

FINANCIAL RESULTS OF KOMERČNÍ BANKA ACCORDING TO INTERNATIONAL ACCOUNTING STANDARDS

PROFIT AND LOSS ACCOUNT

In the first half of 2000 Komerční banka reported *profit before income tax* amounting to CZK 0.7 billion, which meant a significant improvement of the financial results of the bank compared to the same period of the preceding year (loss before taxes amounting to CZK 5.1 billion). This positive result reflects the substantially lower balance of created provisions for loan losses (decrease of 57.0%), favourably influenced by the transaction with Konsolidační banka performed in March 2000. Another factor that contributed to the mentioned result was the increase of net operating income (by 5.6% compared to the first half of the preceding year). A significant increase was shown by the income tax due to the taxation of extraordinary income from the sale of the already written-off receivables upon the transaction with Konsolidační banka. The above stated resulted in a *net loss* of the bank for the first half of the year amounting to CZK 0.6 billion.

Net interest income increased in comparison with the first half of the preceding year by 7.7% to the amount of CZK 6.1 billion. The result reflects the considerable decrease of the interest paid to clients (decrease of 29.6% in the year-on-year comparison), compared to the interest received (decrease of 17.8%). This development was influenced by the year-on-year reduction of interest rates and the change of the volume of loans and deposits. The influx of clients' funds in second quarter of the year related to the situation in banking sector and the efficient investment thereof particularly on the inter-bank market influenced the interest income positively.

The value of the net interest margin showed a slight increase compared to the first half of the preceding year as well as to the end of 1999, to 3.5%.

Net fees and commissions in the year-on-year comparison dropped by CZK 0.5 billion (almost by 25%), particularly due to the increase of paid fees and commissions (increase of 280%), while received fees and commissions remained almost unchanged. The fees paid to clients were substantially influenced by the fees paid in relation to the "Crease Operation" and particularly prior to the termination thereof. The share of net fees and commissions in net operating income as at 30 June 2000 amounted to 15.8%.

The Bank achieved very good results on financial market trading. The *dealing profit* of almost CZK 1.9 billion, as at 30 June 2000, representing year-on-year increase of 35.7%, resulted particularly from trading with securities where the bank showed a net profit of CZK 1.1 billion. The bonds held in the

banking book participated significantly on the profit so as the sale of securities to the company Konpo during assets restructuring where the bank received revenues of CZK 805 million. Another sphere that influenced this result was foreign exchange trading where net profit amounted to CZK 0.9 billion and on the other side the operation with interest derivatives in net loss amounted to CZK 0.1 billion.

Other income totalling CZK 0.9 billion showed an increase of 23% compared to the same period of the year 1999. Most of this income consisted of income from the sale from real estate portfolio.

The share of non-interest income in operating income of the bank as at 30 June 2000 did not show any significant change in comparison with the same period of the preceding year, amounting to 42.6%.

Administrative expenses, excluding expenses on the restructuring related to the change of organisational structure, as at 30 June were in a nominal amount comparable to the level at the same period in preceding year. The expenses (salaries) related to this restructuring as at 30 June 2000 amounted to CZK 183 million.

The cost/income ratio as at 30 June 2000 amounted to 56.2% which represented a decrease of 4.3 percentage points compared to the first half of the preceding year. This result reflects the year-on-year increase of the net operating income by 5.6% with a comparable level of costs.

The total *provision for loan losses* amounting to CZK 3.9 billion was substantially influenced by the aforementioned sale of receivables of a total volume of CZK 60 billion to Konsolidační banka, s. p. ú., in March 2000. The positive effect of this transaction on the provisioning amounting to CZK 7.0 billion was mostly used for creation of general provisions. The additional creation of provisions due to the deterioration of the loan portfolio quality amounted to CZK 5.3 billion.

The increase in *income tax* to CZK 1.4 billion was caused by extraordinary income from the sold receivables that had already been written off to off-balance sheet. These revenues, subject to income tax, were transformed into provisions and reserves, due to the overrun of the 2% limit of the average amount of outstanding classified receivables they were assessed as non-tax deductible and therefore increased the tax base. Another element increasing the tax base was the creation of non-tax-deductible provisions for loans to debtors in bankruptcy and settlement proceedings in case of a dissolution of the creation thereof into several years.

BALANCE SHEET

Total assets compared to the end of the year 1999 increased by CZK 1.1 billion due to the influx of primary deposits in the second quarter of the year in the context of situation on the market of client's deposits. On the contrary continuing decrease of loans granted to clients brought the negative impact.

ASSETS

The volume of *cash and balances with the central bank* was reduced by 13.7% to the value of CZK 18.9 billion in the first half year 2000. This was caused particularly by the reduction of cash funds held at the end of the last year in relation to a possible reaction of clients to the Y2K problem.

Due from financial institutions amounted to CZK 193.3 billion and in comparison to the end of 1999 it increased by 47%. Among other reasons, the increase was caused by the loan of CZK 36 billion granted to Konsolidační banka for refinancing receivables redeemed by the company Konpo from Komerční banka. Another reason for the increase was the investment of the already mentioned influx of clients' deposits on the inter-bank market.

The volume of *treasury bills and other bills* in the amount of CZK 1.3 billion as at 30 June 2000 represented a decrease since the end of 1999 of 70%. The reason thereof is close linkage with client's operations.

A significant change in the volume of *dealing and investment securities* was caused by a transfer of bonds and shares in the portfolios targeted at an optimization of cost and income of the individual portfolios. The share of bonds in the trading portfolio amounts to 50% and in the investment portfolio to 90%.

The total volume of *loans and advances to customers* in comparison to the end of 1999 decreased by 25.6% to a net amount of CZK 135.2 billion. In addition to traditional reasons (bad financial position of numerous clients and a lack of good business plans that would meet the strict criteria of the bank for new loans approvals) the decrease was caused by the sale of loss and doubtful customer loans from the balance sheet in the net amount of CZK 25.2 billion to the company Konpo, s. r. o., within the scope of cleaning the loan portfolio of the bank prior to privatisation and by the creation of general provisions amounting to CZK 6.1 billion.

A reverse trend was shown in the sphere of mortgage and consumer loans. Mortgage loans have increased by 4.5% to CZK 8.4 billion since the beginning of the year, consumer loans have increased by

11.2% to CZK 3.3 billion.

Concerning the quality of the loan portfolio the share of standards loans on the total volume of loans increased from 42,6% to 62,8% despite of the decrease in the volume of standard loans caused by lower volume of newly granted loans. The share of classified loans decreased adequately to it. The share of loss loans decreased more noticeably from 21,6% to 4,7%, in the first place, because it was part of portfolio clearance within the Bank's preparation for privatisation and, secondly, by writing off loss receivables to the off-balance sheet.

LIABILITIES

Amounts owed to financial institutions as at 30 June 2000 was CZK 45.3 billion which represented a decrease compared to the end of 1999 of 22.4%. The main reason is market development of primary deposits in the second quarter of 2000 when the influx of primary deposits reduced bank's need to buy sources on inter-bank market.

In comparison with the end of 1999 an increase of 4.7% to the amount of CZK 271.3 billion was shown in the volume of *amounts owed to customers*. This increase was shown both in demand deposits and term deposits as well. The increase of term deposit volume was shown on private individual segments. The increase of term deposit volume approved by segment of private individuals in deposits and by business subjects in term deposits. The reason thereof is the influx of client sources in the context of the bank sector situation in the second quarter of the year.

The *certificated debts* in the amount of CZK 26.0 billion decreased by 6.1% as at 30 June 2000. The cause of the increase in the book value of the *subordinated debt* to CZK 7,5 billion was the change of the dollar-crown rate.

Total shareholders' equity at the end of June 2000 was in the amount of CZK 19.6 billion, which represented an increase compared to the end of 1999 of 10.0%. The equity was increased by the remaining portion of the increase of the share capital in January 2000. Therefore the share capital after the increase was in the amount of CZK 19.0 billion. The share of own funds in the balance sheet total as at 30 June 2000 amounted to 5.0%.

The capital adequacy of the bank according to the BIS methodology as at 30 June 2000 amounted to 14.33%. The achieved value of the capital adequacy was positively influenced by the transaction with Konsolidační banka and the remaining portion of the increase of the share capital subscribed in January 2000. According to the CNB methodology the capital adequacy was in the amount of 14.53%.

SHAREHOLDER STRUCTURE

Major shareholders of Komerční banka with over 1% of the share capital (as of 30 June 2000)

Shareholder	Number of shares	Proportion of the share capital (in %)
FOND NÁRODNÍHO MAJETKU ČESKÉ REPUBLIKY (NATIONAL PROPERTY FUND OF THE CZECH REPUBLIC)	22,806,227	60.001
THE BANK OF NEW YORK ADR DEPARTMENT *)	4,216,794	11.094
ČSOB, A. S. - DIVIZE INVESTIČNÍ A POŠTOVNÍ BANKA	650,265	1.711
STATE STREET BANK AND TRUST COMPANY	579,409	1.524
CHASE NOMINEES LIMITED	464,959	1.223
CHASE IRELAND [NOMINEES] LIMITED	454,423	1.196
OTHER SHAREHOLDERS	8,837,775	23.251

*) With the permission of the Czech National Bank, The Bank of New York ADR Department is the holder of those shares for which Global Depository Receipts (GDRs) were issued and which are in the possession of a significant number of foreign investors.

During the first half of the year 2000, the concentration of the share ownership of the Bank continued, because the total number of shareholders declined by 3.6%, to 70,116 shareholders. As of 30 June 2000, 274 legal entities, which is 0.4% of the total number of shareholders, and 63,549 private individuals held the shares of Komerční banka. The legal entities hold almost 36 million shares, having 93.6% of the Bank's share capital. The remaining portion represents the shares held by private individuals.

Starting the beginning of this year, the number of domestic shareholders slightly declined, yet they still form more than 90% of the total number of shareholders. Their portion on Komerční banka's share capital increased by 5.4 percentage points, to 74.2%, during the first half of this year. The shares held by foreign shareholders represent 25.7% of the Bank's share capital.

In connection with the increase in the share capital, there were also changes in the shares of the largest shareholders of the Bank. The National Property Fund of the Czech Republic increased its share in Komerční banka from 48.7% to 60.0%, thanks to the subscription of new shares. The second largest shareholder, The Bank of New York ADR Department, increased its number of held shares by more than 33% - however, its share on the Bank's share capital decreased by 6.5 percentage points, to 11.1%.

KOMERČNÍ BANKA'S PROFIT AND LOSS ACCOUNT
ACCORDING TO INTERNATIONAL ACCOUNTING STANDARDS
(in CZK million)

	30 June 2000 (Unaudited)	30 June 1999 (Unaudited, Restated)
Interest income	14,555	17,699
Interest expense	(8,505)	(12,079)
Net interest income	6,050	5,620
Net fees and commissions	1,661	2,199
Dealing profits / (losses)	1,887	1,391
Other income	935	760
Net operating profit	10,533	9,970
Administrative expenses	(4,633)	(4,657)
Depreciation and other provisions	(1,104)	(1,379)
Restructuring costs	(183)	0
Profit / (loss) before provision for loan losses and income taxes	4,613	3,934
Provision for loan losses	(3,895)	(9,050)
Profit / (loss) before income taxes	718	(5,116)
Income taxes	(1,350)	(3)
Net profit / (loss) for the period	(632)	(5,119)

KOMERČNÍ BANKA'S BALANCE SHEET
ACCORDING TO INTERNATIONAL ACCOUNTING STANDARDS
(in CZK million)

	30 June 2000 (Unaudited)	31 December 1999 (Audited)
Assets		
Cash and balances with the central bank	18,936	21,948
Due from financial institutions	193,315	131,778
Treasury bills and other bills eligible for refinancing	1,319	4,397
Loans and advances to customers (net)	135,235	181,754
Dealing securities	3,572	11,701
Prepayments, accrued income and other assets	4,973	9,381
Investment securities	16,022	10,680
Investments in subsidiaries and associates	4,167	4,176
Tangible and intangible fixed assets (net)	13,681	14,307
Total assets	391,220	390,122
Liabilities		
Amounts owed to financial institutions	45,301	58,394
Amounts owed to customers	271,314	259,191
Certificated debts	26,042	27,742
Accruals, provisions and other liabilities	21,466	19,823
Subordinated debt	7,552	7,196
Total liabilities	371,675	372,346
Shareholders' equity		

Share capital	19,005	16,604
Share premium and reserves	540	1,172
Total shareholders' equity	19,545	17,776
Total liabilities and shareholders' equity	391,220	390,122

**KOMERČNÍ BANKA'S PROFIT AND LOSS ACCOUNT
ACCORDING TO THE METHODOLOGY OF THE CZECH BANKS**

(in CZK million)

		30 June 2000	30 June 1999
1.	Interest income and similar income	16,323.4	20,416.3
	of which: interest income from fixed income securities	888.1	1,211.2
2.	Interest expense and similar expenses	(10,530.5)	(14,769.7)
	of which: interest expense on fixed income securities	(1,171.8)	(1,678.8)
3.	Income from variable yield securities	137.0	20.5
a)	income from shares and other variable yield securities	0.1	5.5
b)	income from investments in associated undertaking	136.9	15.0
c)	income from investments in subsidiary undertaking	0.0	0.0
d)	income from investments	0.0	0.0
4.	Fees and commissions income	2,383.7	2,389.3
5.	Fees and commissions expense	(723.0)	(190.0)
6.	Profit (loss) from financial operations	1,704.6	1,423.7
7.	Other income	36,693.1	2,792.4
8.	General operating costs	(5,291.2)	(4,984.1)
a)	staff costs	(2,586.0)	(2,295.3)
aa)	salaries and wages	(1,919.0)	(1,689.3)
ab)	social insurance	(531.0)	(487.4)
ac)	health insurance	(136.0)	(118.6)
b)	other operating costs	(2,705.2)	(2,688.8)
9.	Creation of reserves and provisions for tangible and intangible assets	0.0	0.0
a)	creation of reserves for tangible assets	0.0	0.0
b)	creation of provisions for tangible assets	0.0	0.0
c)	creation of provisions for intangible assets	0.0	0.0
10.	Use of reserves and provisions for tangible and intangible assets	0.6	0.0
a)	use of reserves for tangible assets	0.6	0.0
b)	use of provisions for tangible assets	0.0	0.0
c)	use of provisions for intangible assets	0.0	0.0
11.	Other costs	(57,029.3)	(12,428.6)
12.	Creation of reserves and provisions for loans and guarantees	(16,777.3)	(13,011.0)
13.	Use of reserves and provisions for loans and guarantees	32,687.1	11,033.8
14.	Creation of reserves and provisions for fixed asset investments and other financial investments	(911.2)	(153.5)
15.	Use of reserves and provisions for fixed asset investments and other financial investments	1,222.8	0.0
16.	Creation of other provisions and reserves	(62.2)	(697.2)
17.	Use of other provisions and reserves	768.3	3,531.7
18.	Income tax from current activities	(1,350.0)	(2.5)
19.	Extraordinary income	159.4	141.8
20.	Extraordinary costs	(48.1)	(215.5)
21.	Income tax from extraordinary activities	0.0	0.0
22.	Profit or loss from extraordinary activities after tax	111.3	(73.7)
23.	PROFIT OR LOSS FOR ACCOUNTING PERIOD	(642.8)	(4,702.6)

KOMERČNÍ BANKA'S BALANCE SHEET
ACCORDING TO THE METHODOLOGY OF THE CZECH BANKS

(in CZK million)

		30 June 2000	31 December 1999
ASSETS			
1.	Cash in hand, deposits with central banks, post checking accounts	18,398.1	20,381.0
2.	Treasury bills and other bills	70,959.6	48,524.9
a)	treasury bills and similar bonds issued by the state	1,318.6	4,395.7
b)	other bills	69,641.0	44,129.2
3.	Amounts due from banks	193,946.5	133,344.4
a)	payable on demand	360.1	1,383.0
b)	other receivables	193,586.4	131,961.4
	of which: subordinated assets	0.0	0.0
4.	Amounts due from clients	144,883.2	183,643.9
a)	payable on demand	455.6	431.6
b)	other receivables	144,427.6	183,212.3
	of which: subordinated assets	0.0	0.0
5.	Bonds and other fixed income securities for trading	3,864.8	12,537.2
a)	issued by banks	1,566.1	3,396.8
	of which: own bonds	1,183.7	323.5
b)	issued by other subjects	2,298.7	9,140.4
6.	Shares and other variable yield securities for trading	332.0	537.1
7.	Fixed asset investments in associated undertakings	2,763.4	2,763.5
a)	in banks	280.0	280.0
b)	in other entities	2,483.4	2,483.5
8.	Fixed asset investments in subsidiary undertakings	1,704.7	1,714.1
a)	in banks	458.5	467.9
b)	in other entities	1,246.2	1,246.2
9.	Other financial investments	15,992.3	10,990.0
10.	Intangible assets	897.2	857.0
a)	expenses of foundation	0.0	0.0
b)	goodwill	0.0	0.0
11.	Tangible assets	12,442.0	13,036.1
a)	land and buildings for banking activities	9,474.6	9,703.1
b)	other	2,967.4	3,333.0
12.	Own shares	39.8	10.4
13.	Other assets	2,657.3	2,276.1
14.	Subscribed capital called-up and not paid	0.0	1,390.2
15.	Prepayments and accrued income	4,075.9	7,104.4
	TOTAL ASSETS	472,956.8	439,110.3

LIABILITIES			
1.	Amounts due to banks	115,055.6	102,582.9
a)	payable on demand	6,513.3	6,865.9
b)	other	108,542.3	95,717.0
2.	Amounts due to clients	271,314.0	259,191.3
a)	savings deposits	27,318.9	30,481.2
	of which: payable on demand	1,844.2	1,733.8
b)	other amounts due to clients	243,995.1	228,710.1
	of which: payable on demand	106,297.7	109,154.4
3.	Certificates of deposit and similar debentures	28,500.7	30,500.7
a)	certificates of deposit	0.7	0.7
b)	other	28,500.0	30,500.0
4.	Accruals and deferred income	1,984.1	4,927.1
5.	Reserves	10,600.3	7,020.3
a)	reserves for standard loans and guarantees	6,099.1	5,756.3
b)	reserves for foreign exchange rate losses	0.0	631.2
c)	reserves for other banking risks	0.0	137.0
d)	other reserves	4,501.2	495.8
6.	Subordinated liabilities	7,552.2	7,195.8
7.	Other liabilities	18,388.8	9,866.6
8.	Share capital	19,004.9	16,604.3
	of which: share capital paid-up	19,004.9	15,214.0
9.	Share premium fund	0.0	6,008.0
10.	Reserve funds	610.1	2,421.2
a)	obligatory reserve funds	558.1	1,903.0
b)	reserve funds for own shares	52.0	18.0
c)	other reserve funds	0.0	500.2
11.	Capital funds and other funds from profit	588.9	1,565.2
a)	capital funds	0.0	0.3
b)	other funds from profit	588.9	1,564.9
12.	Retained earnings and not compensated loss of previous periods	0.0	468.9
13.	Profit or loss for the accounting period	(642.8)	(9,242.0)
	TOTAL LIABILITIES	472,956.8	439,110.3

OFF-BALANCE SHEET			
1.	Total future potential liabilities	24,894.0	29,032.7
	of which:		
a)	received bills of exchange / acceptances and endorsements of bills of exchange	255.8	375.1
b)	commitments from guarantees	24,638.2	28,657.6
c)	commitments from collateral	0.0	0.0
2.	Other irrevocable commitments	18,182.4	15,695.4
3.	Receivables from spot, forward and option operations	298,554.1	250,827.0
4.	Liabilities from spot, forward and option operations	297,080.4	246,470.9