HALF-YEARLY REPORT 2012
Komerční banka, a.s.

PARTNERSHIP MATTERS

Contents

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FURTHER INFORMATION

Detailed financial and operational information about Komerční banka Group is available in other publications on KB's web pages for shareholders and investors www.kb.cz/en/about-the-bank/investor-relations/index.shtml.

Information on corporate social responsibility and ethics at KB is available in the "About the bank" section at www.kb.cz/en/about-the-bank/about-us/basic-information.shtml.

Information about KB's products and services is accessible from the home page www.kb.cz/en.

This document contains a number of forward-looking statements relating to the targets and strategies of Komerční banka Group. These statements are based on a series of assumptions, both general and specific. As a result, there is a risk that these projections will not be met. Forward-looking statements speak only as of the date they are made, and it should not be assumed that they have been revised or updated in the light of new information or future events. Readers are therefore advised not to rely on this information more than is justified as the Group's future results are liable to be affected by a number of factors and may therefore differ from current estimates.

Readers are advised to take into account factors of uncertainty and risk when basing their investment decisions on information provided in this document.

Profile of Komerční banka Group

Vision

Long-term mutually beneficial relationships with clients and other stakeholders

Mission

To create value for clients, shareholders and employees

Komerční banka, a.s. (hereinafter also "KB" or the "Bank") is the parent company of KB Group (hereinafter also the "Group") and is a member of the Société Générale international financial group. KB ranks among the leading banking institutions in the Czech Republic, as well as in Central and Eastern Europe. It is a universal bank providing a wide range of services in retail, corporate and investment banking.

Member companies of Komerční banka Group provide additional specialised financial services – such as pension fund and building society schemes, leasing, factoring, consumer lending and insurance – accessible through KB's branch network, its direct banking channels, and the subsidiaries' own sales networks. The Bank also provides services in the Slovak Republic through its branch focused on serving corporate clients.

Komerční banka is the only listed Czech bank. As of 30 June 2012, the number of shareholders was 45,046, of which 39,995 were individuals resident in the Czech Republic.

STRATEGY

Despite existing challenges related to the current weakness of the European economy and excessive debt levels in several countries of the euro zone, Komerční banka's strategy remains founded on the assumption that the Czech Republic's society, economy and banking system will continue over the long term to converge towards those levels seen in Western European countries. KB is developing its universal banking model so that it can fully participate in economic growth and take advantage of the potential for products and services on both the retail and corporate banking markets, while prudently managing related risks.

In the increasingly competitive Czech market, the healthy conditions of which have been attracting new entrants, Komerční banka aims constantly to reinforce its position as the reference bank. Initiatives aiming to differentiate the Bank in terms of client and employee satisfaction, efficiency of processes and utilisation of synergies have been undertaken and advanced since 2010 beneath the umbrella of the Ambition 2015 transformation programme.

CORPORATE SOCIAL RESPONSIBILITY

Komerční banka regards corporate social responsibility as one of the key factors of its long-term success. The Bank therefore incorporates social responsibility into its business strategies and endeavours thereby to create value for its clients, employees, business partners, shareholders, investors and the entire Société Générale Group, of which it is an integral part. At KB, social responsibility means not just isolated instances of charity or volunteering, but an overall conscientious approach to doing business that encompasses also responsible risk management and compliance with all regulatory requirements imposed by the Czech National Bank and by Czech and European legal regulations.

The Bank has implemented rules of ethical conduct and compliance standards conforming to the most exacting standards in the financial sector. All KB employees pledge to uphold the rules of professional and ethical conduct expressed in KB's Code of Ethics. By means of the Summary of Ethical Rules posted on the KB website at http://www.kb.cz/en/about-the-bank/about-us/ethics-in-komercni-banka.shtml, the Bank presents to its clients, business partners, shareholders and the general public the basic ethical values and principles to which KB Group adheres.

An elaborate internal control system and specific designation of responsibility for its enforcement help ensure the Bank's conduct conforms to its commitments and to regulatory rules.

Additional information on corporate social responsibility and ethics at KB is available in the "About the bank" section at www.kb.cz/en/about-the-bank/about-us/basicinformation.shtml and in the Bank's annual report.

Highlights from 2012's First Half

February

KB acted as joint lead manager in a pioneering issue of Slovak government bonds denominated in Czech koruna.

Penzijní fond KB was twice named best pension fund in the Czech Republic – first by the Global Banking and Finance Review portal and shortly thereafter by World Finance magazine.

In co-operation with Komerční pojišťovna, KB began to offer the opportunity to invest through its Vital Invest insurance policies into a new guaranteed fund known as Optimo Komodity. The fund's returns derive from the performance of underlying commodity indices. This fund also guarantees clients 100% return of their invested amount upon maturity.

March

In a survey conducted by Global Finance magazine, Komerční banka was recognised as the second safest bank in the emerging markets of Central and Eastern Europe.

SG Equipment Finance Czech Republic, with support from the Czech Republic's Agriculture and Forestry Support and Guarantee Fund (PGRLF), introduced to its clients (farmers) the new credit product AGROÚVĚR PGRLF 3+, helping them to minimise the costs of financing new equipment.

April

Komerční banka became the first bank in the Czech Republic to accept payment cards issued by the UnionPay card association in China.

At Komerční banka's Annual General Meeting, held on 26 April 2012, the shareholders approved a dividend payment of CZK 6,082 million. That is CZK 160 per share and represents a payout ratio of 64%.

The shareholders approved the Board of Directors' Report for 2011, the annual financial statements, as well as proposals for distributing the 2011 profit and the discretionary part of remuneration for members of the Board of Directors.

In addition, the General Meeting re-elected Mr Bořivoj Kačena to the Supervisory Board effective 30 April 2012.

The General Meeting extended KB's authorisation to acquire treasury shares representing up to 10% of its registered capital within the price range of CZK 1 to CZK 6,000.

June

KB launched a new generation of internet banking, MojeBanka. The application has more than 890,000 users in retail banking. It allows easy and convenient access to KB's services as well as administration of clients' building savings, life insurance policies, pension savings and mutual funds. It even permits concluding selected contracts.

Moreover, KB launched its Video Banker service that enables those who want to open an account or obtain a credit card to contact relationship managers on-line who will recommend the best product and help to complete the application form. Operational experience and survey results show that the Bank also improved orientation on its website and made it easier to search for information.

The new building in Prague-Stodůlky was completed to provide modern office space and environmentally efficient operations for a part of KB's head office as well as for other Group companies.

After the end of the first half

On 31 July, Pavel Čejka and Karel Vašák were elected as new members of KB's Board of Directors by the Supervisory Board with effect from 1 August 2012.

Pavel Čejka, who replaced Patrice Taillandier-Thomas, will be in charge of Strategy and Finance, Operations, Information Technology, Project Organisation and Management, Support Services, and Investment Banking Operations.

Karel Vašák, who replaced Jan Juchelka, will be in charge of Top Corporations and Investment banking.

2nd place

GLOBAL FINANCE

Safest Bank in Central and Eastern Europe 2012

Macroeconomic Development in the First Half of 2012

The serious debt situation in several euro zone countries and around the world, growth in risk aversion and the need for further fiscal austerity measures during the first half of 2012 led analysts to make substantial negative revisions to the economic outlook for the rest of the year.

Early in the year, the euro zone economy was on the verge of recession. At the same time, the gap between euro area countries continued to widen. EMU peripheral countries were burdened by ongoing fiscal consolidation aimed at reducing the rate of indebtedness. Consolidation efforts inhibited economic growth, however, due to lower investment activity and a decline in household consumption. The threat of closure of credit and interbank channels, combined with the overall weakness of the economy, prompted the European Central Bank to take some unprecedented measures. At the end of 2011, and in February 2012, the ECB issued 3-year repo tenders in a volume of hundreds of billions of euro in order to provide liquidity to the European banking system. At the beginning of July, for the first time ever the ECB lowered its main refinancing rate by 25 basis points to 0.75% and its deposit rate down to zero. The main focus on the political scene was directed towards the creation of a fiscal and banking union, the implementation process of which will, however, be rather long-term. Development in the United States was quite favourable at the start of the year, while China's economic growth slowed.

Czech gross domestic product in the first quarter of 2012 decreased by 0.8% quarter on quarter, whereas the market had anticipated a slight increase due to better-than-expected monthly data for industrial production and foreign trade. This decrease was caused by some extraordinary factors, such as stockpiling of tobacco products in anticipation of the excise tax increase. From a demand point of view, household consumption (which decreased markedly by 2.3% quarter on quarter) and fixed investments (recording a drop of 8.6%) were the two main factors in losing momentum. According to revised data, the Czech economy has found itself in recession since the final quarter of last year. As of August 2012, Komerční banka is expecting a 0.5% decline in the Czech Republic's GDP for 2012 as a whole.

The registered unemployment rate has gradually fallen since the start of the year to 8.1% as of June (about half a percentage point lower than last December) due to seasonal factors. The seasonally adjusted unemployment rate, however, grew during the first half in line with weaker economic performance. This confirmed the end of the growth trend in the number of job vacancies per applicant.

As a result of the decline in real household income, continued fiscal consolidation and prudence of consumers in making purchases in connection with economic uncertainty, retail sales fell by 2.3% from January to May.

The government continued its fiscal consolidation programme. In January 2012, the lower VAT rate was increased by 4 percentage points to 14%. The government also froze certain expenditures, and Parliament approved an increase in income tax for high-income resident groups and the introduction of the second pillar in the pension system effective as from 2013. At mid-year, the Ministry of Finance predicted a public finance deficit of 3.2% of gross domestic product for the year as a whole. At the same time, issues with drawing EU funds and the impact of approving the restitution of church property confiscated during communism represent risks.

Inflation was higher than the CNB's inflation target of 2%. In June, the year-on-year growth in consumer prices was 3.5%. The reasons, however, lie beyond the impact of monetary policy and especially in the increase in indirect taxes, certain regulated prices, and food and fuel prices as well as in the relatively weaker Czech crown. No demand pressures on inflation existed, however, and adjusted inflation was near zero. The development of real labour costs did not cause inflationary pressures either. Other administrative changes and expected poorer farm crop yields in 2012 represent risks to inflation development.

After two years of stable rates, the Czech National Bank responded to the worsening of economic development at its June meeting by reducing its key two-week repo rate by a quarter percentage point to a record low 0.5%. The weaker crown had a positive impact on the economy. While the average exchange rate in 2011 was 24.586 CZK/EUR, it was about one crown higher in the first half of 2012.

Business Activities

Despite resilience of its export industries, the Czech economy in the first half of 2012 contracted slightly. Household consumption and fixed investments were limited by uncertainty about future development and austerity measures. Nevertheless, the stable banking sector presented no obstacle to funding viable projects.

CLIENTS AND NETWORK

As of the end of June 2012, KB Group was serving 2.5 million clients on a consolidated basis. Standalone KB recorded 1,601,000 clients (+1.5% year on year), of which 1,339,000 were individuals. The remaining 262,000 customers comprised entrepreneurs, businesses and corporations (including municipalities and associations). Modrá pyramida was attending to 629,000 customers, and the number of pension insurance participants at Penzijní fond reached 519,000. ESSOX's services were being used by 278,000 active clients.

Komerční banka's clients had at their disposal 400 banking branches (including one in Bratislava), 698 ATMs, and full-featured direct banking channels supported by two call centres. The number of clients using at least one direct banking channel (such as internet or telephone banking) reached 1,089,000 at the end of June 2012 and corresponds to 68.0% of all clients. Customers held 1,640,000 active payment cards, of which 211,000 were credit cards. The number of active credit cards issued by ESSOX came to 155,000, and consumer financing from ESSOX was available through its network of 2,900 merchants. Modrá pyramida's customers had at their disposal 224 points of sale and 1,240 advisors. SG Equipment Finance (SGEF) was providing its leasing services through nine branches (two of which are in Slovakia), as well as through KB's network.

EMPLOYEES

Average number of employees in KB Group in the first half 2012 amounted to 8,792; in Komerční banka itself it was 7,835. This represents an increase by 1.4% and 0.7%, respectively. Within the total, 51 employees worked in Slovakia (for KB's Slovak branch and for SGEF) and the remaining 8,741 worked in the Czech Republic.

FINANCIAL PRODUCTS AND SERVICES

Total gross volume of loans provided by KB Group expanded year on year by 8.0% to CZK 456.2 billion. Lending to individuals increased, as did that to corporate clients and small businesses.

Overall growth in lending to individuals was driven by demand for mortgages, which remained good thanks to low interest rates, decreased property prices, and the advantageous features of KB's mortgages. The overall mortgages portfolio expanded by 11.8% to CZK 128.2 billion. On the other hand, clients' preference for mortgages also influenced development in the volume of Modrá pyramida's loan portfolio, which declined in comparison with June 2011 by 0.8% to CZK 50.3 billion. Clients' continuing uncertainty over the economic outlook weighed further on consumer credit trends. The outstanding volume of consumer lending provided by KB and ESSOX diminished by 0.6% to CZK 27.4 billion.

The overall volume of loans provided by KB Group to businesses expanded by 8.7% to CZK 246.2 billion. Of this amount, lending to small businesses rose by 5.9% to CZK 28.1 billion. The volume of credit granted by KB to corporate clients in the Czech Republic and Slovakia climbed by 9.4% to CZK 195.2 billion. Factor financing amounts outstanding at Factoring KB grew by 35.5% to CZK 3.0 billion, and SGEF's credit and leasing totals outstanding rose by 3.7% year over year to CZK 20.0 billion.

The total volume of deposits rose by 6.5% year on year to CZK 582.4 billion. Deposits at KB from individual clients increased by 4.0% to CZK 162.6 billion, and deposits from businesses expanded by 10.7% to CZK 312.1 billion. The most dynamic gain was recorded in the volumes on savings accounts and current accounts.

Client assets with Penzijní fond KB grew by 4.4% to CZK 31.0 billion. The deposits book at Modrá pyramida increased by 0.5% year on year to CZK 70.8 billion. The volume of technical reserves in life insurance at Komerční pojišťovna gained 16.2% to reach CZK 26.0 billion.

KB Group introduced several new products that respond to changing customer preferences. Fluctuations in the value of financial assets at the time of turmoil in the financial markets led to heightened interest for investing into commodities. In co-operation with Komerční pojišťovna, KB began to offer the opportunity to invest through its Vital Invest insurance policies into a new guaranteed fund known as Optimo Komodity. The fund's returns derive from the performance of underlying commodity indices. This fund also guarantees clients 100% return of their invested amount on the day of maturity.

In the first half, KB Group introduced several new enhancements to its on-line services. Most important was the launch of a new generation of internet banking, MojeBanka, which is used by more than 890,000 users in retail banking. It allows easy and comfortable access to the services of KB itself as well as administration of clients' building savings, life insurance policies, savings for pension and mutual funds. It even permits concluding selected contracts. Moreover, KB launched its Video Banker service that enables those who want to open an account or obtain a credit card to contact relationship managers on-line who will recommend the best product and help to complete the application form. KB also improved orientation on its website and made it easier to search for information, reflecting operational experience and results of surveys.

Komerční banka became the first bank in the Czech Republic to begin accepting payment cards issued by the UnionPay card association from China. It also issued a limited edition of Visa payment cards picturing Olympic themes on the occasion of the Summer Games in London.

In February 2012, KB acted as a joint lead manager in the pioneering issue and placement of Slovak government bonds in Czech koruna.

KB Group received several awards in the first half. Penzijní fond KB was twice named the best pension fund in the Czech Republic – first by the Global Banking and Finance Review portal and shortly thereafter by World Finance magazine. In March, moreover, in a survey by Global Finance magazine, Komerční banka was named the second safest bank in the emerging markets of Central and Eastern Europe.

Comments on Consolidated Financial Results

The published data are from unaudited consolidated results under IFRS (International Financial Reporting Standards).

As of the end of the first half of 2012, the volume of Komerční banka's business activities had expanded significantly. The volume of loans provided to KB Group clients rose by 8.0% year on year to CZK 456.2 billion. Growth in the volume of deposits from clients also accelerated – by 6.5% year on year – bringing the total volume to CZK 582.4 billion. Komerční banka reported a 5.0% rise in net banking revenues, to CZK 16,926 million, due to higher interest income and gains from financial operations, as well as certain one-off items. Continuing careful management brought operating costs down slightly (by 0.3%) to CZK 6,529 million. Quality in the lending portfolio further improved, and the cost of risk from lending decreased by 8.2% to CZK 965 million. KB Group reported a net profit of CZK 7,603 million for the first six months of 2012, representing a significant gain of 38.8% as the prior year result had been affected by the impairment of Greek government bonds.

PROFIT AND LOSS STATEMENT

Total net banking income increased in the first half of 2012 by 5.0% year on year to CZK 16,926 million. Net interest income contributed to the growth thanks to the rise in volumes of both loans and deposits. Net gains from financial transactions also contributed positively, reflecting successful business activities as well as some one-off items. On the other hand, fee income continued to decline.

The largest component of total revenues, net interest income, rose by 1.0% to CZK 11,044 million, driven by higher loans and deposit volumes. The downward trend in market interest rates, which deepened further both in the second quarter and after its end, led to a decline in the average net interest margin to 3.2% from 3.3% in the first six months 2011. Due to the May sale of its equity interest in Bohemian–Moravian Guarantee and Development Bank (CMZRB), KB received no dividend from that bank this year.

Net income from fees and commissions declined by 4.5% to CZK 3,580 million. Influenced by rollout of the MojeOdměny reward scheme and lower average prices, fees for account maintenance and for transactions decreased. Income from cross-selling was affected by a persisting unfavourable environment, which was particularly inauspicious for sales of mutual funds. On the other hand, income from trade finance rose, as did that from loan fees.

Net gains from financial operations improved by a significant 62.2% to CZK 2,246 million. Clients' demand for investment banking products was strong, particularly in hedging of financial risks and bond issuance. Activity improved in trading emission allowances and gold. The Bank's proprietary trading achieved a solid result, mainly in relation to movements of market interest rates. The overall result, however, was affected by one-off items, among which there were positive impacts from an adjustment in the portfolio of Penzijní fond KB, which reflected changes brought by the pension reform, as well as the sale of the equity interest in CMZRB. On the contrary, sale of the remaining Greek and Portuguese government bonds had a negative effect.

Operating costs were down by a slight 0.3% year on year to CZK 6,529 million. Within these, personnel costs grew by 2.7% to CZK 3,347 million as the average number of employees rose by 1.4% to 8,792. Despite higher VAT and inflation, administrative costs dropped by 4.5% to CZK 2,328 million as the Group achieved savings in various areas, most notably in information technology and communications costs. Depreciation, impairment and disposal of fixed assets remained stable at CZK 854 million.

Gross operating income in the first half of 2012 increased by 8.7% year on year to CZK 10,397 million.

Overall risk costs decreased by a significant 63.8% year on year to CZK 979 million, due to the fact that the first part of impairment of Greek government bonds of CZK 1,663 million had been recorded in the second quarter of 2011. The total cost of risk in relative terms decreased to 44 basis points in comparison with 133 basis points from 2011's first half. Net creation of provisions for loan losses declined by 8.2% to CZK 965 million, affected by the continued improvement in loan portfolio quality as well as by growth in the portfolio's overall size. In both comparison periods KB had succeeded in restructuring certain defaulted corporate exposures. In both periods, then, the relevant provisions were released.

Income from shares in associated undertakings grew by 39.5% to CZK 60 million. The share of profit of pension scheme beneficiaries increased by 21.5% to CZK 396 million. This item will next year cease to be part of the consolidated income statement, because, as part of the pension reform, assets of the clients in pension funds will be separated from those assets belonging to pension companies.

Income taxes rose by 34.4% to CZK 1,356 million.

KB Group's consolidated net profit for the first half of 2012 reached CZK 7,726 million, which was 38.7% more than in the previous year. Of this amount, CZK 123 million was profit attributable to holders of minority stakes in KB's subsidiaries (+30.9%). Profit attributable to the Bank's shareholders amounted to CZK 7,603 million (38.8% higher year on year).

BALANCE SHEET

The comparison period in the balance sheet under IFRS is the end of the previous year. Therefore, the following text provides a comparison with the close of 2011, unless otherwise indicated.

KB Group's total assets as of 30 June 2012 had increased by 2.9% relative to the end of 2011 to CZK 777.0 billion.

Amounts due from banks decreased by 1.3% to CZK 100.1 billion. The largest component of this item is loans provided to central banks as part of reverse repo operations, which were lower by 8.6% at CZK 53.9 billion.

Financial assets at fair value through profit or loss grew by 23.2% to CZK 43.0 billion. The portfolio comprises the Group's proprietary trading positions.

Total net loans and advances grew by 1.1% to CZK 439.3 billion. The gross amount of client loans and advances increased by 1.3% to CZK 456.2 billion. The share of standard loans within that total climbed to 91.5% (CZK 417.2 billion) while the proportion of watch loans was 2.8% (CZK 12.8 billion). Loans under special review (substandard, doubtful and loss) comprised 5.7% of the portfolio with volume of CZK 26.2 billion. The volume of provisions created for loans reached CZK 17.3 billion, which is 4.1% more than at the end of 2011.

The portfolio of available-for-sale securities expanded by 6.6% to CZK 134.3 billion. In May 2012, KB sold its 13% stake in CMZRB. Following this transaction, the book value of shares and participation securities in the available-for-sale portfolio is negligible. From the CZK 134.3 billion total volume of debt securities, Czech government bonds represented CZK 88.7 billion and foreign government bonds CZK 25.1 billion. During the second quarter, KB sold the remaining bonds issued by Greece and Portugal, and therefore KB Group had no exposure to the sovereign debt of these countries as of the end of the first half.

The volume of securities in the held-to-maturity portfolio decreased by 1.1% to CZK 3.3 billion. This portfolio consists entirely of bonds.

The net book value of tangible fixed assets grew by 14.0% to CZK 7.9 billion, primarily due to recognising the new KB headquarters building. Intangible fixed assets expanded moderately by 0.2% to CZK 3.9 billion. Goodwill, which primarily derives from the acquisitions of Modrá pyramida and SGEF, remained unchanged at CZK 3.8 billion.

Total liabilities increased by 2.6% in comparison with the end of 2011 to CZK 690.2 billion. Amounts due to customers grew by 3.9% to CZK 582.4 billion. The outstanding volume of issued securities rose by 2.3% to CZK 18.8 billion. The Group's liquidity, as measured by the ratio of net loans to deposits, reached 75.4%. Excluding client assets in Penzijní fond KB (which in connection with transformation of the fund will be deconsolidated) brings the liquidity ratio to 79.5%.

Shareholders' equity, which expanded year to date by 6.1% to CZK 86.8 billion, was primarily affected by the generation of net profit, increase in the available-for-sale portfolio revaluation reserve by CZK 2.4 billion, and a CZK 1.0 billion rise in hedging instruments. As of 30 June 2012, KB held in treasury 238,672 of its own shares, representing 0.63% of the registered capital.

Comprising solely of core tier 1 capital, regulatory capital for the capital adequacy calculation reached CZK 53.9 billion as of the end of June 2012. KB Group's capital adequacy, as well as the core tier 1 capital ratio under Basel II standards stood at a high level of 14.6%. Increase in the ratio compared to the end of the first quarter was mainly driven by inclusion of retained earnings from the year 2011 to the regulatory capital, following the decision of the Annual General Meeting of KB held in April 2012 on distribution of 2011 profit.

Return on average equity in the first half of 2012 came to 18.6% while return on average assets was 2.0%.

Expected Development and Main Risks to that Development in the Second Half of 2012

In its baseline scenario, Komerční banka expects that its development in the second half of 2012 will be influenced by a stagnating or slightly contracting Czech economy, a high level of uncertainty as to the macroeconomic outlook perceived both by consumers and businesses, an accommodative monetary policy of the Czech National Bank, and fiscal consolidation efforts of the Czech government. The banking industry in Europe also will be affected by the level of success achieved in resolving the debt crisis in the euro zone, as well as by banks' gradual adaptation to the heightened requirements of regulators and financial markets with regard to their capital, liquidity and transparency. The baseline scenario for the second half assumes that no major new shock will hit the European financial markets.

Despite the challenging environment, KB's strong balance sheet and its outstanding efficiency will allow it to make the most of available market opportunities and to continue creating value for clients, shareholders, employees and other stakeholders. Volume developments regarding loans and deposits should remain positive, although that growth will probably slow in a year-over-year comparison. Mortgages will remain the most dynamic product in the lending mix, boosted by low interest rates and improved affordability. Consumer loans, on the other hand, are not expected to grow significantly in the near future, due to low confidence in the economy. Business lending will reflect developments in aggregate demand, as well as investment and M&A activity. The Czech banking system's solidity might lead to a modest, gradual and organically driven increase in Czech banks' market share within European lending.

The moderate expansion in business volumes during 2012's second half should help offset impacts due to the low interest rate environment and to significant competitive pressure on prices for financial services and on product spreads. Nevertheless, growth in revenues will be subdued in the second half. The net interest margin is expected to narrow slightly due to low market interest rates, which limit the yield from reinvesting the Bank's free liquidity. Interest rates declined further in the first weeks of the second half, reflecting the Czech National Banks' trimming 25 basis points off its regulatory 2-week repo rate at the end of June. KB expects interest rates will stay at the similar levels as in July for the rest of 2012. Competition in lending will not ease, and the shift in the structure of the loan book toward lower-margin products will also influence the overall margin. Fee income growth will continue to be affected by gradual price erosion, as well as by full deployment of the MojeOdměny rewards scheme for clients. On the other hand, that rewards system provides the Bank a strong competitive edge for boosting activity among clients and the volumes of deposits and loans. The majority of the income from financial operations is driven by client demand for hedging solutions and by turnover of the clients' foreign payments, which in turn reflect changes in interest and currency rates as well as volumes of international trade.

KB will continue in carefully managing its operational expenses, particularly in view of slowing growth in revenues. During 2012, operating costs will increase less than will revenues. Inasmuch as KB desires to stay at the forefront in terms of client satisfaction, service quality and sophistication, it will persist in developing solutions to meet the financial needs of its clients and facilitate their reliable access to the Group's services. At the same time, the Bank will carry on in improving efficiency by optimising processes.

Development in the cost of risk will reflect changes in the macroeconomic environment and KB's prudent policies for granting credit and managing risk. In the retail segment, the potential for improvement in risk costs will be limited by low real estate market liquidity and deteriorating financial situation of clients in recovery (multiple executions, personal insolvencies etc.) prolonging judicial processes mainly for resolving cases of defaulted mortgages.

Komerční banka will remain a leading bank in financing the Czech economy. One of its strategic priorities will be to play a leading role in building the Czech pension system's new pillar which will become effective from the beginning of 2013. This second pillar can in the medium term strengthen people's financial security in old age, support development of the Czech financial market, and, by creating additional capacity for financing of non-financial businesses, also give a boost to the country's economic growth.

During the second half, the Czech Parliament is expected to discuss the proposed State Treasury Act, comprising the measure to transfer part of the deposits of certain corporations and bodies in the public sector out from the commercial banking sector into the Czech National Bank. Adoption of the version originally proposed by the government would lead to an outflow of deposits in the estimated volume of CZK 10-20 billion from Komerční banka. The Act is proposed to come into legal force as of 1 January 2013. Several counterproposals, including on delayed implementation and reduced scope of the measure, were put forward during the first reading of the proposal in the Chamber of Deputies.

The Bank also remains well prepared to face potential adverse developments in the economic environment and to continue supporting its clients by provision of lending, advisory and other financial services. This is especially thanks to KB's strong client franchise, robust balance sheet, capital adequacy well in excess of regulatory minimums, and ample liquidity. Komerční banka is aware of the imminent risks that, in spite of their originating mostly from abroad, can significantly affect the Czech economy. These are still linked most of all to the problem of excessive public debts in several countries within Europe and elsewhere. The Bank's management expects that KB Group's operations in the second half 2012 will generate sufficient profit to cover the Group's capital needs and to pay dividends, even if the macroeconomic situation becomes worse than anticipated.

Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party on making financial or operational decisions. As of 30 June 2012, the Group was controlled by Société Générale S.A. which owns 60.35% of the Bank's issued share capital.

A number of banking transactions are entered into with related parties in the normal course of business. These specifically include loans, deposits, derivative transactions and other types of transactions. These transactions were carried out on commercial terms and at market rates.

AMOUNTS DUE TO AND FROM THE GROUP COMPANIES

As of 30 June 2012, the Group had deposits of CZK 720 million in relation to the associate Komerční pojišťovna, a.s. The positive fair value of financial derivatives amounted to CZK 607 million, while the negative fair value amounted to CZK 51 million. Interest expenses on financial derivatives amounted to CZK 199 million and interest income from financial derivatives to CZK 241 million. Interest paid on deposits amounted to CZK 47 million, while fee income amounted to CZK 126 million. Other amounts due, amounts owed, income and expenses with the Group were immaterial as of 30 June 2012.

AMOUNTS DUE TO AND FROM THE SOCIÉTÉ GÉNÉRALE GROUP ENTITIES

Principal balances due from the Société Générale Group entities include:

CZK million	30 Jun 2012	31 Dec 2011
ALD Automotive s.r.o.	**2,676**	2,621
ESSOX SK s.r.o.	**0**	199
Belrosbank	**17**	0
SG Express Bank	**2**	2
SG Private Banking (Suisse) SA	**9**	5
SG Bruxelles	**21**	23
SGA Société Générale Acceptance N. V.	**3,158**	3,300
SG Paris	**14,600**	21,976
SG Warsaw	**220**	0
SG Algerie	**0**	2
SG ORBEO	**0**	378
SG London	**319**	0
SG Istanbul	**7**	0
Rosbank	**40**	101
Succursale Newedge UK	**11**	10
BRD Romania	**7**	136
Total	**21,087**	**28,753**

Principal balances owed to the Société Générale Group entities include:

CZK million	30 Jun 2012	31 Dec 2011
ALD Automotive s.r.o.	**0**	1
BRD Romania	**0**	2
SG Consumer Finance d.o.o.	**0**	5
SG Cyprus Ltd.	**0**	533
ESSOX SK s.r.o.	**0**	130
SG London	**0**	23
SG Frankfurt	**88**	0
SG New York	**2**	2
SG Private Banking (Suisse) SA	**1**	39
SG Lisabon	**184**	0
SG Amsterdam	**0**	28
SGBT Luxembourg	**3,892**	4,618
SG Paris	**10,880**	23,131
SG Warsaw	**24**	1
Pema Praha	**18**	0
Splitska Banka	**6**	2
Inter Europe Conseil	**1**	8
Credit du Nord SA	**3**	4
Total	**15,099**	**28,527**

Amounts due to and from the Société Générale Group entities principally comprise balances of current and overdraft accounts, nostro and loro accounts, issued loans, interbank market loans and placements, debt securities acquired under initial offerings not designated for trading and bonds issued.

As of 30 June 2012, the Group also carried off balance sheet exposures to the Société Générale Group, of which off balance sheet notional assets and liabilities amounted to CZK 200,502 million and CZK 205,444 million respectively. These amounts principally relate to currency spots and forwards, interest rate forwards and swaps, options, commodity derivatives, emission allowances and guarantees for credit exposures.

As of 30 June 2012 the Group also carried other amounts due to and from the Société Générale Group entities which are immaterial.

During the period ended 30 June 2012, the Group realised total income of CZK 18,123 million and total expenses of CZK 18,321 million with the Société Générale Group. Income includes interest income from debt securities issued by Société Générale Paris, income from interbank deposits, fees from transactions with securities, interest income on hedging derivatives, and a gain on trading derivatives. Expenses comprise expenses on interbank deposits, loss from financial operations, interest expense on hedging derivatives and expenses related to the provision of management, consultancy and software services.

In the period 1 January–30 June 2012, the Group recorded no material expenses or income with other companies in the Société Générale Group.

AMOUNTS DUE FROM MEMBERS OF THE BOARD OF DIRECTORS, SUPERVISORY BOARD AND DIRECTORS' COMMITTEE

In respect of loans and guarantees as of 30 June 2012, the Bank recorded loan receivables totalling CZK 6 million granted to members of the Board of Directors, Directors' Committee and Supervisory Board. No draw-downs were made during the first half of 2012, and loan repayments amounted to CZK 1 million in the same period.

Management Affidavit

To the best of our knowledge, we believe that this half-yearly report gives a fair and true view of the Bank's and Group's financial position, business activities and results from the first half of 2012, and outlook for the development of the Bank's and Group's financial situation, business activities and results.

Prague, 28 August 2012

Signed on behalf of the Board of Directors:

Henri Bonnet
Chairman of the Board of Directors
and Chief Executive Officer

Peter Palečka
Member of the Board of Directors
and Senior Executive Director

Report on Financial Results (in accordance with IFRS)

Consolidated Income Statement and Statement of Comprehensive Income Period ended 30 June 2012

CONSOLIDATED INCOME STATEMENT

CZK million	30 Jun 2012	30 Jun 2011
Interest income and similar income	**18,410**	17,589
Interest expense and similar expenses	**(7,367)**	(6,739)
Dividend income	**1**	90
Net interest income and similar income	**11,044**	**10,940**
Net fee and commission income	**3,580**	3,748
Net profit from financial operations	**2,246**	1,386
Other income	**56**	44
Net operating income	**16,926**	**16,118**
Personnel expenses	**(3,347)**	(3,258)
General administrative expenses	**(2,328)**	(2,437)
Depreciation, impairment and disposal of assets	**(854)**	(854)
Total operating expenses	**(6,529)**	**(6,549)**
Profit before provisions for loan and investment losses, other risk and income taxes	**10,397**	**9,569**
Provisions for loan losses	**(965)**	(1,051)
Provisions for impairment of securities	**0**	(1,663)
Provisions for other risk expenses	**(14)**	9
Cost of risk	**(979)**	**(2,705)**
Income from share in associated companies	**60**	43
Profit attributable to exclusion of companies from consolidation	**0**	0
Share of profit of pension scheme beneficiaries	**(396)**	(326)
Profit before income taxes	**9,082**	**6,581**
Income taxes	**(1,356)**	(1,009)
Net profit for the period	**7,726**	**5,572**
Profit attributable to non-controlling owners	**123**	94
Profit attributable to Group's equity holders	**7,603**	5,478
Earnings per share/diluted earnings per share (in CZK)	**201.28**	**144.33**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CZK million	30 Jun 2012	30 Jun 2011
Net profit for the period	**7,726**	**5,572**
Cash flow hedging		
– Net fair value gain (loss), net of tax	**1,869**	1,740
– Transfer to net profit, net of tax	**(876)**	(807)
Foreign exchange rate gain (loss) from the revaluation of net assets from foreign investments	**2**	0
Net value gain (loss) on financial assets available for sale, net of tax	**2,410**	1,206
Cash flow hedging net of tax attributable to non-controlling owners	**1**	(1)
Net value gain (loss) on financial assets available for sale, net of tax (associated companies)	**32**	1
Other comprehensive income for the period, net of tax	**3,438**	**2,139**
Comprehensive income for the period, net of tax	**11,164**	**7,711**
Comprehensive income attributable to Group's equity holders	**11,040**	7,618
Comprehensive income attributable to non-controlling owners	**124**	93

The accompanying notes form an integral part of this Consolidated Income Statement and Statement of Comprehensive Income.

Consolidated Statement of Financial Position

CZK million	Note	30 Jun 2012	31 Dec 2011
Assets			
Cash and current balances with central banks		**15,999**	16,980
Financial assets at fair value through profit or loss		**43,046**	34,927
Positive fair value of hedging financial derivatives		**20,127**	18,802
Financial assets available for sale	4	**134,337**	125,975
Assets held for sale		**131**	138
Amounts due from banks		**100,059**	101,393
Loans and advances to customers	5	**439,272**	434,386
Investments held to maturity	6	**3,322**	3,359
Current tax assets		**213**	272
Deferred tax assets		**45**	20
Prepayments, accrued income and other assets		**4,095**	3,258
Investments in associates and unconsolidated subsidiaries		**859**	766
Intangible assets		**3,857**	3,848
Tangible assets		**7,904**	6,934
Goodwill		**3,752**	3,752
Total assets		**777,018**	**754,810**
Liabilities			
Amounts due to central banks		**2**	1
Financial liabilities at fair value through profit or loss		**22,959**	24,061
Negative fair value of hedging financial derivatives		**9,160**	9,545
Amounts due to banks		**36,350**	37,454
Amounts due to customers		**582,384**	560,701
Securities issued	8	**18,767**	18,338
Current tax liabilities		**73**	46
Deferred tax liabilities		**3,896**	3,097
Accruals and other liabilities		**15,685**	12,648
Provisions	9	**894**	1,067
Subordinated debt		**0**	6,002
Total liabilities		**690,170**	**672,960**
Shareholders' Equity			
Share capital		**19,005**	19,005
Share premium and reserves		**65,229**	60,212
Non-controlling equity		**2,614**	2,633
Total shareholders' equity		**86,848**	**81,850**
Total liabilities and shareholders' equity		**777,018**	**754,810**

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

Consolidated Statement of Changes in Shareholders' Equity

CZK million	Share capital	Capital and reserve funds and retained earnings*	Cash flow hedging	Revaluation of net assets from foreign investments	Financial assets available for sale	Total	Non-controlling interest	Total, including non-controlling interest
Balance as of 1 January 2012	**19,005**	**48,368**	**9,760**	**2**	**2,082**	**79,217**	**2,633**	**81,850**
Treasury shares, other	0	59	0	0	0	59	1	60
Payment of dividends	0	(6,082)	0	0	0	(6,082)	(144)	(6,226)
Transactions with owners	**0**	**(6,023)**	**0**	**0**	**0**	**(6,023)**	**(143)**	**(6,166)**
Profit for the period	0	7,603	0	0	0	7,603	123	7,726
Other comprehensive income for the period, net of tax	0	32**	993	2	2,410	3,437	1	3,438
Comprehensive income for the period	**0**	**7,635**	**993**	**2**	**2,410**	**11,040**	**124**	**11,164**
Balance as of 30 June 2012	**19,005**	**49,980**	**10,753**	**4**	**4,492**	**84,234**	**2,614**	**86,848**

CZK million	Share capital	Capital and reserve funds and retained earnings*	Cash flow hedging	Revaluation of net assets from foreign investments	Financial assets available for sale	Total	Non-controlling interest	Total, including non-controlling interest
Balance as of 1 January 2011	**19,005**	**49,658**	**3,908**	**1**	**2,207**	**74,779**	**1,299**	**76,078**
Treasury shares, other	0	35	0	0	0	35	1	36
Acquisition of new subsidiary	0	0	0	0	0	0	1,396	1,396
Payment of dividends	0	(10,263)	0	0	0	(10,263)	0	(10,263)
Transactions with owners	**0**	**(10,228)**	**0**	**0**	**0**	**(10,228)**	**1,397**	**(8,831)**
Profit for the period	0	5,478	0	0	0	5,478	94	5,572
Other comprehensive income for the period, net of tax	0	1**	933	0	1,206	2,140	(1)	2,139
Comprehensive income for the period	**0**	**5,479**	**933**	**0**	**1,206**	**7,618**	**93**	**7,711**
Balance as of 30 June 2011	**19,005**	**44,909**	**4,841**	**1**	**3,413**	**72,169**	**2,789**	**74,958**

Notes: * Capital and reserve funds and retained earnings consist of statutory reserve funds, other funds created from profit, share premium, purchased treasury shares, undistributed net profit from the period and retained earnings. Retained earnings amount to CZK 38,236 million as of 30 June 2012 and statutory reserve funds to CZK 3,854 million.

** This amount represents the gain from revaluation of available-for-sale financial assets (the impact of the consolidation of an associated company using the equity method).

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

Consolidated Cash Flow Statement

CZK million	30 June 2012		After reclassification 30 June 2011	
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest receipts	**15,866**		15,398	
Interest payments	**(6,770)**		(5,749)	
Commission and fee receipts	**4,484**		4,720	
Commission and fee payments	**(889)**		(986)	
Net income from financial transactions	**1,949**		1,356	
Other income receipts	**457**		(260)	
Cash payments to employees and suppliers and other payments	**(5,790)**		(5,848)	
Operating cash flow before changes in operating assets and operating liabilities	**9,307**		**8,631**	
Amounts due from banks	**1,565**		(2,535)	
Financial assets at fair value through profit or loss	**(8,086)**		2,242	
Loans and advances to customers	**(6,238)**		(4,906)	
Other assets	**(1,209)**		223	
Total (increase)/decrease in operating assets	**(13,968)**		**(4,976)**	
Amounts due to banks	**188**		(4,486)	
Financial liabilities at fair value through profit or loss	**(1,059)**		(260)	
Amounts due to customers	**20,878**		7,422	
Other liabilities	**3,153**		7,351	
Total increase/(decrease) in operating liabilities	**23,160**		**10,027**	
Net cash flow from operating activities before taxes	**18,499**		13,682	
Income taxes paid	**(1,340)**		(1,294)	
Net cash flows from operating activities		**17,159**		**12,388**
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received	**1**		89	
Purchase of investments held to maturity	**0**		(197)	
Maturity of investments held to maturity*	**102**		193	
Purchase of financial assets available for sale	**(16,740)**		(9,935)	
Sale and maturity of financial assets available for sale*	**14,016**		8,747	
Purchase of tangible and intangible assets	**(1,849)**		(655)	
Sale of tangible and intangible assets	**3**		49	
Purchase of investments in subsidiaries and associated undertakings	**0**		(1,800)	
Net cash flow from investing activities		**(4,467)**		**(3,509)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Paid dividends	**(5,982)**		(10,149)	
Paid dividends (non-controlling interest)	**(144)**		0	
Securities issued	**224**		2,449	
Securities redeemed*	**(185)**		(1,473)	
Subordinated debt repaid*	**(6,002)**		0	
Net cash flow from financing activities		**(12,089)**		**(9,173)**
Net increase/(decrease) in cash and cash equivalents	**603**		**(294)**	
Cash and cash equivalents at beginning of the period	**14,642**		10,034	
FX differences in cash and cash equivalents at beginning of the period	**3**		(47)	
Adjustment on cash and cash equivalents at beginning of the period due to acquisitions	**0**		46	
Cash and cash equivalents at the end of the period		**15,248**		**9,739**

Note: * The amount also includes received and paid coupons.

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

Notes to the Consolidation Financial Results

1. Events for the period ended 30 June 2012

DIVIDENDS DECLARED IN RESPECT OF THE YEAR ENDED 31 DECEMBER 2011

In accordance with the resolution adopted by the General Meeting of Komerční banka, a.s. held on 26 April 2012, the Bank paid out CZK 6,082 million (CZK 160 per share before tax) in dividends from the profit for 2011 and the remaining balance was allocated to retained earnings. Moreover, the Group paid out CZK 144 million in dividends to non-controlling owners (ESSOX s.r.o.: CZK 95 million; SG Equipment Finance Czech Republic s.r.o.: CZK 49 million).

REPAYMENT OF THE SUBORDINATED DEBT

In December 2011, the Group announced its intention to repay the subordinated debt. This plan was subject to discussions and approval of the Czech National Bank as the regulator, among others. Due to the positive result of these discussions and the Group's strong capital position, the subordinated debt was repaid as of 27 January 2012. Subsequently, the Group's entire regulatory capital is in the form of Tier 1 capital, i.e. the highest quality capital from the point of view of capital regulation. At the same time, the Group was able to save on interest costs relating to the subordinated debt.

CHANGES IN EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES IN 2012

In May 2012, the Bank decreased the shareholder's equity in Bastion European Investments S.A. by EUR 2.4 million (CZK 68 million). The decrease was initiated only by the Bank, as the majority shareholder of Bastion European Investments S.A. The shareholder's equity decrease was planned.

The shareholder's equity of KB Real Estate, s.r.o. was increased by CZK 410 million in May 2012 in connection with the intended acquisition of a new office building in Prague.

UNCERTAINTY ON CAPITAL MARKETS

The effects of the global financial and economic crisis persisted in the first half of 2012, especially with regard to the increased uncertainty on capital markets caused by problems of some EU member states. The Group could therefore be at increased risk in the coming period particularly in relation to the uncertainty associated with valuations, possible impairment of assets, contingent liabilities and future market developments. Those potential risks may have an impact on the Group's financial statements in future.

The presented consolidated financial statements for the period ended 30 June 2012 are based on the current best estimates, and the Group's management believes that these present the truest and fairest view of the Group's financial results and financial position using all relevant and available information at the financial statements date.

SEASONALITY AND UNUSUAL ITEMS

The Group's principal activities are not significantly influenced by seasonality and in the first half of 2012 no unusual transaction occurred.

2. Principal accounting policies

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

3. Segment reporting

CZK million	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Retail banking		Corporate banking		Investment banking		Other		Total	
Net interest income and similar income	**6,514**	6,470	**3,222**	2,970	**9**	7	**1,299**	1,493	**11,044**	10,940
Net fee and commission income	**2,493**	2,510	**1,167**	1,171	**(3)**	(5)	**(77)**	72	**3,580**	3,748
Net profit from financial operations	**683**	402	**526**	491	**592**	471	**445**	22	**2,246**	1,386
Other income	**52**	66	**(26)**	(17)	**70**	50	**(40)**	(55)	**56**	44
Net operating income	**9,742**	**9,448**	**4,889**	**4,615**	**668**	**523**	**1,627**	**1,532**	**16,926**	**16,118**

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

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

4. Financial assets available for sale

Financial assets available for sale comprise:

CZK million	30 Jun 2012		31 Dec 2011	
	Fair value	Cost*	Fair value	Cost*
Shares and participation certificates	**2**	**2**	702	62
Fixed income debt securities	**121,304**	**109,857**	110,302	110,306
Variable yield debt securities	**13,031**	**11,544**	14,971	15,028
Total debt securities	**134,335**	**121,401**	**125,273**	**125,334**
Total financial assets available for sale	**134,337**	**121,403**	**125,975**	**125,396**

Note: * Acquisition cost for shares and participation certificates, amortised acquisition cost for debt securities

Debt securities available for sale at fair value, allocated by issuer, comprise:

CZK million	30 Jun 2012	31 Dec 2011
Debt securities available for sale issued by:		
– State institutions in the Czech Republic	**88,737**	78,523
– Foreign state institutions	**25,084**	25,608
– Financial institutions in the Czech Republic	**16,964**	16,419
– Foreign financial institutions	**2,164**	2,847
– Other entities in the Czech Republic	**486**	569
– Other foreign entities	**900**	1,307
Total debt securities available for sale	**134,335**	**125,273**

During the first half of 2012, the Group sold its stake in Českomoravská záruční a rozvojová banka, a.s. The sale had a positive impact on the Group's profit of CZK 830 million, recorded in the line "Net profit from financial operations".

During the first half of 2012, the Group acquired Czech government bonds with a nominal value of CZK 13,438 million and bonds of other foreign entities with a nominal value of CZK 300 million. The Group additionally sold Czech government bonds in the nominal amount of CZK 3,623 million, Portuguese government bonds in the nominal amount of EUR 10 million (or CZK 253 million) and bonds of other foreign entities in the nominal amount of CZK 400 million. The total impact of the sale on the Group's profit was CZK 248 million and was recorded in the line "Net profit from financial operations". During the first half of 2012, the Group redeemed at maturity debt securities of other entities in the Czech Republic in the aggregate nominal volume of CZK 100 million.

GREECE

During the first quarter, the Group decided to participate in the exchange of Greek government bonds. The conditions of the exchange were as follow:

- 53.5% write-off of the original nominal value of Greek government bonds (GGBs).
- 15% of the original nominal value of GGBs was replaced by securities issued by the EFSF (newly established European Financial Stability Fund) considered to be equivalent to cash and with 1–2 year maturity.
- 31.5% of the original nominal value of GGBs was replaced by new Greek government bonds (NGGBs), with the same issuer (Greek government), the same currency (euro) and issued under UK law. NGGBs consisted of 20 tranches with maturity of 11–30 years replicating an amortisation of 5% p.a. commencing in 2023. The coupon on these new Greek government bonds was as follows:
  - 2012–2015: 2%
  - 2015–2020: 3%
  - 2020–2042: 4.3%
- Guarantee for the full original nominal value of GGBs ensures the holder interest (no principal) in the case that GDP growth in Greece in a particular year exceeds a certain percentage.

The exchange had no impact on the “Income Statement”. The level of impairment on Greek government bonds under the internal model as of December 2011 is consistent with the newly proposed conditions for the PSI.

During the second quarter, the Group sold all NGGBs and the guarantee at a loss of CZK 357 million, recorded in the line “Net profit from financial operations”.

5. Loans and advances to customers

Loans and advances to customers comprise:

CZK million	30 Jun 2012	31 Dec 2011
Debt securities	**759**	461
Loans to customers	**453,531**	447,963
Bills of exchange	**476**	439
Forfaits	**1,407**	1,650
Other amounts due from customers	**376**	467
Total gross loans and advances to customers	**456,549**	**450,980**
Provisions for loans to individuals – non-entrepreneurs	**(6,472)**	(5,892)
Provisions for loans to corporates*	**(10,788)**	(10,685)
Provisions for other amounts due from customers	**(17)**	(17)
Total provisions	**(17,277)**	**(16,594)**
Total loans and advances to customers, net	**439,272**	**434,386**

Note: * This item includes provisions for loans granted to individual entrepreneurs.

The Group’s loan portfolio as of 30 June 2012 (excluding other amounts due from customers and debt securities) comprises the following breakdown by classification:

CZK million	Gross receivable	Collateral applied	Net exposure	Provisions	Carrying value	Provisions
Standard	416,417	192,448	223,969	0	416,417	0%
Watch	12,830	4,631	8,199	(1,004)	11,826	12%
Substandard	4,888	2,363	2,525	(992)	3,896	39%
Doubtful	4,228	1,617	2,611	(1,667)	2,561	64%
Loss	17,051	1,066	15,985	(13,597)	3,454	85%
Total	**455,414**	**202,125**	**253,289**	**(17,260)**	**438,154**	

The Group's loan portfolio as of 31 December 2011 (excluding other amounts due from customers and debt securities) comprises the following breakdown by classification:

CZK million	Gross receivable	Collateral applied*	Net exposure	Provisions	Carrying value	Provisions
Standard	409,703	181,845	227,858	0	409,703	0%
Watch	14,633	4,907	9,726	(1,001)	13,632	10%
Substandard	4,837	2,490	2,347	(946)	3,891	40%
Doubtful	4,239	1,587	2,652	(1,631)	2,608	62%
Loss	16,640	1,059	15,581	(12,999)	3,641	83%
Total	**450,052**	**191,888**	**258,164**	**(16,577)**	**433,475**	

Note: * The applied collateral value is the discounted collateral value reduced to the actual amount of the hedged exposure balance. Nominal value of the collateral is determined based on the Bank's internal rules (e.g. internal property valuation, current value of collateral, market value of securities, etc.). Nominal value of the collateral is then reduced by a coefficient taking into account the time value of money, costs of selling the collateral, risk of a decrease in market price, risk of insolvency, etc. ("the discounted collateral value").

Set out below is the breakdown of loans by sector (net of other amounts due from customers and debt securities):

CZK million	30 Jun 2012	31 Dec 2011
Food industry and agriculture	**16,849**	16,085
Mining and extraction	**1,965**	2,112
Chemical and pharmaceutical industry	**5,368**	6,068
Metallurgy	**10,271**	10,064
Automotive industry	**2,692**	2,486
Manufacturing of other machinery	**7,472**	7,712
Manufacturing of electrical and electronic equipment	**3,628**	3,070
Other processing industry	**9,542**	9,164
Power plants, gas plants and waterworks	**21,695**	22,566
Construction industry	**12,589**	11,829
Retail	**11,393**	11,689
Wholesale	**26,770**	26,745
Accommodation and catering	**1,100**	1,168
Transportation, telecommunication and warehouses	**15,688**	15,761
Banking and insurance industry	**20,728**	21,743
Real estate	**27,942**	26,938
Public administration	**31,810**	32,399
Other industries	**21,606**	20,821
Individuals	**205,306**	201,632
Total loans to customers	**455,414**	**450,052**

6. Investments held to maturity

Investments held to maturity comprise:

CZK million	30 Jun 2012		31 Dec 2011	
	Carrying value	Cost*	Carrying value	Cost*
Fixed income debt securities	**3,322**	**3,230**	3,359	3,259
Total investments held to maturity	**3,322**	**3,230**	**3,359**	**3,259**

Note: * Amortised acquisition cost

Investments held to maturity in the amount of CZK 3,136 million are issued by state institutions in the Czech Republic and CZK 186 million by foreign state institutions.

In the first half of 2012, no debt securities in this portfolio were purchased, sold or redeemed.

7. Bonds issued by foreign state institutions

Bonds issued by foreign state institutions designated as securities available for sale and as investments held to maturity as of 30 June 2012:

CZK million	Amortised acquisition cost			Fair value		
Country of issuer	**Securities available for sale**	**Investments held to maturity**	**Total**	**Securities available for sale**	**Investments held to maturity**	**Total**
Italy	7,951	0	**7,951**	7,404	0	**7,404**
Poland	7,279	0	**7,279**	7,848	0	**7,848**
Slovakia	6,054	0	**6,054**	6,363	0	**6,363**
EIB	2,252	0	**2,252**	2,416	0	**2,416**
EFSF	1,048	0	**1,048**	1,053	0	**1,053**
France	0	181	**181**	0	194	**194**
Total	**24,584**	**181**	**24,765**	**25,084**	**194**	**25,278**

Bonds issued by foreign state institutions designated as securities available for sale and as investments held to maturity as at 31 December 2011:

CZK million	Amortised acquisition cost			Fair value		
Country of issuer	**Securities available for sale**	**Investments held to maturity**	**Total**	**Securities available for sale**	**Investments held to maturity**	**Total**
Portugal	261	0	**261**	218	0	**218**
Italy	8,234	0	**8,234**	7,302	0	**7,302**
Greece	7,327	0	**7,327**	2,071	0	**2,071**
Poland	7,878	0	**7,878**	8,340	0	**8,340**
Slovakia	5,425	0	**5,425**	5,324	0	**5,324**
EIB	2,253	0	**2,253**	2,353	0	**2,353**
France	0	183	**183**	0	196	**196**
Total	**31,378**	**183**	**31,561**	**25,608**	**196**	**25,804**

Bonds issued by foreign state institutions designated as financial assets at fair value through profit or loss:

CZK million	30 Jun 2012	31 Dec 2011
Country of issuer	**Fair value**	**Fair value**
Italy	**13**	9
Poland	**78**	1,326
Slovakia	**2,426**	665
Total	**2,517**	**2,000**

8. Securities issued

Securities issued comprise mortgage bonds of CZK 18,767 million. Publicly tradable mortgage bonds are issued to fund the Group's mortgage activities.

Debt securities are divided according to remaining maturity as follows:

CZK million	30 Jun 2012	31 Dec 2011
In less than 1 year	**0**	0
In 1 to 5 years	**12,704**	12,399
In 5 to 10 years	**0**	0
In 10 to 20 years	**0**	0
in 20 to 30 years	**6,063**	5,939
Total debt securities	**18,767**	**18,338**

During the first half of 2012, the Group repurchased mortgage bonds and debt securities in the aggregate nominal amount of CZK 100 million and increased the issued nominal volume of mortgage bonds by CZK 200 million.

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

Name	Interest rate	Currency	Issue date	Maturity date	30 Jun 2012 CZK million	31 Dec 2011 CZK million
Mortgage bonds of Komerční banka, a.s., CZ0002000565	3M PRIBID minus the higher of 10 bps or 10% of the 3M PRIBID	CZK	2 Aug 2005	2 Aug 2015	**2,206**	2,306
Mortgage bonds of Komerční banka, a.s., CZ0002000664	4.4%	CZK	21 Oct 2005	21 Oct 2015	**10,498**	10,093
Mortgage bonds of Komerční banka, a.s., CZ0002001753	Rate of the interest swap sale in CZK for 10 years plus 150 bps	CZK	21 Dec 2007	21 Dec 2037	**6,063**	5,939
Total debt securities					**18,767**	**18,338**

Note: 3M PRIBID was 73 basis points as of 30 June 2012.
The average value of the interest rate swap CZK sale for 10 years as of 30 June 2012 was 200 bps.

9. Provisions

Provisions comprise:

CZK million	30 Jun 2012	31 Dec 2011
Provisions for contracted commitments	**414**	441
Provisions for other credit commitments	**477**	617
Provision for restructuring	**3**	9
Total provisions	**894**	**1,067**

In the first half of 2012, the Group adjusted the amount of the provision for restructuring in respect of the change in the legal status of Komerční banka Bratislava, a.s. to a foreign branch of the Bank. The change in the provision amount includes only the use of the provision to cover expenses in the first half of 2012.

The provisions for other credit commitments are held to cover credit risks associated with issued credit commitments. The provisions for contracted commitments principally comprise provisions for existing contracted contingent commitments, legal disputes, termination of rental agreements, provisions for jubilee bonuses, and provisions for retirement bonuses.

Set out below is an analysis of the provision for other credit commitments:

CZK million	30 Jun 2012	31 Dec 2011
Provision for off balance sheet commitments	**415**	502
Provision for undrawn loan facilities	**62**	115
Total	**477**	**617**

Movements in the provisions for contracted commitments are as follows:

CZK million	Balance at the start of the period	Additions	Disposals	Accrual	Foreign exchange difference	Balance at the end of the period
Provisions for retirement bonuses	96	14	(5)	3	0	**108**
Provisions for loyalty and jubilee bonuses	2	0	0	0	0	**2**
Other provisions for contracted commitments	343	20	(58)	0	(1)	**304**
Provisions for restructuring	9	0	(6)	0	0	**3**
Total	**450**	**34**	**(69)**	**3**	**(1)**	**417**

10. Commitments and contingent liabilities

LEGAL DISPUTES

The Group conducted a review of legal proceedings outstanding against it as of 30 June 2012. Pursuant to the review of significant litigation matters in terms of the risk of losses and litigated amounts, the Group has recorded a provision of CZK 129 million for these legal disputes. The Group has also recorded a provision of CZK 152 million for costs associated with a potential payment of appurtenances on the pursued claims.

As of 30 June 2012, the Group assessed its lawsuits filed against other entities. The Group has been notified that certain parties against which it is taking legal action may file counterclaims against it. The Group will contest any such claims and, taking into consideration the opinion of its internal and external legal counsel, believes that any asserted claims made will not materially affect its financial position. No provision has been made in respect of these matters.

FINANCIAL COMMITMENTS AND CONTINGENCIES COMPRISE

CZK million	30 Jun 2012	31 Dec 2011
Non-payment guarantees incl. commitments to issued non-payment guarantees	**38,946**	37,544
Payment guarantees including commitments to issued payment guarantees	**7,901**	10,863
Received bills of exchange, acceptances and endorsements of bills of exchange	**0**	23
Committed facilities and unutilised overdrafts	**17,202**	18,453
Undrawn credit commitments	**44,508**	46,712
Unutilised overdrafts and approved overdraft loans	**31,748**	33,657
Unutilised discount facilities	**0**	0
Unutilised limits under framework agreements to provide financial services	**17,565**	11,042
Open customer/import letters of credit uncovered	**627**	554
Stand-by letters of credit uncovered	**692**	673
Confirmed supplier/export letters of credit	**139**	252
Total contingent revocable and irrevocable commitments	**159,328**	**159,773**

Set out below is the breakdown of financial commitments and contingencies by sector:

CZK million	30 Jun 2012	31 Dec 2011
Food industry and agriculture	**6,949**	8,625
Mining and extraction	**968**	1,043
Chemical and pharmaceutical industry	**2,237**	2,387
Metallurgy	**4,483**	4,868
Automotive industry	**648**	699
Manufacturing of other machinery	**8,798**	9,011
Manufacturing of electrical and electronic equipment	**2,032**	1,672
Other processing industry	**4,047**	4,643
Power plants, gas plants and waterworks	**14,855**	15,496
Construction industry	**34,557**	34,804
Retail	**3,831**	4,131
Wholesale	**11,737**	12,713
Accommodation and catering	**609**	591
Transportation, telecommunication and warehouses	**8,552**	7,566
Banking and insurance industry	**8,071**	6,472
Real estate	**3,315**	3,490
Public administration	**10,242**	12,426
Other industries	**15,630**	14,306
Individuals	**17,767**	14,830
Total contingent liabilities	**159,328**	**159,773**

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

11. Estimated fair value of assets and liabilities of the Group

The following table summarises the carrying values and fair values of those financial assets and liabilities not presented in the Statement of Financial Position at their fair value:

CZK million	30 Jun 2012		31 Dec 2011	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and current balances with central banks	**15,999**	**15,999**	16,980	16,980
Amounts due from banks	**100,059**	**100,392**	101,393	101,814
Loans and advances to customers	**439,272**	**450,505**	434,386	444,111
Investments held to maturity	**3,322**	**3,675**	3,359	3,462
Financial liabilities				
Amounts due to central banks and other banks	**36,352**	**36,388**	37,455	38,429
Amounts due to customers	**582,384**	**582,485**	560,701	560,741
Securities issued	**18,767**	**20,343**	18,338	20,487
Subordinated debt	**0**	**0**	6,002	6,003

12. Transfers between levels of the fair value hierarchy

No transfers between levels were made during the first half of 2012.

13. Events after the reporting period

No significant event occurred after the reporting period.

Rating

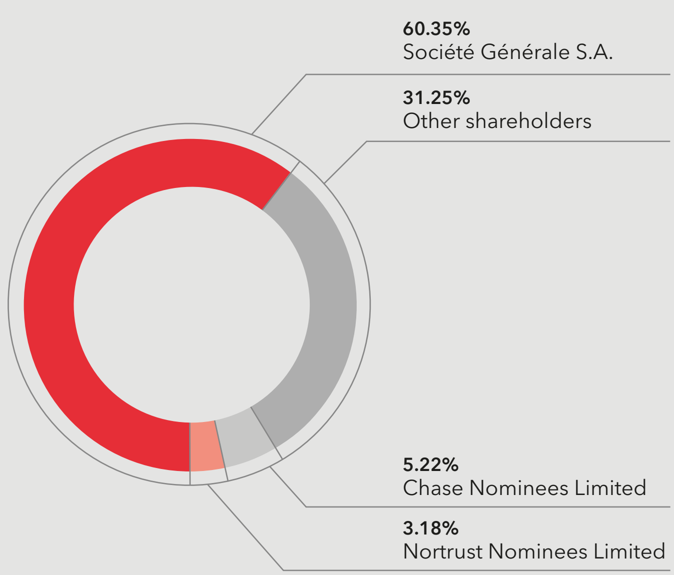
As of 28 August 2012 (same as of 30 June 2012)

Rating agency	Long-term	Short-term
Standard & Poor's	A	A-1
Fitch Ratings	A	F1
Moody's Investors Service	A2	Prime-1

Shareholder Structure

As of 30 June 2012, Komerční banka had 45,046 shareholders (individuals and legal entities).

SHAREHOLDERS OF KOMERČNÍ BANKA WITH MORE THAN 3% SHARE IN REGISTERED CAPITAL, AS OF 30 JUNE 2012



According to excerpt from the Issuer's register at the Central Securities Depository Prague