Chief Operations Officer. Sustainability activities are co-ordinated by the Sustainability Working Group managed by the Executive Director for Brand Strategy and Communication. The Working Group also includes members from other key areas of the Bank (i.e. Brand Strategy and Communication, Strategy and Finance, HR, Compliance, Facility Management, Risk, and Retail and Corporate Banking). They help to develop the individual pillars



of the strategy and achieve internal Objectives and Key Results (OKRs).

KB has been consistent in developing rigorous governance and compliance standards and processes, including in the anti-money laundering and know-your-client areas. KB has no risk appetite for compliance breaches. In the context of heightened cyber security risks, the Group has further enhanced its security protections and anti-fraud measures. KB also has strict rules about asserting the Bank's interests with public authorities (i.e. lobbying). It continues to follow a course of political neutrality and refrains from supporting political organisations or activities.

## Environmental transition

KB Group is committed to supporting the energy transition, decarbonisation, and sustainability of the whole economy.

As of 30 June 2024, the volume of loans with sustainable positive impacts reached CZK 53.8 billion.

KB has been further developing its offer of products conducive to sustainability, such as sustainability-linked loans and bonds, as well as sustainability-linked interest rate swaps. KB's sustainability-related advisory is being built upon expertise of the Group's ENVIROS company and in additional ways.

As part of its risk management framework, KB has implemented an environmental and social risks management (ESRM) system in the financing of corporate clients. The system also takes into account requirements of the Equator Principles for assessing larger projects and evaluates specific climate vulnerability indicators.

KB has been further rolling out its New Era of Banking, which, among other innovations, features fully paperless processes, internally as well as in relation to the clients.

Komerční banka, Modrá pyramida, and ESSOX have been offering advantageous lending products that support sustainable housing and acquisition of sustainable technologies, such as photovoltaics, water collecting tools, heat pumps, and heat recuperators. ESSOX also offers financing aimed at supporting electric cars.

The Bank has committed to contributing to limiting global warming and to reducing its direct emissions (scopes 1 and 2) in accordance with the Paris Agreement's 1.5°C scenario. KB will contribute to carbon removal projects with a view to reaching carbon neutrality by 2026.

Achievements in reducing environmental impacts from its own operations are reported on an annual basis and will be included in the Annual Report 2024.

## Recognitions

FTSE Russell has affirmed KB's inclusion in the FTSE4Good Index series, designed to identify companies that demonstrate strong ESG practices as measured against international standards. In May 2024, KB improved its score to 4.0 from a maximum 5 points.

In MSCI ESG Ratings, aimed to measure companies' resilience to long-term ESG risks, KB maintains an AA rating, the second-highest rating level.

In the second year of the Ekonom sustainability ranking, KB received an award in the category Strategy – good practice in the banking sector.

For the third time, KB received a Green Crown award in the annual Golden Crown contest, commending its loan for sustainable technologies.



# | Business performance

## Developments in the client portfolio and distribution networks

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

## Selected initiatives in the first half of 2024

Komerční banka continued implementing its strategic KB2025 programme. Enrolment of clients to the KB+ application – which is developed as part of the Bank's new digital infrastructure – advanced rapidly. As of 30 June 2024, some 439,000 clients were using the new digital bank, and their number exceeded 500,000 during July.

A part of the KB2025 programme's Operational Efficiency pillar is the OneGroup initiative, which aims to leverage resources and skills, create synergies, and fully exploit the strengths of individual companies across the Group. As part of the OneGroup initiative, from February 2024, Modrá pyramida's finance functions are outsourced to KB's Strategy and Finance division.

From June, two companies of the Komerční banka Group – KB Advisory, s.r.o. and ENVIROS, s.r.o. – have joined forces and offer under a single ENVIROS brand their clients expert advice and comprehensive solutions in the field of energy and sustainability to businesses, institutions, and municipalities.

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

## Loans to customers

Total **gross volume of lending to clients** rose by 3.7% year on year to CZK 824.1 billion.<sup>1)</sup>

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

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

## Amounts due to customers and assets under management

The **volume of standard client deposits** within KB Group increased by 6.5% year on year to CZK 1,059.4 billion.<sup>3)</sup> Within the total deposit base, volumes on current accounts grew by 1.7% year on year but were already up by 4.9% in the second quarter as the trend of clients switching money from current accounts to term and savings accounts seemed to be fading.

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

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

The Group's liquidity as measured by the ratio of net loans<sup>4)</sup> to deposits (excluding repo operations with clients but including debt securities held by KB and issued by the Bank's clients) stood at 78.5%. The Group's liquidity coverage ratio ended the first half at 154%, well above the regulatory limit of 100%.

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

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

<sup>3)</sup> Excluding volatile repo operations with clients. The total volume of 'Amounts due to customers' increased by 13.8% year on year to CZK 1,200.5 billion.

<sup>4)</sup> Gross volume of loans reduced by the volume of provisions for loan losses.

# | Financial performance

## Income statement

Komerční banka's **revenues (net operating income)** reached CZK 17,547 million, down by (3.0%) compared to the first half of 2023. Net interest income declined slightly, as costs of funds were elevated and there were increased interest costs relating to the volume of new liabilities mandated by regulation (MREL). Furthermore, the CNB ceased from October 2023 paying interest on banks' obligatory deposits (minimum reserves) with the central bank. Net fee and commission income was up modestly, reflecting especially clients' demand for investments in mutual funds, insurance products, and wealth management solutions in private banking. Greater, too, was demand among corporate clients for various financial services, such as bond issuance, custody services, and issuance of guarantees. Net profit on financial operations came down slightly from the strong levels of last year, as clients' hedging and trading activity moderated in the context of a sluggish economy and decreasing interest rates.

**Net interest income** was down by (2.9%), at CZK 12,435 million, in spite of the expanded volumes of loans and deposits. The average costs of deposits were significantly higher year on year, although these began to decrease moderately during the second quarter. The average lending spreads were almost stable year on year, with a slightly positive trend appearing this year. KB also had to absorb interest costs stemming from loans accepted in order to meet the minimum requirement for own funds and eligible liabilities (MREL) set by the CNB. Moreover, from October 2023, the CNB stopped paying interest on banks' obligatory deposits (minimum reserves) that it holds. Net interest margin for the 6 months of 2024, computed as the ratio of net interest income to interest-earning assets reported on the balance sheet, reached 1.7%. That compares to 2.0% a year earlier.

**Net fee and commission income** grew by 6.9% to CZK 3,259 million. This growth was mainly driven by cross-selling of mutual funds, life insurance, and wealth management solutions in private banking, as well as by stronger demand among corporate clients for various financial services, such as bond issuance, custody and depository services, asset management, guarantees, and, in the second quarter, also loan syndications. The Bank also paid less for received guarantees. Transaction fees contributed positively, too, as clients' transaction activity continued to pick up speed, especially in card payments but also in other non-cash payments. Deposit product fees were down slightly, influenced by clients' switching to the new digital bank and by lower number of building savings contracts. Income from loan services decreased slightly, as higher production of consumer loans was offset by lower fees from financing products for businesses.

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

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

**Operating expenses** declined by (0.2%) to CZK 9,076 million. The average number of employees decreased by 0.3% to 7,523<sup>1)</sup> as a lower number of staff in support functions and the distribution network was partially offset by hiring of additional IT and data specialists. The Bank has agreed with the trade unions on increasing salaries in the annual compensation review by an average 4.5%, effective from April. Personnel expenses subsequently grew by 6.9% to CZK 4,349 million. General administrative expenses (not including contributions to the regulatory funds) were down by (0.7%), at CZK 2,109 million. This category generally remained under tight control, with main savings in this category related to marketing. The full-year levy to the regulatory funds (Deposit Insurance Fund, Resolution Fund) was lower by (38.6%) year on year, at CZK 784 million, because the CNB adjusted downwards the aggregate contribution from Czech banks to the Resolution Fund and the comparison base from last year was also influenced by the temporarily increased charge for deposit insurance due to the failure of Sberbank CZ. Depreciation, amortisation, and impairment of operating assets grew by 13.0% to CZK 1,835 million, driven by higher charges reflecting investments in pursuit of KB's digitalisation strategy.

The sum of profit before allowances for loan losses, provisions for other risk, profit on subsidiaries, and income tax (**operating profit**) was down by (5.9%), at CZK 8,471 million.

**Cost of risk** (impairment losses, provisions for loans, and net result from loans written off) reached CZK 585 million (i.e. a net creation of provisions or +13 basis points in relative terms) compared to a net provisions release of CZK (899) million a year earlier (or -22 basis points in relative terms). Net creation of credit risk allowances related predominantly to the portfolios of loans to consumers and small businesses segments and it was partly offset by successful resolution of a few corporate client

<sup>1)</sup> Recalculated to a full-time equivalent number.

exposures. KB did not reduce the inflation overlay reserve that had been created in 2021 and 2022. The mortgage portfolio continued to demonstrate strong resilience.

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

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

**Net profits (losses) on other assets** reached a negative CZK (33) million due to a creation of allowances for buildings held for sale and costs related to sale of buildings. In the previous year's first half, net loss on other assets had been CZK (7) million.

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

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

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

**Other comprehensive income** stood at CZK (138) million. This derived mainly from revaluation of some cash flow hedging positions and liabilities. **Consolidated comprehensive income** for the first half of 2024 totalled CZK 6,317 million, of which CZK 113 million was attributable to owners of non-controlling stakes.

## Statement of financial position

*Unless indicated otherwise, the following text provides a comparison of the balance sheet values as of 30 June 2024 with the values from the statement of financial position as of 31 December 2023.*

### Assets

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

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

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

Financial assets at amortised cost grew by 0.1% to CZK 1,398.8 billion. The largest portion of this consisted of (net) loans and advances to customers, which decreased year to date by (0.2%) to CZK 831.9 billion. A 98.0% share in the gross

amount of client loans was classified in Stage 1 or Stage 2 while 2.0% of the loans were classified in Stage 3 (non-performing loans). The volume of loss allowances created for amounts due from customers came to CZK 12.0 billion. Loans and advances to banks climbed by 3.4% to CZK 425.8 billion. The majority of this item consists in reverse repos with the central bank. The value held in debt securities was down by (7.4%) and reached CZK 141.0 billion at the end of June 2024.

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

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

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

### Liabilities

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

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

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

The provisions balance was (6.4%) lower, at CZK 0.8 billion. Provisions for other credit commitments are held to cover credit risks associated with credit commitments issued. The provisions for contracted commitments principally comprise those for ongoing contracted contingent commitments, legal disputes, self-insurance, and the retirement benefits plan.

Subordinated and senior non-preferred debt, at CZK 65.3 billion, was up by 1.2% year to date, due to the Czech crown's depreciated exchange rate vis-à-vis the euro. That is because MREL instruments are denominated in euro.

### Equity

Total equity declined year to date by (7.2%) to CZK 119.0 billion. The value of non-controlling interests reached CZK 3.3 billion. As of 30 June 2024, KB held in treasury 1,193,360 of its own shares constituting 0.63% of the registered capital.

## Regulatory capital and requirements for capital and liquidity

Total **regulatory capital** for the capital adequacy calculation came to CZK 106.3 billion as of 30 June 2024. **Capital adequacy** stood at 18.9%. Core Tier 1 (CET1) capital totalled CZK 100.1 billion and the Core Tier 1 ratio was 17.8%. Tier 2 capital summed to CZK 6.2 billion, which was 1.1% of risk-weighted assets.

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

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

KB Group's Liquidity Coverage Ratio came to 170% as of 30 June 2024. The applicable regulatory minimum is 100%.

Effective from 1 January 2024, KB Group needed to comply with an MREL minimum requirement equal to 21.2% of the consolidated total risk exposure and 5.91% of the consolidated total exposure. The MREL requirement is defined as the sum of the amount of loss absorption and recapitalisation. In addition to the MREL, expressed as a percentage of risk-weighted assets, the Group must also fulfil the combined capital buffer. This requirement stood at 6.25% as of 30 June 2024 (and decreases by 0.50% from 1 July 2024 due to reduction of the countercyclical buffer but increases again from 1 January 2025 due to introduction of the systemic risk buffer at 0.50%.)

Pursuing the so-called "single point of entry" resolution strategy, KB intends to fulfil its MREL requirements by taking on senior non-preferred loans from Société Générale S.A. As of 30 June 2024, KB had accepted such loans in a total principal volume of EUR 2.4 billion. KB Group's MREL ratio stood at 29.7%.

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

# I 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;
- Average of Gross amount of client loans and advances:** ('Gross amount of client loans and advances' as of the quarter end X-1 plus 'Gross amount of client loans and advances' as of the quarter end X-2 plus 'Gross amount of client loans and advances' as of the quarter end X-3 plus 'Gross amount of client loans and advances' as of the quarter end X-4) divided by 4;
- Gross amount of client loans and advances:** 'Total loans and advances to customers, gross' minus 'Other amounts due from customers';
- III. **Net interest margin (NIM):** 'Net interest income' divided by average interest-earning assets (IEA) year to date;
- Average interest-earning assets:** ('Total interest-earning assets' as of the last day of the described period in year X plus 'Total interest-earning assets' as of the year end X-1) divided by 2;
- Interest-earning assets (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:** ('Loans and advances to customers' (net) less 'reverse repo operations with clients') divided by the quantity (total '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;
- Average 'Total equity' less 'Non-controlling interest':** (('Total equity' less 'Non-controlling interest' as of the last day of the described period in year X) plus ['Total equity' less 'Non-controlling interest' as of the year end X-1]) divided by 2;
- 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;
- Average Tier 1 capital:** ('Total Tier 1 capital' as of the last day of the described period in year X plus 'Total Tier 1 capital' as of the year end X-1) divided by 2;
- VIII. **Return on average assets (ROAA):** annualised 'Net profit attributable to the Group's equity holders' divided by average 'Total assets', year to date;
- Average total assets:** ('Total assets' as of the last day of the described period in year X plus 'Total assets' as of the year end X-1) divided by 2;
- IX. **Earnings per share:** annualised 'Net profit attributable to the Group's equity holders' divided by the quantity average number of shares issued minus average number of own shares in treasury.

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

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



# Expected development and main risks to that development in 2024

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

After stable development during 2023, according to the Czech Statistical Office,<sup>1)</sup> 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 consequently have cut back on spending. Nevertheless, the labour market remains tight and corporate profitability resilient. Higher nominal wage growth should therefore continue in 2024 and contribute to a resumption of real wage growth in the context of a rapid decline in inflation. On the other hand, tight monetary policy, fiscal consolidation efforts of the Czech government, and sluggish performance of some trading partners, Germany in particular, are likely to weigh on the domestic economy in 2024.

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

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

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

In December 2022, Parliament approved a bill introducing a new tax impacting several banks, including Komerční banka. This so-called "windfall tax" will be applied to profits of selected banks generated in the years 2023, 2024, and 2025. The windfall tax rate of 60% is constructed as a surcharge on top of the standard 19% tax rate, which means that the effective tax rate for the "windfall" part of the profit is 79%. Windfall is defined as the difference between the income tax base (profit before tax) of the respective year and the average profit before tax in the four years 2018–2021, increased by 20%. The windfall tax is imposed on (standalone) banks with net interest income that had exceeded CZK 6 billion in 2021. Within KB Group, it applies to standalone Komerční banka. Given the income tax base of standalone KB in 2018, 2019, 2020, and 2021, the windfall tax base comes to CZK 15.8 billion. According to the projections for the financial results detailed below, the new tax's impact in 2024, if any, should be limited.

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

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

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

<sup>1)</sup> <https://csu.gov.cz/gdp-national-accounts>

As of 1 January 2024, KB has also met the regulatory requirements for own funds and eligible liabilities (MREL) from the EU's banks recovery and resolution directive, at 21.2% of the consolidated total risk exposure and 5.91% of the consolidated total exposure. The MREL requirement is defined as the sum of the amount of loss absorption and recapitalisation. In addition to the MREL, expressed as a percentage of risk-weighted assets, the Group must also fulfil the combined capital buffer.

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

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

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

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

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

Expansion in the volume of deposits on the market may slow to mid-single digits in total. A slowing in household deposits growth would be consistent with expected recovery in consumer spending and, as interest rates fall, the outflow to non-bank solutions in search of higher returns could intensify.

The slowdown in business deposits could reflect lower profitability or stronger investment activity by corporations.

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

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

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

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

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

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

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

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

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

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

Management expects that KB's operations will generate sufficient profit in 2024 to cover the Group's capital needs ensuing from its growing volume of assets as well as to pay out dividends. Considering the current state of affairs, KB's management intends for 2024 to propose distributing as dividends 100% of attributable consolidated net profit earned in the year.

## | Events in corporate governance

In connection with the expiration of her term of office, the Supervisory Board in March re-elected Ms Jitka Haubová as a member of the Board of Directors for a new term of office with effect from 5 June 2024.

The Annual General Meeting held on 24 April 2024 approved the reported financial statements for 2023 and the proposal for distribution of profit, including dividend payment in the amount

of CZK 15.7 billion. It further approved the consolidated financial statements for 2023 and the Remuneration Report for 2023. It also decided on revision of the Articles of Association. The General Meeting elected Ms Delphine Garcin-Meunier as a member of the Supervisory Board. Ms Garcin-Meunier and Mr Petr Dvořák were elected as members of the Audit Committee. The General Meeting also decided to appoint KPMG Česká republika Audit s.r.o. to perform the statutory audit for the year 2024.

## | Changes in Group structure

In March 2024, KB Smart Solutions, a fully owned subsidiary of Komerční banka, decreased to 25.317% from 33.171% its stake in MonkeyData s.r.o. MonkeyData fully owns a subsidiary, Lemonero, s.r.o., which provides financing to e-shops utilising an AI-powered scoring model.

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

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

KB Advisory, s. r. o. was established on 16 September 2019 as a consultancy for small and medium-sized enterprises and municipalities.

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

## | Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

As of 30 June 2024, the Group was controlled by Société Générale, which owns 60.35% (31 December 2023: 60.35%) of the Bank's issued share capital.

A number of banking transactions are entered into with related parties in the normal course of business. These specifically include loans, deposits, transactions with derivative financial instruments, and other types of transactions. These transactions were carried out on an arm's length basis.

### Amounts due to and from the Group companies

As of 30 June 2024, the Group had deposits of CZK 5,454 million (31 December 2023: CZK 5,154 million) due to the associate Komerční pojišťovna, a.s. and the Bank had provided it a subordinated loan in the amount of CZK 452 million (31 December 2023: CZK 446 million). The positive fair value of financial derivatives in relation to the associate Komerční pojišťovna, a.s. totalled CZK 45 million (31 December 2023: CZK 92 million) and the negative fair value CZK 219 million (31 December 2023: CZK 434 million).

During the half year ended 30 June 2024, interest income from financial derivatives of Komerční pojišťovna, a.s. to the Group totalled CZK 132 million (30 June 2023: CZK 188 million) and interest expense on financial derivatives amounted to CZK 122 million (30 June 2023: CZK 172 million). Interest income from the subordinated loan was CZK 6 million (30 June 2023: CZK 6 million), interest expense from deposits totalled CZK 141 million (30 June 2023: CZK 116 million), fee income of the Group arising from intermediation was CZK 331 million (30 June 2023: CZK 293 million), fee expense totalled CZK 84 million (30 June 2023: CZK 77 million), insurance expenses were CZK 4 million (30 June 2023: CZK 5 million), and other income totalled CZK 17 million (30 June 2023: CZK 15 million).

As of 30 June 2024, deposits received by the Group from other associated companies were CZK 13 million (31 December 2023: CZK 2 million), loans granted to these companies totalled CZK 317 million (31 December 2023: CZK 227 million), and allowances for these loans came to CZK 32 million (31 December 2023: CZK 25 million). Related interest income totalled CZK 12 million (30 June 2023: CZK 11 million) and interest expense totalled CZK 0 million (30 June 2023: CZK 0 million).

## Amounts due to and from Société Générale Group entities

### Principal balances due from Société Générale Group entities include:

(CZKm)	30 Jun 2024		31 Dec 2023	
	Total	Of which derivatives	Total	Of which derivatives
AYVENS s.r.o.	8,842	0	9,101	0
ALD Automotive Slovakia s. r. o.	46	0	71	0
BRD - Groupe Société Générale SA	1	0	63	0
SG Bruxelles	0	0	2	0
SG Zurich	0	0	245	0
Société Générale New York	3	0	0	0
Société Générale oddzial w Polsce	0	0	47	47
Société Générale Paris	41,396	8,926	32,462	9,609
<b>Total</b>	<b>50,288</b>	<b>8,926</b>	<b>41,991</b>	<b>9,656</b>

### Principal balances due to Société Générale Group entities include:

(CZKm)	30 Jun 2024		31 Dec 2023	
	Total	Of which derivatives	Total	Of which derivatives
AYVENS s.r.o.	1,473	0	1,267	0
BRD - Groupe Société Générale SA	10	0	2	0
SG Amsterdam	2	0	2	0
SG financial services holding	15	0	0	0
SG Frankfurt	257	0	0	0
Société Générale Luxembourg	506	0	1,122	0
SG Milan	2	0	2	0
SG Option Europe	8	0	0	0
SG Private Banking (Suisse)	47	0	0	0
SG Zurich	1	0	0	0
SGEF SA	2	0	3	0
Société Générale Londres	72	0	4	0
Société Générale New York	0	0	4	0
Société Générale oddzial w Polsce	9	0	21	12
Société Générale Paris	92,358	11,464	149,890	12,646
<b>Total</b>	<b>94,762</b>	<b>11,464</b>	<b>152,317</b>	<b>12,658</b>



Amounts due to and from the Société Générale Group entities principally comprise balances of current and overdraft accounts, nostro and loro accounts, subordinated and senior non-preferred debt, issued loans, interbank market loans and placements, deposited margins in favour of a counterparty, and fair values of derivatives.

As of 30 June 2024, the Group also carried off-balance sheet exposures to Société Générale Group entities, of which off-balance sheet nominal assets and liabilities totalled CZK 513,406 million (31 December 2023: CZK 596,055 million) and CZK 439,614 million (31 December 2023: CZK 500,328 million), respectively. These amounts principally relate to currency spots and forwards, interest rate forwards and swaps, options, commodity derivatives, emission allowances, and guarantees for credit exposures.

As of 30 June 2024 and 31 December 2023, the Group also recorded other accounts receivable and payable from and to Société Générale Group entities the amounts of which are not significant.

During the half year ended 30 June 2024, the Group generated net operating revenues due to the Société Générale Group of CZK (523) million (30 June 2023: CZK 1,335 million). The total amount is mainly affected by the volatile revaluation of derivative transactions to fair value. These operations follow on from operations concluded with clients and eliminate the Group's market risk or they are hedging derivatives of the fair value hedging type. Other sources of revenue include the distribution of SG Group products, as well as providing services in areas of infrastructure, information technology, and business intelligence. Net interest income of CZK (2,752) million (30 June 2023: CZK (1,298) million) consisted mainly of interest on hedging derivatives, transactions on the interbank market, and subordinated debt and senior non-preferred debt received. Operating expenses realised in relation to the SG Group reached CZK 148 million (30 June 2023: CZK 144 million), mostly for the use of services in the area of operation and management of hardware and software and for assistance services. The operating result in relation to the SG Group reached CZK (671) million (30 June 2023: CZK 1,191 million).

#### In connection with lease contracts the Group records:

(CZKm)	30 Jun 2024				31 Dec 2023			
	Right-of-use assets	Lease liabilities	Depreciation expense	Interest expense	Right-of-use assets	Lease liabilities	Depreciation expense	Interest expense
AYVENS s.r.o.	126	41	15	0	143	43	27	0
ALD Automotive Slovakia s. r. o.	3	3	0	0	2	1	0	0
<b>Total</b>	<b>129</b>	<b>44</b>	<b>15</b>	<b>0</b>	<b>145</b>	<b>44</b>	<b>27</b>	<b>0</b>

As of 30 June 2024, the Group reported a loss of CZK 2 million (30 June 2023: CZK 0 million) on terminated contracts.

#### Amounts due from members of the Board of Directors and Supervisory Boards

In respect of loans and guarantees as of 30 June 2024, the Group recorded loan receivables from loans granted to members of the Board of Directors and Supervisory Board totalling CZK 47 million (31 December 2023: CZK 46 million). During the first half of 2024, drawings of CZK 7 million (30 June 2023: CZK 0 million) were made under the loans granted. During the first half of 2024, loan repayments totalled CZK 6 million (30 June 2023: CZK 1 million). The change of loans in 2024 was not affected by new members already having loans totalling CZK 0 million. Loans to resigning members amounted to CZK 0 million as of 31 December 2023.



# | Report of financial results as of 30 June 2024

## Contents

### **INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS ACCOUNTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION**

Consolidated Income Statement and Statement of Comprehensive Income	24
Consolidated Statement of Financial Position	25
Consolidated Statement of Changes in Shareholders' Equity	26
Consolidated Cash Flow Statement	28
Notes to the Consolidated Financial Statements	30

# Consolidated Income Statement and Statement of Comprehensive Income

Period ended 30 June 2024

(CZKm)	Note	30 Jun 2024	30 Jun 2023
Interest income		61,440	56,328
Interest expense		(49,006)	(43,516)
<b>Net interest income</b>		<b>12,434</b>	<b>12,812</b>
Net fee and commission income		3,259	3,049
Net profit/(loss) on financial operations		1,695	2,063
Dividend income		56	2
Other income		103	173
<b>Net operating income</b>		<b>17,547</b>	<b>18,099</b>
Personnel expenses		(4,349)	(4,069)
General and administrative expenses		(2,892)	(3,400)
Depreciation, amortisation, and impairment of operating assets		(1,835)	(1,624)
<b>Total operating expenses</b>		<b>(9,076)</b>	<b>(9,093)</b>
<b>Operating profit</b>		<b>8,471</b>	<b>9,006</b>
Impairment losses		(589)	912
Net gain from loans and advances transferred and written off		4	(13)
<b>Cost of risk</b>		<b>(585)</b>	<b>899</b>
Income from share of associated undertakings		133	127
Profit/(loss) attributable to exclusion of companies from consolidation		(54)	0
Gain on a bargain purchase		0	0
Net profits on other assets		(33)	(7)
<b>Profit before income tax</b>		<b>7,932</b>	<b>10,025</b>
Income tax		(1,477)	(1,832)
<b>Net profit for the period</b>		<b>6,455</b>	<b>8,193</b>
Profit attributable to the Non-controlling owners		111	107
Profit attributable to the Group's equity holders		6,344	8,086
<b>Earnings per share/diluted earnings per share (in CZK)</b>		<b>33.59</b>	<b>42.82</b>

(CZKm)	Note	30 Jun 2024	30 Jun 2023
<b>Net profit for the period</b>		<b>6,455</b>	<b>8,193</b>
<b>Items that will not be reclassified to the Statement of Income</b>			
Remeasurement of retirement benefits plan, net of tax		0	0
Revaluation of equity securities at FVOCI option*, net of tax		0	0
<b>Items that may be reclassified subsequently to the Statement of Income</b>			
Cash flow hedging			
– Net fair value gain/(loss), net of tax		137	(7)
– Transfer to net profit/(loss), net of tax		(240)	(282)
Hedge of a foreign net investment		(13)	4
Foreign exchange difference on translation of a foreign net investment		13	(2)
Revaluation of debt securities at FVOCI**, net of tax		(15)	(108)
Share of the other comprehensive income of associates, net of tax		(20)	24
Other income from associated undertakings		0	0
<b>Other comprehensive income for the period, net of tax</b>		<b>(138)</b>	<b>(371)</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>6,317</b>	<b>7,822</b>
Comprehensive income attributable to the Non-controlling owners		113	105
Comprehensive income attributable to the Group's equity holders		6,204	7,717

\* Revaluation of equity securities at fair value through other comprehensive income option.

\*\* Revaluation of debt securities at fair value through other comprehensive income.

The accompanying Notes are an integral part of this Consolidated Income Statement and Statement of Comprehensive Income.

# Consolidated Statement of Financial Position

As of 30 June 2024

(CZKm)	Note	30 Jun 2024	31 Dec 2023
<b>ASSETS</b>			
Cash and current balances with central banks		35,265	12,835
Financial assets held for trading at fair value through profit or loss		45,790	48,464
Other assets held for trading at fair value through profit or loss		0	0
Non-trading financial assets at fair value through profit or loss		0	0
Positive fair value of hedging financial derivatives		7,650	8,598
Financial assets at fair value through other comprehensive income	4	14,434	16,783
Financial assets at amortised cost	5	1,398,771	1,397,423
Revaluation differences on portfolios hedge items		(913)	(815)
Current tax assets		1,319	643
Deferred tax assets		254	223
Prepayments, accrued income, and other assets		5,630	6,279
Investments in associates		2,689	3,047
Intangible assets		10,405	10,192
Tangible assets		7,858	8,034
Goodwill		3,752	3,752
Assets held for sale		813	844
<b>Total assets</b>		<b>1,533,717</b>	<b>1,516,302</b>
<b>LIABILITIES AND EQUITY</b>			
Amounts due to central banks		0	0
Financial liabilities held for trading at fair value through profit or loss		51,296	60,206
Negative fair value of hedging financial derivatives		31,947	31,241
Financial liabilities at amortised cost	7	1,276,191	1,247,773
Revaluation differences on portfolios hedge items		(35,684)	(34,944)
Current tax liabilities		76	225
Deferred tax liabilities		752	782
Accruals and other liabilities		23,982	17,321
Provisions	8	800	854
Subordinated and senior non-preferred debt		65,340	64,560
<b>Total liabilities</b>		<b>1,414,700</b>	<b>1,388,018</b>
Share capital		19,005	19,005
Share premium, funds, retained earnings, revaluation, and net profit for the period		96,688	106,053
Non-controlling interest		3,324	3,226
<b>Total equity</b>		<b>119,017</b>	<b>128,284</b>
<b>Total liabilities and equity</b>		<b>1,533,717</b>	<b>1,516,302</b>

The accompanying Notes form an integral part of this Consolidated Statement of Financial Position.

# Consolidated Statement of Changes in Shareholders' Equity

Period ended 30 June 2024

(CZKm)	Share capital	Own shares	Capital funds and retained earnings*	Share-based payment	Remeasurement of retirement benefits plan	Revaluation of equity securities at FVOCI option	Cash flow hedging	Hedge of a foreign net investment	Revaluation of debt securities at FVOCI	Shareholders equity	Non-controlling interest	Total equity, including non-controlling interest
<b>Balance as of 31 Dec 2023</b>	<b>19,005</b>	<b>(577)</b>	<b>106,045</b>	<b>584</b>	<b>(214)</b>	<b>(4)</b>	<b>208</b>	<b>(3)</b>	<b>14</b>	<b>125,058</b>	<b>3,226</b>	<b>128,284</b>
Treasury shares, other	0	0	129	11	0	0	0	0	0	140	0	140
Payment of dividends	0	0	(15,709)	0	0	0	0	0	0	(15,709)	(15)	(15,724)
<b>Transactions with owners</b>	<b>0</b>	<b>0</b>	<b>(15,580)</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(15,569)</b>	<b>(15)</b>	<b>(15,584)</b>
Profit for the period	0	0	6,344	0	0	0	0	0	0	6,344	111	6,455
Other comprehensive income for the period, net of tax**	0	0	(20)	0	0	0	(103)	(2)	(15)	(140)	2	(138)
<b>Comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>6,324</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(103)</b>	<b>(2)</b>	<b>(15)</b>	<b>6,204</b>	<b>113</b>	<b>6,317</b>
<b>Balance as of 30 Jun 2024</b>	<b>19,005</b>	<b>(577)</b>	<b>96,789</b>	<b>595</b>	<b>(214)</b>	<b>(4)</b>	<b>105</b>	<b>(5)</b>	<b>(1)</b>	<b>115,693</b>	<b>3,324</b>	<b>119,017</b>

\* Capital funds and retained earnings consist of other funds created from profit in the amount of CZK 5,213 million (31 Dec 2023: CZK 5,213 million), net profit from the period in the amount of CZK 6,344 million (31 Dec 2023: CZK 15,612 million), and retained earnings in the amount of CZK 85,232 million (31 Dec 2023: CZK 85,220 million).

\*\* Amounts in the column Capital funds and retained earnings represent share of the other comprehensive income of associates due to the consolidation of an associated company using the equity method.

(CZK m)	Share capital	Own shares	Capital funds and retained earnings*	Share-3 based payment	Remeasurement of retirement benefits plan	Revaluation of equity securities at FVOCI option	Cash flow hedging	Hedge of a foreign net investment	Revaluation of debt securities at FVOCI	Shareholders equity	Non-controlling interest	Total equity, including non-controlling interest
<b>Balance as of 31 Dec 2022 restated</b>	<b>19,005</b>	<b>(577)</b>	<b>101,785</b>	<b>563</b>	<b>(216)</b>	<b>5</b>	<b>596</b>	<b>(8)</b>	<b>291</b>	<b>121,444</b>	<b>3,232</b>	<b>124,676</b>
Treasury shares, other	0	0	72	11	0	0	0	0	0	83	0	83
Payment of dividends	0	0	(11,483)	0	0	0	0	0	0	(11,483)	(217)	(11,700)
<b>Transactions with owners</b>	<b>0</b>	<b>0</b>	<b>(11,411)</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(11,400)</b>	<b>(217)</b>	<b>(11,617)</b>
Profit for the period	0	0	8,086	0	0	0	0	0	0	8,086	107	8,193
Other comprehensive income for the period, net of tax**	0	0	24	0	0	0	(289)	4	(108)	(369)	(2)	(371)
<b>Comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>8,110</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(289)</b>	<b>4</b>	<b>(108)</b>	<b>7,717</b>	<b>105</b>	<b>7,822</b>
<b>Balance as of 30 Jun 2023</b>	<b>19,005</b>	<b>(577)</b>	<b>98,484</b>	<b>574</b>	<b>(216)</b>	<b>5</b>	<b>307</b>	<b>(4)</b>	<b>183</b>	<b>117,761</b>	<b>3,120</b>	<b>120,881</b>

\* Capital funds and retained earnings consist of other funds created from profit in the amount of CZK 5,213 million (31 Dec 2022: CZK 5,213 million), net profit from the period in the amount of CZK 8,086 million (31 Dec 2022: CZK 17,622 million), and retained earnings in the amount of CZK 85,185 million (31 Dec 2022: CZK 78,950 million).

\*\* Amounts in the column Capital funds and retained earnings represent share of the other comprehensive income of associates due to the consolidation of an associated company using the equity method.

The accompanying Notes form an integral part of this Consolidated Statement of Changes in Shareholders' Equity.

# Consolidated Cash Flow Statement

Period ended 30 June 2024

(CZKm)	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	7,932	10,025
Non-cash and other adjustments		
Movement of allowances/provisions (including impact of loans and advances transferred and written off)	869	(879)
Depreciation and amortisation expense on tangible and intangible fixed assets	1,835	1,624
Net profits on other assets	34	7
Revaluation of derivatives	3,066	(107)
Accrued interest, amortisation of discount and premium	433	(290)
Profit/(loss) on subsidiaries and associates	(135)	(129)
Foreign exchange differences	1,954	241
Other changes	570	193
<b>Operating profit before change in operating assets and liabilities</b>	<b>16,558</b>	<b>10,685</b>
<b>Changes in assets and liabilities from operating activities after non-cash adjustments</b>		
Amounts due from banks (received/paid)	(15,103)	(149,914)
Loans and advances to customers	516	(16,952)
Debt securities at amortised cost	10,416	(11,822)
Financial assets at fair value through other comprehensive income	2,437	4,418
Financial assets held for trading at fair value through profit or loss	(2,587)	(1,849)
Other assets held for trading at fair value through profit or loss	0	0
Non-trading financial assets at fair value through profit or loss	26	135
Other assets	491	(13)
Amounts due to banks (received/paid)	(42,589)	22,406
Amounts due to customers	72,276	142,266
Financial liabilities at fair value through profit or loss	(3,958)	3,413
Other liabilities	6,208	2,258
<b>Net cash flow from operating assets and liabilities</b>	<b>28,133</b>	<b>(5,654)</b>
<b>Net cash flow from operating activities before tax</b>	<b>44,691</b>	<b>5,031</b>
Income tax paid	(2,331)	(1,548)
<b>Net cash flow from operating activities</b>	<b>42,360</b>	<b>3,483</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Dividends received (including associated undertakings)	292	0
Purchase of tangible and intangible assets	(1,694)	(2,007)
Sale of tangible and intangible assets	(8)	1
Purchase of investments in subsidiaries and associates	(62)	(14)
Sale/decrease of investments in subsidiaries and associates	245	0
<b>Net cash flow from investment activities</b>	<b>(1,227)</b>	<b>(2,020)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid to shareholders	(15,757)	(11,434)
Dividends paid to non-controlling interest	0	(162)
Purchase of own shares	0	0
Securities issued	0	0
Securities redeemed	0	0
Lease liabilities	(238)	(226)
Subordinated and senior non-preferred debt	0	10,186
Increase in minority equity	0	0
<b>Net cash flow from financing activities</b>	<b>(15,995)</b>	<b>(1,636)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>25,138</b>	<b>(173)</b>

(CZKm)	2024	2023
Cash and cash equivalents at the beginning of the year	8,592	10,136
Foreign exchange differences on cash and cash equivalents at the beginning of the year	116	(90)
Adjustment of cash and cash equivalents at the beginning of the year due to acquisition	0	0
<b>Cash and cash equivalents at the end of the year</b>	<b>33,846</b>	<b>9,873</b>
Interest received	62,840	56,687
Interest paid	(49,973)	(44,165)

The accompanying Notes form an integral part of this Consolidated Cash Flow Statement.



# Notes to the Consolidated Financial Statements

Period ended 30 June 2024

## 1 Events for the period ended 30 June 2024

### Dividends declared during 2024

At the General Meeting held on 24 April 2024, the shareholders approved a dividend for the year ended 31 December 2023 of CZK 82.66 per share before tax. The dividend was declared in the aggregate amount of CZK 15,709 million, and the remaining balance of the net profit was allocated to retained earnings. The dividends were paid out in Czech crowns.

Moreover, the Group paid out CZK 0 million in dividends to non-controlling owners of ESSOX s.r.o. (2023: CZK 56 million) and CZK 0 million to non-controlling owners of SG Equipment Finance Czech Republic s.r.o. (2023: CZK 161 million).

### Changes in the Bank's financial group

In January, KB SmartSolutions, s.r.o. bought an 80% share in Enviros s.r.o. from its subsidiary Enviros Global Limited. Both Enviros Global Limited and Enviros, s.r.o. were already fully controlled by KB SmartSolutions, s.r.o. prior to the transaction (i.e. there is no change in ownership from the perspective of KB Group).

In March, KB SmartSolutions, s.r.o. decreased its share in MonkeyData s.r.o. from 33.171% to the current 25.317%. The change of shareholding resulted from an increased investment in the capital of MonkeyData s.r.o. by one of the existing investors.

In April, the Bank decreased the equity of Komerční pojišťovna, a.s. by CZK 245 million through other capital funds.

Also in April, the Bank increased the equity of Modrá pyramida stavební spořitelna, a.s. by CZK 400 million through a financial contribution into other capital funds.

In May, the Bank increased the equity of Finbricks, s.r.o. by CZK 8 million through a financial contribution into other capital funds.

Also in May, the Bank decreased shareholders' equity of BASTION EUROPEAN INVESTMENTS S.A. by EUR 1.6 million (equivalent to CZK 39.7 million).

In June, the merger of subsidiaries KB SmartSolutions KB Advisory, s.r.o. and Enviros, s.r.o. took place.

### Seasonality and unusual items

The Group's principal activities are not significantly influenced by seasonality, and in the first half of 2024 no unusual transaction occurred.

## 2 Principal accounting policies

These Consolidated Financial Statements were neither audited nor reviewed by an auditor. The presented information is consistent with IAS 34 Interim Financial Reporting requirements.

During the first half of 2024, the Group updated its IFRS 9 provisioning models for the Stage 1 and Stage 2 portfolios while taking into account the current macroeconomic outlook. As part of this update, an error was detected in the use of repayment schedules for syndicated loans with an irregular repayment type (bullet/balloon). Update of IFRS 9 models in the first half of 2024 led to the creation of CZK 135 million in allowances (CZK 35 million of which arose from correction of repayment schedules for syndicated loans).

In accordance with IFRS 9 methodology, the update was based upon a so-called multiscenario approach. Three scenarios were considered for June 2024 accounting closure:

- a baseline scenario with 60% probability,
- a severe stress scenario with 30% probability, and
- an optimistic scenario with 10% probability.

The baseline scenario applied in the IFRS 9 models as of June 2024 expects GDP growth of 1.6% in 2024 and 2% in 2025 and average unemployment at 3.0% in 2024 and 3.1% in 2025. The severe stress scenario expects GDP to decline by 2.2% in 2024 and 1.5% in 2025 and average unemployment of 5.4% in 2024 and 5.6% in 2025.

The scenarios were developed internally while using the best available estimates and closely monitoring prognoses published by state, regulatory, and other bodies.

In accordance with the forward-looking approach, the Group continued in the first half of 2024 with a specific approach using post-model adjustments for the following portfolios with deteriorated credit profile, which as of 30 June 2024 is not fully reflected in the individual credit assessments of clients:

- (i) Exposure of clients in the retail segments of Individuals and Small Businesses with higher indebtedness or lower incomes, for whom the Group expects possible (deferred) negative impacts of high inflation, high costs, or high interest rates on the clients' ability to repay their obligations. In the Individuals segment, the risk class of these clients was worsened by one notch and in the Small Businesses segment the rating was downgraded by two notches for the purpose of calculating allowances. Moreover, exposures granted until 2021 are transferred into Stage 2. This led to the creation of additional allowances of CZK 702 million as of 30 June 2024. The exposure of this retail sub-portfolio with higher indebtedness or lower income totalled CZK 69.5 billion as of June 2024.
- (ii) The Group continued with a specific approach using post-model adjustments for the whole performing non-retail portfolio because the Group expects that the ability of clients in this segment to repay their liabilities could possibly be influenced negatively by high inflation, costs, or interest rates. The additional allowances totalled CZK 1,591 million as of 30 June 2024.

As of June 2024, the Group did not apply any specific sectoral approaches in its IFRS 9 models. The Group is closely monitoring the situation of sectors that it considers to be potentially sensitive to high inflation (e.g. construction, real estate development, etc.). Because the Group detected no materially more inflation-sensitive sectors within its non-retail portfolio, it maintains, as mentioned above, the specific portfolio overlay covering the high inflationary impact for the whole non-retail portfolio. The Group deems that the expected credit risk in the sectors is included within the IFRS 9 forward-looking component and the inflation portfolio overlay.

The Group is reconsidering future governance of both retail and non-retail inflation overlays as part of a regular budget exercise currently ongoing.

The Group is continuously monitoring and evaluating effects of the war in Ukraine on its activities and on its clients, which overwhelmingly are affected only secondarily and indirectly, mainly due to the clients' dependence on strategic raw materials. The Group believes that the geopolitical risk is correctly reflected in the ratings of those clients concerned and considers the clients' situations to be stable. An exception involves sensitive exposures in the amount of CZK 3.3 billion to clients who operate gas pipelines, whose situation the Group monitors specifically. If necessary, the Group will respond to the changing situation with measures relating to its policies and accounting estimates, including to make adjustments to its models for allowances according to the IFRS 9 standard.

### 3 Segment reporting

(CZKm)	Retail banking		Corporate banking		Investment banking		Other		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Net interest income	5,845	6,763	4,797	4,637	1,016	1,158	776	254	12,434	12,812
Net fee and commission income	2,330	2,208	955	901	4	10	(30)	(70)	3,259	3,049
Net profit/(loss) on financial operations	848	737	952	1,388	(817)	(783)	712	721	1,695	2,063
Dividend income	0	0	0	0	0	0	56	2	56	2
Other income	25	82	(45)	(35)	0	78	123	48	103	173
<b>Net operating income</b>	<b>9,048</b>	<b>9,790</b>	<b>6,659</b>	<b>6,891</b>	<b>203</b>	<b>463</b>	<b>1,637</b>	<b>955</b>	<b>17,547</b>	<b>18,099</b>

Given the specifics of banking activities, the Board of Directors of the Bank (the chief operating decision maker) is provided with information on income, recognition of allowances, write-offs, and income tax only for selected segments rather than consistently for all segments. For this reason, this information is not reported for segments.

As most of the income of segments arises from interest and, in assessing the performance of segments and deciding on allocation of resources for segments the Board of Directors primarily refers to net interest income, the interest for segments is reported on a net basis (i.e. reduced by interest expense).

Transfer prices between operating segments are based on transfer interest rates representing actual market interest rates conditions, including the liquidity component, reflecting the opportunities existing to acquire and invest financial resources.

The Group's income is primarily – nearly 96% (30 June 2023: more than 97%) – generated on the territory of the Czech Republic.

## 4 Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise the following:

(CZKm)	30 Jun 2024	31 Dec 2023
Equity instruments at FVOCI option	53	53
Debt securities at FVOCI	14,381	16,730
<b>Total financial assets at fair value through other comprehensive income</b>	<b>14,434</b>	<b>16,783</b>

For detailed information on 'Debt securities', broken out by sector, currency, and country of issuer, refer to Note 6.

## 5 Financial assets at amortised cost

Financial assets at amortised cost comprise the following:

(CZKm)	30 Jun 2024	31 Dec 2023
Loans and advances to banks	425,820	411,644
Loans and advances to customers	831,938	833,542
Debt securities	141,013	152,237
<b>Total financial assets at amortised cost</b>	<b>1,398,771</b>	<b>1,397,423</b>

For detailed information on 'Debt securities', broken out by sector and currency, refer to Note 6.

As of 30 June 2024, 'Financial assets at amortised cost' comprise the following, as broken down by Staging:

(CZKm)	Gross carrying value				Allowances				Carrying value
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Central banks	341,606	0	0	341,606	0	0	0	0	341,606
General governments	31,241	17	13	31,271	(7)	0	(13)	(20)	31,251
Credit institutions	84,122	69	25	84,216	0	(1)	(1)	(2)	84,214
Other financial corporations	74,234	364	5	74,603	(137)	(52)	(5)	(194)	74,409
Non-financial corporations	270,795	26,346	10,019	307,160	(1,103)	(2,238)	(4,032)	(7,373)	299,787
Households*	330,438	94,320	6,137	430,895	(314)	(1,173)	(2,917)	(4,404)	426,491
<b>Total loans</b>	<b>1,132,436</b>	<b>121,116</b>	<b>16,199</b>	<b>1,269,751</b>	<b>(1,561)</b>	<b>(3,464)</b>	<b>(6,968)</b>	<b>(11,993)</b>	<b>1,257,758</b>
Central banks	0	0	0	0	0	0	0	0	0
General governments	136,943	0	0	136,943	(22)	0	0	(22)	136,921
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	97	0	0	97	0	0	0	0	97
Non-financial corporations	3,020	1,730	0	4,750	0	(755)	0	(755)	3,995
<b>Total debt securities</b>	<b>140,060</b>	<b>1,730</b>	<b>0</b>	<b>141,790</b>	<b>(22)</b>	<b>(755)</b>	<b>0</b>	<b>(777)</b>	<b>141,013</b>

\* This item also includes loans granted to individual entrepreneurs.

**As of 31 December 2023, 'Financial assets at amortised cost' comprise the following, as broken down by Staging:**

(CZKm)	Gross carrying value				Allowances				Carrying value
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Central banks	369,296	0	0	369,296	0	0	0	0	369,296
General governments	33,233	0	52	33,285	(8)	0	(17)	(25)	33,260
Credit institutions	42,174	178	0	42,352	0	(4)	0	(4)	42,348
Other financial corporations	74,711	293	121	75,125	(133)	(39)	(9)	(181)	74,944
Non-financial corporations	279,640	26,533	8,839	315,012	(1,088)	(2,282)	(4,199)	(7,569)	307,443
Households*	322,557	93,396	6,273	422,226	(288)	(1,068)	(2,975)	(4,331)	417,895
<b>Total loans</b>	<b>1,121,611</b>	<b>120,400</b>	<b>15,285</b>	<b>1,257,296</b>	<b>(1,517)</b>	<b>(3,393)</b>	<b>(7,200)</b>	<b>(12,110)</b>	<b>1,245,186</b>
Central banks	0	0	0	0	0	0	0	0	0
General governments	148,689	0	0	148,689	(24)	0	0	(24)	148,665
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	1,796	0	0	1,796	0	0	0	0	1,796
Non-financial corporations	764	1,765	0	2,529	0	(753)	0	(753)	1,776
<b>Total debt securities</b>	<b>151,249</b>	<b>1,765</b>	<b>0</b>	<b>153,014</b>	<b>(24)</b>	<b>(753)</b>	<b>0</b>	<b>(777)</b>	<b>152,237</b>

\* This item also includes loans granted to individual entrepreneurs.

**Set out below is the breakdown of loans and advances to non-financial corporations by sector:**

(CZKm)	30 Jun 2024	31 Dec 2023
Agriculture, forestry, and fishing	14,499	14,529
Mining and quarrying	876	926
Manufacturing	71,626	73,346
Electricity, gas, steam, and air conditioning supply	17,197	22,652
Water supply	4,324	4,376
Construction	16,095	15,931
Wholesale and retail	58,221	61,124
Transportation and storage	20,916	17,742
Accommodation and food service activities	2,121	1,890
Information and communication	6,675	6,003
Real estate activities	62,560	65,740
Professional, scientific, and technical activities	7,395	8,621
Administrative and support service activities	11,323	9,099
Public administration and defence, compulsory social security	606	479
Education	339	328
Health care and social work activities	4,074	3,601
Arts, entertainment, and recreational activities	4,602	5,000
Other activities	3,711	3,625
<b>Total loans and advances to non-financial corporations</b>	<b>307,160</b>	<b>315,012</b>

**Broken out below are the types of collateral held in support of loans and advances to customers as stated in the Consolidated Statement of Financial Position as of 30 June 2024:**

(CZKm)	Collateral values applied to loans and advances to customers*				
	Loans collateralised by residential property	Loans collateralised by commercial property	Other loans collateralised by cash instruments	Other loans collateralised by other collaterals	Financial guarantees received
<b>Loans and advances to customers</b>	<b>351,000</b>	<b>28,888</b>	<b>8,596</b>	<b>11,405</b>	<b>38,736</b>
of which:					
– Other financial corporations	10	806	252	1,914	12,374
– Non-financial corporations	4,083	24,624	2,591	9,216	22,883
– Households**	346,903	3,426	5,749	230	502

\* The amount of the collateral is reduced by a coefficient taking into account the time value of money, cost of selling the collateral, risk of declining market prices, risk of insolvency, etc. and reduced to the actual balance of the collateralised exposure.

\*\* This item also includes loans granted to individual entrepreneurs.

**Broken out below are the types of collateral held in support of loans and advances to customers as stated in the Consolidated Statement of Financial Position as of 31 December 2023:**

(CZKm)	Collateral values applied to loans and advances to customers*				
	Loans collateralised by residential property	Loans collateralised by commercial property	Other loans collateralised by cash instruments	Other loans collateralised by other collaterals	Financial guarantees received
<b>Loans and advances to customers</b>	<b>341,943</b>	<b>26,819</b>	<b>8,723</b>	<b>12,983</b>	<b>37,563</b>
of which:					
– Other financial corporations	32	780	0	2,362	11,531
– Non-financial corporations	3,583	22,552	2,694	10,236	22,315
– Households**	338,320	3,456	6,022	324	557

\* The amount of the collateral is reduced by a coefficient taking into account the time value of money, cost of selling the collateral, risk of declining market prices, risk of insolvency, etc. and reduced to the actual balance of the collateralised exposure.

\*\* This item also includes loans granted to individual entrepreneurs.

## 6 Debt securities

**The Group's debt securities, broken out by sector and currency, comprise the following as of 30 June 2024:**

(CZKm)	Fair value through profit or loss			Fair value through other comprehensive income			Amortised cost		
	CZK	Other	Total	CZK	Other	Total	CZK	Other	Total
Central banks	0	0	0	0	0	0	0	0	0
General governments	22,161	2	22,163	6,917	7,464	14,381	135,383	1,538	136,921
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	12	0	12	0	0	0	97	0	97
Non-financial corporations	18	0	18	0	0	0	3,668	327	3,995
<b>Total debt securities</b>	<b>22,191</b>	<b>2</b>	<b>22,193</b>	<b>6,917</b>	<b>7,464</b>	<b>14,381</b>	<b>139,148</b>	<b>1,865</b>	<b>141,013</b>

**The Group's debt securities, broken out by sector and currency, comprise the following as of 31 December 2023:**

(CZKm)	Fair value through profit or loss			Fair value through other comprehensive income			Amortised cost		
	CZK	Other	Total	CZK	Other	Total	CZK	Other	Total
Central banks	0	0	0	0	0	0	0	0	0
General governments	19,120	489	19,609	7,476	9,254	16,730	147,075	1,590	148,665
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	9	0	9	0	0	0	1,796	0	1,796
Non-financial corporations	3	0	3	0	0	0	1,442	334	1,776
<b>Total debt securities</b>	<b>19,132</b>	<b>489</b>	<b>19,621</b>	<b>7,476</b>	<b>9,254</b>	<b>16,730</b>	<b>150,313</b>	<b>1,924</b>	<b>152,237</b>

## 7 Financial liabilities at amortised cost

Financial liabilities at amortised cost comprise the following:

(CZKm)	30 Jun 2024	31 Dec 2023
Amounts due to banks	60,705	105,694
Amounts due to customers	1,200,508	1,127,227
Securities issued	12,567	12,431
Lease liabilities	2,411	2,421
<b>Total financial liabilities at amortised cost</b>	<b>1,276,191</b>	<b>1,247,773</b>

Amounts due to banks and customers, broken out by sector, comprise the following:

(CZKm)	30 Jun 2024	31 Dec 2023
Central banks	0	0
General governments	223,735	164,201
Credit institutions	60,705	105,694
Other financial corporations	172,369	162,121
Non-financial corporations	347,912	348,323
Households*	456,492	452,582
<b>Total amounts due to banks and customers</b>	<b>1,261,213</b>	<b>1,232,921</b>

\* This item also includes amounts due to individual entrepreneurs.

### Securities issued

Securities issued comprise the following:

(CZKm)	30 Jun 2024	31 Dec 2023
Mortgage bonds	12,567	12,431
Depository bills of exchange	0	0
<b>Total securities issued</b>	<b>12,567</b>	<b>12,431</b>

The Group issues mortgage bonds to fund its mortgage activities.

Mortgage bonds according to their remaining time to maturity break out as follows:

(CZKm)	30 Jun 2024	31 Dec 2023
In less than one year	0	0
In one to five years	12,567	12,431
In five to ten years	0	0
In ten to twenty years	0	0
More than twenty years	0	0
<b>Total mortgage bonds</b>	<b>12,567</b>	<b>12,431</b>

The issued securities detailed above include the following mortgage bonds issued by the Group:

Name	Interest rate	Currency	Issue date	Maturity date	30 Jun 2024 (CZKm)	31 Dec 2023 (CZKm)
HZL Komerční banky, a.s., XS2289128162	0.01%	EUR	20 Jan 2021	20 Jan 2026	12,567	12,431
<b>Total mortgage bonds</b>					<b>12,567</b>	<b>12,156</b>

## 8 Provisions

Provisions comprise the following:

(CZKm)	30 Jun 2024	31 Dec 2023
Provisions for contracted commitments	201	202
Provisions for other credit commitments	599	652
Provisions for restructuring	0	0
<b>Total provisions</b>	<b>800</b>	<b>854</b>

The provisions for other credit commitments are held to cover credit risks associated with credit commitments issued. The provisions for contracted commitments principally comprise the provisions for ongoing contracted contingent commitments, legal disputes, self-insurance, and those for loyalty and jubilee bonuses and the retirement benefits plan.

Movements in the provisions for contracted commitments and for restructuring were as follow:

(CZKm)	Retirement benefits plan	Other provisions for contracted commitments	Provisions for restructuring	Total
<b>Balance as of 31 December 2023</b>	<b>73</b>	<b>129</b>	<b>0</b>	<b>202</b>
Charge	8	27	0	35
Release	(4)	0	0	(4)
Use	0	(36)	0	(36)
Accrual	2	0	0	2
Remeasurement	0	0	0	0
Foreign exchange difference	0	2	0	2
<b>Balance as of 30 June 2024</b>	<b>79</b>	<b>122</b>	<b>0</b>	<b>201</b>

(CZKm)	Retirement benefits plan	Other provisions for contracted commitments	Provisions for restructuring	Total
<b>Balance as of 31 December 2022</b>	<b>64</b>	<b>155</b>	<b>0</b>	<b>219</b>
Charge	7	1	0	8
Release	(5)	(1)	0	(6)
Use	0	(2)	0	(2)
Accrual	2	0	0	2
Remeasurement	0	0	0	0
Foreign exchange difference	0	(1)	0	(1)
<b>Balance as of 30 June 2023</b>	<b>68</b>	<b>152</b>	<b>0</b>	<b>220</b>

## 9 Commitments and contingent liabilities

### Legal disputes

The Group conducted a review of legal proceedings outstanding against it as of 30 June 2024. Pursuant to the review of significant litigation matters in terms of the risk of losses and litigated amounts, the Group has recorded a provision of CZK 56 million (31 December 2023: CZK 24 million) for these legal disputes. The Group has also recorded a provision of CZK 1 million (31 December 2023: CZK 1 million) for costs associated with potential payment of interest on the pursued claims.

As of 30 June 2024, the Group conducted a review of legal proceedings filed against other entities. The Group has been notified that certain parties against which it is taking legal action may file counterclaims against it. The Group will contest any such claims and, taking into consideration the opinion of its internal and external legal counsel, believes that any asserted claims made will not materially affect its financial position. No provision has been made in respect of these matters.

## Financial commitments and contingencies comprise the following:

(CZKm)	30 Jun 2024	31 Dec 2023
Non-payment guarantees including commitments to issued non-payment guarantees	53,442	52,608
Payment guarantees including commitments to issued payment guarantees	19,863	20,980
Committed facilities and unutilised overdrafts	18,877	13,862
Undrawn credit commitments	87,219	86,864
Unutilised overdrafts and approved overdraft loans	29,833	28,151
Unutilised limits under framework agreements to provide financial services	5,720	11,439
Open customer/import letters of credit not covered	710	478
Standby letters of credit not covered	3,040	2,180
Confirmed supplier/export letters of credit	501	618
<b>Total commitments and contingencies</b>	<b>219,205</b>	<b>217,180</b>

## As of 30 June 2024, the financial commitments and contingencies of the Group were comprised of the following, as broken down by classification:

(CZKm)	Carrying value				Provisions			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Central banks	0	0	0	0	0	0	0	0
General governments	23,361	6	0	23,367	7	0	0	7
Credit institutions	10,096	0	0	10,096	0	0	0	0
Other financial corporations	7,889	10	0	7,899	13	0	0	13
Non-financial corporations	134,735	8,889	615	144,239	163	145	177	485
Households*	29,576	3,958	70	33,604	29	43	22	94
<b>Total commitments and contingencies</b>	<b>205,657</b>	<b>12,863</b>	<b>685</b>	<b>219,205</b>	<b>212</b>	<b>188</b>	<b>199</b>	<b>599</b>

\* This item also includes financial commitments and contingencies granted to individual entrepreneurs.

## As of 31 December 2023, the financial commitments and contingencies of the Group were comprised of the following, as broken down by classification:

(CZKm)	Carrying value				Provisions			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total **
Central banks	0	0	0	0	0	0	0	0
General governments	21,567	9	0	21,576	3	55	0	58
Credit institutions	3,792	0	0	3,792	0	0	0	0
Other financial corporations	17,780	1	0	17,781	28	0	0	28
Non-financial corporations	128,046	8,339	828	137,213	160	127	226	513
Households*	31,939	4,794	85	36,818	29	51	28	108
<b>Total commitments and contingencies</b>	<b>203,124</b>	<b>13,143</b>	<b>913</b>	<b>217,180</b>	<b>220</b>	<b>178</b>	<b>254</b>	<b>652</b>

\* This item also includes financial commitments and contingencies granted to individual entrepreneurs.

\*\* The value has been restated in accordance with the values in the Note 8 Provisions.



**Set out below is a breakdown of financial commitments and contingencies to non-financial corporations by sector:**

(CZKm)	30 Jun 2024	31 Dec 2023
Agriculture, forestry, and fishing	3,157	3,226
Mining and quarrying	2,564	2,020
Manufacturing	23,822	26,048
Electricity, gas, steam, and air conditioning supply	27,286	17,380
Water supply, sewerage, waste management, and remediation activities	1,729	1,001
Construction	41,782	41,606
Wholesale and retail trade, repair of motor vehicles and motorcycles	16,442	15,785
Transportation and storage	6,294	6,013
Accommodation and food service activities	631	641
Information and communication	3,005	3,576
Real estate activities	2,738	6,961
Professional, scientific, and technical activities	11,163	9,741
Administrative and support service activities	1,649	1,495
Public administration and defence, compulsory social security	145	212
Education	65	46
Human health and social work activities	267	248
Arts, entertainment, and recreation	1,368	1,102
Other service activities	132	112
<b>Total commitments and contingencies to non-financial corporations</b>	<b>144,239</b>	<b>137,213</b>

The majority of commitments and contingencies originate on the territory of the Czech Republic.

## 10 Estimated fair value of assets and liabilities of the Group

**The following table summarises the carrying values and fair values of those financial assets and liabilities not presented on the Group's Statement of Financial Position at their fair values:**

(CZKm)	30 Jun 2024		31 Dec 2023	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Cash and current balances with central banks	35,265	35,265	12,835	12,835
Financial assets at amortised cost	1,398,771	1,374,573	1,397,423	1,380,729
– Loans and advances to banks	425,820	423,968	411,644	409,111
– Loans and advances to customers	831,938	814,914	833,542	823,766
– Debt securities	141,013	135,691	152,237	147,852
<b>Financial liabilities</b>				
Amounts due to central banks	0	0	0	0
Financial liabilities at amortised cost	1,276,191	1,274,459	1,247,773	1,245,085
– Amounts due to banks	60,705	60,253	105,694	105,470
– Amounts due to customers	1,200,508	1,199,973	1,127,227	1,125,609
– Securities issued	12,567	11,822	12,431	11,585
– Lease liabilities	2,411	2,411	2,421	2,421
Subordinated debt	65,340	65,340	64,560	64,560

The following table presents the hierarchy of fair values for those financial assets and liabilities not presented on the Group's Statement of Financial Position at their fair values:

(CZKm)	30 Jun 2024				31 Dec 2023			
	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>								
Cash and current balances with central banks	35,265	6,947	0	28,318	12,835	8,305	0	4,530
Financial assets at amortised cost	1,374,573	131,254	0	1,243,319	1,380,729	143,917	0	1,236,812
– Loans and advances to banks	423,968	0	0	423,968	409,111	0	0	409,111
– Loans and advances to customers	814,914	0	0	814,914	823,766	0	0	823,766
– Debt securities	135,691	131,254	0	4,437	147,852	143,917	0	3,935
<b>Financial liabilities</b>								
Amounts due to central banks	0	0	0	0	0	0	0	0
Financial liabilities at amortised cost	1,274,459	11,822	0	1,262,637	1,245,085	11,585	0	1,233,500
– Amounts due to banks	60,253	0	0	60,253	105,470	0	0	105,470
– Amounts due to customers	1,199,973	0	0	1,199,973	1,125,609	0	0	1,125,609
– Securities issued	11,822	11,822	0	0	11,585	11,585	0	0
– Lease liabilities	2,411	0	0	2,411	2,421	0	0	2,421
Subordinated debt	65,340	0	0	65,340	64,560	0	0	64,560

## 11 Transfers between levels of the fair value hierarchy

There were no transfers between levels during the first half of 2024.

## 12 Events after the reporting period

In July, the Bank sold its 100% stake in VN 42, s.r.o., which owns the KB building at Václavské náměstí 42, related movable property, and financial assets. The sale will have a positive impact on the Group's consolidated result in the third quarter of 2024. The sale also includes an agreement for the Group to lease back part of the premises in the building until the end of 2026, at latest.

On 18 July 2024, the Bank signed a non-binding Memorandum of Understanding with Société Générale Equipment Finance, S.A. (SGEF SA) and its parent company Société Générale, S.A. (SG SA) to purchase the remaining 49.9% interest in SG Equipment Finance Czech Republic from SGEF SA. This contemplated acquisition would happen concomitantly with the contemplated sale by the SG Group of its activities in Equipment Finance, including the shares in SGEF SA (but excluding activities in Czech Republic and Slovakia), to BPCE group, a France-based financial group. The entire acquisition is subject to the satisfaction of standard conditions precedent, including conditions precedent relating to sale of the Equipment Finance business to BPCE (in particular the approval of such sale by the relevant antitrust, financial, and regulatory authorities).

# | Ratings

## Ratings of Komerční banka as of 30 June 2024\*

	Short-term	Long-term
Standard & Poor's	A-1	A
Moody's	Prime-1	A1
Fitch	F1	A

Note: KB was assigned a credit rating by rating agencies registered under Regulation of the European Parliament and Council (EC) No. 462/2013. KB has considered appointment of rating agencies in accordance with Article 8d of this Regulation and decided not to appoint a rating agency whose market share is smaller than 10%.

# | Shareholder structure

The share capital of Komerční banka totals CZK 19,004,926,000 and is divided into 190,049,260 ordinary shares admitted to trading on the European regulated market, each with a nominal value of CZK 100. All the Bank's shares carry the same rights.

The Bank had 74,908 shareholders as of 30 June 2024 (up by 2,605 year on year), of which 68,864 (greater by 2,685 from the year earlier) were private individuals from the Czech Republic. Strategic shareholder Société Générale maintained its 60.4% stake while minority shareholders owned 39.0% and KB held 0.6% of the registered capital in treasury.

## Major shareholders of Komerční banka owning more than 1% of the share capital as of 30 June 2024: (per the extract from the issuers register taken from the Central Securities Depository)

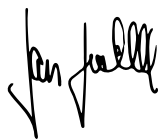
Shareholder	Proportion of share capital
Société Générale S.A.	60.35%
Chase Nominees Limited	2.95%
Clearstream Banking S.A.	1.57%
Nortrust Nominees Limited	1.34%
State Street Bank and Trust Company	1.19%
Other shareholders	32.61%

# | Management affidavit

To the best of our knowledge, we believe that the interim consolidated financial statements and notes to the consolidated financial statements in accordance with IFRS accounting standards as adopted by the European Union included in this half-yearly financial report give a fair and true view of Komerční banka's and Komerční banka Group's assets, liabilities, financial position, and results from the first half of 2024, and that the description of the main risks and uncertainties in the remaining 6 months of 2024, the description of the important events from the first half of 2024 and their impact on the interim consolidated financial statements, and the overview of transactions with related parties in the first half of 2024 which influenced significantly the financial results of Komerční banka or Komerční banka Group provide a true view of information required according to section 119(2)(b) of the Act on Capital Market Undertakings.

Prague, 29 August 2024

Signed on behalf of the Board of Directors:



**Jan Juchelka m. p.**  
Chairman of the Board of Directors  
and Chief Executive Officer  
Komerční banka, a.s.



**Miroslav Hiršl, m. p.**  
Member of the Board of Directors  
and Senior Executive Director, Retail Banking  
Komerční banka, a.s.