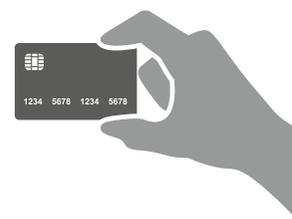
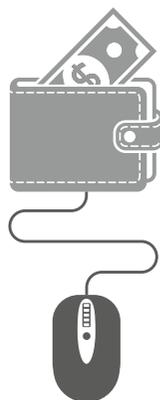
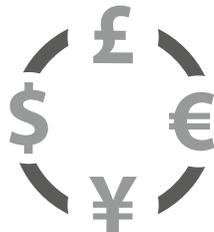


Half-Yearly Report 2017

Komerční banka, a.s.



NA PARTNERSTVÍ ZÁLEŽÍ



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Further information

Detailed financial and operational information about Komerční banka Group is available in other publications on KB's website for shareholders and investors www.kb.cz/en/about-the-bank/investor-relations/index.shtml. Additional information on corporate social responsibility and ethics at KB is available in the 'About the bank' section at <http://www.kb.cz/en/about-the-bank/about-us/basic-information.shtml>. Information about KB's products and services is accessible from the homepage 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 fulfilled. Forward-looking statements are valid only as of the date they are made, and it should not be assumed that they will be 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.

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Profile of KB

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 savings and building society schemes, leasing, factoring, consumer lending and insurance. These are 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 as well as through selected subsidiaries.

Vision and mission

Long-term mutually beneficial relationships with clients and other stakeholders

Komerční banka is a universal bank based on a multi-channel model. KB presents to its clients a comprehensive range of financial products and services. Through unceasing innovation, the Bank endeavours to meet its customers’ evolving needs while tailoring its offer to suit specific clients.

To create value for clients, shareholders and employees and to serve the economy

KB focuses on continuously developing its business activities while prudently managing the related risks. Co-operation with other members of KB Group, with companies from SG Group, and with other, independent partners enables the Bank to provide highly sophisticated products and gives it a flexibility that is indispensable in a constantly changing environment. The excellent know-how and experience of the Group’s employees ensure that the products portfolio is fully relevant and competitive. At the same time, Komerční banka is aware of the responsibilities stemming from its position as a leading Czech financial institution.

Declaration on principles of corporate social responsibility

Code of conduct

Komerční banka recognises that only by taking an ethical approach to doing business and providing financial services can it hope to maintain and even strengthen its position in the banking sector. The Bank also acknowledges that a fundamental prerequisite to successfully developing the company consists in professional conduct and behaviour on the part of its employees, as exemplified in particular by fostering and preserving direct and open relationships with clients as well as by fortifying the mutual trust between KB and its clients. Komerční banka expects its employees to be fully aware of and committed to their obligation to act in accordance with the ethical standards set forth in its Code of Ethics – which applies to all KB employees without exception – and to endeavour always to adhere to those standards.

Corporate governance

Komerční banka adheres to and voluntarily upholds all the principal standards of corporate governance in compliance with the Corporate Governance Code based on the OECD principles as amended in 2004 and issued by the Czech Securities Commission. The Czech wording of the Code as amended is available on the websites of the Ministry of Finance of the Czech Republic at www.mfcr.cz and of the Czech National Bank at www.cnb.cz.

Sustainable development

Komerční banka is aware of the influence that its activities have on the surroundings wherein it operates, and it considers responsible behaviour to be important. Therefore, it adopts adequate measures which on the one hand should eliminate negative influences on the environment and on the other contribute to its protection and improvement. KB monitors the impact of its activities on the environment and identifies those areas upon which it needs to focus. Komerční banka then adopts measures directed to effectively reducing its environmental impact.

Highlights from 2017's first half

January

Komerční banka created KB Innovation Lab to facilitate innovation in the area of banking products and services. This is a dedicated space to facilitate teaming up with universities, external partners, start-ups and FinTech companies in an open-minded atmosphere.

KB began providing its corporate clients with services within the KB Advisory Point concept. In co-operation with the renowned consultancies M.C.Triton and Grant Thornton Advisory, KB offers company owners and managers an expert look into the operations of their companies, including to suggest specific solutions for improving their competitiveness.

The Bank extended its co-operation agreement with the Agrarian Chamber of the Czech Republic and Federation of the Food and Drink Industries of the Czech Republic. The major collaborative priorities will be to promote the development of export opportunities for Czech food and agricultural commodities while also supporting investments in agriculture and the food industry.

Komerční banka extended its co-operation agreement with the Association of Private Farming CZ.

A new Investment Customer Relationship Management tool was introduced. The tool provides a comprehensive and sufficiently detailed view on clients and their assets. It also is used to analyse clients' investment portfolios.

February

A survey of students and university graduates named Komerční banka Top Employer 2017 in the banking and investment category.

March

KB concluded sale of its 100% stake in the subsidiary NP 33, s.r.o., sole owner of the building at Na Příkopě 33 in Prague, to Commerz Real Investmentgesellschaft mbH. This was a part of the strategy to house KB's headquarters at two locations in Prague, consisting of one building on Wenceslas Square in the centre of Prague and the other one in the new office site at Stodůlky, in the western part of Prague. KB will continue to

keep a branch at Na Příkopě 33 into the long-term future. Also in March, KB signed a framework agreement to purchase 100% of the company Office Center Stodůlky a.s., which is the owner of the new office building currently being built in Prague – Stodůlky that expands KB's modern office complex.

Komerční banka concluded a co-operation agreement with the Czech Franchise Association.

April

KB introduced its new American mortgage product. This is a general-purpose loan secured by real estate that offers more advantageous terms than do other consumer loans.

At the General Meeting on 22 April, Komerční banka's shareholders ratified the Board of Directors' proposal to approve the reported financial results, distribution of profit, and paying out the 2016 dividend of CZK 40 per share.

The General Meeting elected Mr Laurent Goutard, Mr Petr Laube, Mr Jean-Luc André Joseph Parer, Mr Giovanni Luca Soma, Mr Petr Dvořák, Mr Pavel Jelínek and Ms Miroslava Šmídová as members of the Supervisory Board. The General Meeting also elected Mr Giovanni Luca Soma and Mr Petr Laube as members of the Audit Committee.

May

Joining forces with the Association of Small and Medium-Sized Enterprises, KB kicked off the fifth year of the Start up! grant programme for young and beginning entrepreneurs. Under the programme, the Bank provides the entrepreneurs with financing, expert advice, as well as financial, legal and marketing support.

Komerční banka introduced KB Flexible Private Asset Management Fund, which is something new in the investments area. The fund evaluates and identifies the most favourable investments mix for the client. It has no limitations and thus can take maximum advantage of current opportunities by adjusting the fund's composition in accordance with where it finds opportunities in the market.

KB launched a new business application to help its relationship managers simplify customer relationship management. The application comprehensively embraces client management needs, including to provide a prompt overview of information about clients and new sales opportunities.

June

Société Générale Equipment Finance (SGEF) joined actively into the Expansion programme prepared by the Ministry of Industry and Trade of the Czech Republic in co-operation with the Bohemian–Moravian Guarantee and Development Bank. The programme's main goal is to facilitate access to finance for the business projects of start-ups and emerging small and medium-sized companies. Within the programme, it is possible to obtain as much as CZK 45 million with a zero interest rate.

Events after the end of the half-year

Given the expiration of the term of office of Chairman of the Board of Directors Albert Le Dirac'h on 2 August 2017, the Supervisory Board elected Mr Jan Juchelka a new member of the Board of Directors on 11 July 2017 with effect from 3 August 2017. Furthermore, on 12 July 2017, the Board of Directors of Komerční banka elected Mr Juchelka Chairman of the Board of Directors with effect from 3 August 2017.

KB was awarded second place in the Sodexo Employer of the Year 2017 competition in the category for companies with more than 5,000 employees. In Prague Region, KB was named Employer of the Year 2017 in that same category.

Macroeconomic development¹

The first half of 2017 was very successful from a macroeconomic perspective. Economic dynamics significantly accelerated their pace. Although real GDP had grown by just 1.8% in the second half of 2016, that growth accelerated to 3.0% during the first three months of this year. So far, monthly numbers indicate that economic growth accelerated further in the second quarter. The positive trend should be maintained in the second half of the year. After growing by 2.5% last year, Komerční banka estimates that this year the Czech economy will add 3.7%.

The structure of economic growth is favourable. Virtually all components of foreign and domestic demand are involved. The improved condition of the European economy and those of our key trading partners (Germany, Slovakia and Poland) have been positively supporting the rise in export activity. Year-on-year growth of exports reached 6.3% in the first five months of this year. Imports are growing even faster, which is related to strong domestic demand.

Domestic demand is mainly supported by household consumption. For the first quarter, household consumption grew by 3.4% year on year, and through the rest of 2017 its dynamics will exceed 4%. High consumer confidence is the result of further improvement in the labour market. Employment is the highest in history. With unemployment at just 4.1% in mid-year, the unemployment rate is the lowest in the EU. The growing economy is creating additional jobs, but in June there were just 1.6 job seekers for each working vacancy. The insufficiency of workers is reflected in rapidly accelerating nominal wage growth. After last year's average increase in nominal wages of 3.7%, wages grew by 5.3% year on year during the first quarter of 2017, and these dynamics will continue to accelerate through the rest of the year. Average wage growth will exceed 6% this year.

Investment activity in the private sector is gradually rebounding. The year-on-year pace of total investments returned to positive figures during the second quarter of this year. After dropping last year by 2.4%, total real investments should grow this year by more than 2%. Public sector investment activity, however, is still lagging behind expectations. This is reflected in the continuing decline in civil engineering, which was down 7% year on year for the period January to May. The situation is better in

buildings construction, where a 6.2% gain was recorded in the first five months of this year. Developers are unable to respond adequately to the strong demand for apartments because of bureaucratic hurdles and, in Prague, due to the poor quality of the metropolitan plan. As a result, there has been a double-digit rise in apartment prices year on year.

Strong domestic demand is reflected in inflation. Inflation was hovering above the 2% target in the first half of 2017, its average value reaching 2.3%. KB assumes it will remain close to this level also in the year's second half. The core component as well as prices for fuels and food all are contributing to the rise in inflation. On the contrary, regulated prices even declined slightly through the first half of the year.

The robust inflation outlook, supported by strong domestic demand, allowed the CNB to take its first step toward normalising monetary policy. On April 6, after more than three years, the exchange rate commitment was abandoned. In the following four months, the exchange rate gradually moved from just above 27 CZK/EUR to 26 CZK/EUR. The crown tested that new level in July. The outlook through to the end of the year is for the Czech currency to strengthen further. It will nevertheless be vulnerable to external shocks due to a strong speculative position. The next step towards normalising monetary policy will be the gradual raising of interest rates.

¹ Sources of primary data in this chapter: Czech Statistical Office, Czech National Bank

Fulfilling KB's strategic priorities in the first half of 2017

Komerční banka is developing a universal-banking model focused upon meeting the financial needs of its clients. Within that model, KB's investment banking activities are dedicated to serving clients and are constrained by conservative limits.

This strategy is based on building long-term, mutually beneficial relationships with its clients, thereby allowing the Bank precisely to identify dynamic changes in clients' needs and expectations while constantly adapting its services offer in accordance with this knowledge in order further to boost clients' satisfaction.

Development of KB Group's businesses in the first half of 2017 reflected the Group's strategy and the priorities presented to Komerční banka's Annual General Meeting in April.

The market was influenced by strong competition driven by banks' efforts to strengthen their market positions, surplus liquidity in a situation of low interest rates, technological changes, and the entry of new players into the financial services industry. In this environment, Komerční banka continued to grow the total number of its clients and, above all, of active clients. The Group even increased its share in select areas of the lending market, such as consumer lending. The strong growth dynamics in deposits continued, in particular from individuals and private companies. The Group was able to convince clients to transfer a part of these deposits to such non-bank assets under management as mutual funds, life insurance and supplementary pension insurance.

The Group's partnership with clients was enhanced through its multi-channel approach encompassing the branch network, mobile and internet banking, call centres, and distribution networks of some of the subsidiaries. The Bank has fundamentally redesigned 11 branches, which now provide services more efficiently and with greater emphasis on client privacy at the branch. KB also expanded the services of its ATMs by adding a deposit function. It operates the largest network of deposit ATMs in the Czech Republic. In the area of digital banking, KB has further strengthened the security of communication channels. For example, it extended the availability of its Trusteer Rapport digital banking security system by IBM to mobile devices with the iOS operating system.

In addition to safe and reliable provision of financial services and advice, KB's competitive advantages include the innovativeness and high utility value of the services it provides. Examples

of the continuous reinforcement of these qualities include a new advisory service for increasing the competitiveness of entrepreneurs at **KB Advisory Point**, inspiration and innovation consultancy at **KB Innovation Point**, the development of advice on project opportunities with the support of EU Funds at **KB EU Point**, as well as co-operation with professional associations such as the Association of Private Agriculture, Association of Small and Medium Enterprises and Tradesmen, Agrarian Chamber, Food Chamber, Czech Franchising Association and many others. Komerční banka and SGEF provide advantageous financing in co-operation with institutions such as the Bohemian–Moravian Guarantee and Development Bank, European Investment Bank, European Investment Fund and Council of Europe Development Bank. In the personal banking area, KB added several products to its range of savings and investment solutions, including the new KB Flexible Private Asset Management Fund, which can invest in all classes of investment assets and adapt to changing market conditions. ESSOX has established itself in the market for financing new cars after last year's acquisition of PSA Finance Czech Republic and PSA Finance Slovakia, as has Komerční pojišťovna in the household insurance market with a new property insurance product.

There is a presumption that simplicity and agility in the workplace are fundamental to maintaining the Group's competitiveness. A key aspect of Komerční banka's strategic vision is to pursue the creation of longstanding partnerships with its employees. The corporate culture must reflect Komerční banka's core values, which are team spirit, innovation, commitment and responsibility. While providing competitive remuneration to its employees, the Group is making significant investments to boost the competence of its banking advisers. A new tool for increasing the efficiency of bank advisers' work is the ZOOM application, which provides an overview of the activities and potential of clients on one screen. KB Innovation Lab, a development platform used in collaboration with external partners (including in academia, start-ups, financial technology companies and clients), contributes to agile development in the innovation area.

Operational efficiency and costs were managed with a goal to maintain KB's healthy profitability and overall financial soundness. The Group has increased work productivity and maintained cost discipline even in an environment of accelerating inflation, particularly by simplifying processes, improving technologies and scrupulous purchasing. In doing

so, KB has allocated adequate resources to developing those factors driving the future growth of its business.

A part of the operational strategy is to place the KB headquarters at two locations in Prague, one of which will be a Wenceslas Square building in the city centre, and the other will be at a new office complex in Stodůlky, in the western part of Prague. Aims include to improve the conditions for collaboration within individual teams and to enhance operating efficiency. In the first half of the year, KB sold the building at Na Příkopě 33 in Prague where its headquarters currently are located to a reputable buyer. The Bank will continue to have its branch in this building over the long term. KB also decided to make a substantial investment into modernising its building on Wenceslas Square and it signed a contract for the acquisition of Office Center Stodůlky a.s., which is the owner of the office building under construction in Prague – Stodůlky. The acquisition of this company will take place only after a number of conditions will be fulfilled, and particularly after the construction there is properly completed in accordance with Komerční banka's requirements. KB intends to place some of its headquarters activities (representing about 1,000 jobs) into the new building in Prague – Stodůlky during 2018.

KB has maintained its prudent and balanced approach to managing all types of assumed risks while aiming to support development of the Group's business activities. This includes sustainably growing its lending activities while also adding to the Group's market shares. Objectives are to ensure profitable lending and market activities across the business cycle while at the same time preserving the sound balance sheet so that the excellent quality of the assets portfolio will be maintained.

Business performance of KB Group

Developments in the client portfolio and distribution networks

At the close of June 2017, KB Group was serving 2.4 million clients on a consolidated basis. Standalone KB recorded 1,654,000 clients (+0.3% year on year), of which 1,396,000 were individuals. The remaining 258,000 customers were comprised of entrepreneurs, businesses and corporations (including municipalities and associations). Modrá pyramida was attending to 482,000 customers, and the number of pension insurance participants at KB Penzijní společnost reached 533,000. ESSOX's services were being used by 195,000 active clients, and PSA Finance was providing its services to more than 17,000 clients in the Czech Republic and Slovakia.

Komerční banka's clients had at their disposal 391 banking branches (including one branch for corporate clients in Slovakia), 769 ATMs (of which 201 were deposit ATMs), plus 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 1,400,000 by the end of June 2017 and corresponds to 84.6% of all clients. Mobile banking was itself being used by more than 364,000 of KB's clients. Customers held 1,575,000 active payment cards, of which 189,000 were credit cards. The number of active credit cards issued by ESSOX came to 110,000. Modrá pyramida's customers had at their disposal 216 points of sale and approximately 1,000 advisors. SG Equipment Finance (SGEF) was providing its leasing services via nine branches (two of which are in Slovakia), as well as through KB's network.

Loans to customers

The total gross volume of loans to clients expanded by 5.1% year on year to CZK 599.8 billion¹.

In lending to individuals, the overall volume of housing loans² grew by 9.2% from the year earlier. Within this total, the portfolio of mortgages to individuals swelled by 9.5% to CZK 213.3 billion. Modrá pyramida reported growth of its portfolio by 7.7% to CZK 40.6 billion. The volume of KB Group's consumer lending

was up by 17.1% to CZK 36.9 billion. Excluding the addition of retail components in the portfolios of PSA Finance in the Czech Republic and Slovakia, which had been acquired in 2016, the growth of consumer lending reached 11.2%.

The total volume of loans provided by KB Group to businesses climbed by 1.1% year on year to CZK 307.7 billion. Growth in lending was driven by medium- and long-term credit, while financing of working capital was subdued in the context of surplus liquidity in the Czech economy. The overall volume of credit granted by KB to medium-sized and large corporate clients in the Czech Republic and Slovakia (inclusive of factor finance outstanding at Factoring KB and business lending by PSA Finance) advanced by 0.4% to CZK 249.0 billion. Lending to small businesses grew by 5.0% to CZK 33.2 billion. At CZK 25.5 billion, the total credit and leasing amounts outstanding at SGEF were higher by 3.3% year over year.

Deposits and assets under management

The overall volume of client deposits within KB Group rose by 11.8% year on year to CZK 771.2 billion³.

Deposits at Komerční banka from individual clients grew by 15.9% from the year earlier to CZK 242.2 billion. The deposit book at Modrá pyramida contracted by 3.5% to CZK 62.6 billion. Total deposits from corporations and other businesses climbed by 10.6% to CZK 452.6 billion.

Client assets managed by KB Penzijní společnost were higher by 7.9%, at CZK 51.2 billion. Technical reserves in life insurance at Komerční pojišťovna expanded by 3.1% to CZK 47.3 billion. The volumes in mutual funds held by KB Group clients grew by 14.8% to CZK 58.8 billion.

¹ Excluding volatile reverse repo operations with clients. The total gross volume under 'Loans and advances to customers' minus 'Other amounts due from customers' expanded by 7.8% year on year to CZK 615.2 billion.

² Mortgages to individuals provided by KB + loans to clients provided by Modrá pyramida

³ Excluding volatile repo operations with clients. The total volume of 'Amounts due to customers' climbed by 12.6% to CZK 781.9 billion.

Financial performance of KB Group according to IFRS

Profit and loss statement

Komerční banka's revenues (net banking income) for the first half of 2017 declined by 4.0% year on year to CZK 15,630 million. This comparison was markedly influenced by the gain last year from reimbursement for KB's stake in VISA Europe Ltd in the amount of CZK 959 million. Excluding this one-off impact, the revenues were up by 2.0%. This growth was driven by net gains from financial operations even as net interest income and net fees and commissions declined.

Net interest income was down by 1.3% to CZK 10,313 million. The environment of low interest rates continued to weigh on yields from reinvesting deposits, despite a recent uptick in long-term rates. Growth in loan volumes influenced the result positively, even though loan spreads contracted somewhat due to intense competition on the lending market. The net interest margin, computed as the ratio of net interest income to interest-earning assets reported on the balance sheet, narrowed to 2.3% in the first half from 2.5% one year earlier.

Net fees and commissions were down by 5.4% to CZK 3,225 million. The decline was affected by a gap in (transaction) fees from card acquiring after KB sold in 2016's third quarter a majority stake in Cataps, its provider of merchant acquiring services. On the other hand, the numbers of payment transactions executed by the Bank for clients increased, mainly in the area of card and foreign payments. Fee income from deposit products decreased as more rewards were paid out within the MojeOdměny (MyRewards) loyalty programme and the number of old contracts at Modrá pyramida diminished. Fees for mortgages declined and loan fees at ESSOX were lower in connection with the new Consumer Credit Act and with acquisition of PSA Finance. Modrá pyramida registered lower fees for prepayments of loans. Service margins at Factoring KB declined due to intense competition. Fees from cross-selling rose as the volume of assets under management continued to grow. Fees from specialised financial services were up slightly, thanks to higher fee income from syndications, custody and depository services, while income from guarantees and trade finance products declined.

Net gains from financial operations rose by 42.3% when excluding the gain from the VISA Europe transaction in the second quarter of 2016. The non-adjusted result was down 15.6% to CZK 1,992 million. The clients' currency hedging

activity had been exceptionally strong before the CNB eliminated its floor under the CZK exchange rate on 6 April. After that move, volatility of the Czech crown was more limited, as the currency set off on an appreciating path and the hedging demand seemed to be temporarily saturated. On the other hand, a certain increase in interest rate hedging activity was observed, as there were growing expectations that rates would be gradually rising. The fees and commissions from FX transactions grew along with expanding foreign transactions turnover.

Recurring operating expenditures increased by 1.9%. Within this total, personnel expenses were higher by 5.9%, at CZK 3,630 million. The average number of employees rose by 0.3% to 8,455 due to acquisitions of the PSA Finance companies. General administrative expenses (excluding the regulatory funds) were up by 3.0% to CZK 2,090 million. The Group spent more in relation to marketing activities and real estate operations. The cost of contributions to the regulatory funds (Deposit Insurance Fund, Resolution Fund) reached CZK 854 million, less by 2.3% year on year. The recurring 'Depreciation, impairment and disposal of assets' was down by 12.4% to CZK 757 million, mainly due to completed amortisation of certain software. In the first quarter of 2017, KB realised a net gain from the sale and revaluation of a part of the portfolio of headquarters buildings, which was reduced to three buildings (from four). The reported amount on the line 'Depreciation, impairment and disposal of assets' thus includes a contribution of CZK 817 million. Including these one-off items related to the real estate portfolio, reported operating expenditures decreased by 9.5% to CZK 6,514 million.

Recurring gross operating income, excluding one-off items booked last year in net profit from financial operations (VISA Europe) and this year in operating expenditures (headquarters buildings), increased by 2.2% to CZK 8,300 million. Reported gross operating income for the first half of 2017 was higher by 0.4%, at CZK 9,116 million.

The cost of risk was influenced by favourable economic conditions in the Czech Republic, successful recovery performance at the Bank as well as subsidiaries, and a low volume of newly defaulted exposures. As a result, net release of provisions reached CZK 103 million. This compares to net creation of CZK 788 million a year earlier. This translates into -3 basis points in relative terms as measured over the average volume of the lending portfolio in 2017's first half.

Income from shares in associated undertakings (essentially Komerční pojišťovna) was up by 11.3% to CZK 108 million.

Income taxes declined by 3.1% to CZK 1,446 million. If the tax effect of the one-off items were to be excluded, income taxes would be up by 16.4%.

KB Group's consolidated net profit for the first six months of 2017 was higher by 14.2% in comparison with the prior-year period and reached CZK 7,881 million. Of this amount, CZK 184 million was profit attributable to holders of minority stakes in KB's subsidiaries (-9.8% versus the year earlier).

Reported net profit attributable to the Bank's shareholders totalled CZK 7,697 million, which is 15.0% more than in the first half of 2016. Recurring attributable net profit (i.e. excluding the one-off gain from the disposal of KB's stake in VISA Europe in the first half of 2016 as well as effects from optimising the real estate portfolio in 2017's first half) increased by the same 15.0% to CZK 6,802 million.

Statement of financial position

The comparison period for the balance sheet under IFRS is the end of the previous year. Therefore, unless indicated otherwise, the following text provides a comparison with the close of 2016.

As of 30 June 2017, KB Group's total assets had grown by 12.6% for the year to date to CZK 1,039.4 billion.

Cash and current balances with central banks were up by 91.0% to CZK 214.4 billion. A large component of this item is comprised of obligatory minimum reserves at central banks.

Amounts due from banks grew by 18.7% to reach CZK 61.5 billion.

Financial assets measured at fair value through profit or loss decreased by 14.2% to CZK 25.5 billion.

Total net loans and advances to customers rose by 3.7% in comparison with the end of the previous year to reach CZK 601.6 billion. The gross amount of loans and advances to customers was up by 3.3% to CZK 615.2 billion and included CZK 15.4 billion of reverse repo transactions with clients (CZK 0 as of 31 December 2016). The share of standard loans within that total climbed to 95.2% (CZK 585.5 billion), while the proportion of loans rated watch was 1.5% (CZK 9.2 billion). Loans under special review (substandard, doubtful and loss) comprised 3.3% of the portfolio and totalled CZK 20.5 billion. The volume of provisions created for loans reached CZK 14.6 billion. That was 6.2% less than at the close of 2016.

The portfolio of securities available for sale (AFS) diminished by 4.0% to CZK 37.9 billion. Within this portfolio, debt securities comprised CZK 37.7 billion. These included CZK 19.1 billion in

Czech government bonds plus foreign government bonds of CZK 7.6 billion. The volume of securities in the held-to-maturity (HTM) portfolio declined by 7.4% to CZK 60.6 billion. Within this portfolio, Czech government bonds constituted CZK 50.7 billion and foreign government bonds CZK 9.9 billion.

The net book value of tangible fixed assets decreased by 3.1% to CZK 6.5 billion, while that of intangible fixed assets added 5.1% to reach CZK 4.1 billion. Goodwill, which primarily derives from the acquisitions of Modrá pyramida, SGEF and ESSOX, remained unchanged at CZK 3.8 billion.

Total liabilities were 15.0% higher in comparison to the close of 2016 and reached CZK 939.9 billion. Amounts due to customers rose by 11.8% to CZK 781.9 billion. This total included CZK 10.7 billion of liabilities from repo operations with clients and CZK 7.3 billion of other payables to customers. Despite a decrease in depository bills of exchange, the volume outstanding of issued securities was greater by 12.5%, at CZK 15.1 billion. That growth was driven by issuance of mortgage bonds. The Group's liquidity as measured by the ratio of net loans to deposits was 76.0% (compared to 83.6% as of 31 December 2016).

Shareholders' equity dropped year to date by 5.6% to CZK 99.5 billion. The generation of net profit was offset by lower revaluation gains on cash flow hedges, revaluation of the AFS portfolio, and the dividends payment (KB paid out CZK 7.6 billion in May). Revaluation gains on cash flow hedges were lower due to a rise in market interest rates in comparison with the end of 2016. The revaluation of the AFS portfolio (which comprises primarily reinvestment of client deposits) declined as a result of amortising the revaluation differences on securities reclassified from the AFS to HTM portfolio in 2014 and due to higher market interest rates in comparison with the end of 2016. As of 30 June 2017, KB held in treasury 1,193,360 of its own shares constituting 0.63% of the registered capital.

Regulatory capital and liquidity

Consolidated regulatory capital for the capital adequacy calculation stood at CZK 74.2 billion as of 30 June 2017. KB Group's regulatory capital was composed solely of Core Tier 1 equity. The capital adequacy (as well as the Core Tier 1 capital ratio under Basel III standards) stood at 16.5%. As from 1 January 2017, the regulators require Komerční banka to keep the total capital adequacy ratio at or above 15.4%. In June 2017, the Czech National Bank announced that, with effect from 1 July 2018, it will increase the countercyclical capital buffer, part of the total capital requirement, by 50 basis points to 100 basis points. KB intends in upcoming periods gradually to reinforce its capital by Tier 2 capital components, upon assessment of their characteristics and costs.

As measured by the Liquidity Coverage Ratio, KB's liquidity throughout the first half of 2017 safely met requirements established by the applicable regulations.

Definitions of the mentioned Alternative Performance Measures

Net interest margin (NIM): 'Net interest income' minus 'Dividend income' divided by average interest-earning assets (IEA) year to date (IEA comprise 'Amounts due from banks', 'Current balances with central banks*', 'Net loans and advances to customers', 'Financial assets at fair value through profit or loss' [debt securities only*], 'Financial assets available for sale' [debt securities only*], and 'Investments held to maturity' [debt securities only]);

Cost of risk in relative terms: annualised 'Allowances for loan losses' divided by the average of 'Gross amount of client loans and advances', year to date;

Gross amount of client loans and advances: 'Gross amount of client loans and advances' minus 'Other amounts due from customers';

Net loans to deposits: ('Net loans and advances to customers' less 'reverse repo operations with clients') divided by (total 'Amounts due to customers' less 'repo operations with clients').

Reconciliation of 'Net interest margin' calculation, (CZK million, consolidated, unaudited):

(Source: Profit and Loss Statement)	1H 2017		1H 2016	
Net interest income (excl. 'Income from dividends')	10,310		10,445	
(Source: Balance Sheet)	31 Dec 2016	30 Jun 2017	31 Dec 2015	30 Jun 2016
'Amounts due from banks'	51,771	61,453	47,799	55,151
'Cash and current balances with central banks' (of which only 'Amounts due from central banks')*	103,245	206,248	116,979	135,863
'Loans and advances to customers', net	580,198	601,634	532,617	555,813
'Financial assets at fair value through profit or loss' (of which only 'Debt securities')*	9,606	7,046	7,872	9,046
'Financial assets available for sale' (of which only 'Debt securities')*	39,238	37,654	41,189	39,604
'Investments held to maturity' (of which only 'Debt securities')	65,462	60,630	67,083	62,408
Interest-bearing assets	849,520	974,664	813,540	857,885
Average interest-bearing assets, year to date		912,092		835,712
NIM year to date, annualised		2.3%		2.5%

Note: * These indicators are not individually provided in the Report on Financial Results but they are presented as part of the respective aggregate items.

Expected development and main risks to that development in the second half of 2017

In its baseline macroeconomic scenario, Komerční banka expects the Czech economy will accelerate its growth to around 3.7% year on year in 2017. The main driver of this expansion will be private consumption, encouraged by low unemployment and dynamic wage growth. Fixed investment should grow somewhat more slowly, despite a favourable medium-term outlook for the Czech economy, due to the slower growth in public infrastructure investment and insufficient workforce. Overall inflation should slightly exceed the Czech National Bank's monetary policy objective, with average prices climbing by 2.3%. The main reason for a rise in core inflation will lie in cost pressures ensuing from wage growth.

As of the middle of 2017, KB was counting among the main risks to the Czech economy a possibility for sudden volatility in the Czech crown's exchange rate should tensions arise within global financial markets. A sudden weakening of the Czech currency would cause an increase in inflation that could exceed the central bank's tolerance range. On the other hand, a swift appreciation of the crown could significantly reduce inflation and endanger the competitiveness of exporters. Furthermore, one cannot rule out the risk that a pickup in construction of key infrastructure might once again be delayed.

Since the CNB on 6 April discontinued its commitment to maintain a floor under the Czech crown's exchange rate at 27 CZK/EUR, interest rates have reclaimed their place as the main monetary policy instrument. Further development in the Czech crown's exchange rate will nevertheless remain an important factor in deciding on the approach to normalising monetary policy rates. KB sees as the most probable scenario that the CNB will raise rates twice during the second half, first by 20 basis points and later by 25 basis points. In addition to domestic factors, long-term market interest rates will reflect also global impacts and should be rising gradually and moderately.

The growth dynamics for bank loans will be influenced by the generally strong liquidity position of corporations, which limits the need for operating funds. The relatively slow pace of fixed investment in the economy is another limiting factor. Financing of housing will already reflect the CNB's measures constraining mortgages, while the favourable situation on the labour market should keep demand solid for both consumer and housing loans. The growth in total bank lending on the Czech market should accelerate slightly and exceed 7% in 2017. This increase will easily be covered by the free liquidity from client deposits

within the Czech banking sector. The year-end balance of total deposits will depend on the positions of foreign depositors, who had added to their placements in anticipation of Czech crown appreciation once the floor was eliminated. Deposits from individuals as well as non-financial corporations should grow by more than 9% due to improving disposable incomes and operating profitability.

The CNB's prudential policy remains conservative. The countercyclical capital buffer was introduced at the 0.5% level on 1 January 2017. In the summer of 2017, the central bank announced an increase of this buffer to 1% with effect from 1 July 2018, mainly to capture risks related to the growth in real estate prices and volume of housing loans. Further changes to the capital requirements may result from the annual Supervisory Review and Evaluation Process. From April, the CNB also decreased the maximum loan-to-value of collateral (LTV) ratio for new mortgages to 90%, and banks may provide only 15% of new mortgages with LTV between 80% and 90%. These measures hinder sales of new mortgages. In its Financial Stability Report, the CNB has also recommended that banks, and for the first time also non-bank providers, prudently assess new loan applications for applicants whose debt-to-income multiple exceeds the value of 8 and whose debt service-to-disposable income ratio is above 40%.

KB management expects the annual growth rate of the loan portfolio will be slightly lower in 2017's second half compared to the first six months. In the housing loans category, mortgages will grow similarly as will building savings loans, but, due to the CNB measures, somewhat more slowly than previously. As has recently been the case, KB aims to overtake the market-average growth rate in terms of expanding the consumer credit portfolio and in lending to entrepreneurs and small businesses. Lending to entrepreneurs and corporations will continue to be negatively impacted by the surplus of liquidity on the Czech market.

The Group also expects overall deposits volume to expand because of consumers' higher disposable income and the good operating profitability of corporate clients. Large depositors, meanwhile, are likely to optimise their positions with regard to the need to cover the cost of the Resolution Fund at the end of the year. A priority for KB remains to grow the non-bank assets that it manages for its clients, and particularly to grow the volumes in mutual funds, life insurance and pension savings.

Despite strong growth in both loan and deposit volumes, the Group expects a moderate decline in net interest income for 2017. That is because the still-low interest rates are pressing down reinvestment yields on deposited funds and intense competition on the loan market is reducing margins on financing products. Net fees and commissions income will decline for the full year because during 2016 the Group sold its stake in Cataps, its provider of merchant acquiring services in the cards business. Net fees and commissions adjusted for this impact are slowly stabilising because, on the one hand, there continues to be strong competitive pressure, but, on the other, KB has succeeded in growing the numbers of its clients, transactions, asset volumes under management and other financial services. Income from financial operations will be affected mainly by volatility of the CZK exchange rate and the course of interest rates. Nevertheless, it is not expected that the income from financial operations in the second half can match the extraordinary level seen in the first half of the year, which had been affected by the strong hedging and speculative activity of both financial and non-financial clients in relation to the CNB's exit from the exchange rate regime.

In accordance with its strategy, the Group will maintain a disciplined and rigorous cost management while focusing on simplification and synergies. Total operating costs excluding one-off items should grow at a rate less than inflation. Taking into account the impact of restructuring KB's headquarters buildings in the first quarter, reported operating costs for the full year will decline on a year-on-year basis. The number of employees and branches will not change significantly. The year-on-year increase of personnel costs will be affected by higher wage inflation in the Czech Republic and strong demand for employees in certain professions. KB will continue to pursue its development priorities, such as to refurbish branches in the new service concept, enhance security of direct channels, and develop a multi-channel, client-centric distribution model (as opposed to having a product-oriented model).

KB expects that the quality of the assets will remain excellent and that the share of loans under special review in the overall portfolio may further decline slightly. The cost of risk achieved in the first half was exceptionally low. It cannot be expected that this level will once again be achieved in this year's second half, but the economic environment will still be favourable. Therefore, the total cost of risk in 2017 probably will be smaller than the average for the business cycle as a whole. Future provisioning will reflect growth in the overall lending volume and changes in such macroeconomic factors as the levels of interest rates, economic growth, and unemployment. The volume of provisions in retail segments should continue at low levels, and any potential future rise should be gradual and moderate. In corporate segments, the volume of provisions created may vary by individual quarter, given the dynamic development of conditions within certain sectors of the economy.

The management expects that the Group's capital needs related to business activities and regulatory requirements, as well as dividend payments, will be covered in 2017 by profit and, possibly, by issuing subordinated debt.

Developments in KB's corporate governance

The General Meeting held on 25 April 2017 approved the Board of Directors' report on the Bank's business activity and state of its assets for the year 2016 as presented. Moreover, the General Meeting approved the annual financial statements and the consolidated financial statements for 2016, as well as the distribution of the net profit from 2016. The latter included a dividend pay-out of CZK 7.6 billion, which amounts to CZK 40 per share. The record day was 18 April 2017 and the dividend payment day was 26 May 2017. The General Meeting elected the following members of the Supervisory Board with effect from 2 May 2017: Mr Laurent Goutard, Mr Petr Laube, Mr Jean-Luc André Joseph Parer and Mr Giovanni Luca Soma. Furthermore, the General meeting elected the following members of the Supervisory Board with effect from 3 June 2017: Mr Petr Dvořák, Mr Pavel Jelínek and Mrs Miroslava Šmídová. The General Meeting elected Mr Giovanni Luca Soma as a member of the Audit Committee with effect from 26 April 2017 and Mr Petr

Laube as a member of the Audit Committee with effect from 1 May 2017. The General Meeting also approved the contracts of service between Komerční banka and the chairman and each member of the Audit Committee. Furthermore, the General Meeting decided once again about the conditions for acquiring the Bank's shares into treasury and appointed the company Deloitte Audit as the external auditor of Komerční banka for the year 2017.

Given the expiration of the term of office of Chairman of the Board of Directors Albert Le Dirac'h on 2 August 2017, the Supervisory Board elected Mr Jan Juchelka a new member of the Board of Directors on 11 July 2017 with effect from 3 August 2017. Furthermore, on 12 July 2017, the Board of Directors of Komerční banka elected Mr Juchelka Chairman of the Board of Directors with effect from 3 August 2017.

Changes in the Group structure

On 1 March 2017, KB concluded sale of its 100% stake in the subsidiary NP 33, s.r.o. to Commerz Real Investmentgesellschaft mbH. NP33 is sole owner of Komerční banka's long-time headquarters building at Na Příkopě 33 in Prague. KB will continue to have a branch in the building on a long-term basis.

On 30 March 2017, KB signed the framework agreement to purchase 100% of the shares in the company Office Center Stodůlky a.s. (Office Center Stodůlky). Office Center Stodůlky is owner of the new office building currently being built in

Prague – Stodůlky. The building is expected to be completed in the first half of 2018. The ownership of Office Center Stodůlky shall be assumed by KB only after several conditions are met, in particular after construction of the office building is properly completed in accordance with KB's specifications. The company will be acquired from the current two owners, (i) FINEP HOLDING, SE, with its registered office at Havlíčkova 1030/1, Nové Město, Postal Code: 110 00, Prague 1, ID No.: 279 27 822, and (ii) Real 12 a.s., with its registered office at Prague 1, Klimentská 1246/1, Postal Code: 110 00, ID No.: 279 28 730.

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 2017, the Group was controlled by Société Générale, 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, transactions with derivative financial instruments and other types of transactions. These transactions were carried out on an arm's length basis.

Amounts due to and from the Group companies

As of 30 June 2017, the Group held deposits of CZK 2,131 million from the associated company Komerční pojišťovna, a.s. The positive fair value of financial derivatives in relation to Komerční pojišťovna, a.s. was CZK 811 million and the negative fair value of such financial derivatives was CZK 315 million. The book value of mortgage bonds issued by the Bank was CZK 815 million and interest expense from mortgage bonds amounted to CZK 10 million. Interest expense from financial derivatives amounted to CZK 258 million and interest income from financial derivatives totalled CZK 398 million. Fee expense amounted to CZK 39 million, fee income to CZK 201 million and insurance expense to CZK 10 million.

Amounts due to and from the Société Générale Group entities

Principal balances due from the Société Générale Group entities include the following:

(CZKm)	30 Jun 2017		31 Dec 2016	
	Total	Of which derivatives	Total	Of which derivatives
ALD Automotive s.r.o. (Czech Republic)	5,422	0	5,146	0
ALD Automotive s.r.o. (Slovak Republic)	271	0	370	0
BRD – GROUPE Société Générale SA	3	0	30	0
PJSC Rosbank	11	0	146	0
SG Bruxelles	158	0	137	0
SG Expressbank	41	0	15	0
SG Marocaine de Banques	0	0	4	0
SG New York	0	0	498	0
SG Paris	8,836	4,315	9,724	4,311
SG S.A. oddział w Polsce	16	0	2	0
SG Zurich	168	0	176	0
SGA Société Générale Acceptance	2,774	0	2,989	0
Société Générale Algerie	0	0	0	0
Société Générale China Limited	16	0	3	0
Société Générale International Limited	1,347	0	473	0
Crédit du Nord	5	0	0	0
SG Banques au Liban	8	0	0	0
SG Banka Srbija	1	0	0	0
Société Générale Bank & Trust	1	0	0	0
Total	19,078	4,315	19,724	4,311

Principal balances owed to the Société Générale Group entities include the following:

(CZKm)	30 Jun 2017		31 Dec 2016	
	Total	Of which derivatives	Total	Of which derivatives
ALD Automotive s.r.o. (Česká Republika)	367	0	368	0
BRD - GROUPE Société Générale SA	17	0	8	0
Crédit du Nord	0	0	7	0
Inter Europe Conseil	0	0	0	0
PEMA Praha, spol. s r.o.	130	0	101	0
PJSC Rosbank	1	0	0	0
SG Amsterdam	44	0	47	0
SG Banques au Liban	2	0	1	0
SG Bruxelles	1,613	0	50	0
SG ISSUER	1	0	1	0
SG Frankfurt	67	0	8	0
SG London	15	0	13	0
SG New York	7	0	1	0
SG Milan	34	0	0	0
SG Paris	46,009	7,003	22,965	7,025
SG Private Banking (Suisse) S.A.	600	0	184	0
SG S.A. oddział w Polsce	10	0	1	0
SG Zurich	0	0	0	0
SG Express Bank	2	0	0	0
SG Option Europe	1	0	0	0
SGSS Nantes	0	0	3	0
Société Générale Bank & Trust	344	0	178	0
SOGEPROM				
Česká republika s.r.o.	5	0	5	0
Total	49,269	7,003	23,942	7,025

Amounts due to and from the Société Générale Group entities principally comprise balances of current and overdraft accounts, deposits on margin accounts, nostro and loro accounts, issued loans, interbank market loans and placements, as well as debt securities acquired under initial offerings not designated for trading, fair value of financial derivatives and mortgage bonds.

As of 30 June 2017, 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 444,815 million and CZK 437,753 million, respectively. These amounts principally related to currency spots and forwards, interest rate forwards and swaps, options, commodity derivatives, emission allowances and guarantees for credit exposures.

As of 30 June 2017, the Group also carried other amounts due to and from the Société Générale Group entities which are immaterial.

During the period ended 30 June 2017, the Group realised total income of CZK 11,849 million and total expenses of CZK 11,654 million in relation to Société Générale Group entities. That income included mainly interest income from derivatives, gains on changes in the fair value of financial derivatives, fees from advisory and assistance services, interest income from debt securities issued by Société Générale Group and income from interbank deposits. Expenses comprised those of interbank deposits, interest expense on derivatives, losses due to changes in the fair value of derivatives, losses from financial operations and expenses for assistance services.

Amounts due from managers in key positions and members of the Supervisory Board

In respect of loans and guarantees as of 30 June 2017, the Group recorded loan receivables relating to loans granted to members of the Board of Directors and Supervisory Board totalling CZK 14 million (as of 31 December 2016, CZK 15 million). No new drawdowns were made in relation to those loans during the first half of 2017. Loan repayments totalled CZK 1 million in the first half.

Report on Financial Results as of 30 June 2017 according to IFRS

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Consolidated Income Statement and Statement of Comprehensive Income for the period ended 30 June 2017

Consolidated Income Statement

CZKm	30 Jun 2017	30 Jun 2016
Interest income and similar income	13,034	13,417
Interest expense and similar expense	(2,724)	(2,972)
Income from dividends	3	1
Net interest income and similar income	10,313	10,446
Net fee and commission income	3,225	3,408
Net profit on financial operations	1,992	2,359
Other income	100	65
Net operating income	15,630	16,278
Personnel expenses	(3,630)	(3,429)
General administrative expenses	(2,944)	(2,903)
Depreciation, impairment and disposal of fixed assets	60	(864)
Total operating expenses	(6,514)	(7,196)
Profit before allowances/provisions for loan and investment losses, other risk and income taxes	9,116	9,082
Allowances for loan losses	94	(811)
Provisions for other risk expenses	9	23
Cost of risk	103	(788)
Income from share of associated companies	108	97
Profit before income taxes	9,327	8,391
Income taxes	(1,446)	(1,492)
Net profit for the period	7,881	6,899
Profit attributable to the Non-controlling owners	184	204
Profit attributable to Group's equity holders	7,697	6,695
Earnings per share/diluted earnings per share (in CZK)	40.76	35.45

Consolidated Statement of Comprehensive Income

CZKm	30 Jun 2017	30 Jun 2016
Net profit for the period	7,881	6,899
Items that will not be reclassified to Income Statement		
Remeasurement of retirement benefits plan, net of tax	0	0
Items that may be reclassified subsequently to Income Statement		
Cash flows hedging		
- Net fair value gain/(loss), net of tax	(3,657)	4,675
- Transfer to net profit/(loss), net of tax	(1,511)	(1,634)
Foreign exchange gain/(loss) on hedge of a foreign net investment	(18)	1
Net value gain/(loss) on available-for-sale financial assets, net of tax	(655)	(1,457)
Net value gain/(loss) on available-for-sale financial assets, net of tax (associated undertakings)	(72)	(4)
Other comprehensive income for the period, net of tax	(5,913)	1,581
Comprehensive income for the period, net of tax	1,968	8,480
Comprehensive income attributable to Non-controlling owners	186	204
Comprehensive income attributable to Group's equity holders	1,782	8,276

The accompanying Notes are an integral part of this Consolidated Income Statement and Statement of Comprehensive Income.

Consolidated Statement of Financial Position as of 30 June 2017

CZKm	Note	30 Jun 2017	31 Dec 2016
ASSETS			
Cash and current balances with central banks		214,365	112,241
Financial assets at fair value through profit or loss		25,484	29,709
Positive fair value of hedging financial derivative transactions		16,754	22,331
Available-for-sale financial assets	4	37,860	39,420
Assets held for sale		360	906
Amounts due from banks		61,453	51,771
Loans and advances to customers	5	601,634	580,198
Revaluation differences on portfolios hedge items		(50)	32
Held-to-maturity investments	6	60,630	65,462
Income taxes receivable		61	86
Deferred tax assets		61	78
Prepayments, accrued income and other assets		5,346	4,919
Investments in associates and unconsolidated subsidiaries		1,112	1,280
Intangible fixed assets		4,083	3,886
Tangible fixed assets		6,457	6,666
Goodwill		3,752	3,752
Total assets		1,039,362	922,737
LIABILITIES AND EQUITY			
Amounts due to central banks		1	1
Financial liabilities at fair value through profit or loss		18,251	18,167
Negative fair value of hedging financial derivative transactions		7,491	9,428
Amounts due to banks		88,166	54,124
Amounts due to customers		781,918	699,377
Revaluation differences on portfolios hedge items		313	762
Securities issued	8	15,106	13,423
Income taxes payable		254	360
Deferred tax liability		2,331	3,830
Accruals and other liabilities		24,473	16,150
Provisions	9	1,602	1,714
Total liabilities		939,906	817,336
Share capital		19,005	19,005
Share premium and reserves		76,813	82,565
Minority equity		3,638	3,831
Total shareholders' equity		99,456	105,401
Total liabilities and shareholders' equity		1,039,362	922,737

The accompanying Notes are an integral part of this Consolidated Statement of Financial Position.

Consolidated Statement of Changes in Shareholders' Equity for the period ended 30 June 2017

CZKm	Share capital	Capital and reserve funds and retained earnings*	Remeasurement of retirement benefits plan	Cash flow hedging	Hedge of a foreign net investment	Available-for-sale financial assets	Total	Non-controlling interest	Total, including non-controlling interest
Balance as of 31 Dec 2016	19,005	67,892	(131)	11,379	1	3,424	101,570	3,831	105,401
Treasury shares, other	0	63	0	0	0	0	63	1	64
Payment of dividends	0	(7,602)	0	0	0	0	(7,602)	(375)	(7,977)
Transactions with owners	0	(7,539)	0	0	0	0	(7,539)	(374)	(7,913)
Profit for the period	0	7,697	0	0	0	0	7,697	184	7,881
Other comprehensive income for the period, net of tax	0	(72)**	0	(5,168)	(15)	(655)	(5,910)	(3)	(5,913)
Comprehensive income for the period	0	7,625	0	(5,168)	(15)	(655)	1,787	181	1,968
Balance as of 30 Jun 2017	19,005	67,978	(131)	6,211	(14)	2,769	95,818	3,638	99,456

* Capital and reserve funds and retained earnings as of 30 June 2017 consist of other funds created from profit in the amount of CZK 4,671 million (31 Dec 2016: CZK 4,670 million), share premium and purchased treasury shares in the amount of CZK -156 million (31 Dec 2016: CZK -171 million), net profit from the period in the amount of CZK 7,697 million (31 Dec 2016: CZK 13,688 million) and retained earnings in the amount of CZK 55,766 million (31 Dec 2016: CZK 49,705 million).

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

CZKm	Share capital	Capital and reserve funds and retained earnings*	Remeasurement of retirement benefits plan	Cash flow hedging	Hedge of a foreign net investment	Available-for-sale financial assets	Total	Non-controlling interest	Total, including non-controlling interest
Balance as of 31 Dec 2015	19,005	65,832	(38)	12,653	1	4,960	102,413	3,816	106,229
Treasury shares, other	0	96	0	0	0	0	96	0	96
Payment of dividends	0	(11,783)	0	0	0	0	(11,783)	(375)	(12,158)
Transactions with owners	0	(11,687)	0	0	0	0	(11,687)	(375)	(12,062)
Profit for the period	0	6,695	0	0	0	0	6,695	204	6,899
Other comprehensive income for the period, net of tax	0	-4**	0	3,041	1	(1,457)	1,581	0	1,581
Comprehensive income for the period	0	6,691	0	3,041	1	(1,457)	8,276	204	8,480
Balance as of 30 Jun 2016	19,005	60,836	(38)	15,694	2	3,503	99,002	3,645	102,647

* Capital and reserve funds and retained earnings as of 30 June 2016 consist of other funds created from profit in the amount of CZK 4,670 million (31 Dec 2015: CZK 4,670 million), share premium and purchased treasury shares in the amount of CZK -180 million (31 Dec 2015: CZK -203 million), net profit from the period in the amount of CZK 6,695 million (31 Dec 2015: CZK 12,758 million) and retained earnings in the amount of CZK 49,651 million (31 Dec 2015: CZK 48,607 million).

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

The accompanying Notes are an integral part of this Consolidated Statement of Changes in Shareholders' Equity.

Consolidated Cash Flow Statement for the period ended 30 June 2017

CZKm	30 Jun 2017	30 Jun 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	12,207	12,493
Interest payments	(2,350)	(2,282)
Fee and commission receipts	3,819	4,037
Fee and commission payments	(701)	(693)
Net cash received from financial operations	1,793	1,922
Other receipts	700	141
Cash payments to employees and suppliers, and other payments	(8,888)	(6,318)
Operating cash flows before changes in operating assets and operating liabilities	6,580	9,300
Amounts due from banks	(9,660)	(5,821)
Financial assets at fair value through profit or loss	4,165	(4,334)
Loans and advances to customers	(22,038)	(23,781)
Other payments received	(1,022)	(313)
(Increase)/decrease in operating assets	(28,555)	(34,249)
Amounts due to banks	32,860	(5,960)
Financial liabilities at fair value through profit or loss	83	2,854
Amounts due to customers	81,219	38,288
Other payments made	8,784	8,377
Increase/(decrease) in operating liabilities	122,946	43,559
Net cash flows from operating activities before taxes	100,971	18,610
Income taxes paid	(1,675)	(1,343)
Net cash flows from operating activities	99,296	17,267
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Dividends received	207	153
Purchase of held-to-maturity investments	0	(2,548)
Maturity of held-to-maturity investments*	4,920	(7,777)
Purchase of available-for-sale financial assets	(906)	(835)
Sale and maturity of available-for-sale financial assets*	1,534	2,548
Purchase of tangible and intangible assets	813	(1,841)
Sale of tangible and intangible assets	57	664
Purchase of investments in subsidiaries and associates	0	0
Sale of investments in subsidiaries and associates	1,486	0
Effect of acquisitions of companies	0	0
Net cash flows from investment activities	8,111	5,918
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(7,495)	(11,684)
Dividends paid (non-controlling interest)	(375)	0
Securities issued	1,933	0
Securities redeemed*	(836)	(6,548)
Increased in share capital and share premium	0	0
Net cash flows from financing activities	(6,773)	(18,271)
Net increase/(decrease) in cash and cash equivalents	100,634	4,914
Cash and cash equivalents at beginning of period	110,064	126,132
FX differences on 'Cash and cash equivalents' at beginning of year	(139)	(1)
Cash and cash equivalents at end of period	210,559	131,045

* The amount also includes coupon payments received and coupons paid.

The accompanying Notes are an integral part of this Consolidated Cash Flow Statement.

Notes to the Consolidated Financial statement for the period ended 30 June 2017

1 Events for the period ended 30 June 2017

Dividends declared in respect of the year ended 31 December 2016

In accordance with the resolution of the General Meeting of shareholders of Komerční banka, a.s. (hereinafter only the "Bank") held on 25 April 2017, the Bank paid out CZK 7,602 million (CZK 40 per share before tax) in dividends and the remaining balance of the net profit was allocated to retained earnings. Moreover, the Group decided to pay out CZK 375 million in dividends to the non-controlling owners of ESSOX s.r.o.

Changes in equity investments in subsidiaries and associates in 2017

In March 2017, the Bank sold its subsidiary NP 33, s.r.o. to CRI NP 33, s.r.o., which is owned by Commerz Real Investmentgesellschaft mbH. NP 33, s.r.o. is the sole owner of the Bank's headquarters building at the address Na Příkopě 33 in Prague. The sale is part of the Bank's plan to centralise its headquarters at fewer premises.

In May 2017, the equity in Bastion European Investments S.A. was decreased by EUR 3.8 million (equivalent to CZK 108 million). The decrease was initiated solely by the Bank as the majority shareholder of Bastion European Investments S.A.

The presented Consolidated Financial Statements for the period ended 30 June 2017 are based on the management's current best estimates. The management of the Group believes that they present a true and fair view of the Group's financial position and its financial results incorporating all relevant and available information as of 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 2017 no unusual transaction occurred.

2 Principal accounting policies

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

3 Segment reporting

CZKm	Retail banking		Corporate banking		Investment banking		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2016	
Net interest income and similar income	6,218	6,028	3,177	3,406	82	37	836	975	10,313	10,446
Net commission and fee income	2,227	2,249	1,023	1,048	(97)	(11)	72	122	3,225	3,408
Net profit on financial operations	479	441	930	783	527	137	56	998	1,992	2,359
Other income	41	39	15	(2)	83	61	(39)	(33)	100	65
Net operating income	8,965	8,757	5,145	5,235	595	224	925	2,062	15,630	16,278

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

Inasmuch as most of the income of segments arises from interest and, in assessing the performance of segments and deciding on allocation of resources for 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 expense.

Transfer prices between operating segments are based on transfer interest rates representing actual market interest rates conditions, including the liquidity component reflecting the existing opportunities to acquire and invest financial resources.

The Group's income is primarily (more than 99%) generated on the territory of the Czech Republic.

4 Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

CZKm	30 Jun 2017		31 Dec 2016	
	Fair value	Cost/*	Fair value	Cost/*
Shares and participation certificates	206	158	182	177
Fixed income debt securities	24,198	21,874	25,577	22,721
Variable yield debt securities	13,456	13,076	13,661	13,224
Total debt securities	37,654	34,950	39,238	35,945
Total available-for-sale financial assets	37,860	35,108	39,420	36,122

* 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 the following:

CZKm	30 Jun 2017	31 Dec 2016
Debt securities available for sale issued by:		
- State institutions in the Czech Republic	19,106	20,222
- Foreign state institutions	7,619	7,935
- Financial institutions in the Czech Republic	10,121	10,259
- Foreign financial institutions	808	822
Total debt securities available for sale	37,654	39,238

In 2016, the Group sold a stake in Visa Europe Limited. The net gain from the sale for the Group was CZK 959 million.

5 Loans and advances to customers

Loans and advances to customers comprise the following:

CZKm	30 Jun 2017	31 Dec 2016
Loans to customers	610,864	591,146
Bills of exchange	263	243
Forfaits	1,004	815
Total loans and advances to customers excluding bonds and other amounts due from customers, gross	612,131	592,204
Debt securities	3,070	3,193
Other amounts due from customers	1,057	384
Total loans and advances to customers, gross	616,258	595,781
Portfolio allowances for loans to customers		
- Individuals	(452)	(532)
- Corporates*	(904)	(773)
Specific allowances and provisions for loans to customers		
- Individuals	(5,539)	(6,368)
- Corporates*	(7,718)	(7,899)
Total allowances for loans to customers	(14,613)	(15,572)
Specific allowances for other amounts due from customers	(11)	(11)
Total allowances for loans and other amounts due from customers	(14,624)	(15,583)
Total loans and advances to customers, net	601,634	580,198

* This item also includes allowances for loans granted to individual entrepreneurs.

As of 30 June 2017, the loan portfolio of the Group (excluding 'Debt securities' and 'Other amounts due from customers') is comprised of the following, as broken down by classification:

CZKm	Gross receivable	Collateral applied	Net exposure	Allowances	Carrying value
Standard	582,382	269,435	312,947	(842)*	581,540
Watch	9,223	3,934	5,289	(514)*	8,709
Substandard	5,676	2,895	2,781	(2,322)	3,354
Doubtful	1,265	432	833	(548)	717
Loss	13,585	1,750	11,835	(10,387)	3,198
Total	612,131	278,446	333,685	(14,613)	597,518

* This item includes portfolio allowances (due to losses incurred but not reported).

As of 31 December 2016, the loan portfolio of the Group (excluding 'Debt securities' and 'Other amounts due from customers') is comprised of the following, as broken down by classification:

CZKm	Gross receivable	Collateral applied	Net exposure	Allowances	Carrying value
Standard	560,453	258,770	301,683	(697)*	559,756
Watch	9,346	3,961	5,385	(608)*	8,738
Substandard	5,895	3,050	2,845	(2,167)	3,728
Doubtful	2,088	961	1,127	(727)	1,361
Loss	14,422	1,505	12,917	(11,373)	3,049
Total	592,204	268,247	323,957	(15,572)	576,632

* This item includes portfolio allowances (due to losses incurred but not reported).

Set out below is a breakdown of loans by sector (excluding 'Debt securities' and 'Other amounts due from customers'):

CZKm	30 Jun 2017	31 Dec 2016
Food industry and agriculture	17,196	17,083
Mining and extraction	4,080	4,543
Chemical and pharmaceutical industry	7,477	6,700
Metallurgy	11,202	10,219
Automotive industry	12,130	11,950
Manufacturing of other machinery	9,600	9,565
Manufacturing of electrical and electronic equipment	5,321	4,392
Other processing industry	12,001	11,510
Power plants, gas plants and waterworks	18,421	19,706
Construction industry	12,243	10,868
Retail	16,486	15,901
Wholesale	28,703	29,350
Accommodation and catering	1,702	1,564
Transportation, telecommunication and warehouses	23,187	23,045
Banking and insurance industry	36,513	24,841
Real estate	46,011	51,307
Public administration	25,636	27,931
Other industries	40,217	33,726
Individuals	284,005	278,003
Loans to customers	612,131	592,204

6 Held-to-maturity investments

The held-to-maturity investments comprise the following:

CZKm	30 Jun 2017		31 Dec 2016	
	Carrying value	Cost*	Carrying value	Cost*
Fixed income debt securities	60,630	59,686	65,462	64,176
Total held-to-maturity investments	60,630	59,686	65,462	64,176

* Amortised acquisition cost

Fixed income debt securities held-to-maturity, allocated by issuer, comprise the following:

CZKm	30 Jun 2017	31 Dec 2016
Fixed income debt securities issued by:		
- State institutions in the Czech Republic	50,688	54,295
- Foreign state institutions	9,942	11,167
Total fixed income debt securities	60,630	65,462

7 Bonds issued by foreign state institutions

As of 30 June 2017, bonds issued by foreign state institutions designated as 'Available-for-sale financial assets' and as 'Held-to-maturity investments' comprise the following:

CZKm Country of Issuer	Amortised cost			Fair value		
	Available-for-sale financial assets	Held-to-maturity investments	Total	Available-for-sale financial assets	Held-to-maturity investments	Total
Poland	655	7,249	7,904	759	7,555	8,314
Slovakia	3,219	2,558	5,777	3,929	2,769	6,698
EIB	1,000	0	1,000	1,079	0	1,079
Romania	1,750	0	1,750	1,852	0	1,852
Total	6,624	9,807	16,431	7,619	10,324	17,943

As of 31 December 2016, bonds issued by foreign state institutions designated as 'Available-for-sale financial assets' and as 'Held-to-maturity investments' comprise the following:

CZKm Country of Issuer	Amortised cost			Fair value		
	Available-for-sale financial assets	Held-to-maturity investments	Total	Available-for-sale financial assets	Held-to-maturity investments	Total
Poland	676	7,818	8,494	788	7,938	8,726
Slovakia	3,327	3,096	6,423	4,117	2,822	6,939
EIB	1,000	0	1,000	1,130	0	1,130
Romania	1,833	0	1,833	1,900	0	1,900
Total	6,836	10,914	17,750	7,935	10,760	18,695

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

CZKm Country of Issuer	30 Jun 2017	31 Dec 2016
	Fair value	Fair value
Poland	0	0
Slovakia	9	596
EIB	62	62
Total	71	658

8 Securities issued

Securities issued comprise the following:

CZKm	30 Jun 2017	31 Dec 2016
Mortgage bonds	13,187	11,030
Depository bills of exchange	1,919	2,393
Total securities issued	15,106	13,423

The Group issues publicly tradable mortgage bonds with the intention of obtaining funds to refinance mortgages.

Mortgage bonds according to their remaining time to maturity can be broken out as follows:

CZKm	30 Jun 2017	31 Dec 2016
In less than one year	0	0
In one to five years	1,741	1,745
In five to ten years	1,019	1,007
In ten to twenty years	0	0
in twenty to thirty years	10,427	8,278
Total mortgage bonds	13,187	11,030

During the first half of 2017, the Group increased the volume of mortgage bonds in issue by CZK 1,910 million and repurchased mortgage bonds with aggregate nominal volume of CZK 2 million.

The securities issued comprise the following mortgage bonds issued by the Group:

Name	Interest rate	Currency	Issue date	Maturity date	30 Jun 2017 (CZKm)	31 Dec 2016 (CZKm)
HZL Komerční banky, a.s., CZ0002001753	Rate of the interest swap sale in CZK for 10 years plus 150 bps	CZK	21 Dec 2007	21 Dec 2037	10,427	8,278
HZL Komerční banky, a.s., CZ0002002801	2.55%	CZK	21 Dec 2012	21 Dec 2022	1,019	1,007
HZL Komerční banky, a.s., CZ0002003064	6M PRIBOR plus 50 bps	CZK	14 Mar 2013	14 Mar 2018	1,741	1,745
Total mortgage bonds					13,187	11,030

Six-month PRIBOR was 37 bps as of 30 June 2017 (31 Dec 2016: 35 bps).

The average value of the interest rate swap sale in CZK for 5 years as of 30 June 2017 was 98 bps (31 Dec 2016: 52 bps).

The average value of the interest rate swap sale in CZK for 10 years as of 30 June 2017 was 127 bps (31 Dec 2016: 88 bps).

9 Provisions

Provisions comprise the following:

CZKm	30 Jun 2017	31 Dec 2016
Provisions for contracted commitments	461	473
Provisions for other credit commitments	1,141	1,241
Total provisions	1,602	1,714

The provisions for other credit commitments are held to cover credit risks associated with credit commitments issued. The provisions for contracted commitments principally comprise those for ongoing contracted contingent commitments, legal disputes, self-insurance, as well as provisions for loyalty and jubilee bonuses and the retirement benefits plan.

Set out below is a breakdown of the provisions for other credit commitments:

CZKm	30 Jun 2017	31 Dec 2016
Provisions for off-balance sheet commitments	1,005	1,206
Provisions for undrawn loan facilities	136	35
Total	1,141	1,241

Movements in the provisions for contracted commitments were as follow:

CZKm	Retirement benefits plan	Provisions for loyalty and jubilee bonuses	Other provisions for contracted commitments	Total
Balance as of 1 Jan 2017	323	2	148	473
Charge	12	0	18	30
Release	0	0	(8)	(8)
Use	(6)	0	(26)	(32)
Accrual	2	0	0	2
Remeasurement	0	0	0	0
Foreign exchange difference	0	0	(4)	(4)
Balance as of 30 Jun 2017	331	2	128	461

CZKm	Retirement benefits plan	Provisions for loyalty and jubilee bonuses	Other provisions for contracted commitments	Total
Balance as of 1 Jan 2016	201	2	175	378
Charge	6	0	15	21
Release	0	0	(36)	(36)
Use	(4)	0	(6)	(10)
Accrual	2	0	0	2
Remeasurement	0	0	0	0
Foreign exchange difference	0	0	0	0
Balance as of 30 Jun 2016	205	2	148	355

10 Commitments and contingent liabilities

Legal disputes

The Group conducted a review of legal proceedings outstanding against it as of 30 June 2017. 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 21 million for these legal disputes. The Group has also recorded a provision of CZK 10 million for costs associated with a potential payment of interest on the pursued claims.

As of 30 June 2017, the Group conducted a review of legal proceedings 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 the following:

CZKm	30 Jun 2017	31 Dec 2016
Non-payment guarantees, including commitments to issue non-payment guarantees	35,094	36,248
Payment guarantees, including commitments to issue payment guarantees	16,758	14,939
Committed facilities and unutilised overdrafts	9,711	9,476
Undrawn credit commitments	70,437	62,644
Unutilised overdrafts and approved overdraft loans	15,184	15,674
Unutilised limits under framework agreements to provide financial services	9,936	9,445
Open customer/import letters of credit uncovered	875	755
Standby letters of credit uncovered	1,332	1,091
Confirmed supplier/export letters of credit	137	22
Total contingent revocable and irrevocable commitments	159,464	150,294

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

CZKm	30 Jun 2017		31 Dec 2016	
	Carrying value	Fair value	Carrying value	Fair value
Food industry and agriculture	10,376		10,356	
Mining and extraction	1,429		668	
Chemical and pharmaceutical industry	3,860		3,622	
Metallurgy	4,982		4,692	
Automotive industry	1,279		1,501	
Manufacturing of other machinery	7,807		7,749	
Manufacturing of electrical and electronic equipment	2,212		2,468	
Other processing industry	1,741		2,014	
Power plants, gas plants and waterworks	3,720		4,674	
Construction industry	31,118		31,989	
Retail	3,436		3,731	
Wholesale	8,564		7,865	
Accommodation and catering	472		400	
Transportation, telecommunication and warehouses	10,144		9,292	
Banking and insurance industry	7,595		7,760	
Real estate	2,891		3,300	
Public administration	8,620		4,201	
Other industries	16,771		13,308	
Individuals	32,447		30,704	
Contingent liabilities	159,464		150,294	

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 on the Group's Statement of Financial Position at their fair values:

CZKm	30 Jun 2017		31 Dec 2016	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and current balances with central banks	214,365	214,365	112,241	112,241
Amounts due from banks	61,453	61,690	51,771	53,530
Loans and advances to customers	601,634	614,194	580,198	596,308
Held-to-maturity investments	60,630	64,464	65,462	69,585
Financial liabilities				
Amounts due to central banks	1	1	1	1
Amounts due to banks	88,166	88,123	54,124	54,125
Amounts due to customers	781,918	782,979	699,377	697,488
Securities issued	15,106	14,058	13,423	10,893

The following table presents the hierarchy of fair values for those financial assets and liabilities not presented on the Group's Statement of Financial Position at their fair values:

CZKm	30 Jun 2017				31 Dec 2016			
	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
Financial assets								
Cash and current balances with central banks	214,365	8,117	0	206,248	112,241	8,997	0	103,244
Amounts due from banks	61,690	0	0	61,690	53,530	0	0	53,530
Loans and advances to customers	614,194	0	0	614,194	596,308	0	0	596,308
Held-to-maturity investments	64,464	64,464	0	0	69,585	69,585	0	0
Financial liabilities								
Amounts due to central banks	1	0	0	1	1	0	0	1
Amounts due to banks	88,123	0	0	88,123	54,125	0	0	54,125
Amounts due to customers	782,979	0	0	782,979	697,488	0	0	697,488
Securities issued	14,058	0	0	14,058	10,893	0	0	10,893

12 Transfers between levels of the fair value hierarchy

There were no transfers between levels during the first half of 2017.

13 Events after the reporting period

No significant event occurred after the reporting period.

Ratings

Ratings of Komerční banka as of 30 June 2017*

RATING AGENCY	Short-term	Long-term
Standard & Poor's	A-1	A
Moody's	Prime-1	A2
Fitch	F1	A-

* KB was assigned a credit rating by rating agencies registered under Regulation of the European Parliament and Council Regulation (EC) No. 462/2013. KB has considered appointment of rating agencies in accordance with Article 8d of this Regulation and decided not to appoint a rating agency whose market share is smaller than 10%.

Shareholder structure

The share capital of Komerční banka totals CZK 19,004,926,000 and is divided into 190,049,260 ordinary shares admitted to trading on the European regulated market, each with a nominal value of CZK 100. All the Bank's shares carry the same rights.

As of 30 June 2017, the number of shareholders consisted of 46,224 legal entities and private individuals (+398 year on year), of which 41,036 were private individuals from the Czech Republic (+792 year on year). Strategic shareholder Société Générale maintained a 60.4% stake, and minority shareholders held 39.6% of KB's equity.

KB held in treasury 1,193,360 of its own shares, constituting 0.63% of the registered capital.

Major shareholders of Komerční banka owning more than 1% of the share capital as of 30 June 2017 (per the extract from the issuers register taken from the Central Securities Depository)

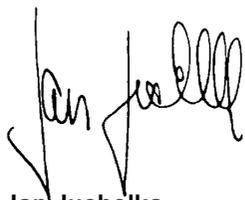
Shareholder	Proportion of share capital
Société Générale S.A.	60.35%
Nortrust Nominees Limited	3.96%
Chase Nominees Limited	3.59%
Brown Brothers Harriman	2.76%
Clearstream Banking S.A.	2.43%
State Street Bank and Trust Company	2.32%
GIC Private Limited	1.87%
J.P. Morgan Bank	1.45%
Other shareholders	21.28%

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 2017, as well as of the outlook for the development of the Bank's and Group's financial situation, business activities and results.

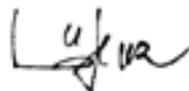
Prague, 28 August 2017

Signed on behalf of the Board of Directors:



Jan Juchelka

Chairman of the Board of Directors
and Chief Executive Officer



Libor Löfler

Member of the Board of Directors
and Senior Executive Director, Chief Operating Officer



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KB