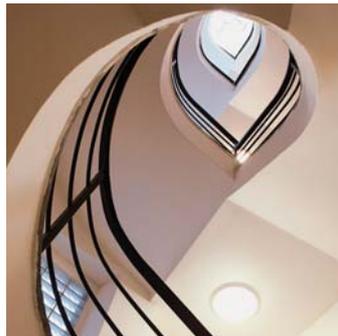


**Report on Financial Results  
as at 30 June 2009**  
Komerční banka, a.s.



KB Group reported a net profit of CZK 5,806 million for the six months of 2009.

# The Bank



about people

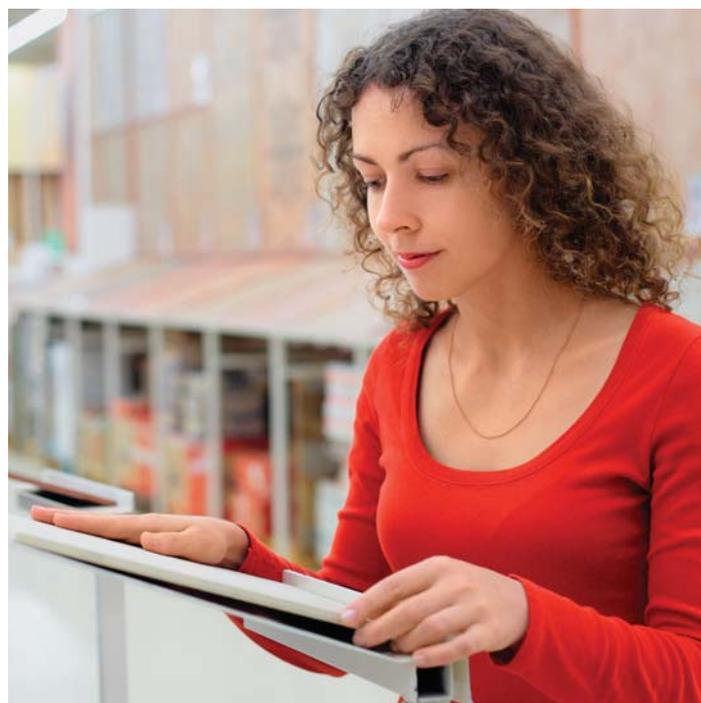


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for people



Komerční banka was in June once again awarded the title **Corporate Bank of the Year 2009.**



# Highlights from 2009's First Half

KB Group reported a net profit of CZK 5,806 million for the first six months of 2009, which represents a 10.1% decrease compared to the first half of 2008. The Bank's operations were impacted by the ongoing economic recession in the Czech Republic.

## January

From 1 January 2009, Komerční banka Bratislava successfully migrated to the euro. Accounts that had been maintained in Slovak crowns were automatically converted to the single European currency.

## February

Komerční banka received the prestigious "Best Deal of 2008" award from Global Trade Review for an export buyer's credit financing the delivery and installation of health care equipment for a clinic in Almaty, Kazakhstan.

KB added improved travel insurance features to its payment cards. The insurance coverage limits were increased, the range of insured risks was widened, and henceforth the travel insurance covers family members.

## March

The Platinum payment card designed for the most demanding clients ranks among the interesting innovations. The card brings its holders an exceptional range of advantages, including assistance services and superior travel insurance that also protects against risks of theft or damage for such items commonly taken on business trip as notebooks, PDAs, mobile handsets or commercial samples, as well as golf and skiing equipment.

Given the increasing demand from business clients for consultations with the experts at KB EU Points as to the possibilities of EU co-financing, Komerční banka created the "EU Point Index" to promptly inform professionals, the media and general public about current developments in the uptake of EU funding.

## April

In view of Komerční banka's sound performance in 2008 and adequate capital levels, the Annual General Meeting, held on 29 April 2009, approved a dividend payment of CZK 6,842 million. That is CZK 180 per share and represents a payout ratio of 51.7%.

The general meeting again elected Didier Alix, Séverin Cabannes, Petr Laube, Jean-Louis Mattei and Christian Achille Frederic Poirier as members of the Supervisory Board with effect from 30 April 2009.

Shareholders also approved the Board of Directors' Report for 2008, the annual financial statements, as well as the proposals for distributing the profit for 2008 and the discretionary part of remuneration for members of the Board of Directors.

In addition, the General Meeting made amendments to the Articles of Association. Establishment of the Audit Committee is the most important amendment. The AGM elected Séverin Cabannes, Petr Laube and Christian Achille Frederic Poirier as members of the Audit Committee.

The AGM extended KB's authorisation to acquire treasury shares representing up to 10% of its registered capital within the price range of CZK 1,000 to CZK 3,500.

## May

Komerční banka has decided to enhance its activities in the area of corporate social responsibility and supported employees of the Group in blood donation. Group employees in the Czech Republic and Slovakia donated almost 75 litres of blood during an event hosted by KB. Nearly 60% of the participants were donating blood for the first time.

## June

Based upon voting by CFOs at the 100 leading companies in the Czech Republic, Komerční banka was in June once again awarded the title Corporate Bank of the Year 2009 in the competition sponsored by Czech Top 100 and MasterCard Europe.

KB and Modrá pyramida finalized preparations for launch of the new line of EKO loans, complementing the subsidies from the Czech government and EU funds. The EKO loans offer follows the joint success of KB and Modrá pyramida in a tender by the State Environmental Protection Fund to distribute subsidies under the "Green for Savings" scheme, which aims to improve the energy efficiency of residential buildings.

# Corporate Social Responsibility

Komerční banka has pledged to follow the key principles of corporate social responsibility in carrying out its activities. These principles include ethical conduct by all employees, preventing the legitimisation of proceeds from illegal activities, support for sustainable development, and charitable activities.

Charitable activities are coordinated by the KB Jistota Foundation, which supported several projects in the first half of the year. Resources were provided to the Foundation not only by Komerční banka itself but also by employees of the entire Group. The KB Jistota Foundation allocated CZK 2.5 million to help towns and people affected by the summer floods. Of this amount, CZK 490,000 came from fundraising among employees. The Foundation also provided support to several health care institutions and to help senior citizens and persons with disabilities in, for example, Olomouc, Třinec, Šumperk, Říčany, Ostrov, Teplice, and Nymburk. Thanks to a donation from KB Jistota Foundation totalling CZK 350,000, the National Library of the Czech Republic was able to create an artistic copy of the rare Chronicle of the Council of Constance by Ulrich von Richenthal.

The Group's employees in the Czech Republic and Slovakia also participated in charitable activities by donating almost 75 litres of blood in the course of a project launched by KB. Nearly 60% of the employees taking part donated blood for the first time. The opportunity for children from underprivileged groups to spend a part of their summer holidays at summer camps was made possible by a donation of 3.5 tons of non-perishable foods provided by KB Group's employees through the Czech Federation of Food Banks.

In support of sustainable development, Komerční banka has long focused on reducing consumption of energy and office paper. KB also uses "Green Energy" supplies within a ČEZ Group project supporting utilisation, education and research on renewable energy sources.

As part of its standard business activities, KB increased its financing of projects concerning renewable energy sources. In the first half of 2009, the majority of these were projects for constructing solar power plants. At the same time, Komerční banka became the first partner of the government's "Green for Savings" programme, which supports households investing into external thermal insulation of older family houses and constructing new low-energy houses that use alternative sources of energy.

# Macroeconomic Trends in the First Half of 2009

At the beginning of 2009, indirect consequences of global economic turmoil were projected with full force in the performance of the Czech economy and the economic recession became fully evident. In the first quarter of 2009, gross domestic product decreased year on year as well as quarter on quarter by 3.4% in real terms. This followed a revised decline of 0.1% year on year in the fourth quarter of 2008. In the second quarter of 2009, GDP dropped by 4.9% year-on-year, while quarter on quarter GDP increased by 0.3%.

That was the greatest quarterly year-on-year drop in the economy in the Czech Republic's history. A year-on-year decrease in GDP was last recorded at the end of 1998. The development in the second quarter further deepened the trends from the start of the year. In the second quarter of 2009, GDP dropped by 4.9% year-on-year, while quarter on quarter development returned to positive numbers when GDP increased by 0.3%, signalling a coming stabilisation of the economic situation

In the first half of 2009, total industrial output fell by 18.9% compared with the first half of 2008, especially due to the slump in manufacturing of 21.0% year on year caused by weak foreign demand. The greatest decline was seen in the manufacture of basic metals, manufacture of other non-metallic mineral products, manufacture of motor vehicles and engineering. Only three sectors maintained positive growth dynamics: the food industry, manufacture of other transport equipment, and machine repairs and installations. In the final months of the first half, it seemed that the slump in industrial output was slowly coming to a halt. This was also suggested by the development of leading indicators in the Czech Republic and abroad.

Czech construction output fell by 5.8% year on year in 2009's first half. Engineering construction, on the one hand, had a positive influence thanks to ongoing big projects in transport infrastructure. By contrast, building construction recorded a dramatic slowdown in output. The reduction in companies' investment outlays and weakening demand from households for new apartments, partially due to poorer access to loans and mortgages, had a negative impact.

Foreign trade was very strongly affected by the global economic recession and represents the main channel through which the economic crisis overflowed into the Czech economy. In the first half of the year, imports as well as exports fell at a record-breaking pace of around 20% year on year, with exports decreasing relatively more slowly than imports. Nevertheless, the trade balance was positive each month, accumulating to CZK 79.4 billion, which is CZK 15.3 billion more than last year. Such a positive result was made possible especially by the strong relationship between Czech exports and imports, as decreasing exports reduced the demand for imports. Other factors contributing to the positive result were the persisting relatively low prices of commodities, the weaker exchange rate of the Czech crown compared to the previous year, improving terms of trade, and a short-term effect of the premiums for foreign automobile "scrapping" programmes. Foreign trade's main drivers in the first half of 2009 continued to be fossil fuels and trade in machinery and transport equipment. While trade in machinery and transport equipment exhibited negative development and a decreasing trade balance, the trade deficits in fossil fuels also declined gradually.

The labour market continued in its unfavourable development that began at the end of 2008. The slump in GDP was accompanied by a decrease in employment as companies have reduced their production. The unemployment rate continuously increased from 6.0% in December 2008 to 8.0% in June 2009. The average wage in the first quarter of 2009 grew year on year by 3.1% in nominal terms, which, after adjusting for inflation, was a 1% growth in real terms. The economic slowdown is also reflected in an enormous reduction in job vacancies offered. In June, there were 10.7 unemployed persons on average per

one job vacancy, which is five times greater than last year. The negative trends can be expected to continue and no turning point to come until 2010. The share of unemployed job seekers drawing unemployment benefits has also been climbing, which, along with the rapid growth in the absolute number of unemployed, reflects an increasing pressure on the expenditures side of the state budget, the revenues of which have been falling for the same reason.

The situation on the labour market was also projected into poor domestic consumer demand. The greatest decline was seen in sales of durable and luxury goods, while essential goods such as food and pharmaceuticals maintained their relatively stable position. Overall, sales in retail, trade and repairs of motor vehicles fell significantly by 4.3% year on year in the first half of 2009. Of this, food sales stagnated and sales of non-food items dropped by 2.1%. Fuel sales declined by 3.1%, while trade and repairs of motor vehicles fell by 10.5%.

Weakening economic activity, poor consumer demand and low global commodity and food prices affected the favourable development of consumer prices in the first half of 2009. The year-on-year rise in the consumer price index was just 1.8% on average in the first half of 2009, and the average inflation rate for the past 12 months reached 3.7% in June 2009. Industrial producer prices decreased year on year in the entire first half, and from March the decrease also was seen month on month. Agricultural producer prices also fell considerably, thus keeping food prices at a low level. From the start of the year, the weakening of the Czech crown which had begun in the second half of 2008 continued. After reaching a weakest point of 29.47 CZK/EUR in February, however, the crown began to strengthen gradually, hovering below 26 CZK/EUR in June.

In response to weak inflation pressures and the unfavourable economic development, the CNB Bank Board steadily eased its monetary policy. The basic interest rates were decreased by 50 basis points in February and then by 25 basis points in May and August, and thus the two-week repo rate declined from 2.25% to its historical minimum of 1.25% in August 2009 and was 25 basis points greater than the basic Refi rate of the European Central Bank. Similarly, 3M PRIBOR dropped from 3.1% in January to 2.2% in June and was greater than 3M EURIBOR by more than 100 basis points. The economic cooling adversely influenced developments in the volume of loans and mortgages and their dynamics were reduced significantly.

As of the beginning of August, the Bank expected the economic situation to gradually stabilise. The total estimated year-on-year decline of the economy amounted to 3.5% in 2009. The economic slump may have reached its bottom already in the first half of 2009, and 2010 could see the start of recovery. Nevertheless, exactly when the recovery will begin is very uncertain and depends primarily on development in the economies of the Czech Republic's main trading partners, i.e. countries in the eurozone.

At the beginning of 2009 the Czech Crown depreciated. After reaching a weakest point of 29.47 CZK/EUR in February, however, the crown began to strengthen gradually, hovering below 26 CZK/EUR in June.

# Business Activities

Although KB's business results were affected by the unfavourable economic development in the Czech Republic during the first half of 2009, the Bank continued nevertheless to develop in accordance with its long-term strategy. The economic crisis confirms the correctness of the solid business model founded on universal banking and building long-term relationships with its clients. Komerční banka's main assets still remain its customers and the power of the relationships with them, as well as its employees, their professionalism and loyalty.

Good liquidity and a strong capital position enable the Bank to continue in developing its medium-term priorities, such as maintaining good relationships with its clients even in times of crisis, advancing the cross-selling of products from KB Group, Soci t  G n rale and other business partners, and selectively developing its lending activities while increasing market share for lending in selected client and product segments. Prudent risk management and strict operating cost control nevertheless remain essential.

## Clients

KB Group's number of clients continued to rise. Standalone Komerční banka registered an increase of 30,000 year on year to some 1,636,000 clients. Of this number, 1,355,000 were individual customers while the Bank serves 281,000 business clients. The number of clients increased by almost 8,000 since the beginning of the year. Modr  pyramida served 722,000 customers, which, due to the persisting effect of the lower state subsidy for building savings that was cut in 2004, is 4% less compared to the previous year. However, the number of newly concluded saving contracts for the same period increased by 6% to 78,200. Supplementary pension insurance participants at Penzijn  fond KB numbered 496,000, which was 3% more than at the end of June 2008. Total active clients of the consumer financing company ESSOX rose by 48% to almost 275,000 as at the end of June. The total of Group customers (adjusted for shared group clients) exceeded 2.7 million.

## Distribution network

As of 30 June 2009, the number of branches for retail clients had reached 397. Corporate clients and municipalities were served via 20 KB business centres and 4 Top Corporate divisions. Modr  Pyramida's distribution was provided through 250 points of sale and 1,662 sales agents, of which 339 were full-time professionals.

Because the size of KB's branch network is considered sufficient for the time being, the main efforts now are directed to further developing alternative sales channels such as internet and telephone banking. Of KB clients, 59% (i.e. more than 966,000) were using at least one of the direct banking channels that are accessible to clients 24 hours a day. The number of active direct banking products rose by 5% to reach 1,378,000.

Payment card usage further expanded, as well. Clients of KB were using 1,698,000 active payment cards (+2% year on year), of which 248,000 were credit cards (+10%). The number of active credit cards used by ESSOX clients expanded to almost 156,000 (+54%).

## Lending

The business results were driven by continued lending activities, although the overall loan portfolio growth did not reach the double-digit levels seen in previous years. The total value of loans provided by KB Group rose by 9.1% to reach CZK 382.5 billion, of which loans to individual clients accounted for 44%. KB did particularly well on the mortgage market, where its long-term strategy led to its securing almost 28% market share for new sales in the first half. Due to the slower overall mortgage market, however, sales of new mortgages decreased by 24% in comparison with 2008's record first half and the total mortgage portfolio grew by 17.1% to CZK 96.3 billion year on year. At building society Modrá pyramida, the loan portfolio expanded by the same 17.1% to reach CZK 42.0 billion. The volume of consumer loans, which in the Group are provided by both KB and ESSOX, grew by 11.8% to CZK 30.4 billion.

Even though lending to companies and entrepreneurs was restrained by the economic recession, the total volume of business loans increased by 3.4% year on year to CZK 209.3 billion. Within this segment, loans provided to small businesses and entrepreneurs grew by 10.5% to CZK 24.0 billion. Loans to middle-sized and large enterprises provided by KB and KB Bratislava in Slovakia grew by 3.0% to CZK 182.9 billion. The volume of factoring receivables at Factoring KB was affected by the unfavourable situation on the factoring market and declined by 22.1% to CZK 2.4 billion.

## Deposits

Deposits remained stable year on year and totalled CZK 532.1 billion as of 30 June 2009. KB's deposits from individuals expanded by 4.6% to CZK 154.0 billion. Clients' pension assets at Penzijní fond KB rose by 8.3% to CZK 26.4 billion, and customers' savings at Modrá pyramida grew by 0.2% to CZK 64.0 billion. On the other hand, in the business segment, firms' use of cash reserves in the tough economic environment led to a decline in corporate deposits by 1.5% to CZK 284.7 billion.

## Cross-selling and sales by subsidiaries

Activities in relation to cross-selling of products comprise a key part of the Bank's business strategy. The cross-selling indicator stating the multiple of the number of products sold to the number of current accounts grew to 5.75 products at the end of June 2009, as compared to 5.64 at the end of 2008.

Komerční pojišťovna achieved a year-on-year increase in the gross premiums written of 67%, totalling CZK 2,016 million for the first half of 2009. Of this amount, gross premiums written in life insurance grew by 82% to CZK 1,790 million. Komerční pojišťovna thus increased its market share in life insurance to 6.5% (according to data from the Czech Insurance Association). During the first half of the year, Komerční pojišťovna introduced a new type of children's life insurance under the name Brouček. This new insurance combines the option to achieve attractive returns from invested funds and, at the same time, guarantees financial security in case of unfortunate events in the life of the insured adult that would affect the insured children.

Modrá pyramida successfully continued to increase the number of new building savings contracts concluded. These totalled 78,200 in the first half of 2009, which is 6% more compared to the same period last year. The volume of loans provided by Modrá pyramida rose by 17% to CZK 42.0 billion. Deposits in the building society grew modestly by 0.2% to CZK 64.0 billion.

The value of assets managed by Penzijní fond KB rose by 8% to CZK 26.4 billion. Its number of customers grew by 3% to 496,000.

The volume of loans provided by ESSOX rose by 33% to CZK 8.7 billion. The volume of new loans also grew by 33%, amounting to CZK 3.0 billion for the first half of the year. The growth was driven mainly by financing of consumer goods and by credit cards. The number of active credit cards issued by ESSOX climbed by 54% to 156,000, particularly thanks to the T-Mobile card issued in co-operation with T-Mobile.

Due to the adverse and volatile development on financial markets, the demand for investing in mutual funds continued to decrease. Sales of IKS-SGAM mutual funds through KB Group networks thus dropped by 50% in the first six months of 2009 compared with the same period of 2008 to CZK 3.4 billion. Redemptions of participation certificates also declined by 38% compared to last year and totalled CZK 4.5 billion.

The factoring market in the Czech Republic was negatively affected by the economic recession. According to data from the Czech Leasing and Financial Association, the volume of funds provided by factoring companies fell by more than 40% as compared to 30 June 2008. The volume of Factoring KB's receivables decreased by 22% to CZK 2.4 billion.

Gross loans to customers of Komerční banka Bratislava rose by 12% to CZK 5.4 billion, while the volume of deposits fell by 9% to CZK 2.1 billion.

To complement the range of products available to clients, Komerční banka also has been distributing financial and operational leasing products of such other SG Group companies as ALD, SGEF and ECS as well as insurance policies from Allianz.

## Introducing product and service innovations

In the first half of 2009, KB Group further improved its wide offer of products and services to clients:

- Brouček insurance – a life insurance scheme tailored for children that offers both life/accident insurance and a savings option.
- Platinum card – designed for the most demanding clients and brings its holders an exceptional range of advantages, including assistance services and superior travel insurance that also protects against risks of theft or damage of such items commonly taken on business trip as notebooks, PDAs, mobile handsets or commercial samples, as well as golf and skiing equipment.
- Guaranteed deposit – a product which enables growing the value of deposited funds by up to 3% annually while also providing for their high liquidity.
- EKO loans – KB and Modrá pyramida jointly won a tender by the State Environmental Protection Fund to distribute subsidies under the "Green for Savings" scheme, which aims to improve the energy efficiency of residential buildings. Under the scheme, clients can benefit from government subsidies while obtaining KB funds from the new and specially dedicated line of EKO loans.
- EU Point Index – given the ever-increasing demand from business clients for consultations with the experts at KB EU Points as to the possibilities of EU co-financing, Komerční banka created the "EU Point Index" to promptly inform professionals, the media and general public about current developments in the uptake of EU funding.

## Awards

In the first half of 2009, KB Group received several prestigious awards. The "Best Deal of 2008" award came in February from Global Trade Review for an export buyer's credit financing the delivery and installation of health care equipment for a clinic in Kazakhstan. Based upon voting by CFOs at the 100 leading companies in the Czech Republic, Komerční banka was in June once again awarded the title Corporate Bank of the Year 2009 in the competition sponsored by Czech Top 100 and MasterCard Europe.

# Consolidated Financial Results (IFRS)

KB Group recorded a consolidated net profit of CZK 5,806 million for the first half of 2009, which is 10.1% less than in the same period last year. The Group's operations were impacted by the challenging economic conditions in the Czech Republic, which resulted in somewhat slower revenue growth and increased costs of risk in comparison to the previous years. KB Group achieved a solid result by reducing operating costs and continued lending to the Czech economy.

## Profit and Loss Statement

### Revenues

The Group's total revenues grew by 4.9% year on year to CZK 16,972 million. Net interest income contributed 65% to total revenues. Net profit from financial operations recorded the greatest dynamic (18.4%).

Net interest income grew by 6.9% to CZK 11,020 million, benefiting especially from an increase in loans provided. While the credit spreads on loans widened, margins on deposits decreased due to stronger market pressure as a result of the worsened liquidity on the interbank market. Net interest income from loans thus increased by 15% while net interest income from deposits rose by only 2%. KB Group's subsidiaries ESSOX, Penzijní fond and Modrá pyramida recorded strong year-on-year growth of 24%, 19% and 14%, respectively.

Net fees and commissions dropped by 5.9% to CZK 3,821 million as a result of weaker economic activity and the extraordinary income recorded in 2008 (a refund of fees charged incorrectly between banks in previous years totalling CZK 162 million for the first half of 2008). Transaction fees, which had included the aforementioned extraordinary income, fell by 11% due to reduced business activity, especially with respect to corporate clients. Income from account maintenance fees declined by 3%. Fees from cross-selling, which were adversely affected by lower demand for investing into mutual funds, fell by 14% year on year. Income from fees for loan services rose by 18%, thanks to the expanding client portfolio.

Successful trading on the Bank's own account, stronger demand from clients for hedging interest rates, greater issuance activity on the eurobond market, and improved demand from institutional clients led to an increase in net profit from financial operations by 18.4% to CZK 2,040 million. This item was also boosted by the sale of MasterCard share, which resulted in a gain of CZK 64 million.

## Operating costs

KB Group continued in its prudent control over operating costs. Total operating costs decreased by 3.7% year on year to CZK 6,933 million, thereby improving the cost-income ratio to 40.8% from 44.5% for the first six months of 2008.

The year-on-year increase in personnel expenses by 4.6% to CZK 3,192 million reflects a rise in the average number of employees by 1.5% to 8,889 as well as an increase in the average wage. General administrative expenses, which were the main focus of cost control, dropped by 7.5% year on year to CZK 3,012 million. Depreciation, impairments and disposals of fixed assets recorded a decrease of 18.4% to CZK 729 million. This was influenced by an extraordinary provision for the impairment of a building in the amount of CZK 57 million recognised in 2008 and by the sale of unneeded buildings with an impact of CZK 39 million in 2009.

The moderately increasing total revenues and declining operating costs led to growth in gross operating income by 11.8% to CZK 10,039 million.

## Cost of risk

The development of the cost of risk in the first half of 2009 was driven by the profound deterioration of the economic environment in the Czech Republic. Cost of risk grew by 210.3% to CZK 2,833 million. This result was significantly influenced by a single case of a corporate client's default, but the worsening of the risk profile was seen in both the corporate clients and retail banking segments. The consolidated cost of credit risk rose from 35 basis points for the first half of 2008 to 99 basis points for the first half of 2009.

## Income tax

Income tax fell by 15.3% to CZK 1,236 million due to the lower profit and a reduction in the corporate income tax rate.

## Net profit

KB Group's net profit for the first half of 2009 totalled CZK 5,806 million, which is 10.1% less than for the same period of 2008.

## Balance Sheet

The Group's total assets as of 30 June 2009 amounted to CZK 675.1 billion, which is 3.4% less compared to the end of last year. This decrease was influenced by a 4.0% drop in amounts due to customers as compared to the end of 2008.

## Assets

### Cash and current accounts with banks

Cash and balances with central banks decreased by 8.9% compared to the end of 2008 to CZK 12.7 billion. Balances with central banks, which represent obligatory minimum reserves and bear interest equalling the Czech National Bank's two-week repurchase rate, totalled CZK 5.5 billion at the end of June 2009. The CNB's two-week repurchase rate had stood at 2.25% at the beginning of this year, but it was cut twice during the first half (by 0.5 percentage points to 1.75% in February and by 0.25 percentage points to 1.5% in May). Obligatory minimum reserves with the National Bank of Slovakia bore interest at the basic interest rate of the European Central Bank in the first half of 2009.

### Amounts due from banks

Amounts due from banks decreased from the end of 2008 by 14.5% to CZK 124.9 billion. Advances due from the CNB, which represent reverse repo transactions, fell by 10.0% to CZK 85.4 billion in the same period. Term deposits with other banks fell by 10.9% to CZK 14.3 billion. The bond portfolio, at amortised cost of CZK 12.6 billion, was down by 8.9%. Within this portfolio, CZK 7.0 billion is comprised of bonds issued by the parent bank, Société Générale S.A.

### Net loans and advances to customers

Gross loans increased by 2.3% to CZK 382.5 billion in comparison with the end of 2008. Net loans and advances to customers (after deducting provisions) grew by 1.1%, totalling CZK 368.1 billion. Standalone KB accounted for 84% and MPSS for 11% of the Group loan portfolio.

The quality of the loan book was influenced by the ongoing economic recession. In comparison with the end of 2008, standard loans rose by 0.3% to CZK 342.4 billion, and their share in the overall portfolio totalled 89.5%. The volume of watch loans increased by 7.6% to CZK 15.7 billion in the first half of the year, and their share in the total portfolio amounted to 4.1% at the end of June. In the same period, loans under special review (substandard, doubtful, loss) grew by 34.3% to CZK 24.4 billion, and their proportion in the total portfolio comprised 6.4%. The contributions of KB's subsidiaries were 16.9% to the Group's standard loans, 8.8% to watch loans, and 11.6% to loans under special review.

The volume of provisions for loan losses increased by 21.4% to CZK 14.6 billion. The provision coverage for watch loans decreased from 7.6% at the end of 2008 to 7.2% at the end of June 2009. In the same period, the provisions coverage for loans under special review dropped from 60.2% to 55.3%.

### Securities

The total value of the securities portfolio decreased slightly from the end of 2008 (-1.3%) to CZK 141.8 billion. The portfolio of financial assets at fair value through profit or loss fell by 28.7% to CZK 31.4 billion. The portfolio of securities available for sale, on the other hand, rose by 11.1% to CZK 109.1 billion due to the increase in debt securities by 11.8% to CZK 107.7 billion. The portfolio of securities held to maturity dropped by 7.9% to CZK 1.3 billion. The latter comprises bonds from countries within the European Union and the Czech Republic.

### Goodwill

Total goodwill of CZK 3.6 billion represented no change from the end of the previous year.

## Liabilities and Shareholders' Equity

### Amounts due to banks

Amounts due to banks increased by 57.0% to CZK 17.4 billion in the first half of the year. This item represents primarily amounts drawn to cover the Group's short-term liquidity needs in certain currencies.

### Amounts due to customers (deposits)

Amounts due to customers declined by 4.0% to CZK 532.1 billion in comparison with the end of 2008. The share of deposits from individuals rose from 44% to 46% in the same period. The volume of deposits on current accounts remained fairly stable at CZK 289.8 billion (-1.4%). Total term and savings deposits dropped by 4.2% to CZK 184.2 billion. A more significant decline by 25.8% to CZK 27.6 billion was recorded in loans from customers, which comprise especially depository bills of exchange. Clients' pension assets, which are also recognised as amounts due to customers under Czech accounting standards, rose by 2.8% from the beginning of the year and totalled CZK 26.7 billion.

### Securities issued

The volume of securities issued fell by 6.5% as compared with the end of 2008 to total CZK 22.6 billion. The portfolio is made up predominantly of publicly traded mortgage bonds issued by Komerční banka in 2003–2007 to fund its mortgage activities.

### Subordinated debt

The subordinated debt in the amount of CZK 6.0 billion, taken by Komerční banka in December 2006 from Société Générale, remained stable. The subordinated debt carries a floating rate linked to one-month PRIBOR and has 10-year maturity with KB's option for early repayment after five years and thereafter as of any interest payment date.

### Shareholders' equity

At the end of June 2009, KB Group's shareholders' equity stood at CZK 58.0 billion, which represents a 7.9% decline compared with the end of 2008. The lower value reflects the payment of dividends from the net profit for 2008 in the volume of CZK 6.8 billion in June 2009. KB's share capital remained unchanged at CZK 19.0 billion. Changes in the fair value of hedging derivatives are reflected in the hedging reserve, which decreased from CZK 3,562 million to CZK 829 million. The revaluation of available-for-sale securities, which decreased from a positive CZK 767 million to a negative CZK 481 million, and the attributable net profit of the current period in the amount of CZK 5.8 billion also form part of the equity.

Total shareholders' equity corresponds to 9% of the Group's total assets.

# Expected Development of Business Activities and the Financial Situation

Komerční banka continues in implementing its long-term strategy. After overcoming the economic recession in the Czech Republic, KB anticipates further development in lending and in extending more advanced financial products and services.

In the coming months, however, the Group expects that economic conditions will remain difficult and revenues will most likely stagnate due to decreasing volumes and margins on deposits and an anticipated reduction in the income from fees. In the area of operating costs, the Group will continue to focus on maintaining its excellent level of operational efficiency by prudently controlling costs and through longer-term projects for optimising the information and communication infrastructure, support and administrative services, and real estate portfolio.

Risk management is a priority for the remainder of 2009 and beyond. KB continues to provide loans to its customers, but the impacts of recession on clients' financial situations raises the need to continuously adjust the methods and rules for risk management, including the criteria for providing loans, with the aim of ensuring the Bank's long-term stability and profitability. Due to the economic decline in the Czech Republic, the above-average creation of provisions for loan losses is expected to continue throughout 2009 and the volume of problematic loans is likely to increase. In the retail banking area, as a preventative measure, the Bank has begun to use the national credit registers more often and has increased its capacity for collecting claims. In the corporate banking area, the Bank aims to take an active role in restructuring activities with respect to problematic clients.

Although the Bank anticipates achieving modestly greater operating income for 2009 year on year, its consolidated net profit for 2009 will not reach the record-breaking level of 2008 due to a greater creation of provisions for loan losses. In proposing the dividend payout at the General Meeting, the Bank's Board of Directors will take into account the continuing uncertainty in view of economic developments so as to keep KB's capital base sufficiently strong until such time as there is demonstrable economic recovery.

KB's strong liquidity and capital position allow it to continue in its long-term partnership with clients and prudently to grow its credit

exposure even in a time of economic decline. Developments in the market environment resulting from the current recession may lead to the Group's increasing its market share in certain selected credit activity areas, such as for mortgage financing. On the other hand, more difficult financing on the interbank market is leading to a heightened competition for clients' deposits on the part of certain competitors, and the Bank's management is closely monitoring the continuing tightening of margins and developments in deposit volumes. The Group anticipates a gradual increase in the loans-to-deposits ratio, but nowhere near to a level that could be characterised as risky. The Bank's liquidity will remain very good.

In principle, Komerční banka has completed the extension of its branch network to the target level of around 400 branches. Changes to the branch network in the near future will proceed from the effort to provide clients better accessibility and will consist especially in relocating branches to higher-traffic and better locations that reflect demographic and economic developments. KB will continue developing and improving the functionalities of direct banking. The aim is to maintain a high quality of all distribution channels that will allow the clients to select among them according to their preferences.

KB Group will further increase its emphasis on developing long-term relationships with customers and its ability to fully satisfy all needs of the Bank's clients as well as those of its subsidiaries' clients in the financial services area. KB aims to be the main bank for its clients in the retail as well as corporate banking segments. This will take higher priority over increasing the nominal number of customers. The offer of banking services to clients is complemented with advantageous products from other companies within KB Group and the Société Générale Group, as well as other financial companies. KB is focused on properly implementing the products into all its distribution channels and on gradually extending that offer with new products and services corresponding to the clients' developing needs.

# Consolidated Profit and Loss Statement According to IFRS

CZK mil.	1H 2009 (unaudited)	1H 2008 (unaudited)
Interest income	19,437	20,654
Interest expense	(8,501)	(10,452)
Dividends	84	108
<b>Net interest and assimilated income</b>	<b>11,020</b>	<b>10,310</b>
Net fees and commissions	3,821	4,059
Net profit/(loss) on financial operations	2,040	1,723
Other operating income	92	86
<b>Net banking income</b>	<b>16,972</b>	<b>16,178</b>
Personnel expenses	(3,192)	(3,053)
General administrative expenses	(3,012)	(3,256)
Depreciation, impairment and disposal of fixed assets	(729)	(893)
<b>Total operating expenses</b>	<b>(6,933)</b>	<b>(7,202)</b>
<b>Gross operating income</b>	<b>10,039</b>	<b>8,976</b>
Provision for loan losses	(2,834)	(888)
Provision for losses on securities	(1)	0
Provision for other risks expenses	2	(25)
<b>Cost of risk</b>	<b>(2,833)</b>	<b>(913)</b>
<b>Net operating income</b>	<b>7,207</b>	<b>8,063</b>
Net profit/(loss) from subsidiaries and associates	37	37
Share of profit of pension scheme beneficiaries	(201)	(181)
<b>Profit/(loss) before income taxes</b>	<b>7,043</b>	<b>7,918</b>
Income taxes	(1,236)	(1,460)
<b>Profit/(loss) for the period before minority interest</b>	<b>5,806</b>	<b>6,458</b>
Profit attributable to the Bank's equity holders	5,762	6,412
Minority profit/(loss)	45	47
<b>Earnings/(loss) per share (in CZK)</b>	<b>306</b>	<b>340</b>

# Consolidated Balance Sheet According to IFRS

CZK mil.	30 June 2009 unaudited	31 December 2008 audited	30 June 2008 unaudited
<b>ASSETS</b>			
Cash and current balances with central banks	12,718	13,961	8,322
Financial assets at fair value through profit or loss	31,357	43,993	45,407
Positive fair value of financial derivative transactions	7,797	9,146	2,368
Financial assets available for sale	109,079	98,164	85,634
Assets held for sale	380	429	633
Amounts due from banks	124,879	146,098	169,788
Loans and advances to customers	368,123	364,040	341,051
Investments held to maturity	1,322	1,435	1,354
Income taxes receivable	68	6	4
Deferred tax asset	194	0	1,128
Prepayments, accrued income and other assets	3,755	6,167	6,243
Investments in associates and unconsolidated subsidiaries	579	550	508
Intangible fixed assets	3,595	3,504	3,163
Tangible fixed assets	7,708	8,000	7,868
Goodwill	3,551	3,551	3,551
<b>Total assets</b>	<b>675,105</b>	<b>699,044</b>	<b>677,022</b>
<b>LIABILITIES</b>			
Amounts due to central banks	1	1	2
Financial liabilities at fair value through profit or loss	14,908	20,155	13,721
Negative fair value of financial derivative transactions	4,989	5,244	3,679
Amounts due to banks	17,445	11,114	15,418
Amounts due to customers	532,123	554,570	532,529
Securities issued	22,555	24,128	29,805
Income taxes payable	1	186	95
Deferred tax liability	2	575	2
Accruals and other liabilities	17,205	12,075	25,686
Provisions	1,903	2,019	1,568
Subordinated debt	6,001	6,003	6,003
<b>Total liabilities</b>	<b>617,133</b>	<b>636,070</b>	<b>628,508</b>
<b>Shareholders' equity</b>			
Share capital	19,005	19,005	19,005
Share premium and reserves	37,791	42,837	28,402
Minority equity	1,177	1,132	1,107
<b>Total shareholders' equity</b>	<b>57,972</b>	<b>62,974</b>	<b>48,514</b>
<b>Total liabilities and shareholders' equity</b>	<b>675,105</b>	<b>699,044</b>	<b>677,022</b>

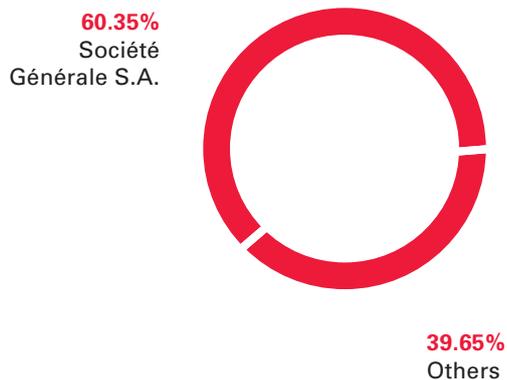
# Rating

As at 31 July 2009 (same as at 30 June 2009)

Rating agency	Long-term	Short-term
Moody's Investors Service	A1	Prime-1
Standard & Poor's	A	A-1
Fitch Ratings	A	F1

# Shareholder Structure

Major shareholders of Komerční banka, a.s. as at 29 May 2009





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