

# **KOMERČNÍ BANKA**

## **FINANCIAL RESULTS FOR FIRST HALF 2001 (IAS)**



July 31, 2001

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## Successful privatisation - Société Générale

### ■ Privatisation completed

- Due Diligence - 4 potential investors (January - May)
- Government decided to sell 60% stake to Société Générale (June)
- Share Purchase Agreement between Société Générale and Fund of National Property signed (July)

### ■ Two Annual General Meetings executed

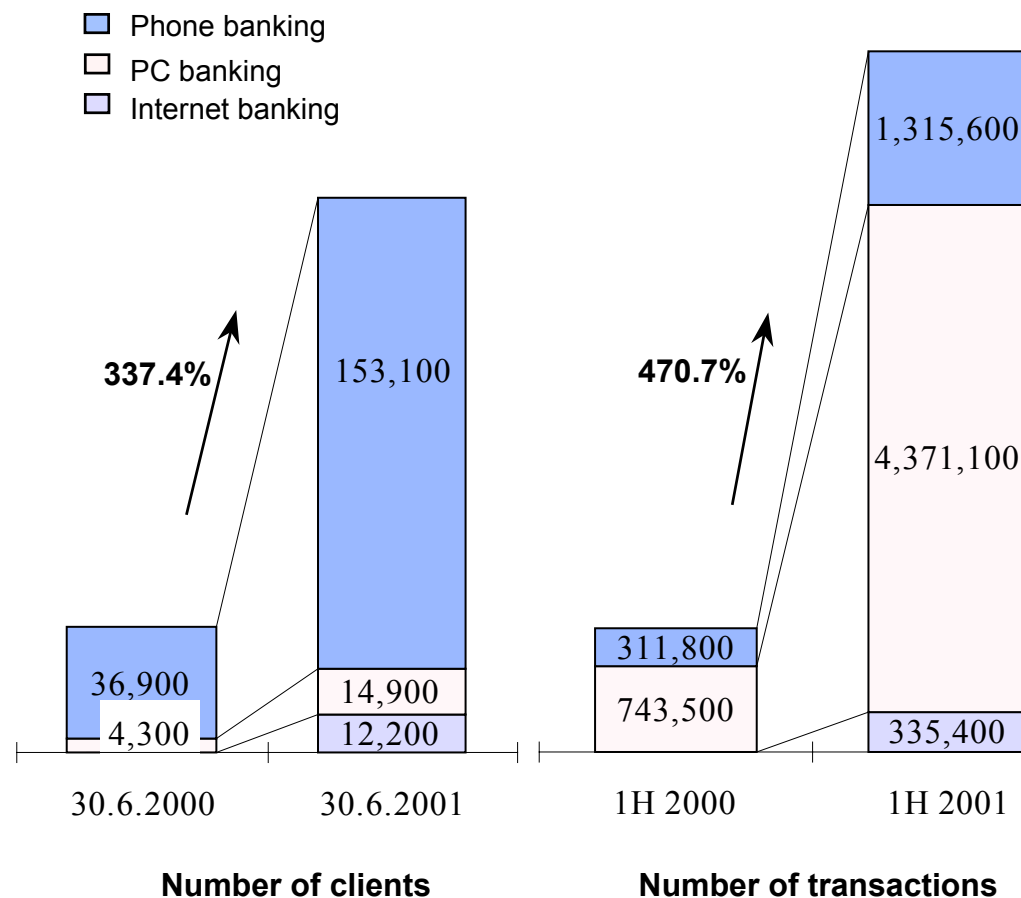
- change in the Bank's Statutes approved (March)
- Board of Directors' report on the Bank's business activity and 2000 annual financial statements approved (June)

### ■ Foreign representative offices closed (March)

# BUSINESS ACTIVITIES

## Considerable growth in direct banking activities

- Telephone banking (Express line KB) and PC banking (BEST KB, M-BEST) increased number of clients and transactions
- Internet banking (*mojebanka*) launched (April)
- ATMs newly offer selected services of mobile phone operators Oskar (February) and Eurotel (June)
- New product for retail banking IDEAL package introduced (May)
- Adjustment of mortgages T&C (June)



# MANAGEMENT EFFORTS

## Focus on core activities, centralization & cost reduction

- **Transformation of support services** into a specialized subsidiary (July 1, 2001) - system solution of providing services within Financial Group, administrative costs reduction (447 employees moved into the daughter company)
- Preparation of **transformation of selected IT services** and employees into a specialized subsidiary (September 1, 2001)
- Implementation of the second stage of **accounting centralization** - 14 service accounting branches centralized into 9, staff reduction by 30%
- **Centralization and automation of portfolio management** started, administration and staff reduction, improvement of control
- **Preparation of the Integration Office** - Komerční banka and Société Générale integration coordinator

# KOMERČNÍ BANKA - FINANCIAL RESULTS



# PROFIT AND LOSS STATEMENT

## Net profit reached CZK 2.7 billion

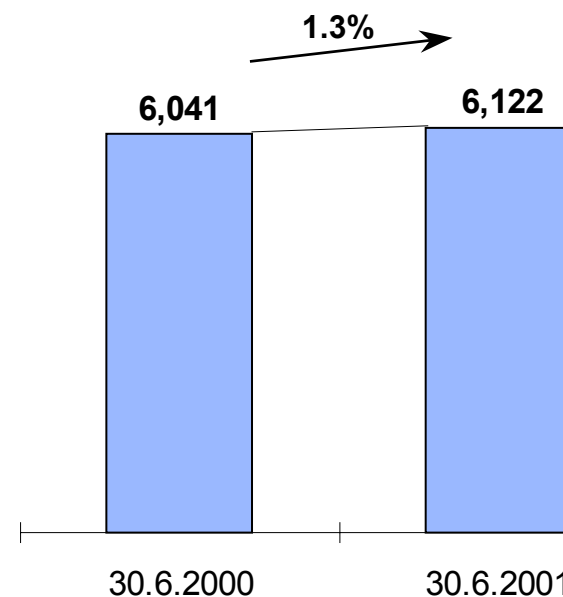
CZK million	30.6.2000	30.6.2001	change
Net interest income	6,041	6,122	1.3%
Net fees and commissions	3,078	4,027	30.8%
Dealing profits	1,101 *)	356	-67.7%
Net income from subsidiaries and associates	137	279	103.6%
Income from fully written-off loans	588	499	-15.1%
Miscellaneous	93	78	-16.1%
<b>Net operating income</b>	<b>11,038</b>	<b>11,361</b>	<b>2.9%</b>
Administrative expenses	(4,655)	(5,293)	13.7%
Depreciation and other provisions	(1,428)	(975)	-31.7%
Restructuring costs and reserves	(183)	(206)	12.6%
<b>Profit / (loss) before provision for loan losses</b>	<b>4,772</b>	<b>4,887</b>	<b>2.4%</b>
Provision for loan losses	(4,483)	(1,655)	-63.1%
<b>Profit / (loss) before income tax</b>	<b>289</b>	<b>3,232</b>	<b>1018.3%</b>
Income tax	(1,350)	(517)	-61.7%
<b>Net profit / (loss)</b>	<b>(1,061)</b>	<b>2,715</b>	<b>-</b>

\*) includes CZK 273 mil. of gain from KoB transaction (March 2000)

# NET INTEREST INCOME

## Slight increase in net interest income

CZK million	30.6.2000	30.6.2001	change
<b>Interest income</b>	<b>14,435</b>	<b>13,591</b>	<b>-5.8%</b>
- securities	768	1,255	63.4%
- financial institutions	5,587	6,082	8.9%
- customers	8,080	6,254	-22.6%
<b>Interest expenses</b>	<b>(8,394)</b>	<b>(7,469)</b>	<b>-11.0%</b>
- securities	(1,052)	(1,005)	-4.5%
- financial institutions	(2,117)	(1,745)	-17.6%
- customers	(5,225)	(4,719)	-9.7%
<b>Net interest income</b>	<b>6,041</b>	<b>6,122</b>	<b>1.3%</b>





# NON-INTEREST INCOME

## Significant increase in net fees and commissions by 31%

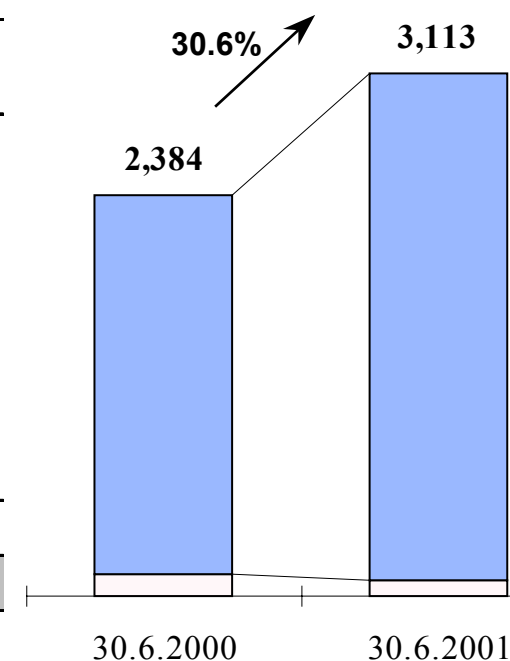
CZK million	30.6.2000	30.6.2001	change
Fees and commission income	2,384	3,113	30.6%
Fees and commission expense	(723)	(211)	-70.8%
Fees and commissions	1,661	2,902	74.7%
FX clean and documentary payments	786	700	-10.9%
FX cash conversions	631	425	-32.6%
<b>Net fees and commissions</b>	<b>3,078</b>	<b>4,027</b>	<b>30.8%</b>
Securities	1,071 *)	109	-89.8%
Foreign exchange trading	160	102	-36.3%
Interest rate derivatives	(130)	145	211.5%
<b>Dealing profits / losses</b>	<b>1,101</b>	<b>356</b>	<b>-67.7%</b>
<b>Net income from subsidiaries and associates</b>	<b>137</b>	<b>279</b>	<b>103.6%</b>
<b>Income from fully written-off loans</b>	<b>588</b>	<b>499</b>	<b>-15.1%</b>
<b>Miscellaneous</b>	<b>93</b>	<b>78</b>	<b>-16.1%</b>

\*) includes CZK 273 mil. of gain from KoB transaction (March 2000)

# FEES AND COMMISSION INCOME

CZK million	30.6.2000	30.6.2001	change
Fees and commissions income from clients	2,300 *)	3,016	31.1%
there from:			
payments	964	1,134	17.6%
account maintenance	388	629	62.1%
administration of loans	266	514	93.2%
payment cards	98	152	55.1%
exchange offices	122	115	-5.7%
cheques	15	17	13.3%
Other fees and commissions income	84	97	15.5%
<b>Fees and commission income</b>	<b>2,384</b>	<b>3,113</b>	<b>30.6%</b>

- Fees and commissions income from clients
- Other fees and commissions income



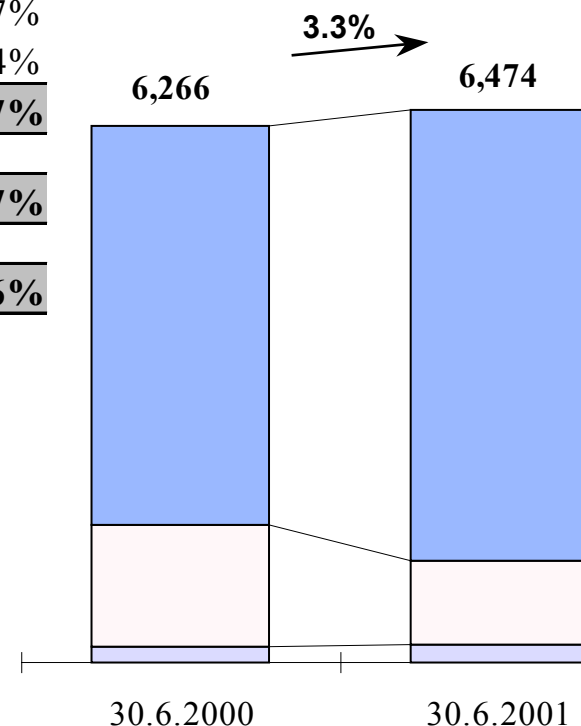
\*) includes late fees CZK 50 mil.

# TOTAL COSTS

## Total costs increased by 3,3%

CZK million	30.6.2000	30.6.2001	change
Salaries and social costs	2,433	2,863	17.7%
Other administrative expenses	2,222	2,430	9.4%
<b>Administrative expenses</b>	<b>4,655</b>	<b>5,293</b>	<b>13.7%</b>
<b>Depreciation and other provisions</b>	<b>1,428</b>	<b>975</b>	<b>-31.7%</b>
<b>Restructuring costs</b>	<b>183</b>	<b>206</b>	<b>12.6%</b>

- Administrative expenses
- Depreciation and other provisions
- Restructuring costs and reserves

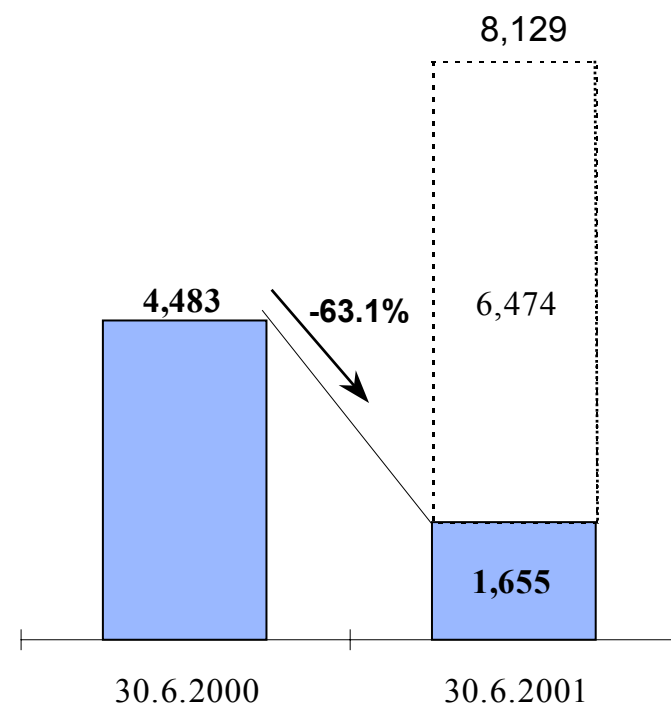


- Personnel expenses in 2001 contain variable compensation related accruals of CZK 386 mil.
- Other administrative expenses are not fully comparable, because of lack of full end-year posting procedure (incoming invoices) within 1H 2000
- Restructuring costs - reserve for assets write-off (inventories and liquidation costs, consulting projects); personnel costs related to staff reduction in 2001
- The number of employees fell by 446 to 10,257 against the end of year 2000

# PROVISION FOR LOAN LOSSES

## Positive impact of State Guarantee

- KB created CZK 1,275 mil. as a participation (including reserve for discounting \*) on the expected (unrealised) loss of CZK 7,749 mil. on the guaranteed portfolio
- KoB will cover 95 % of that amount, i.e. CZK 7,362 mil. of the guarantee settlement at 31/12/2003
- KB would have to create additional CZK 6,474 mil. (7,749 - 1,275) which is the present value of CZK 7,362 mil., if there were no guarantee
- Coming out from 2000 year end estimate of losses on guaranteed portfolio in the amount of CZK 16-24.5 bil. based on 50 % of international recovery rate KB created a reserve sufficient for its participation as at 31 December 2000 at the upper end of this range
- KB still holds sufficient general reserve to cover eventual losses on the guaranteed portfolio of up to CZK 24.5 bil. over the 3 year liquidation horizon



\*) NPV - discounting of KoB reimbursement in 2003

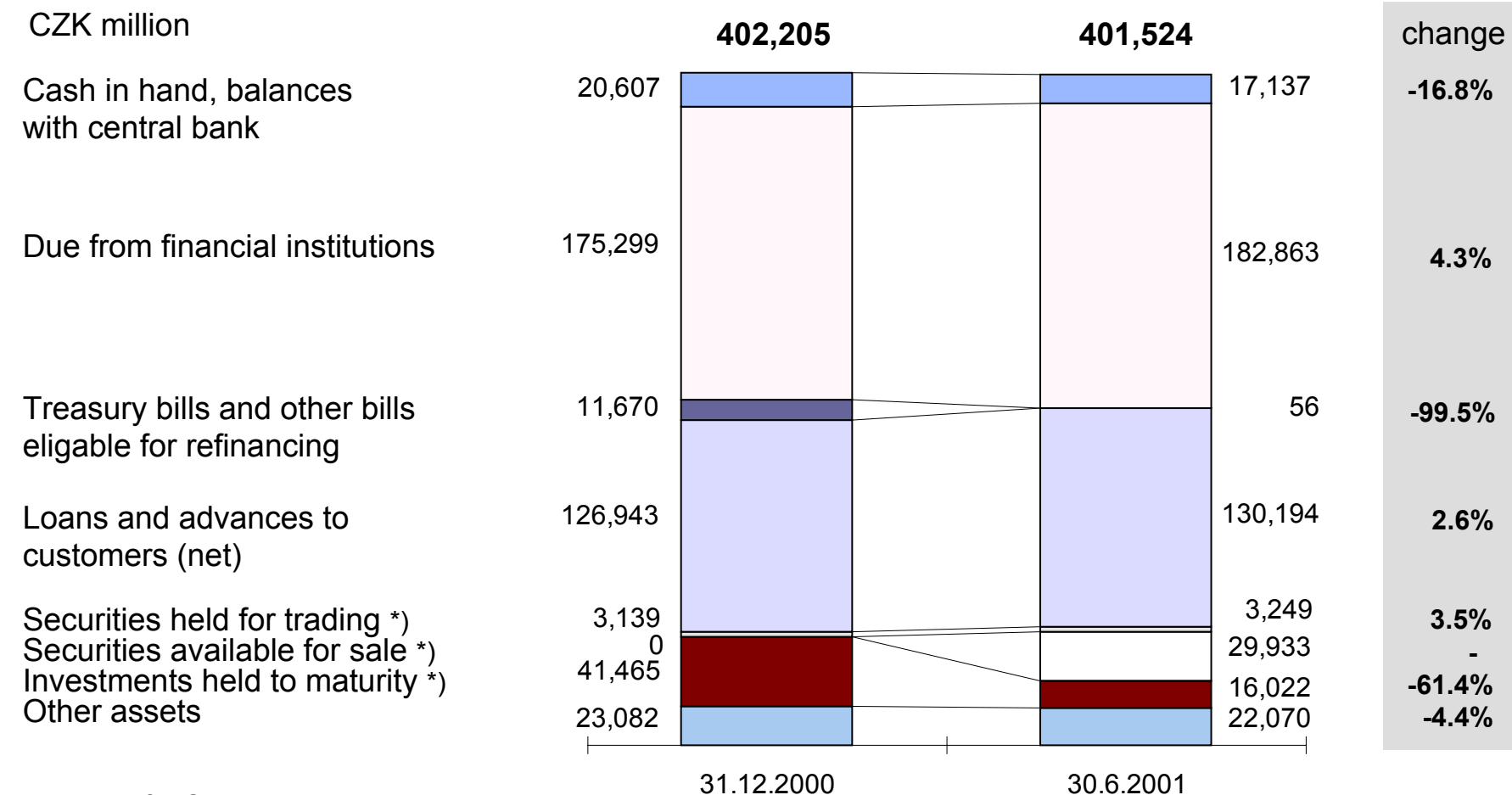
# RATIOS

Ratios	30.6.2000	30.6.2001	change
BIS - Capital Adequacy	14.33%	15.66%	→
Net Interest Margin	3.53%	3.51%	→
Cost / Income ratio *)	55.11%	55.17%	→
Return on Equity (ROE)	-5.55%	11.89%	↗
Return on Assets (ROA)	-0.27%	0.68%	↗

\*) excluding restructuring costs

# ASSETS

## Slight growth in customer loans

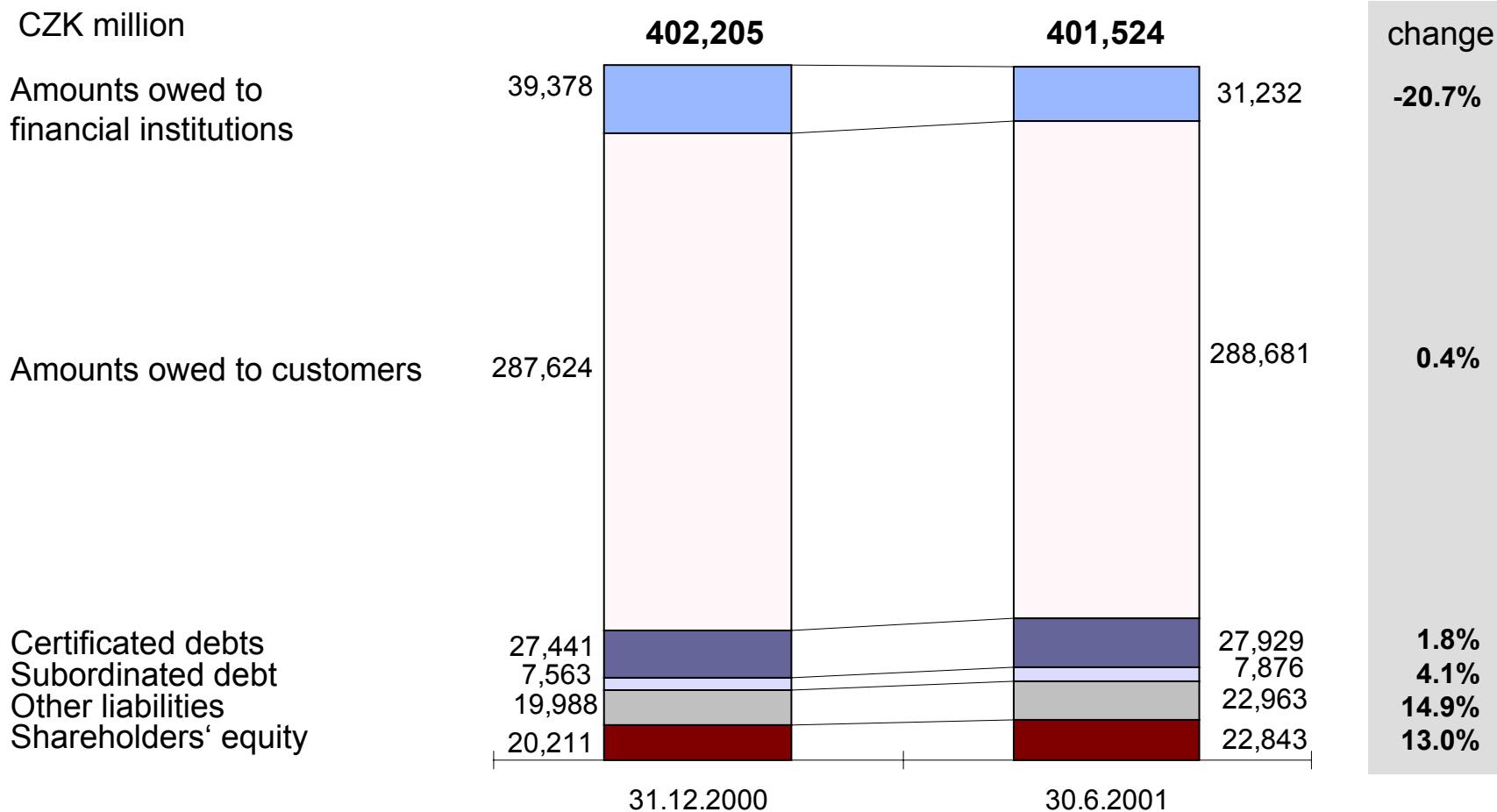


\*) result of IAS methodology change

# LIABILITIES

## Stable volume of client deposits

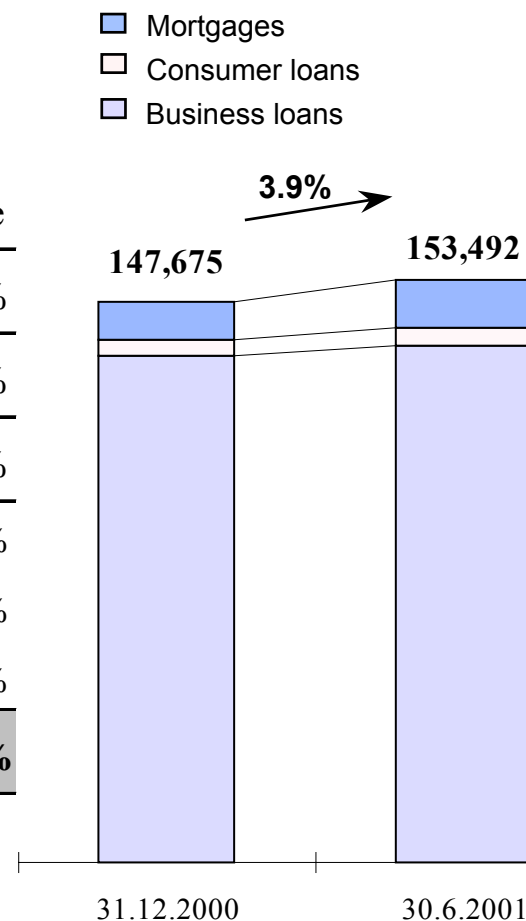
CZK million



# STRUCTURE OF KB's LOAN PORTFOLIO BY TYPES

## Increase of mortgages and consumer loans

CZK million	31.12.2000	30.6.2001	change
Mortgages	10,234	12,455	21.7%
Consumer loans	4,185	5,092	21.7%
Business loans	133,256	135,945	2.0%
Loans to clients less than CZK 50 mil.	58,891	57,301	-2.7%
Loans to clients from CZK 50 to 500 mil.	51,419	49,741	-3.3%
Loans to clients above CZK 500 mil.	22,946	28,903	26.0%
<b>Total customer loans</b>	<b>147,675</b>	<b>153,492</b>	<b>3.9%</b>





# STRUCTURE OF KB's LOAN PORTFOLIO BY CLASSIFICATION

## Significant growth in standard loans

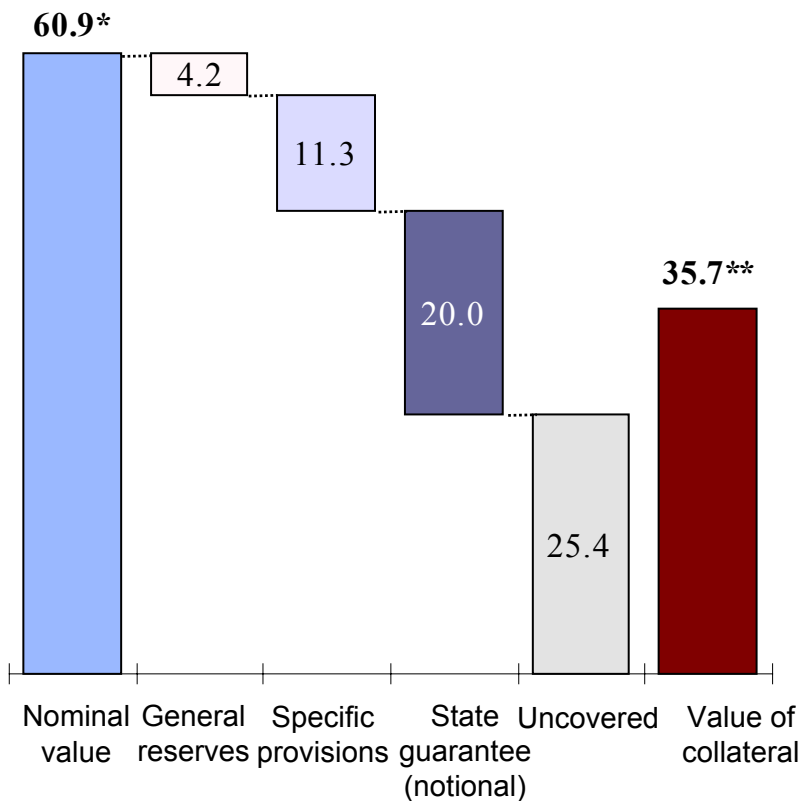
CZK million	31. 12. 2000		30.6.2001		amount change
	amount	provisions	amount	provisions	
Standard	68,127	0	81,831	0	20.1%
Watch	29,782	396	28,733	464	-3.5%
<b>Total standard and watch loans</b>	<b>97,909</b>	<b>396</b>	<b>110,564</b>	<b>464</b>	<b>12.9%</b>
Sub-standard	24,625	1,250	15,803	776	-35.8%
Doubtful	6,323	1,106	10,180	1,144	61.0%
Loss	18,818	10,954	16,945	12,945	-10.0%
<b>Total loans under special review</b>	<b>49,766</b>	<b>13,310</b>	<b>42,928</b>	<b>14,865</b>	<b>-13.7%</b>
General reserves		7,026		7,969	
<b>Total customer loans</b>	<b>147,675</b>	<b>20,732</b>	<b>153,492</b>	<b>23,298</b>	<b>3.9%</b>
LUSR / total customer loans	33.7%		28.0%		
Loss loans / total customer loans	12.7%		11.0%		
(Provisions for LUSR + general reserves) / LUSR		40.9%		53.2%	

# GUARANTEED PORTFOLIO

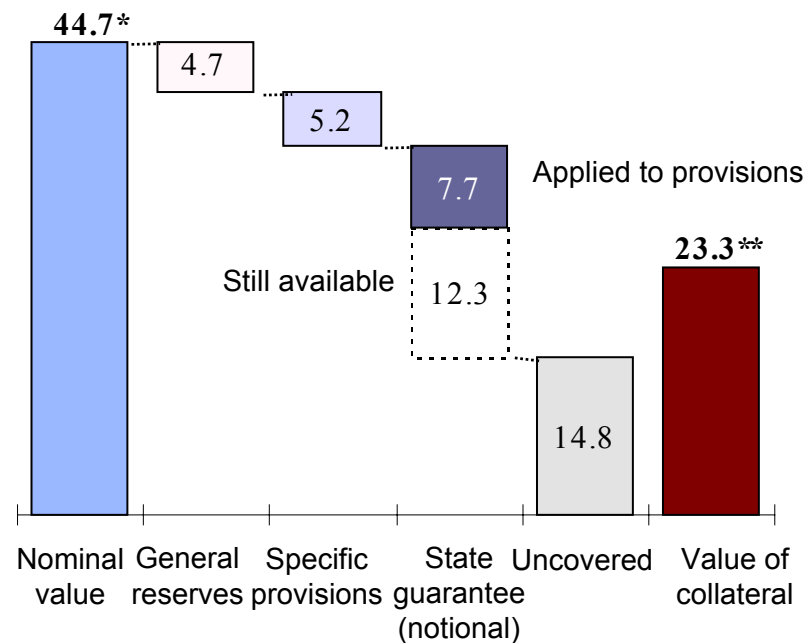
## Change in coverage levels

CZK bil.

December 31, 2000



June 30, 2001



\* includes balance and off-balance sheet assets

\*\* in discounted value

# GUARANTEED PORTFOLIO DEVELOPMENT

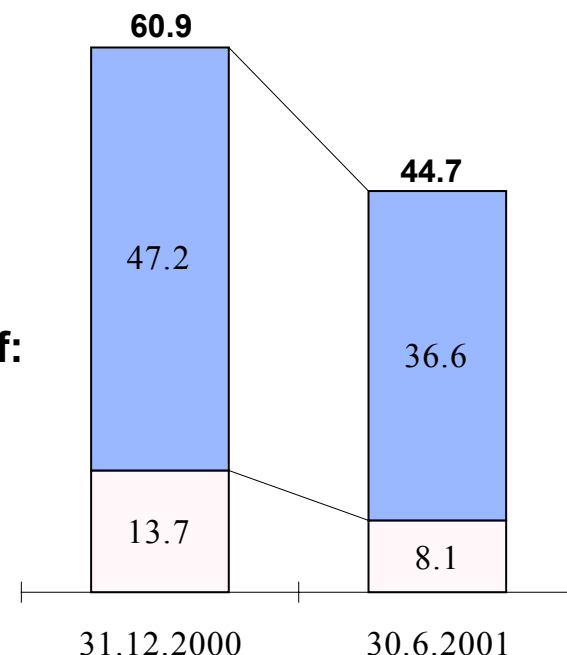
## ■ Balance sheet decrease of CZK 10.6 billion consists of:

Off-balance facilities drawn	(2.1)
Repayment	7.4
Loan liquidation	0.9
Excluded *)	4.4
<b>Total</b>	<b>10.6</b>

## ■ Off-balance sheet decrease of CZK 5.6 billion consists of:

Drawn downs of off B/S facilities (off B/S to B/S)	2.1
Expired or withdrawn commitments	3.4
Excluded *)	0.1
<b>Total</b>	<b>5.6</b>

■ Balance sheet  
■ Off-balance sheet

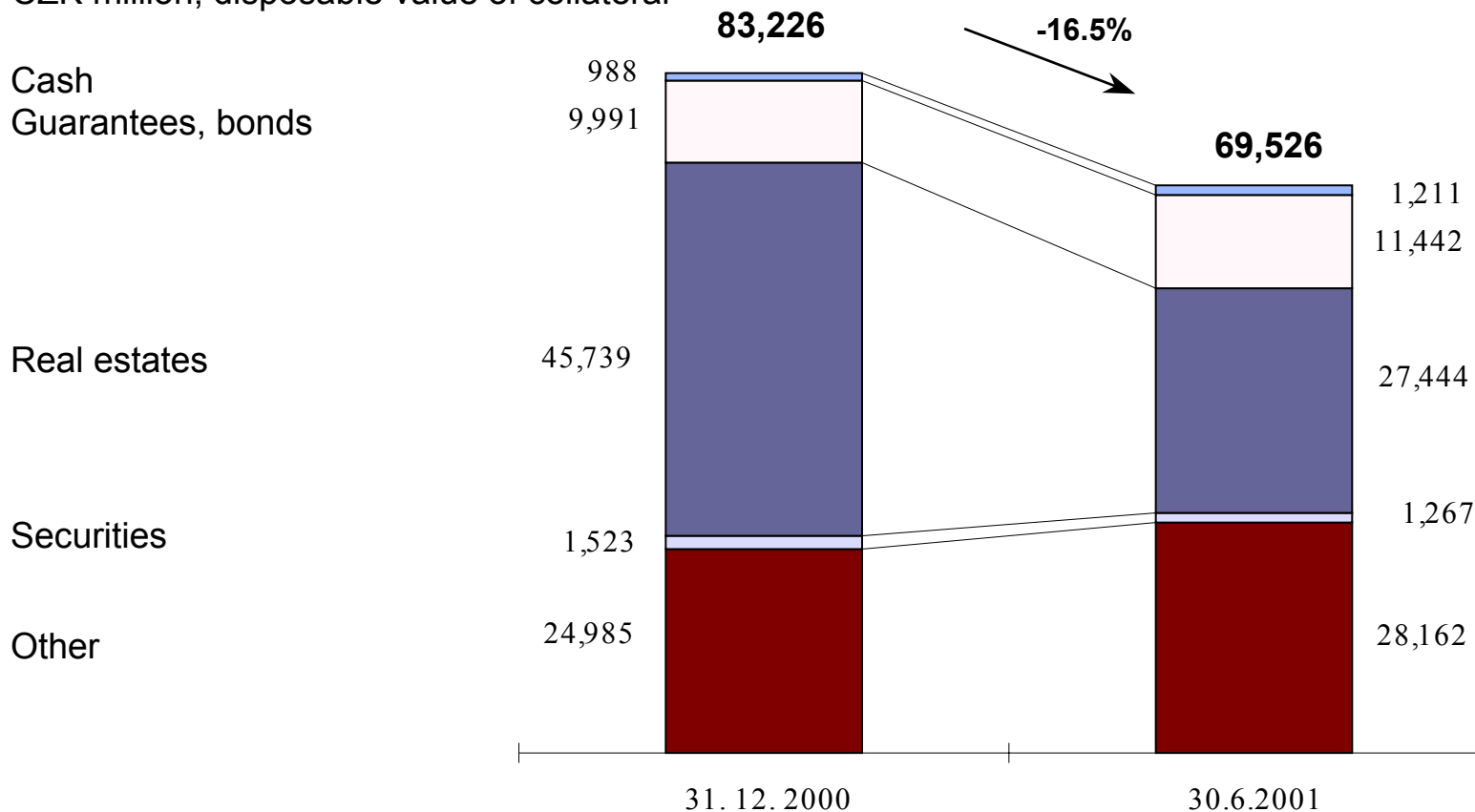


\*) KB has taken out CZK 4.5 billion of fully provisioned cases where NBV = 0 as of December 31, 2000 due to the structure of the contract (i.e. call option of KoB)

# STRUCTURE OF COLLATERAL

## KB continues to readjust collateral values to reflect historical experience into provisioning charges

CZK million, disposable value of collateral



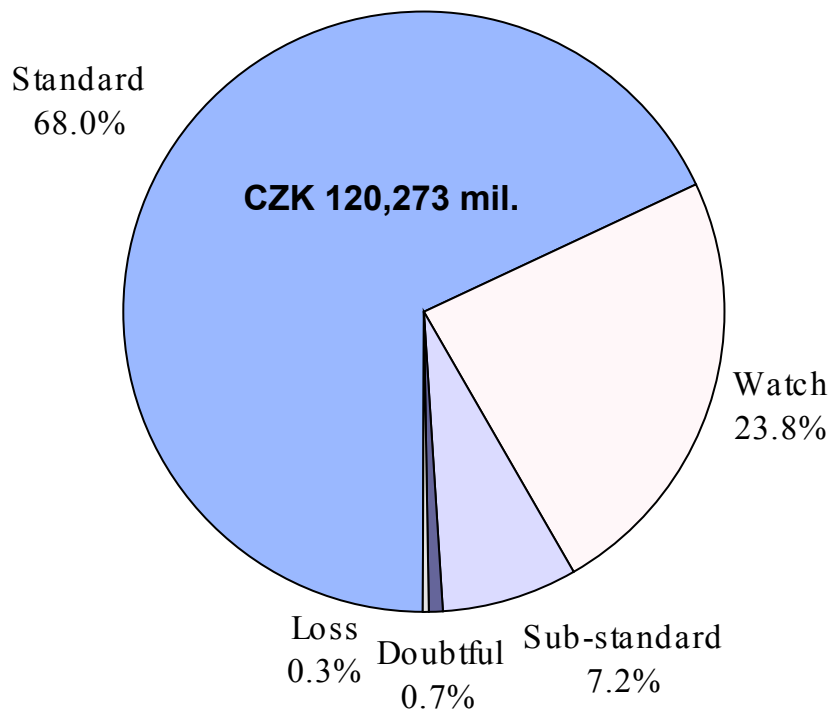
# PREMIER AND WORK OUT BANK

## Division of loan portfolio

Total value of customer loans CZK 153,492 million

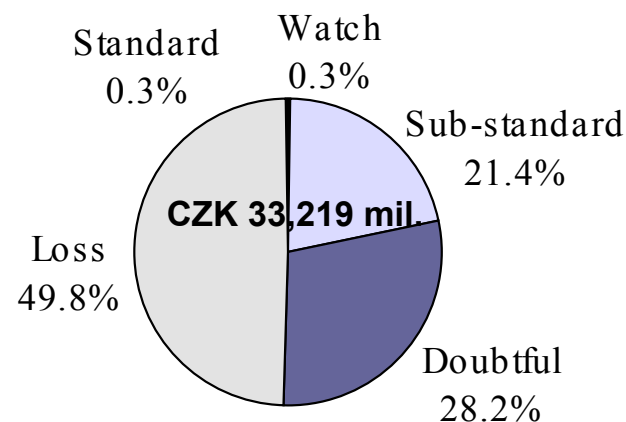
### PREMIER BANK

31.12.2000	30.6.2001	change
106,800	120,273	12.6%



### WORK OUT BANK

31.12.2000	30.6.2001	change
40,900	33,219	-18.8%

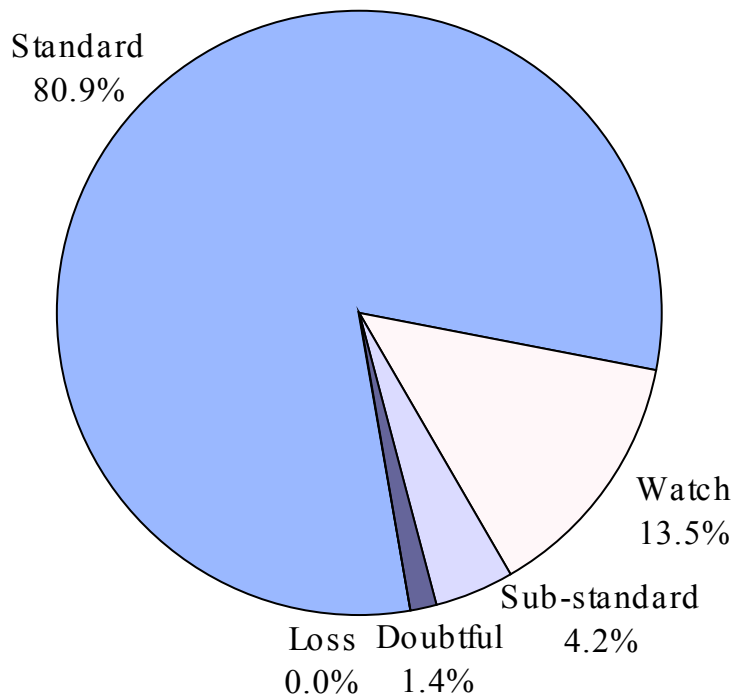


# PREMIER AND WORK OUT BANK

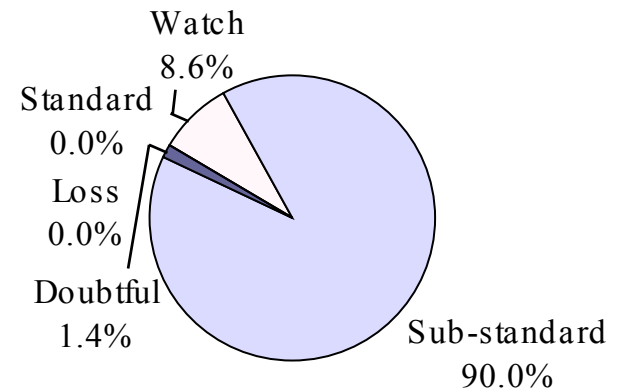
## Loans granted in the first half 2001

Total value of customer loans CZK 30,404 million

**PREMIER BANK**  
CZK 30,194 million



**WORK OUT BANK**  
CZK 210 million



# PREMIER AND WORK OUT BANK

## Profit and loss statement 1/2

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- **The Premier Bank generates 90 % of KB's net operating income**
- **Minimal participation of Work out Bank on the Bank's net operating income**
- **An income from fully written-off loans amounts to CZK 499 mil.**
- **Work out Bank's costs** related to bad loans collection amounted to **CZK 468 mil.**, that is 7 % of the bank's total costs
- Provisions for loan losses were from **93 %** created due to **Work out Bank provisioning requirements**

# PREMIER AND WORK OUT BANK

## Profit and loss statement 2/2

Based on internal management accounting system

CZK million	Premier Bank	Work out Bank	KB Total
Net interest income	5,385	737	6,122
Net fees and commissions	3,832	251	4,083
Other income **)	991	(302)	689
Income from fully written-off loans	0	499	499
<b>Net operating income</b>	<b>10,208</b>	<b>1,186</b>	<b>11,394</b>
Total costs	(5,972)	(468)	(6,440)
<b>Profit / (loss) before provision for loan losses</b>	<b>4,236</b>	<b>718</b>	<b>4,954</b>
Provision for loan losses	(111)	(1,535)	(1,646)
<b>Profit / (loss) before income tax</b>	<b>4,125</b>	<b>(817)</b>	<b>3,308</b>
Income tax	NA	NA	(517)
<b>Net profit / (loss)</b>	<b>NA</b>	<b>NA</b>	<b>2,791</b> *)

\*) reconciliation difference to IAS P/L profit CZK 76 mil. (3%)

\*\*\*) includes income from securities, FX-transaction, interest rate swaps and other financial instruments, subsidiaries and associates



# KOMERČNÍ BANKA GROUP - FINANCIAL RESULTS



# FINANCIAL GROUP - BUSINESS ACTIVITIES

## Focus on higher utilization of synergies, cross-sell

- Redesign of **product package** ,**Harmonie**‘ combining insurance (KP) and pension funds products (PF KB)
- Introduction of short-term **investment program** ,**Felix**‘ with investment in mutual funds (IKS KB)
- **Provision of more assets gathering product** of KP, PF KB, IKS KB via alternative distribution channels of KB (Internet banking, telephone banking)
- **Increase cross-sell** of asset gathering and alternative lending products (leasing, factoring) by KB points-of-sale through enhanced product design and sales support

# SUBSIDIARY AND ASSOCIATED UNDERTAKINGS RESULTS (CAS)

## Profit after tax

CZK thousand	30.6.2000	30.6.2001	change
ALL IN REAL ESTATE LEASING, s. r. o. *)	1,536	1,031	-32.9%
ALL IN, a. s. *)	4,690	(2)	-100.0%
A-TRADE, s. r. o. *)	3,415	(10,633)	-411.4%
Factoring KB, a. s.	9,824	6,909	-29.7%
Investiční kapitálová společnost, a. s.	40,936	(629)	-101.5%
Komerční Finance, B. V.	8,201	356	-95.7%
Komerční banka Bratislava, a. s.	9,219	13,718	48.8%
Komerční pojišťovna, a. s.	(82,714)	856	
<b>Total subsidiary undertakings</b>	<b>(4,893)</b>	<b>11,606</b>	
CAC LEASING, a. s. (50% holding)	49,750	NA	
MUZO, a. s. (49.9% holding)	74,655	74,293	-0.5%
Všeobecná stavební spořitelna KB, a. s. (40% holding)	114,109	137,878	20.8%
<b>Total associated undertakings</b>	<b>238,514</b>	<b>212,171</b>	
<b>Total subsidiary and associated undertakings</b>	<b>233,621</b>	<b>223,777</b>	
From it KB share	102,878	103,829	
Penzijní fond Komerční banky, a. s. company is not included in the consolidated statement	106,558	133,865	25.6%

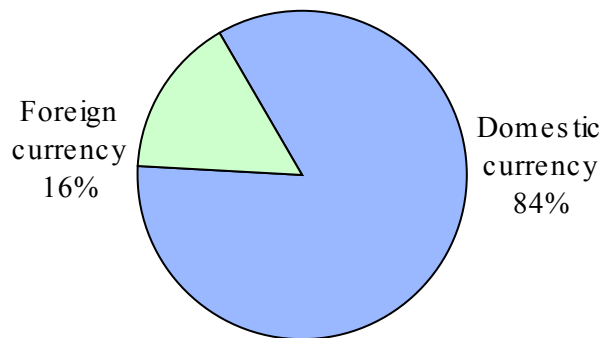
\*) companies in process of disposal or liquidation

# KOMERČNÍ BANKA - APPENDIX

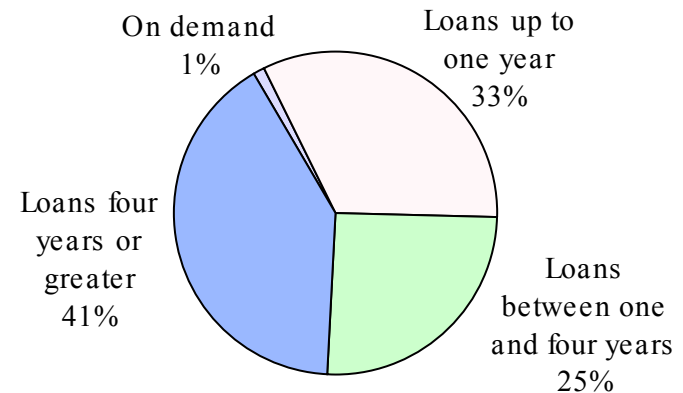


# STRUCTURE OF KB's LOAN PORTFOLIO

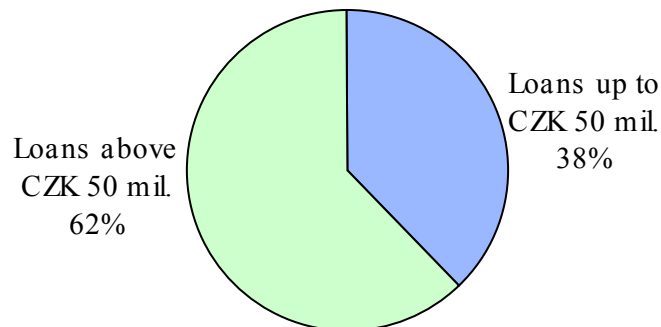
## Structure by currency



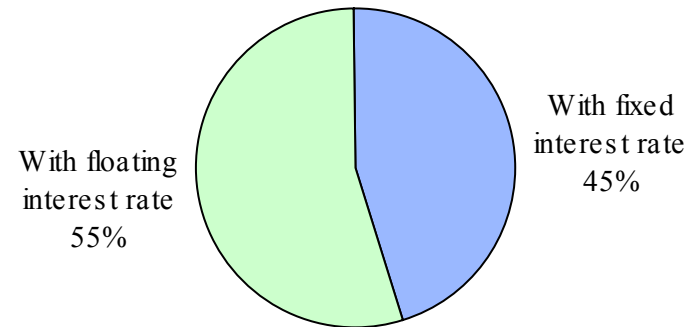
## Structure by maturity



## Structure by amount



## Structure by interest rate



# STRUCTURE OF LOANS BY INDUSTRY

<b>Industry *)</b>	<b>amount</b>	<b>share</b>
Trade and accommodation	24,769	16%
Other manufacturing industries	10,984	7%
Food	10,762	7%
Finance and insurance	10,720	7%
Manufacture of basic metals	9,072	6%
Transport, tourism and communications	9,063	6%
Machinery	7,775	5%
Agriculture	7,217	5%
Production and distribution of electricity, gas, and water	7,000	5%
Chemical and pharmaceutical	6,606	4%
Construction	5,392	4%
Textile and leather	4,915	3%
Electrotechnical and electronic	2,560	2%
Natural resources and mining	1,517	1%
Forestry	411	0%
Other industries	34,730	23%
<b>Total customer loans</b>	<b>153,492</b>	<b>100%</b>

\*) structure reported by OKEČ (i.e. Statistical Office codes)

# WORK OUT ACTIVITIES

CZK million	30.6.2000			30.6.2001		
	Total			Total		
<b>Realisation of collateral</b>						
appraised value	121			456		
net income from realisation	48			202		
ratio of realised value	39.7%			44.3%		
<b>Selling of debts</b>	<b>Total</b>	<b>KONPO *)</b>	<b>without KONPO</b>	<b>Total</b>	<b>KONPO</b>	<b>without KONPO</b>
amount of debts	48,434	47,438	996	1,383	600	783
income from selling	29,334	28,732	602	707	360	347
ratio of realised price	60.6%			51.1%		
<b>Extraordinary income from fully written-off loans</b>	<b>Total</b>	<b>KONPO and KoB</b>	<b>without KONPO, KoB and BCL **)</b>	<b>Total</b>	<b>KONPO</b>	<b>without KONPO</b>
	7,117	6,381	588	1,914	1,415	499

- Cash in collected by Work out Bank reached CZK 10,172 million
- Total amount of clients in liquidation is CZK 1,460 million

\*) book value of receivables transferred to KONPO (adjusted nominal value), contractual value is higher due to selling also purchase debts where book (purchase) price < contractual (recovery) price

\*\*\*) excluded amount of CZK 148 mil. connected with BCL case by its character doesn't belong to the extraordinary income

# SUBSIDIARY AND ASSOCIATED UNDERTAKINGS RESULTS (CAS)

## Assets

CZK million	31.12.2000	30.6.2001	change
ALL IN REAL ESTATE LEASING, s. r. o. *)	97	100	3.1%
ALL IN, a. s. *)	89	82	-7.9%
A-TRADE, s. r. o. *)	212	60	-71.7%
Factoring KB, a. s.	1,928	2,136	10.8%
Investiční kapitálová společnost, a. s.	375	278	-25.9%
Komerční Finance, B. V.	17,524	8,074	-53.9%
Komerční banka Bratislava, a. s.	6,012	5,456	-9.2%
Komerční pojišťovna, a. s.	2,061	2,209	7.2%
<b>Total subsidiary undertakings</b>	<b>28,298</b>	<b>18,395</b>	<b>-35.0%</b>
CAC LEASING, a. s. (50% holding)	19,553	NA	
MUZO, a. s. (49.9% holding)	1,190	1,190	0.0%
Všeobecná stavební spořitelna KB, a. s. (40% holding)	24,655	25,030	1.5%
<b>Total associated undertakings</b>	<b>45,399</b>	<b>26,220</b>	
<b>Total subsidiary and associated undertakings</b>	<b>73,697</b>	<b>44,615</b>	
From it KB share	48,530	29,001	
Penzijní fond Komerční banky, a. s. company is not included in the consolidated statement	5,911	7,327	24.0%

\*) companies in process of disposal or liquidation



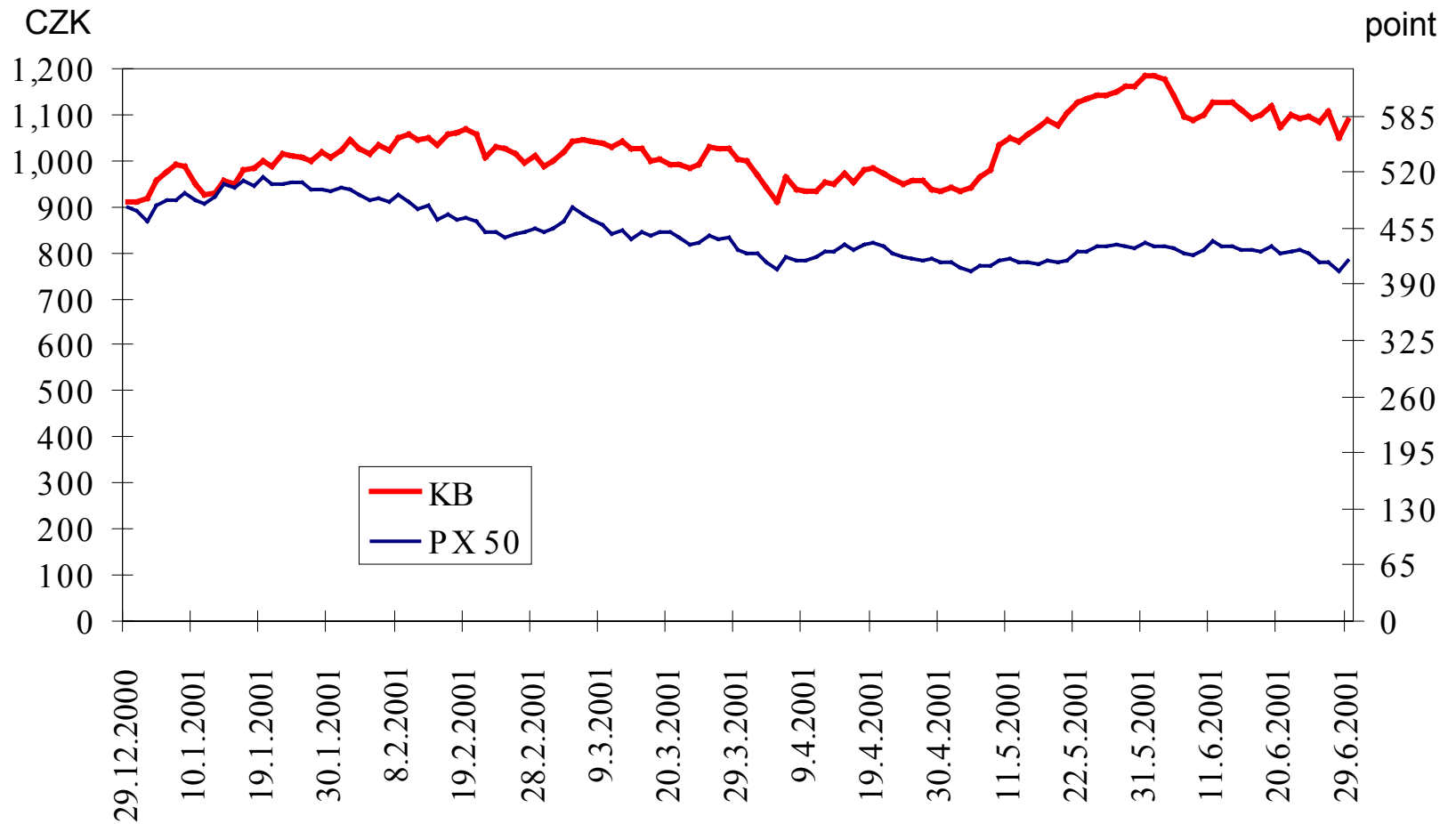
# SUBSIDIARY AND ASSOCIATED UNDERTAKINGS RESULTS (CAS)

## Equity

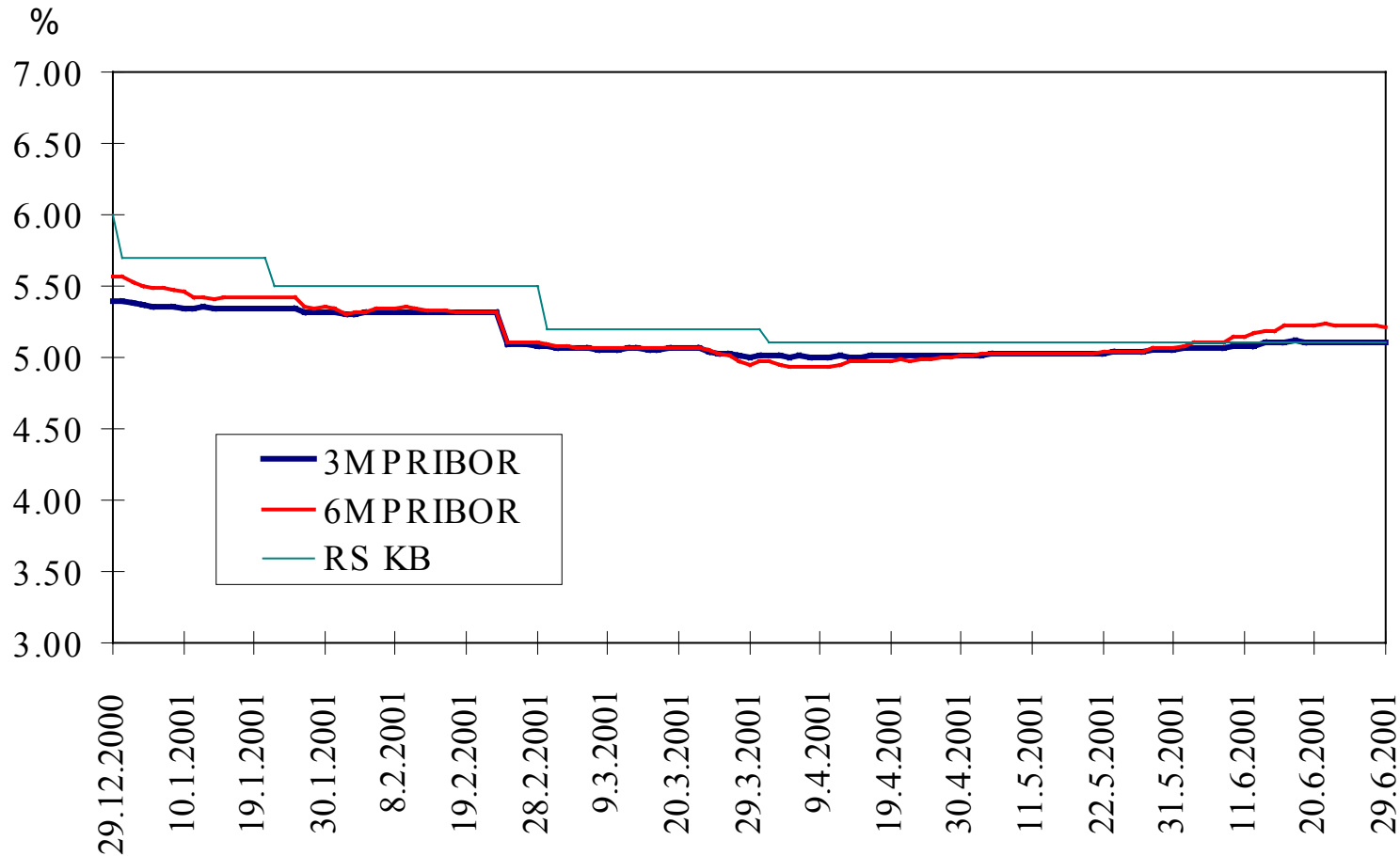
CZK million	31.12.2000	30.6.2001	change
ALL IN REAL ESTATE LEASING, s. r. o. *)	28	29	3.6%
ALL IN, a. s. *)	84	81	-3.6%
A-TRADE, s. r. o. *)	33	22	-33.3%
Factoring KB, a. s.	99	106	7.1%
Investiční kapitálová společnost, a. s.	245	168	-31.4%
Komerční Finance, B. V.	20	20	0.0%
Komerční banka Bratislava, a. s.	416	430	3.4%
Komerční pojišťovna, a. s.	279	280	0.4%
<b>Total subsidiary undertakings</b>	<b>1,204</b>	<b>1,136</b>	<b>-5.6%</b>
CAC LEASING, a. s. (50% holding)	567	NA	
MUZO, a. s. (49.9% holding)	361	357	-1.1%
Všeobecná stavební spořitelna KB, a. s. (40% holding)	1,322	1,243	-6.0%
<b>Total associated undertakings</b>	<b>2,250</b>	<b>1,600</b>	
<b>Total subsidiary and associated undertakings</b>	<b>3,454</b>	<b>2,736</b>	
From it KB share	2,197	1,811	
Penzijní fond Komerční banky, a. s. company is not included in the consolidated statement	6,662	7,191	7.9%

\*) companies in process of disposal or liquidation

# DEVELOPMENT OF PRICE OF KB'S SHARE AND INDEX PX50

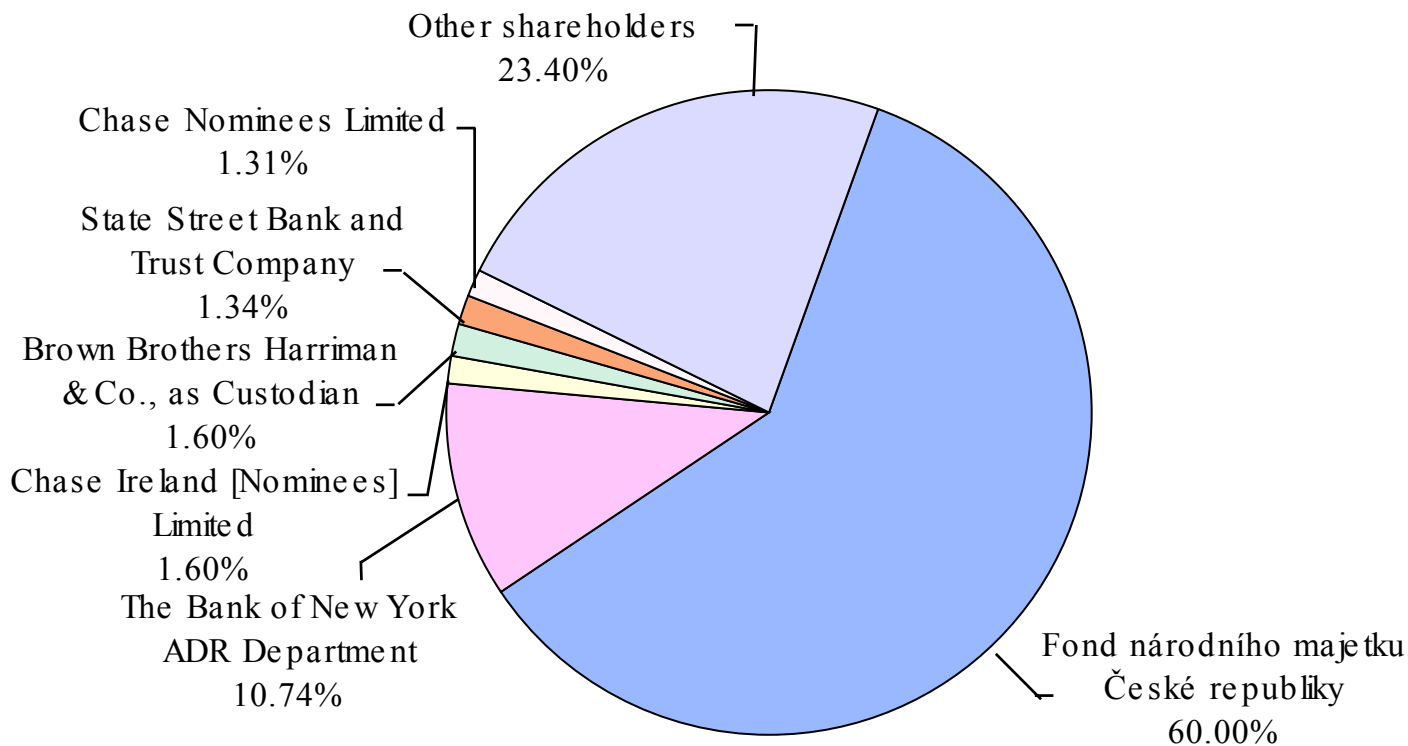


# DEVELOPMENT OF 3M, 6M PRIBOR AND THE RS KB



# STRUCTURE OF SHAREHOLDERS

June 13, 2001



As at July 9, 2001 The Bank of New York ADR Department decreased its share on voting rights under 10%.

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