

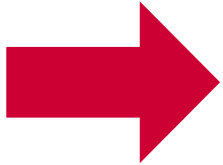


# **Financial Results**

**as at 30 June 2003**

(International Financial Reporting Standards)

Prague - 31 July 2003



- **Business Performance**
- **Financial Performance**
- **Loan Portfolio Development**
- **Appendix**

# KB PERFORMANCE AND ACHIEVEMENTS IN THE FIRST HALF OF 2003

Komerční banka performed very well in the first half of 2003 due to a successful implementation of new business model. Despite an unfavourable economic environment the Bank managed to significantly improve its business and financial results.

- **Strategic focus on retail confirmed**
- **Good quality of the loan portfolio and risk under control**
- **Efficient and successful cost control**

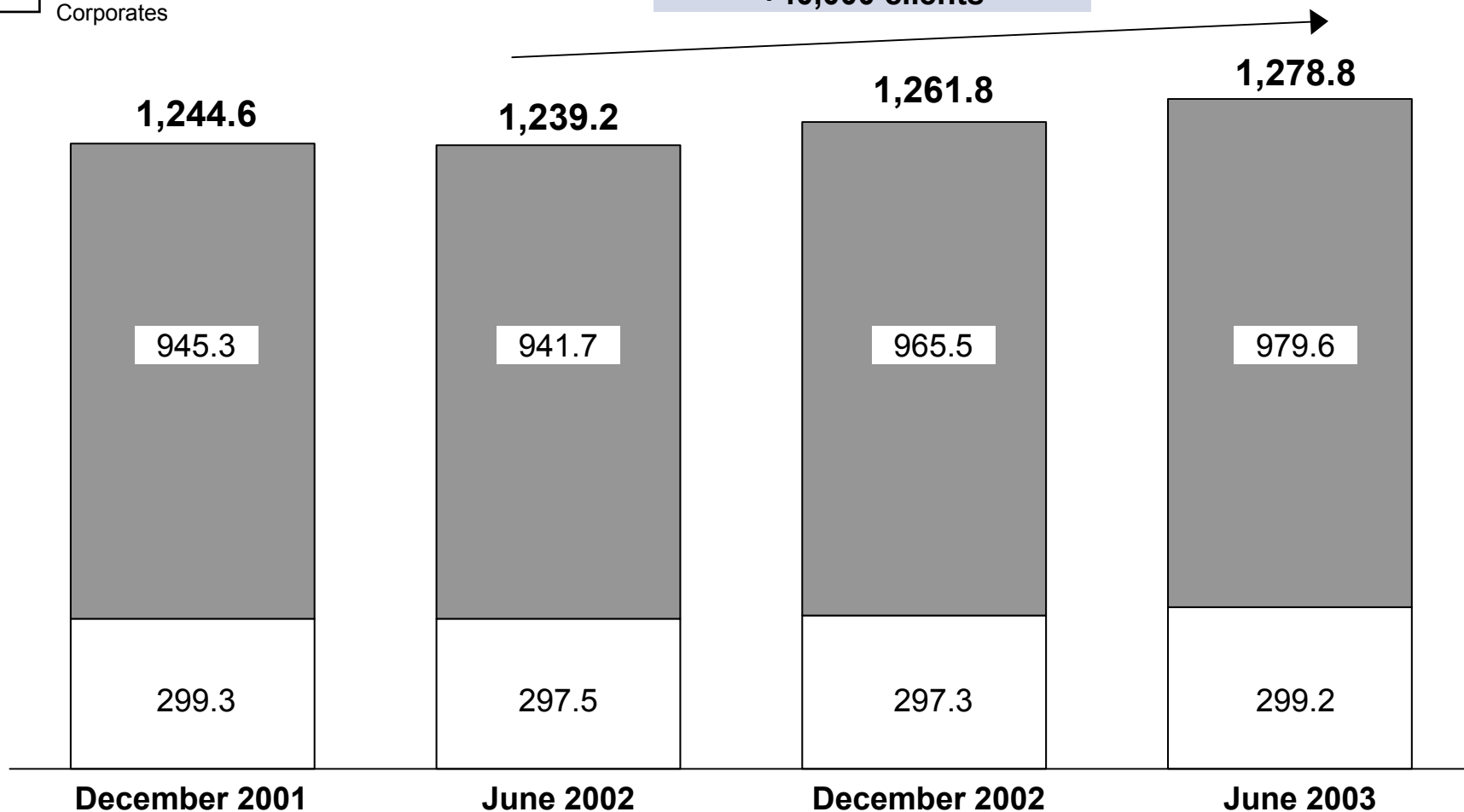
# CLIENTS OF KOMERČNÍ BANKA

## Continuous increase of the client base

■ Individuals

□ Entrepreneurs and Corporates

Year-on-year increase  
+40,000 clients



# IMPORTANT CAMPAIGNS LAUNCHED

## Increased awareness, attractiveness and sales

Print campaigns for all segments



Focused internet campaigns



radio, outdoor



**KB is in 1<sup>st</sup> position** in terms of attractiveness for the mass-market (3<sup>rd</sup> position before)







TV campaigns - best TV campaign of the year 2002 for financial services and retail

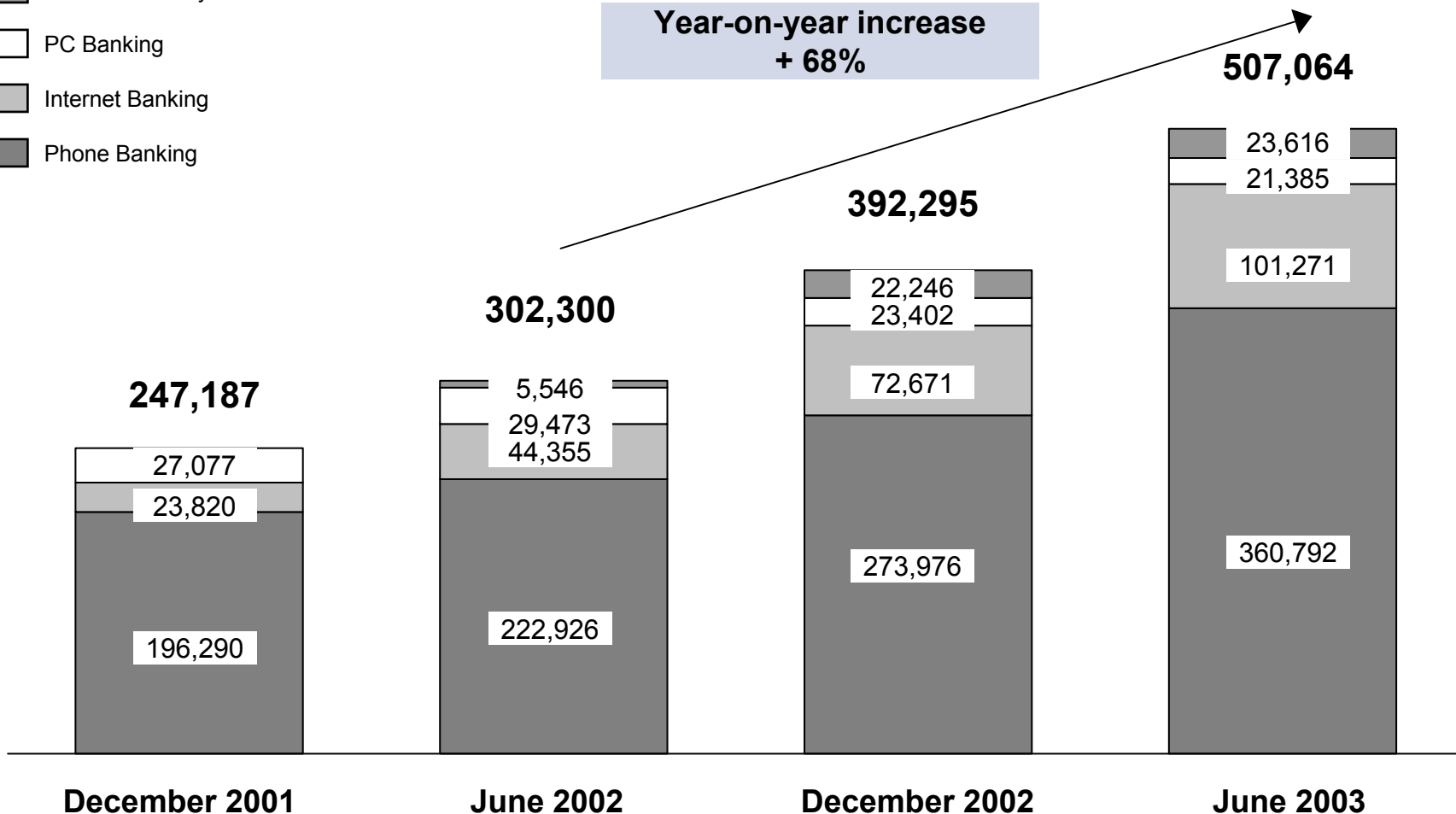


# DIRECT BANKING

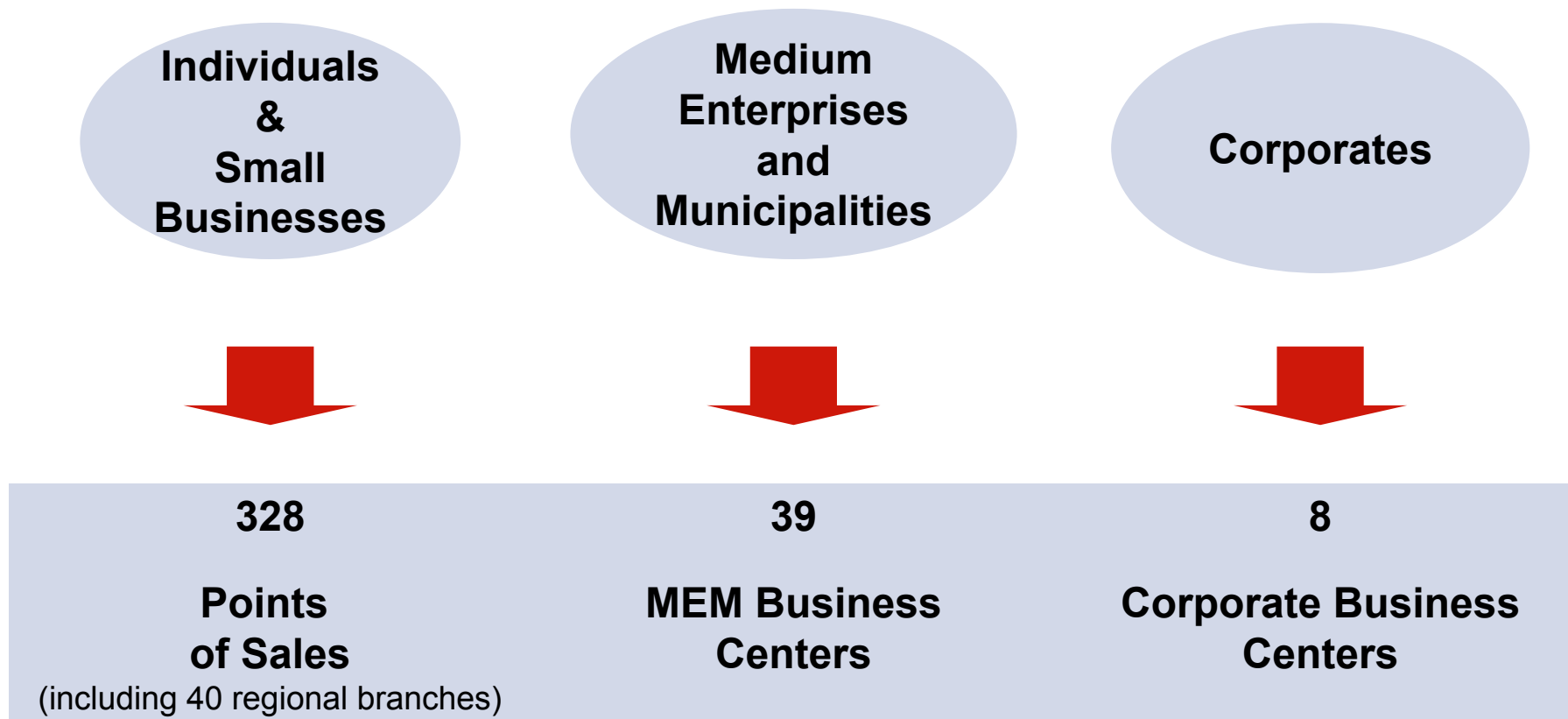
## 40% share in the total client base

-  Guaranteed Payment
-  PC Banking
-  Internet Banking
-  Phone Banking

Year-on-year increase  
+ 68%



# SALES NETWORK FOR ALL SEGMENTS



**Number of ATMs grew by 33 to the total of 473 since the end of 2002**



# A FULL RANGE OF PACKAGES FOR INDIVIDUALS

## Coverage of all market needs in place since October 2002

IDEAL	PERFEKT KONTO	EXPRESS KONTO	A-KONTO
STANDARD	ACTIVE	PERSPECTIVE	AFFLUENT
11.3% Market Share 42.0% of the Czech market	13.8% Market Share 41.0% of the Czech market	20.3% Market Share 13.0% of the Czech market	32.3% Market Share 4.0% of the Czech market
<b>Simplicity / Value</b>	<b>Value / Convenience</b>	<b>Convenience / Flexibility</b>	<b>Flexibility / Accessibility</b>
Current account in CZK	Current account in CZK	Current account in CZK	Current account in CZK
VISA Electron	VISA Electron	VISA InterCard or ECMC InterCard	VISA InterCard or ECMC InterCard
	Phone banking	Phone banking	Amex Green
	2 free ATM withdrawals/month	Internet banking	Phone banking
		* Payment card first year for free, then 700 CZK	Internet banking
			Overdraft

<b>148,787</b> packages	<b>96,666</b> packages	<b>53,099</b> packages	<b>23,789</b> packages
----------------------------	---------------------------	---------------------------	---------------------------

**322,270**  
total packages



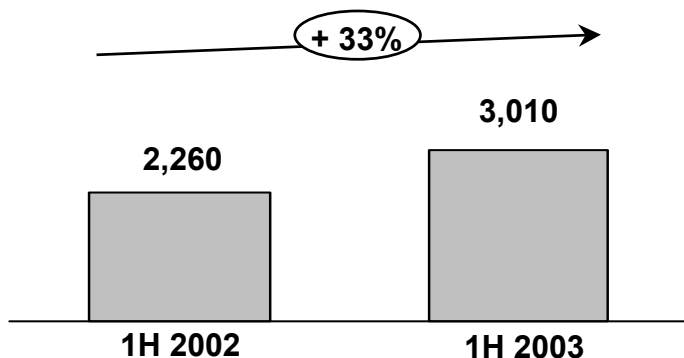


# INDIVIDUALS - RETAIL LOANS

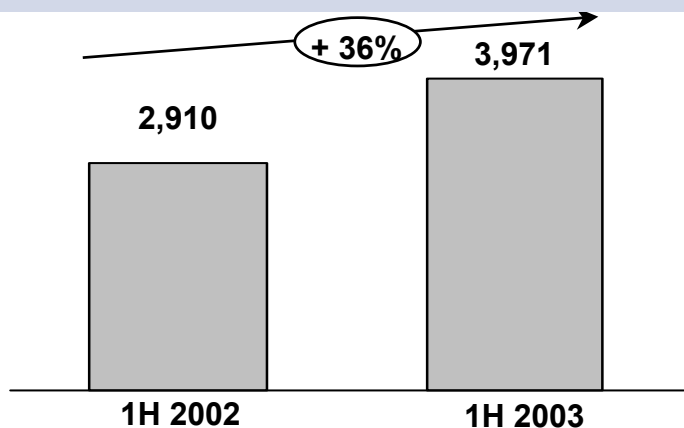
## Continuous positive trend

### Mortgages

Number of mortgages granted in the first half of the year

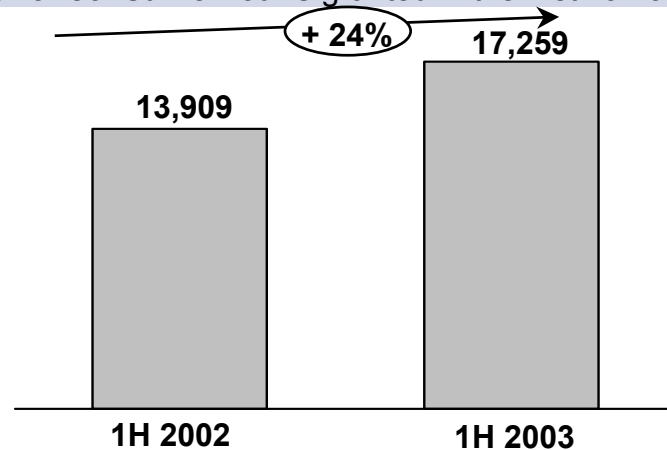


Volume of mortgages granted in the first half of the year  
CZK million

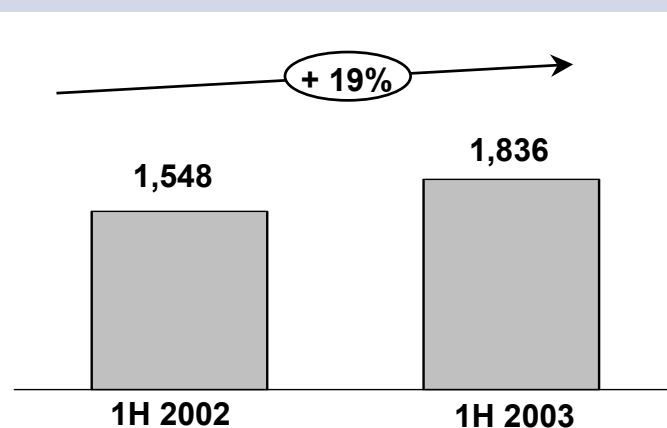


### Consumer loans

Number of consumer loans granted in the first half of the year



Volume of consumer loans granted in the first half of the year  
CZK million



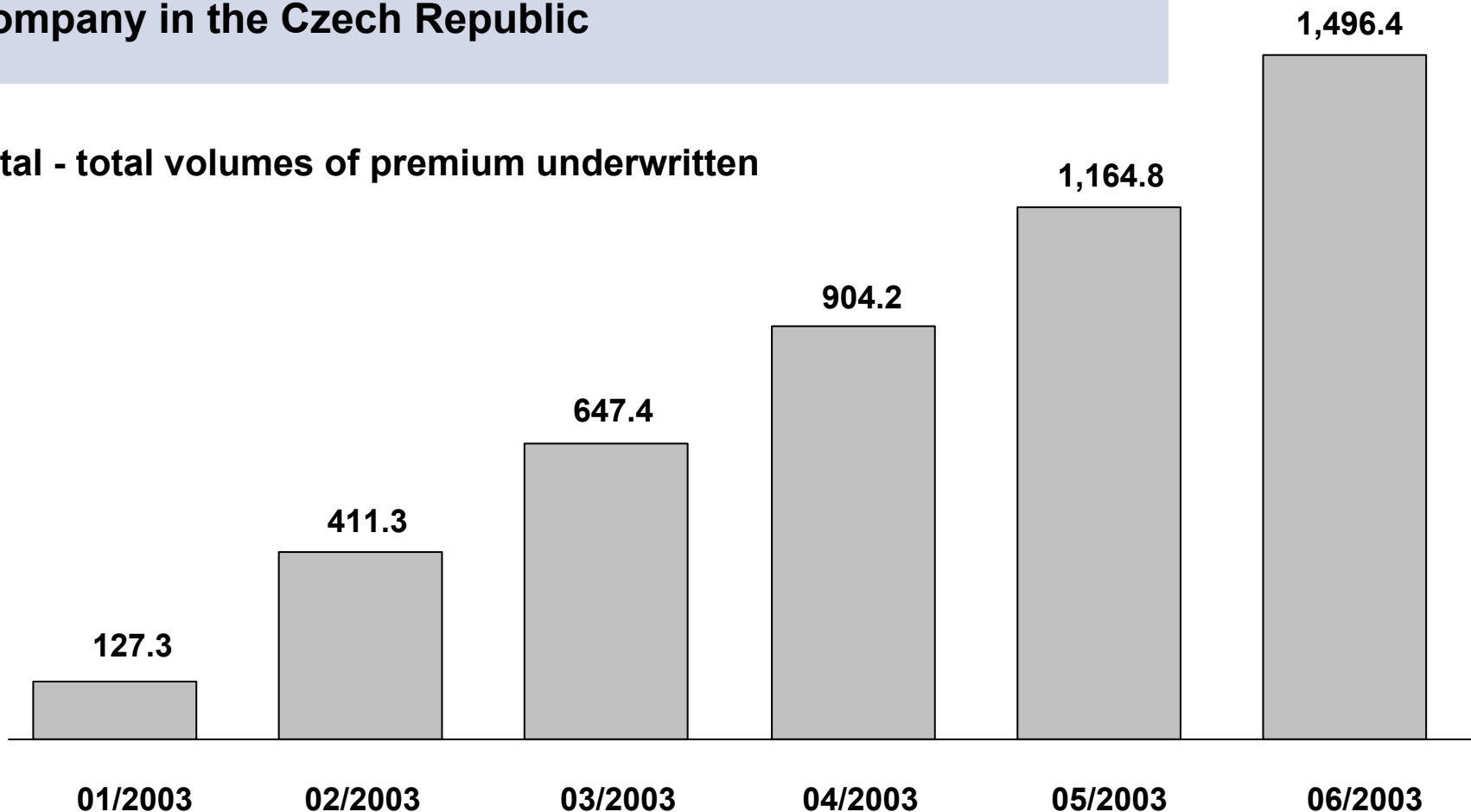
# INDIVIDUALS - LIFE INSURANCE PRODUCT VITAL

## Good results in terms of premium collected

CZK million

KP is in terms of life insurance the third biggest insurance company in the Czech Republic

Vital - total volumes of premium underwritten



Vital is a life insurance product of Komerční Pojišťovna of KB launched in October 2002



# A NEW RANGE OF PACKAGES FOR SMALL BUSINESSES

## EFEKT

Current account in CZK

Payment card VISA Electron

Phone or Internet banking

5 direct banking transactions

Possibility to get authorized overdraft up to CZK 100,000

## KOMFORT

Current account in CZK

Payment card embossed

Phone banking

Internet banking

10 direct banking transactions

Possibility to get authorized overdraft up to CZK 500,000

## EXCELENT

Current account in CZK

Current account in EUR or USD

Payment card VISA Electron

Payment card BUSINESS Silver

Phone banking

PC banking

50 direct banking transactions

Possibility to get authorized overdraft up to CZK 500,000

**8,385** packages

**2,574** packages

**311** packages

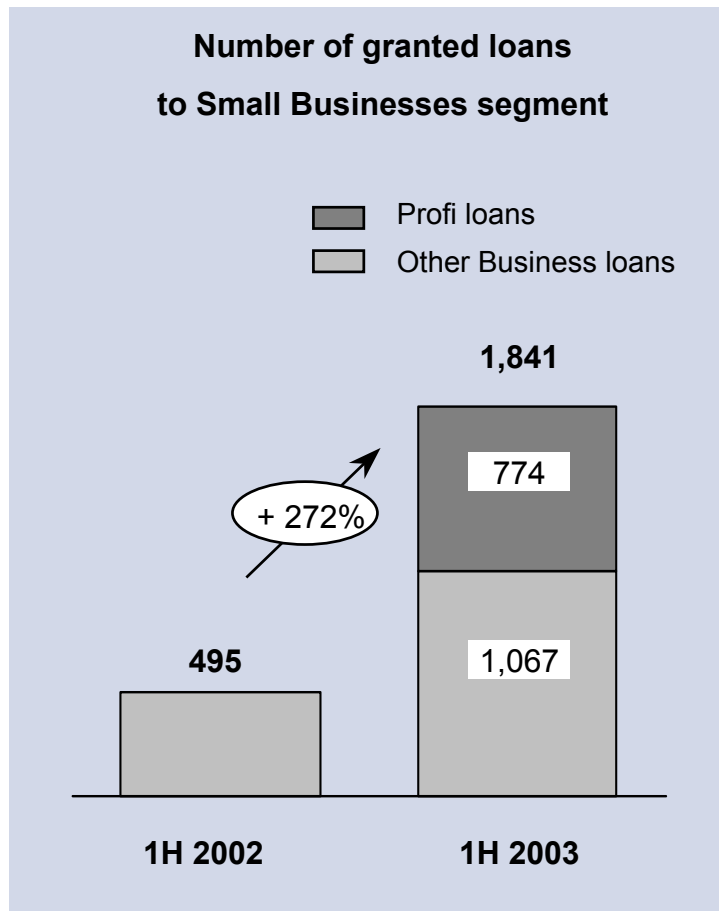
**11,270**  
total packages



# SMALL BUSINESSES - PROFI LOAN

## Simplified process of granting loans to this segment

Business loan sale 2003 vs. 2002



Profi loan\* vs. Standard loan comparison

	Approval period
Before implementation	30 days in average
After implementation	3 days (<1 Mio) 5 days (>1Mio)

\* Profi loan launched in March 2003



# PAYMENT CARDS

## Leading position of Komerční banka

NUMBER OF ACTIVE CARDS

NUMBER OF MERCHANTS

NUMBER OF ISSUED CARDS

NUMBER OF POS

**+ 14%**

**+ 18%**

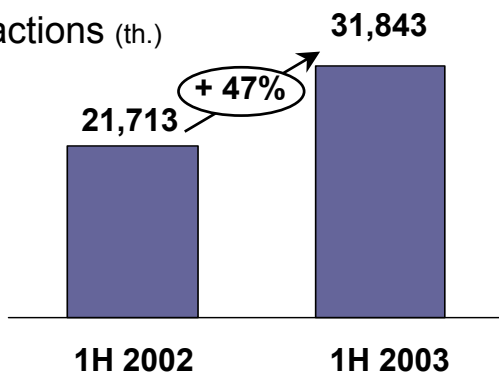
**+ 5%**

**+ 9%**

By date	Active cards (th.)	Issued cards (th.)	Merchants	POS
Dec-01	662	972	17,098	6,019
Dec-02	{ 796	{ 1,244	{ 18,099	{ 8,480
Jun-03	{ 908	{ 1,463	{ 18,992	{ 9,233

### Payment cards

# of transactions (th.)



### Market share

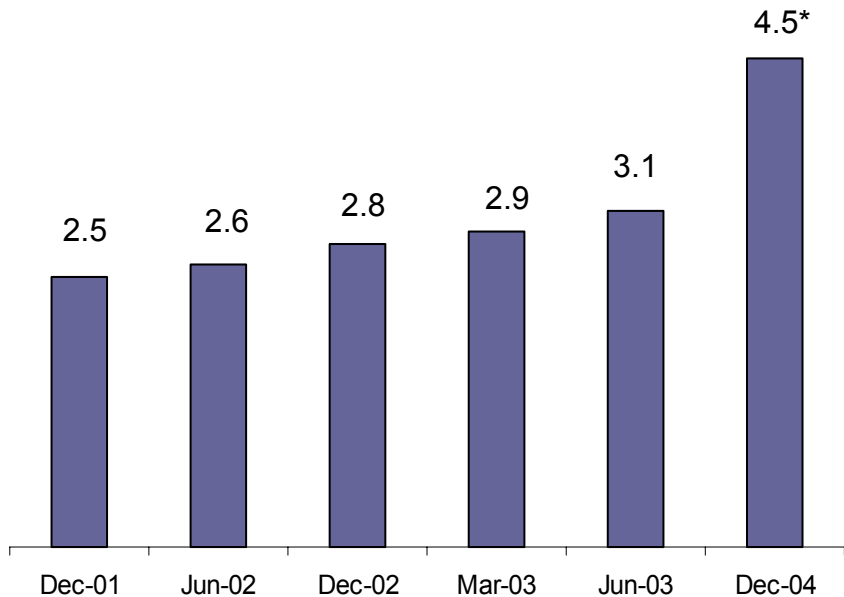
on total number of acquired transactions as at Jun-03

**44.7%**



# RETAIL - CROSS SELLING RATIO

## Positive trend confirms the strategic focus of the Bank



\* Target

### KB cross-selling calculation

#### Day-to-day banking

- Current account
- Debit card
- Authorised overdraft

#### Direct banking

- Internet banking
- Phone banking

#### Savings

- Saving account
- Term deposit
- Vital – saving account
- Pension fund
- Building saving

#### Financing

- Consumer loan ( personal loan, real estate loan, loan Garant, Loan Gaudeamus, new loan Grand )
- Mortgage
- Credit card
- Loans from building savings

#### Insurance

- Insurance – all kind



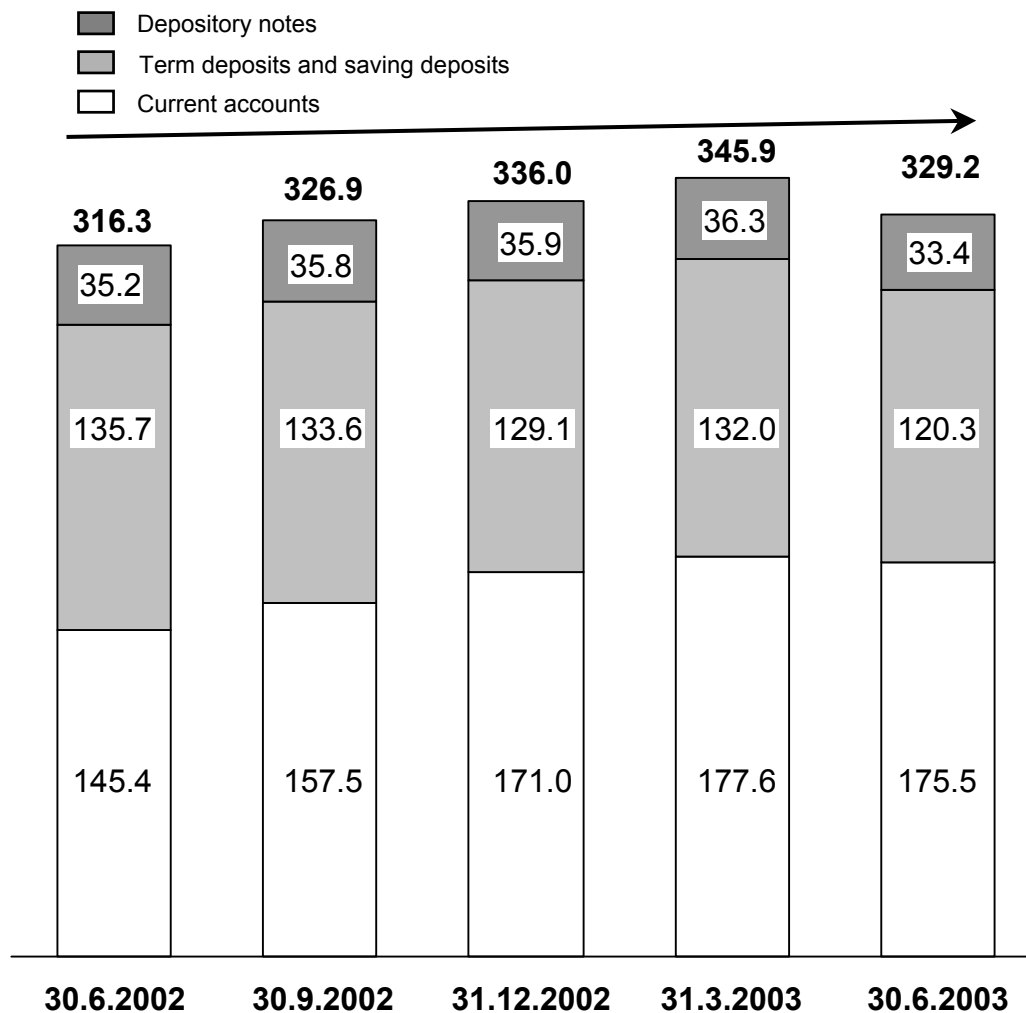
# KEY BUSINESS INDICATORS

## Influence of decreasing interest rates

### Volume of deposits

CZK billion

- Year-on-year increase by 4%
- Current accounts increased their share to 53% of total primary deposits
- Deposits influenced by decreasing interest rates environment
  - CNB further cut the limit repo rate by 0.25 p.p. to 2.25% in June
- Inflow of deposits during 1H 2003
  - Mutual funds managed by IKS KB (+CZK 4.4 bil.)
  - KP life insurance products (+CZK 1.6 bil.)

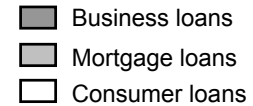


# KEY BUSINESS INDICATORS

## Ongoing positive dynamics in retail lending

### Volume of loans (Premier bank)

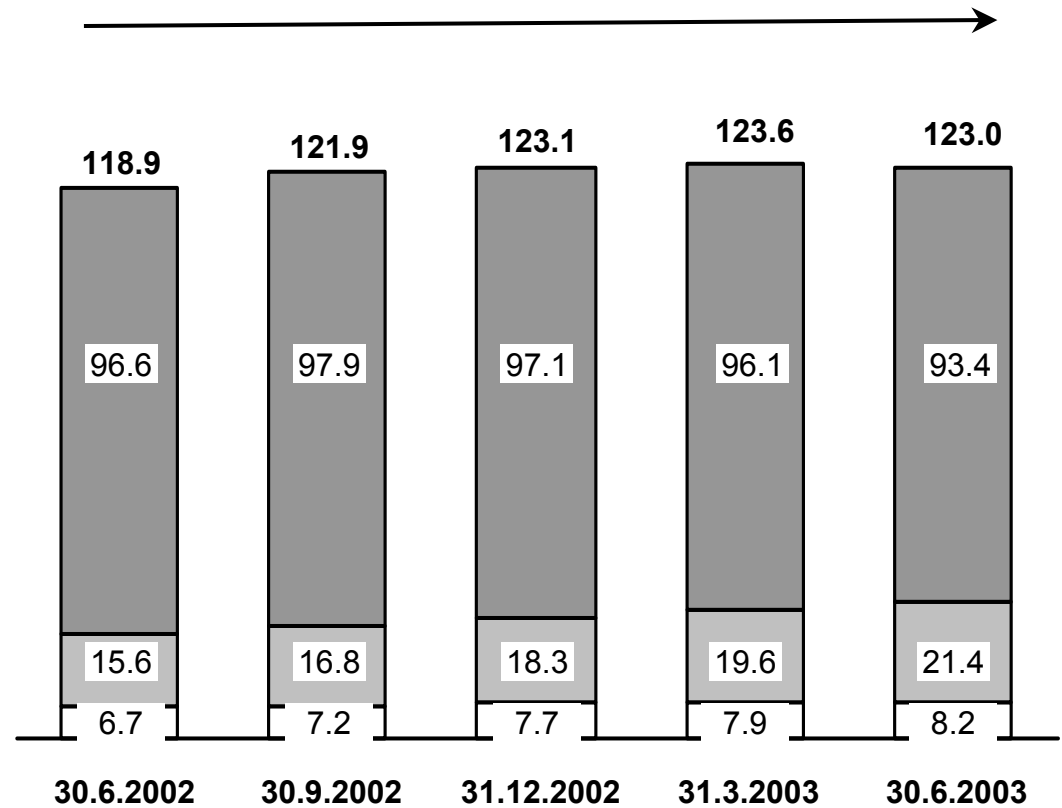
gross amount, CZK billion



- Year-on-year increase of the Premier Bank portfolio by 3%

- Retail loans represent 24% of the Premier Bank portfolio

- Volume of mortgages increased year on year by 37.5%
- Volume of consumer loans increased year on year by 22.8%





# COST OF RISK

## Significantly improved quality of the loan portfolio

### Total client loans (gross)

On-balance sheet

as at 30 June 2003

Standard	}	<b>91%</b>
Watch		
Sub-standard	}	<b>9%</b>
Doubtful		
Loss	)	
<b>Total</b>		<b>CZK 129,923 mil.</b>

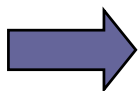
### Cost of Risk\*:

(Premier Bank)

**2002 : 72 bp**

**1H 2003 : 41 bp**

\*  $\frac{\text{annualised net creation of provisions}}{\text{commitments on + off B/S}}$

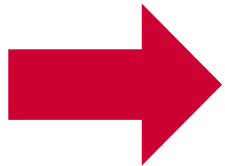


Quality of the risk portfolio better than expected



# EFFICIENCY AND COST CONTROL

- **Operating costs reduced year-on-year by 14.4% driven mainly by the staff reduction**
- **Number of employees decreased to 8,981 as at June 2003, representing a year-on-year decrease by 7%**
- **Planned 3-year strategic program will bring a new competitive advantage and an increased efficiency of the Bank by:**
  - reshaping the sale and after-sale processes and IT tools
  - increase productivity of back and middle offices
  - change of Front Office teller system
  - client and product data-model and central Data-base



- **Business Performance**
- **Financial Performance**
- **Loan Portfolio Development**
- **Appendix**

# FINANCIAL RESULTS AND RATIOS

## Net operating income increased by 16%

CZK million, unconsolidated

<b>Profit and Loss Statement</b>	<b>1H 2002</b>	<b>1H 2003</b>	<b>Change 03/02</b>
Net banking income	11,605	11,384	- 1.9%
Operating costs	-6,810	-5,827	- 14.4%
Net operating income	4,795	5,557	+ 15.9%
Provisions for loan and investment losses and net profit from sale of subsidiaries and associates	373	843	+ 125.7%
Income taxes	-932	-1,909	+ 104.8%
<b>Net profit</b>	<b>4,236</b>	<b>4,491</b>	<b>+ 6.0%</b>

<b>Key ratios and indicators</b>	<b>1H 2002</b>	<b>1H 2003</b>	<b>Change 03/02</b>
Capital Adequacy - CNB	14.2%	15.4%	→
Tier 1 Ratio (IFRS)	11.0%	15.1%	→
Net Interest Margin - NII/Av. Interest Bearing Assets	3.3%	3.1%	→
Cost / Income ratio - including restructuring costs	58.7%	51.2%	↘
Return on Average Equity (ROAE)	32.8%	25.3%	↘
Return on Average Assets (ROAA)	1.9%	2.1%	→
Earnings per Share - annualised (CZK)	223	236	→
Number of Employees (FTE)	9,657*	8,981	- 7.0%
Net Banking Income per Employee - annualised (CZK mil.)	2.4	2.5	→
Non-interest Income / Total Revenues	44.6%	47.6%	→

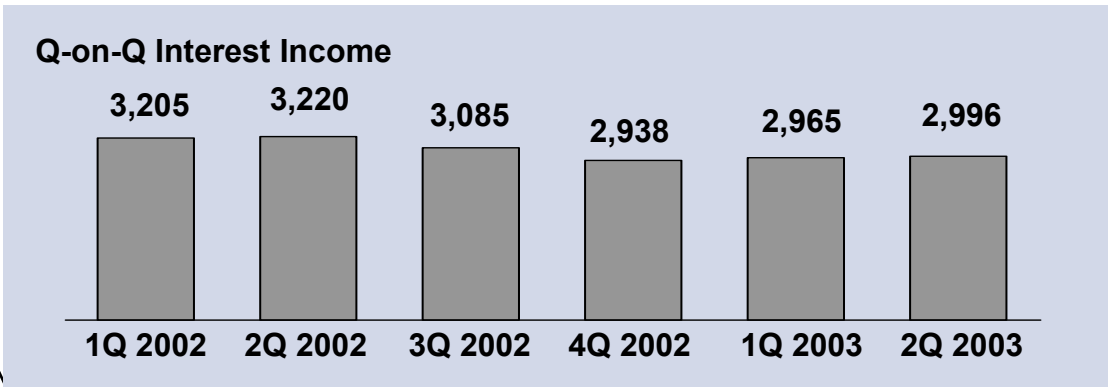
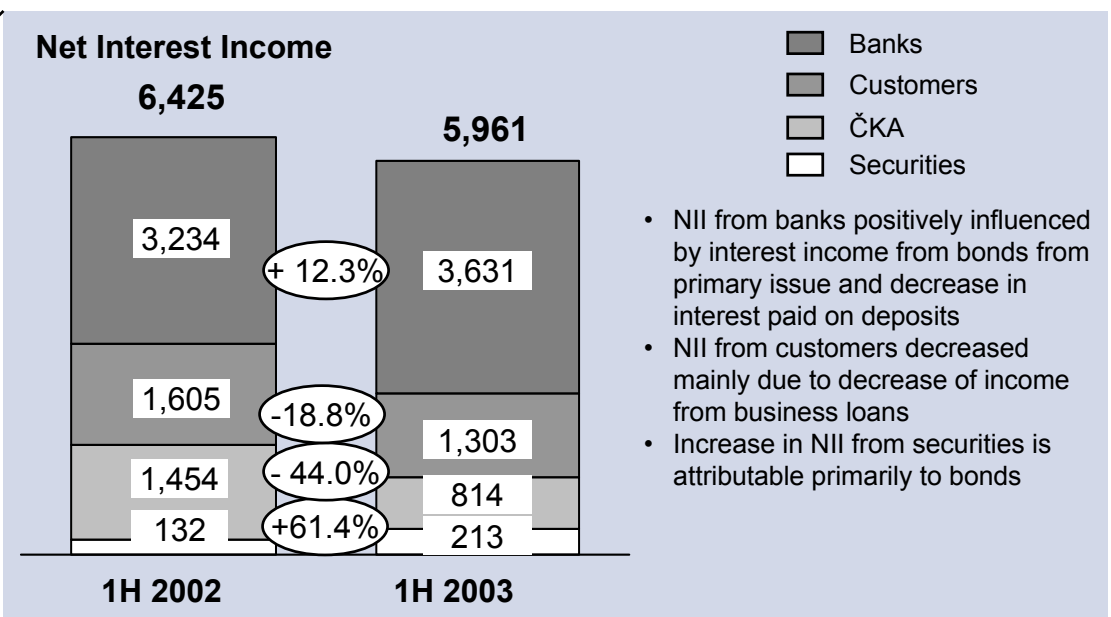
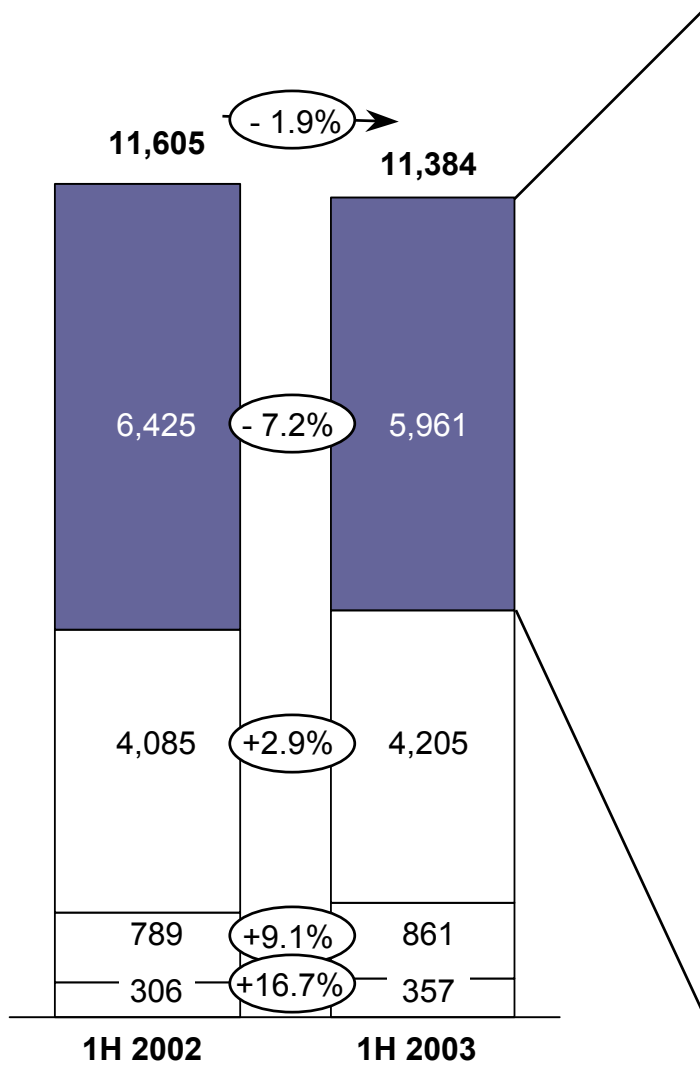


\* Includes employees of ASIS and Reflexim. These employees were reintegrated to KB during 2H 2002 and 1H 2003.

# NET INTEREST INCOME

## Net interest income stabilised on quarterly basis

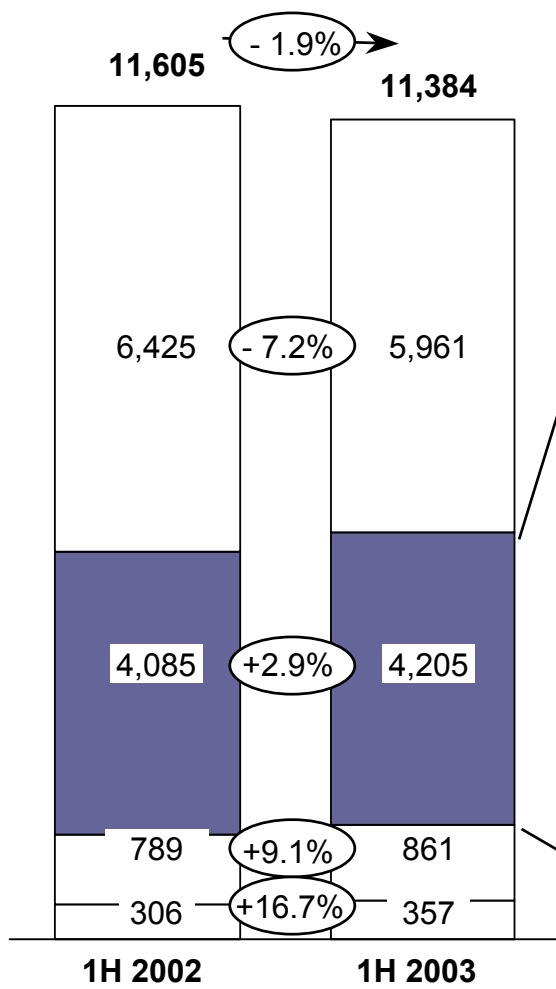
CZK million, unconsolidated



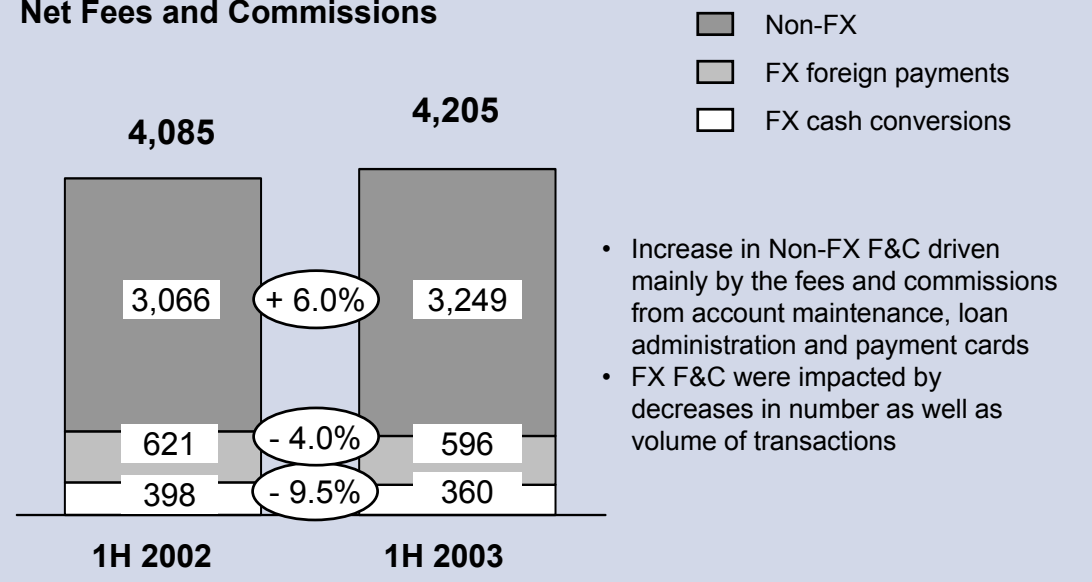
# NET FEES AND COMMISSIONS

## Increase in Net fees and commissions

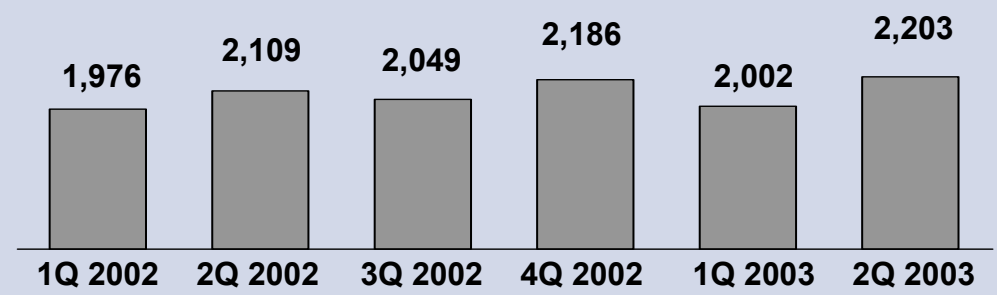
CZK million, unconsolidated



### Net Fees and Commissions

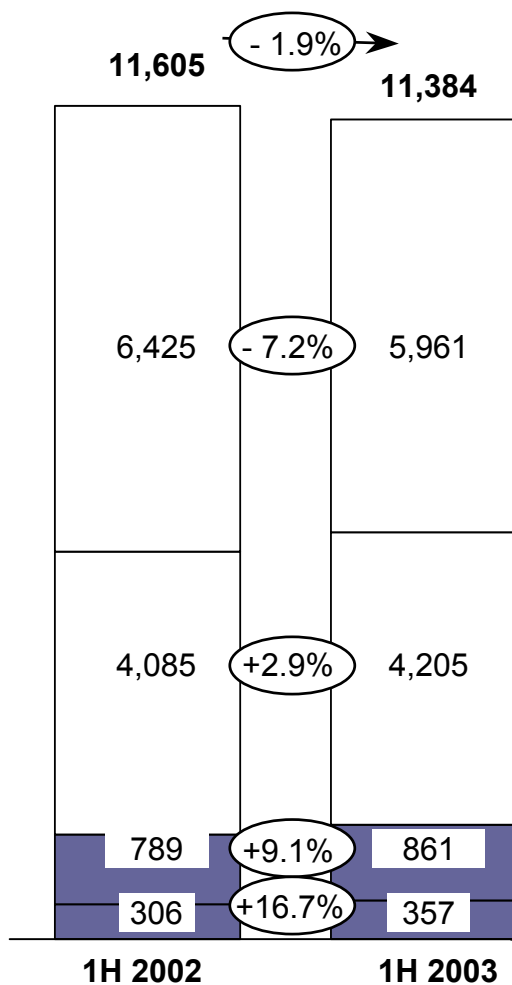


### Q-on-Q Net Fees and Commissions

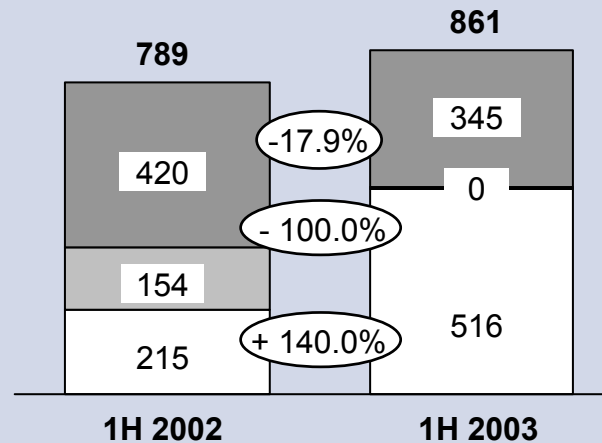


# TRADING PROFITS AND OTHER INCOME

CZK million, unconsolidated



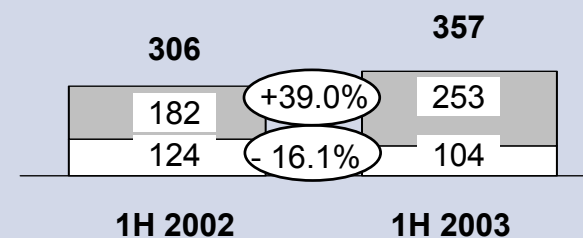
## Net profit from financial operations



- FX operations
- Interest and Commodity Derivatives
- Securities

- FX operations include primarily repricing of accounts and results of hedging instruments
- Decrease in profit from derivatives negatively influenced by methodology change in accounting of Cross Currency Swaps
- Increase in profit from securities mainly due to re-pricing of one bond issue

## Other Income



- Dividends from subsidiaries and associates
- Miscellaneous

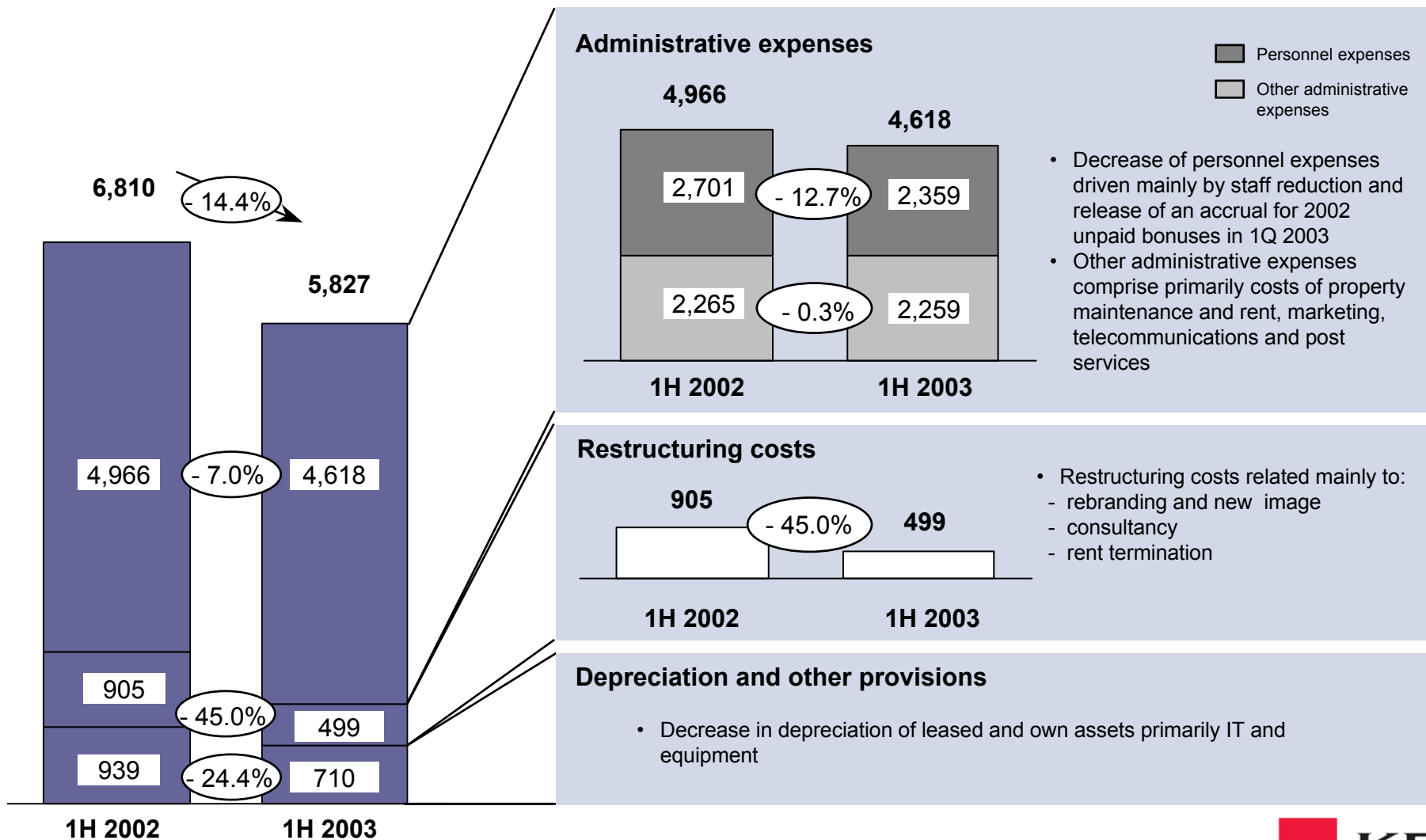
- Dividends comprise mainly dividend from CAC Leasing



# OPERATING COSTS

## Significant reduction of total costs

CZK million, unconsolidated

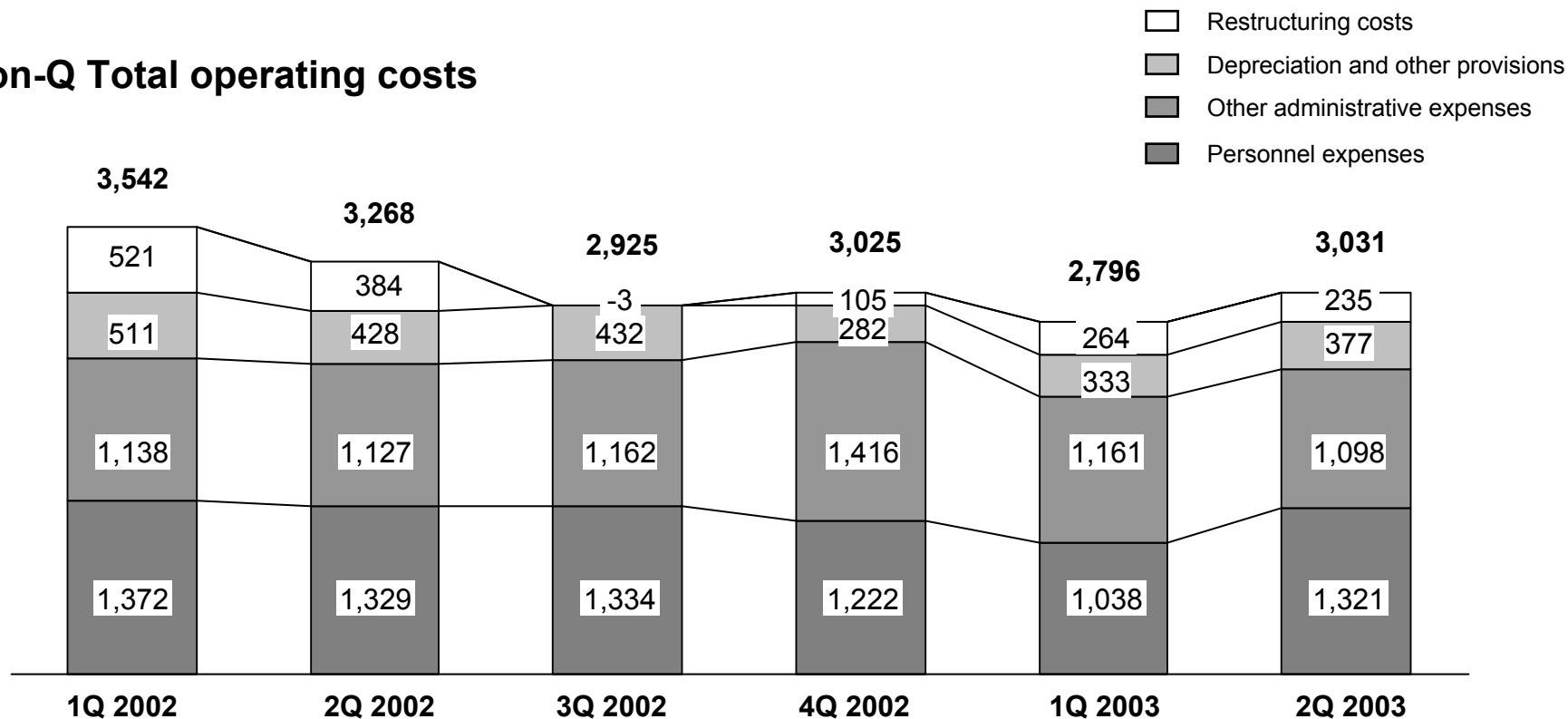




# OPERATING COSTS

## Operating costs Q-on-Q

### Q-on-Q Total operating costs



#### 2Q 2003/1Q 2003 comparison:

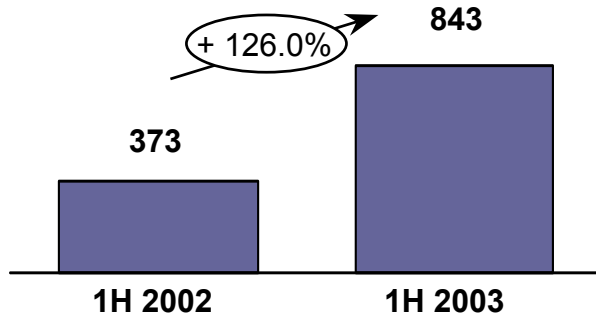
- Personnel expenses in 1Q 03 impacted by a release of an accrual for 2002 bonuses
- Other administrative expenses decreased mainly due to lower costs of property maintenance and external advisory services
- Decrease in restructuring costs due to lower consultancy expenses and lower rebranding costs



# PROVISIONS FOR LOAN AND INVESTMENT LOSSES AND NET PROFIT FROM SALE OF SUBSIDIARIES AND ASSOCIATES

CZK million, unconsolidated

## Total provisions

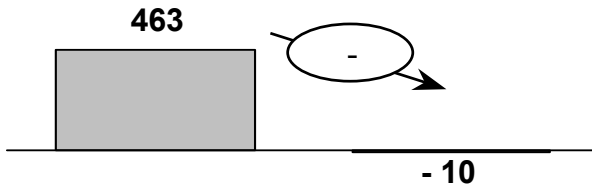


### Comments

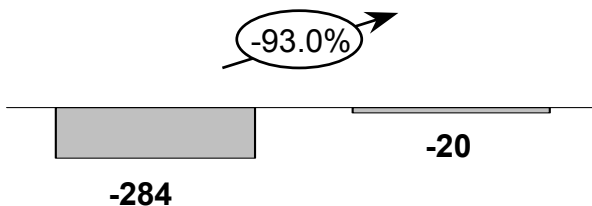
- Total provisioning comprises profits from sales of CAC Leasing and Reflexim
- Provisions for loan losses positively affected by low cost of risk on credit portfolio
- 2Q 2003 recorded net release of provisions for CDO and CLN
- No decrease of general provisions in 1H 2003

## Detailed breakdown

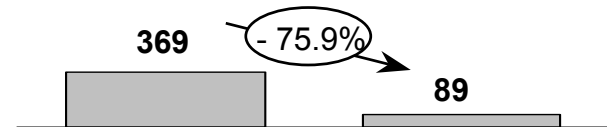
### Provisions for loan losses



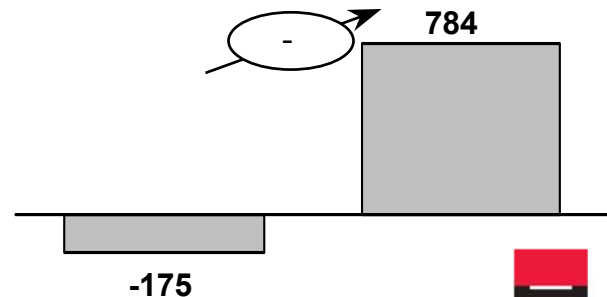
### Provisions for impairment of securities



### Income from fully written-off loans



### Provisions and net profit from sale of subsidiaries and associates



# BALANCE SHEET

CZK million, unconsolidated

## Assets

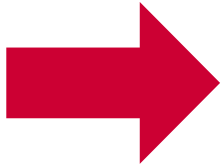
	439,753	432,120	Change
	31.12.2002	30.6.2003	
Cash and balances with central bank	14,377	13,960	- 2.9%
Amounts due from banks	199,729	186,828	- 6.5%
Due from Česká konsolidační agentura	35,440	34,716	- 2.0%
Loans and advances to customers (net)	121,154	117,680	- 2.9%
Securities	36,143	46,327	+ 28.2%
Other assets	32,910	32,609	- 0.1%

## Liabilities and shareholders' equity

	439,753	432,120	Change
	31.12.2002	30.6.2003	
Amounts due to banks	22,549	18,383	- 18.5%
Amounts due to customers	341,114	342,717	+ 0.5%
Subordinated debt	6,100	0	-
Certificated debt	18,267	18,484	+ 1.2%
Other liabilities	17,965	15,195	- 15.4%
Shareholders' equity	33,758	37,341	+ 11.0%



- **Business Performance**
- **Financial Performance**
- **Loan Portfolio Development**
- **Appendix**

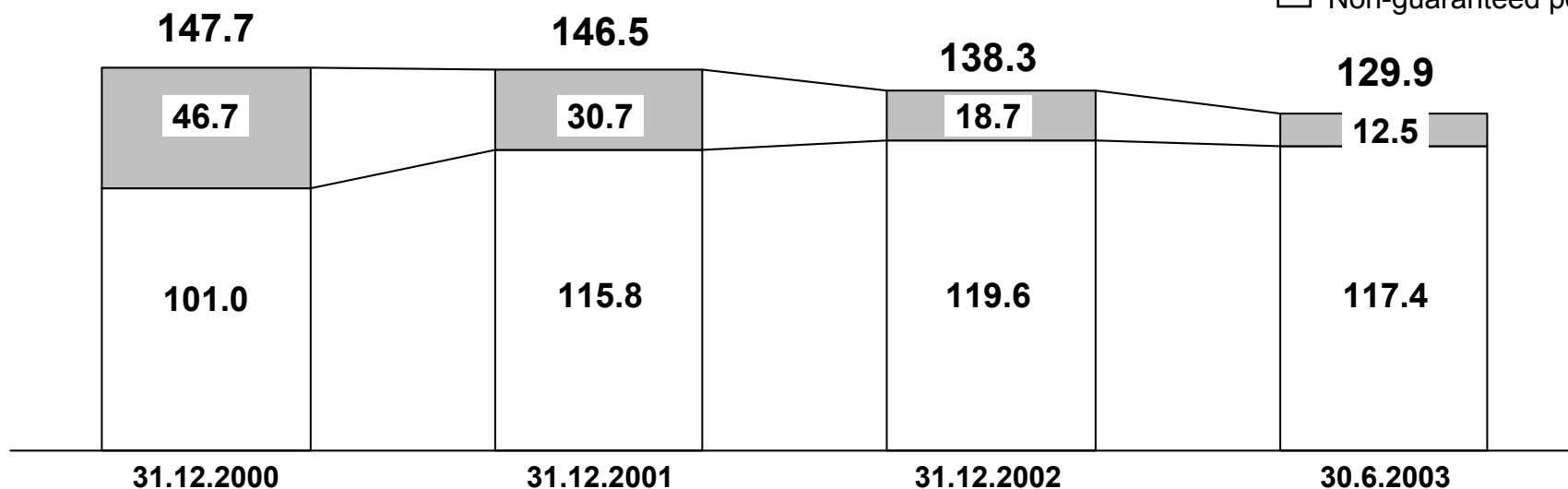


# CLIENT PORTFOLIO EVOLUTION

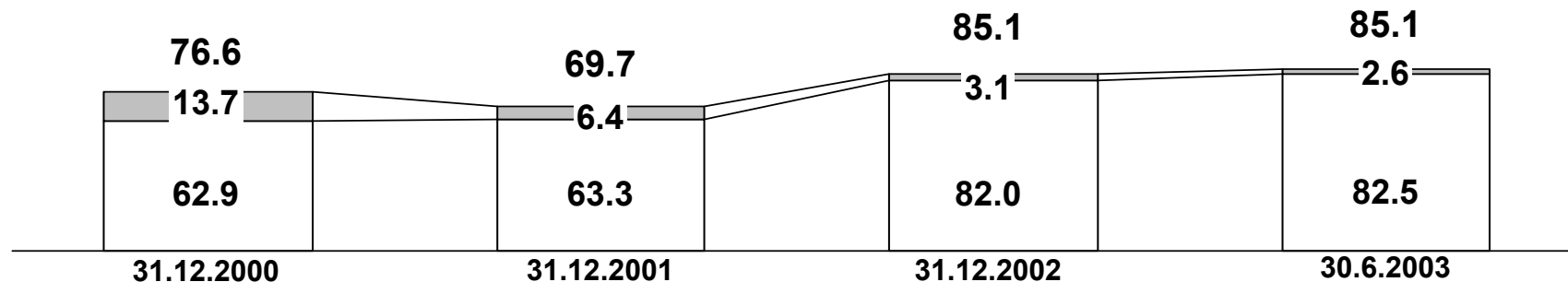
CZK billion

## On-balance Sheet

Guaranteed portfolio  
 Non-guaranteed portfolio



## Off-balance Sheet

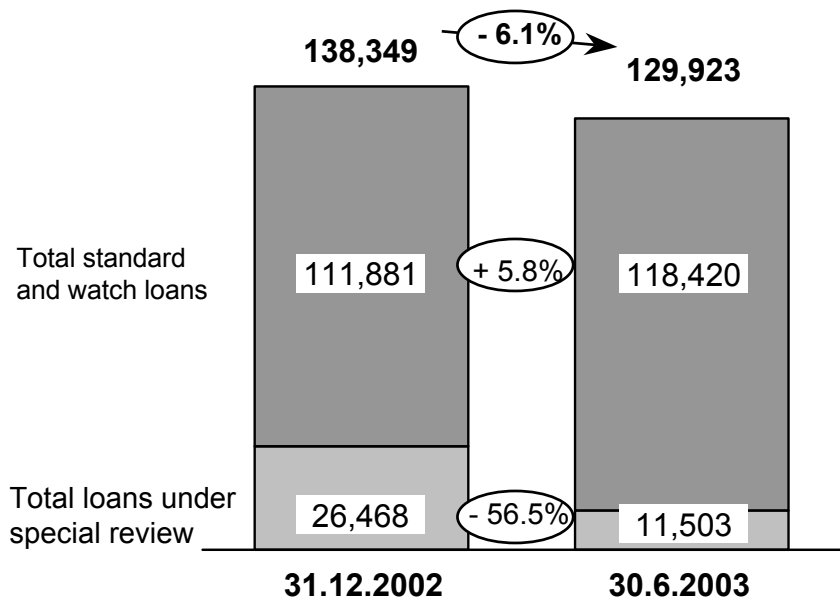


# LOANS AND ADVANCES TO CUSTOMERS

## Loan portfolio influenced by the transfer of loans to GE

CZK million

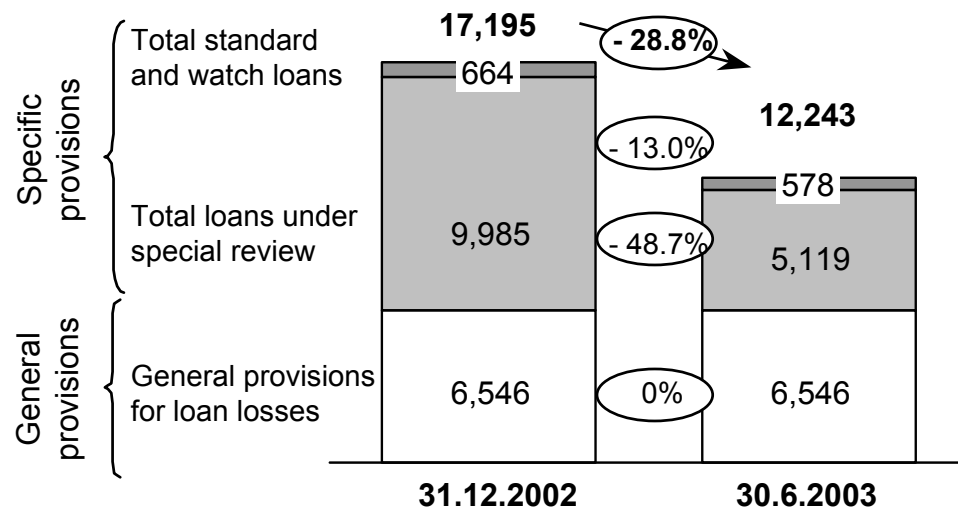
### Client loans On-balance sheet



- The quality of client loans continued to improve significantly in 1H 2003:
  - Standard loans make up 74% of the total portfolio (64% as of the end of 2002)
  - LUSR\* have a 9% share in the total portfolio (19% as of the end of 2002)
  - Loss loans represent 4% of the total portfolio (8% as of the end of 2002)

\* LUSR = Loans under special review (sub-standard, doubtful and loss)

### Specific and general provisions for loan losses On-balance sheet



- Decrease in volume of specific provisions due to:
  - completion of the transfer of sold loans to GE Capital
  - improvement in the loan book quality.
- Specific and general provisions and Collateral without the State Guarantee covered 54% of client loans
- Specific provisions to LUSR covered 45% of LUSR

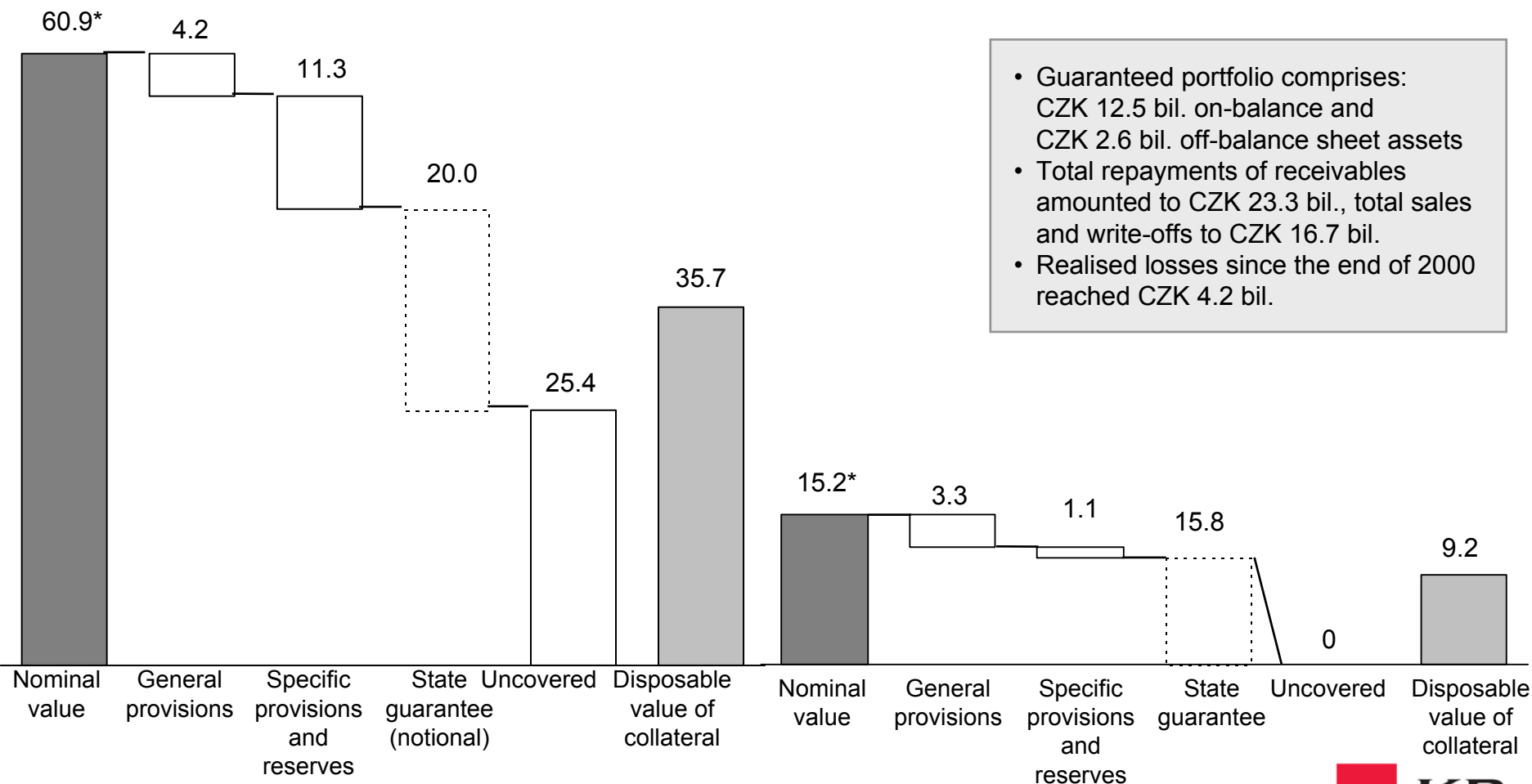


# STATE GUARANTEED PORTFOLIO – FOCUS

CZK billion

31. 12. 2000

30. 6. 2003



- Guaranteed portfolio comprises: CZK 12.5 bil. on-balance and CZK 2.6 bil. off-balance sheet assets
- Total repayments of receivables amounted to CZK 23.3 bil., total sales and write-offs to CZK 16.7 bil.
- Realised losses since the end of 2000 reached CZK 4.2 bil.

\* Includes receivables to banks (CZK 510 mil. as at 31.12.2000, CZK 30 mil. as at 30.6.2003)



# CDO PORTFOLIO

## Stable coverage of the portfolio

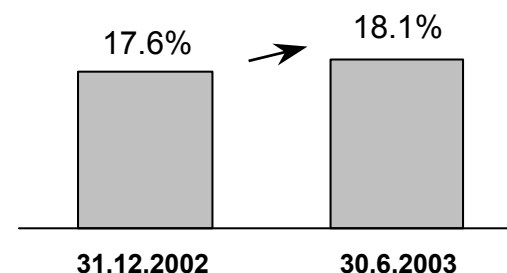
Date of acquisition: September 2000 - April 2001

Purchase price: USD 426 mil.

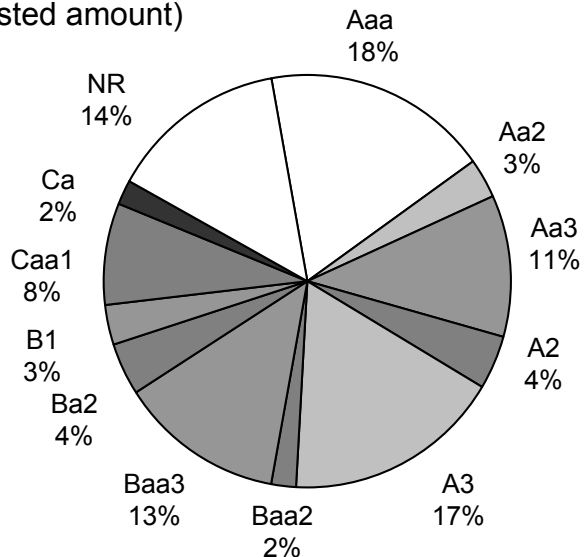
Total coverage (as at 30 June 2003): USD 77 mil.

Provisions and reserves based on a mark-to-model approach.

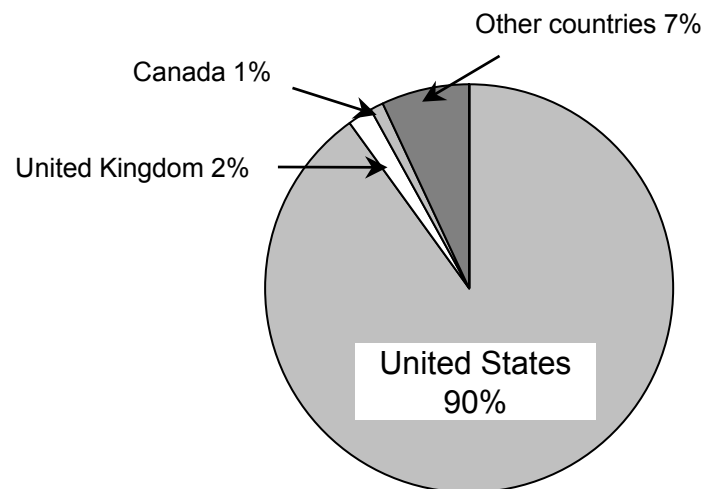
### Specific provisions / Purchase Price



### Rating of the CDO portfolio (by invested amount)

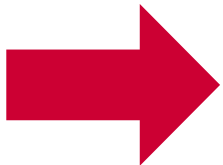


### CDO collateral by country





- **Business Performance**
- **Financial Performance**
- **Loan Portfolio Development**



- **Appendix**

# FINANCIAL RESULTS AND RATIOS - CONSOLIDATED

CZK million

<b>Profit and Loss Statement</b>	<b>1H 2002</b>	<b>1H 2003</b>	<b>Change 03/02</b>
Net banking income	12,615	13,422	+ 6.4%
Operating costs (incl. creation of technical insurance reserves)	- 7,964	-7,960	- 0.0%
Income from not fully consolidated companies	54	369	+ 583.3%
Provisions for loan and investment losses	549	57	- 89.6%
Income taxes	- 978	-2,038	+ 108.4%
<b>Net profit</b>	<b>4,276</b>	<b>3,850</b>	<b>- 10.0%</b>
<b>Balance Sheet</b>	<b>1H 2002</b>	<b>1H 2003</b>	<b>Change 03/02</b>
Total assets	472,423	440,410	- 6.8%
Shareholders' equity	29,435	38,309	+ 30.1%
<b>Key ratios</b>	<b>1Q 2002</b>	<b>1H 2003</b>	<b>Change 03/02</b>
Cost / Income Ratio	63.1%	59.3%	→
Return on Average Equity (ROAE)	31.5%	20.9%	→
Return on Average Assets (ROAA)	1.9%	1.7%	→
Number of Employees (FTE) incl. associated companies	11,365	10,051	- 12.0%



# SUBSIDIARY AND ASSOCIATED UNDERTAKINGS RESULTS

As at 30 June 2003, CZK mil., CAS/SAS

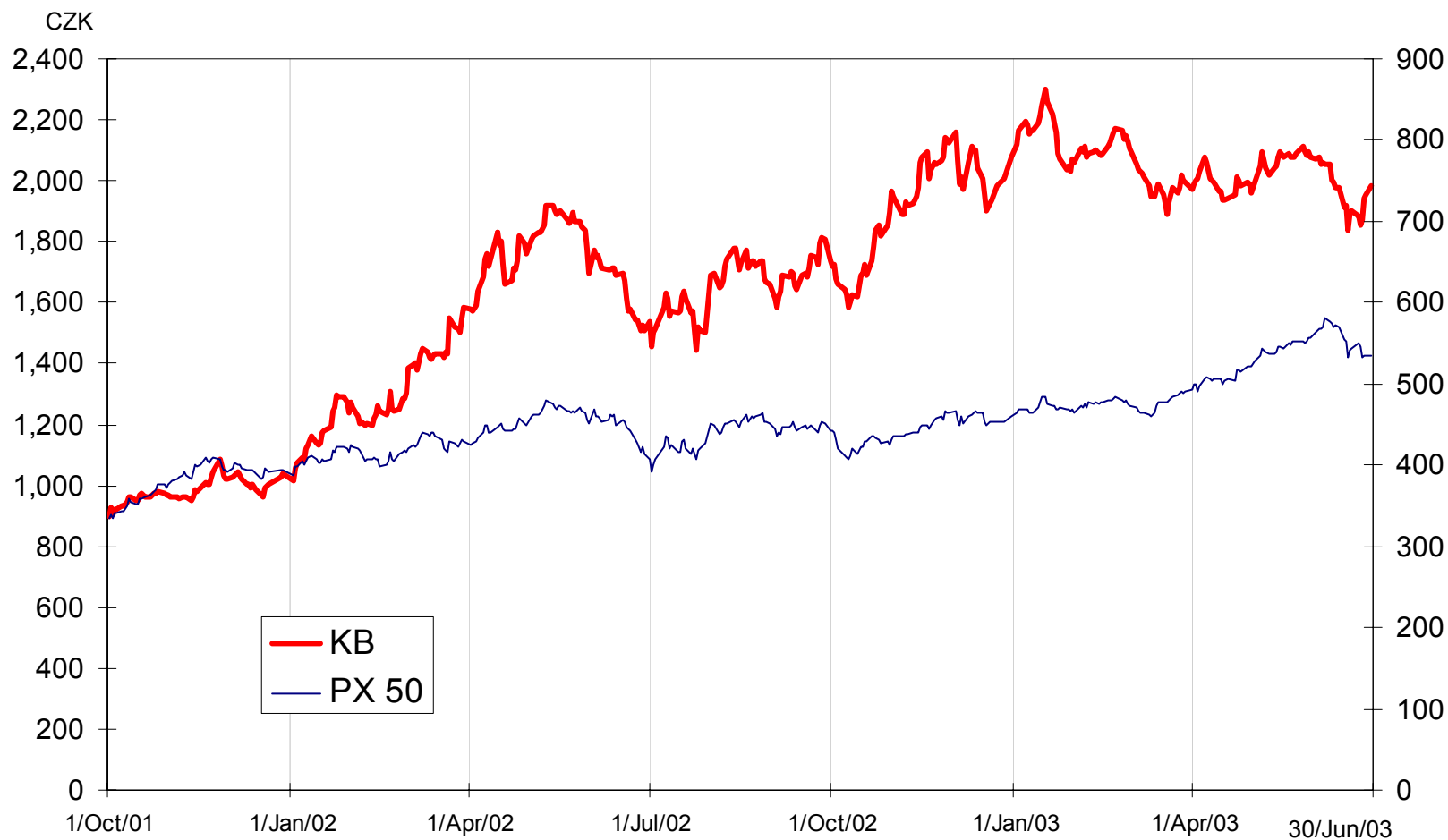
	Share of KB	Profit after tax	Equity	Assets
ASIS, a.s.*,**	100%	4	13	15
Factoring KB, a.s.	100%	8	126	2,235
Investiční kapitálová společnost, a.s.	100%	63	309	374
Komerční Finance, B.V.**	100%	1	9	9
Komerční banka Bratislava, a.s. (SAS)	100%	17	459	3,722
Komerční pojišťovna, a.s.	100%	- 66	533	5,122
MUZO, a.s.	49.9%	52	426	978
<b>Total subsidiary undertakings</b>		<b>79</b>	<b>1,875</b>	<b>12,455</b>
Všeobecná stavební spořitelna KB, a.s.	40%	76	1,384	36,159
Czech Banking Credit Bureau	20%	4	1	25
<b>Total subsidiary and associated undertakings</b>		<b>159</b>	<b>3,260</b>	<b>48,639</b>
<b>KB direct share</b>		<b>84</b>	<b>2,215</b>	<b>26,433</b>
ALL IN REAL ESTATE LEASING, s.r.o. *	100%	3	42	93
ALL IN, a.s.*	100%	0	35	24
Penzijní fond Komerční banky, a.s.	100%	154	643	10,378

\* Companies in process of disposal or liquidation

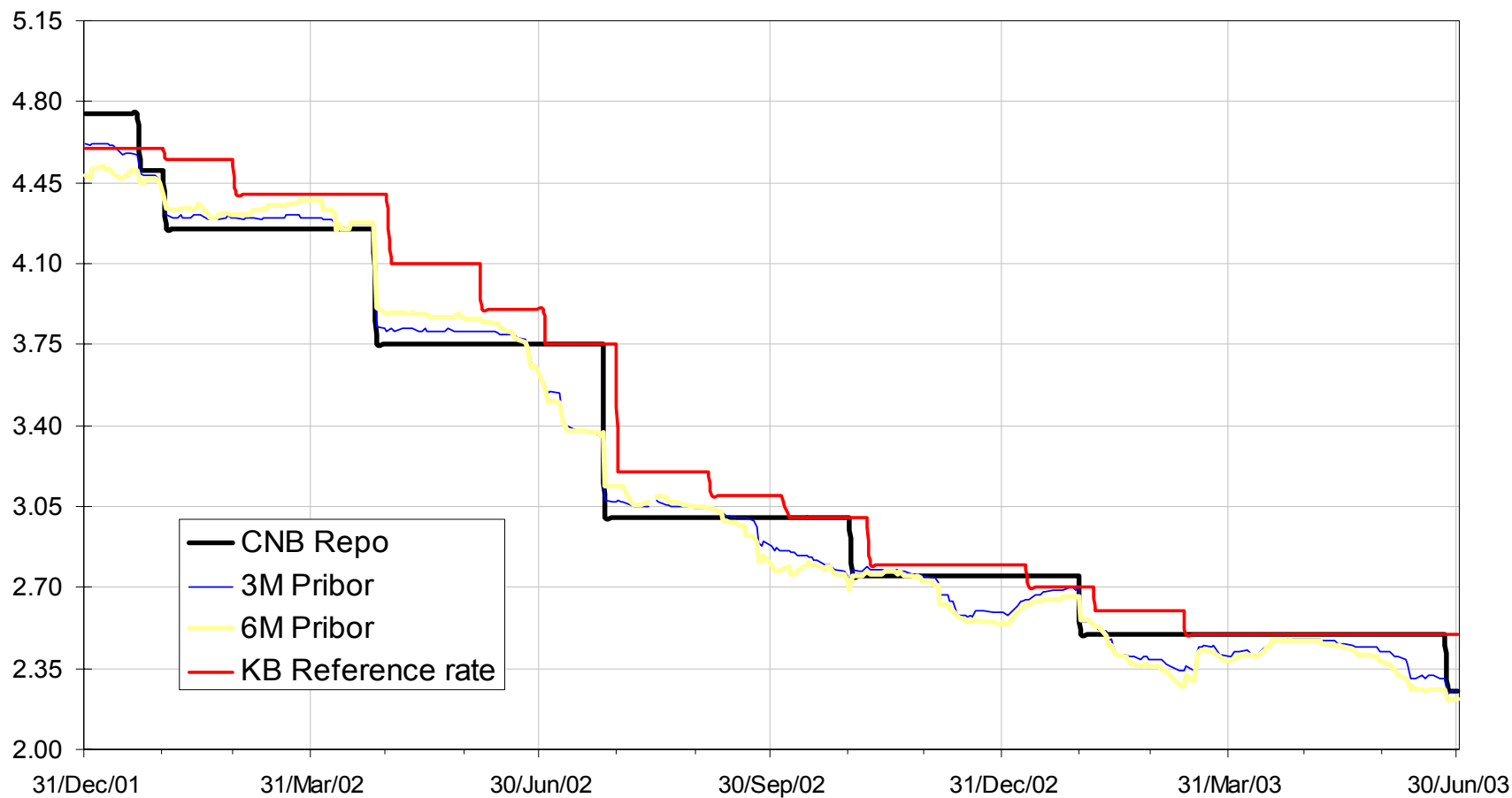
\*\* Data as of 31 May 2003



# DEVELOPMENT OF KB's SHARE PRICE AND INDEX PX50



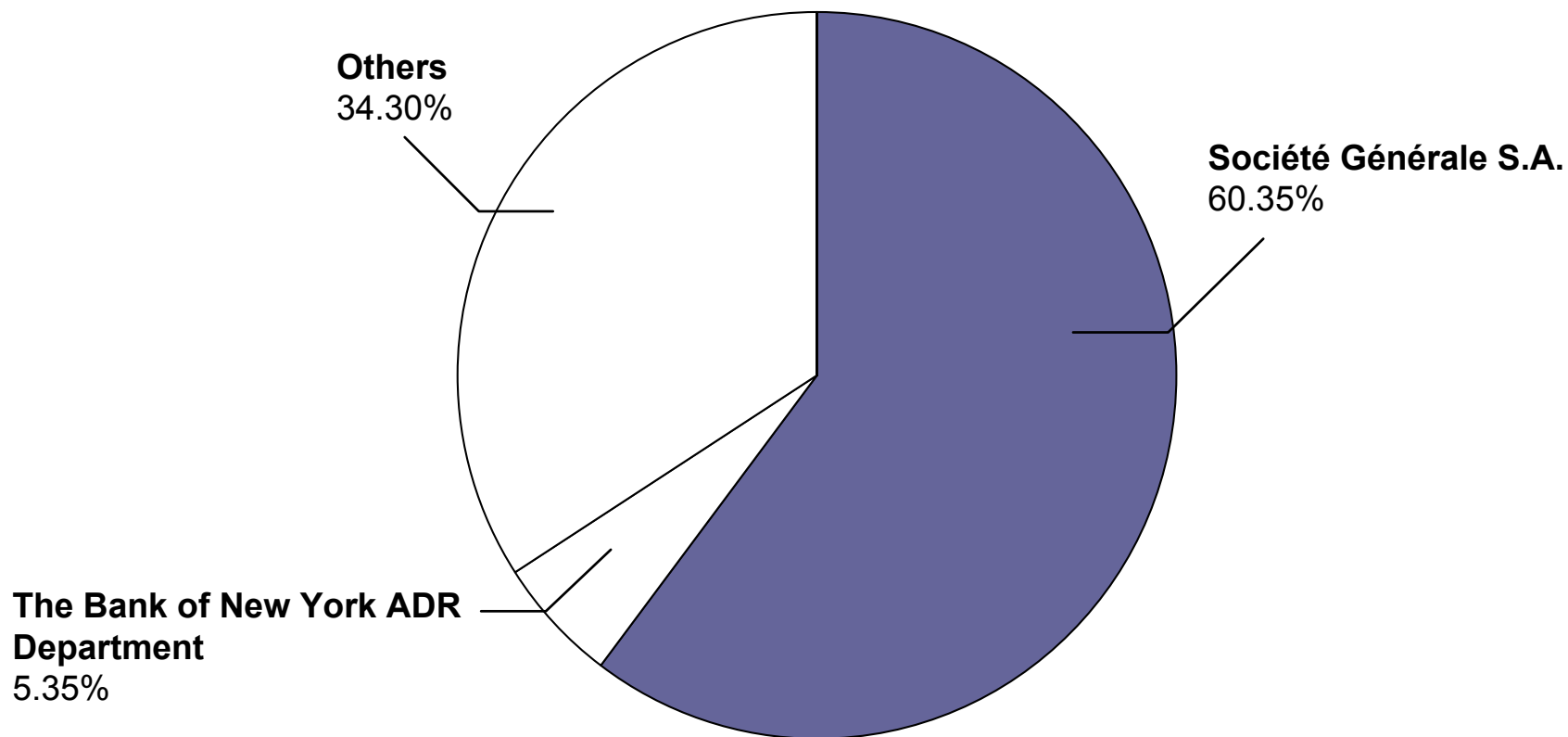
# DEVELOPMENT OF INTEREST RATES



# STRUCTURE OF SHAREHOLDERS

## Major shareholders of Komerční banka, a. s. with over 5% of the share capital as at 12 June 2003

Number of shares outstanding - 38 million



# CONTACTS

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