

NA PARTNERSTVÍ ZÁLEŽÍ



# Half-Yearly Report 2015

Komerční banka, a.s.

## 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](http://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](http://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 Komerční banka Group

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 is a universal bank providing a wide range of services in retail, corporate and investment banking complemented by specialised financial services produced by KB’s subsidiaries or other SG Group companies.

Long-term partnerships with clients, high-quality advisory, proximity to the clients through its branch network and advanced direct banking channels and a comprehensive range of value-added products are KB’s strong competitive advantages.

KB Group operates in the Czech Republic and also provides services to corporate clients in Slovakia.

Komerční banka is the only Czech bank whose shares are publicly traded. As of 30 June 2015, the number of its shareholders totalled 42,834. Of these, 37,666 were individuals resident in the Czech Republic.

## 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 constant 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**

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 allows 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 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 how it does business and provides banking services can it hope to maintain and improve its position on the competitive banking market over the long term. The Bank also acknowledges that a fundamental prerequisite to successfully developing the company consists in the 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 Revision of the Code is available on the websites of the Ministry of Finance of the Czech Republic at [www.mfcr.cz](http://www.mfcr.cz) and of the Czech National Bank at [www.cnb.cz](http://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 should on the one hand eliminate any negative influence 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 focus is needed. It then adopts measures directed to effectively reducing its environmental impact.

## Highlights from 2015's first half

### January

As of 1 January 2015, the Transformed Fund (TF) managed by KB Penzijní společnost, which gathers supplementary pension insurance funds with government contribution, was deconsolidated from the consolidation group of Komerční banka. The fund is still administrated by KB Penzijní společnost, a fully owned subsidiary of the Bank. The deconsolidation of TF followed approval of a pertinent change in the Statutes of TF. That change limited KB Penzijní společnost's discretion when investing TF's funds into variable income instruments (such as equities and real estate).

### February

The Bank was the first on the Czech market to begin offering the MasterCard Business World credit card which pays back to a client's account 1% of the amount of transactions settled using the card.

KB Penzijní společnost merged KB Savings Conservative Participation Fund with KB Balanced Participation Fund (transferee fund). As of 1 February 2015, those participating in KB Savings Conservative Participation Fund automatically became participants in KB Balanced Participation Fund, unless they decided otherwise. The merger's aim was to increase the efficiency of portfolio management while complying with regulatory requirements.

### March

The Supervisory Board of Komerční banka elected Mr Libor Löffler as new member of the Board of Directors, effective from 1 April 2015. This change reflected the resignation of Pavel Čejka from the Board of Directors as of 31 March 2015 in connection with his assuming a management position within the International Banking and Financial Services Division of Société Générale Group.

The European Parliament adopted on 10 March 2015 a draft of the regulation on interchange fees for card-based payments. The aim of the regulation is to cap interchange fees for payments made using certain types of payment cards.

### April

The General Meeting approved KB's results for 2014, distribution of the 2014 profit (including the dividend payment of CZK 310 per share), elected Ms Sylvie Remond as member of the Supervisory Board, and decided upon changes in the Articles of Association. It also confirmed the Bank's authority to acquire its own shares into treasury.

Jana Hanušová was elected Chief Executive Officer at ESSOX.

To enhance security of their devices against malware infections and phishing attacks, KB provided its clients at no charge with a tool developed by IBM.

Once again in 2015, KB Penzijní společnost was named the Best Pension Fund in the Czech Republic. The recognition came from the Global Banking & Finance Review portal.

Komerční banka signed a Guarantee Facility agreement within the European Investment Bank Group's InnovFin programme. Through the new contract, KB will facilitate the financing of clients' innovative projects in a volume of CZK 4.2 billion.

SG Equipment Finance Czech Republic, s.r.o. (SGEF) signed an agreement with the Council of Europe Development Bank to support the financing of small and medium-sized enterprises' and municipalities' investments in the total amount of CZK 2.7 billion.

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

The Bank became the first in the Czech Republic to offer its clients full service in using SEPA (Single Euro Payments Area) Direct Debit service (SDD). Now, KB enables its clients to send and receive payments using SDD from and to a single euro-denominated account to and from European countries supporting this SEPA instrument.

### May

Joining forces with the Association of Small and Medium-Sized Enterprises, KB launched the third year of the Start up! grant programme for young and beginning entrepreneurs.

### June

KB and the European Investment Bank entered into an agreement enabling the Bank to continue offering more advantageous financing to companies providing work experience and opportunities for young people.

Deposits and withdrawals of foreign currency at no charge from Czech crown-denominated accounts became a regular service. The free deposits and withdrawals are for all currencies shown in Komerční banka's exchange rate list.

### July

On 1 July, an amendment to the law on pension savings came into effect that discontinued the possibility to enter the pension savings system (i.e. 2nd pillar). In July, the Czech Parliament also discussed a proposal for abolition of the 2nd pillar of the pension system from 2016.

## Macroeconomic development

Growth of the Czech economy picked up at the turn of 2014 to 2015. The performance in the first quarter was even exceptional, as real GDP added 4.0% year on year. Because this result was influenced by some one-off effects (such as those connected to changes in taxes on tobacco), a slight slowdown in economic momentum was expected to follow. In the second quarter, however, Czech economic growth surprisingly accelerated further to 4.4% year on year. This is among the most dynamic readings anywhere in the EU. More importantly, the growth is underpinned by healthy fundamentals, as evidenced by the development of gross value added. That economic growth is broadly based, is pulled by domestic demand and should be sustained through the remainder of 2015. Following 2.0% growth in the past year, Czech GDP should add 4.6% in real terms this year. That would be the strongest gain in the past eight years.

The structure of that growth shows a visible shift to domestic demand, particularly in comparison with the years prior to the crisis. Domestic consumption and investments are benefiting from the long-continuing relaxed monetary conditions, and from the end of 2014 there has been a further boost from fiscal policy. Due to a need to utilise EU funds available from the previous budgeting period before the end of this year, public investment activity will grow further in coming months. It is not just public investment that is improving but private investments as well, inter alia due to an increase in industrial production, and this will bring increased utilisation of production capacities. Industrial production in the first half expanded by almost 2%, led by growth in the automotive industry. Even in this sector, there is a visible shift from external to domestic demand. Local sales of passenger cars rose by 20.8% in the first six months while exports were up 7.1%. Stronger investment activity corresponds to improving performance in the construction sector. Mainly thanks to infrastructure projects, construction output reported cumulative growth of 9.6% for the first half of 2015. Due to the need to draw remaining European funds, more acceleration can be expected in the second half.

The current economic recovery is sufficiently robust to generate new jobs creation, and it is pressing down upon the unemployment rate. The total number of people employed hit a record high in the first half, and it should continue to rise. As a consequence, the unemployment rate should be declining through the rest of the year, even to below its so-called 'natural' level. This will lead in 2016 to nominal growth in wages of 3.6%, after the 2.4% gain expected this year. The improving labour market, in combination with easy fiscal policy that is increasing remuneration of government employees and social transfers, was reflected positively in retail sales (2.9% cumulatively in the first half)

as well as in real household consumption. The latter should expand by 2.7% in 2015, the most since 2008.

Inflation dynamics, meanwhile, have been rather surprising. While in the first quarter average inflation stood at just 0.1%, in the second quarter it was already 0.7%. Rising oil prices on world markets pulled up local fuel prices and the effects of last year's good harvest have now nearly played themselves out, thus freeing up food prices. Regulated prices brought no surprises, and core inflation reached 1.2% year on year in the second quarter. Overall inflation should quicken in the second half and reach 0.6% on average for the full 2015. The central bank's 2% inflation target should be achieved early next year and growth in prices should hover around this target level thereafter.

Strong and domestically driven economic growth, accelerating inflation and an increasing surplus on the current account of the payments balance are the factors which in July brought the exchange rate of the Czech crown very close to the level announced by the Czech National Bank, and forced the central bank directly to intervene on the market. The central bank's presence in the currency market can be expected to occur more commonly in coming months and quarters. We look for the CNB to use all necessary tools to meet its exchange rate commitment at least until the middle of 2016. We then expect the central bank to abandon its intervention regime at its meeting in August 2016. In case there would be a strong speculative attack on its exchange rate resolve, a decrease of monetary policy interest rates even to negative territory cannot be ruled out.

## Fulfilling KB's strategic priorities

Development of KB Group's businesses in the first half reflected the Group's strategy and the priorities presented to the Annual General Meeting in April. KB's strategy is founded on building long-term, mutually beneficial relationships with its clients, thereby allowing the Bank to identify dynamic changes in clients' needs and expectations while constantly adapting its services offer in accordance with this knowledge. KB is developing a universal-banking model focused upon meeting the financial needs of its clients.

Komerční Banka's development priorities comprise growth of lending in both retail and corporate segments. This was supported by ongoing refinements in credit granting, including a more segmented approach toward various client groups. High-quality advisory remains KB's strong competitive advantage across client segments, and KB was investing substantially in advancing its advisory and sales capacities while also simplifying the related banking processes. The Group is attentive to reflecting clients' expectations and technological changes into its client relationship management applications, the ultimate goal being to further boost its clients' satisfaction.

Toward adaptation to technological change, KB pursued several projects for upgrading selected key items of its IT infrastructure, thereby enabling it more agilely to develop and implement innovations. In line with its strategy to reinforce leadership on the Czech market through its multichannel approach to banking services, KB provided its clients with a state-of-the-art tool developed by IBM to secure their devices against malware infections and phishing attacks. Additional investments were also launched in reaction to the changing banking and economic environment – and most notably the increasing competition in the market – as well as to address new challenges coming from European and local regulatory initiatives, such as those targeting to protect taxpayers' money and client deposits in times of banking crisis.

In order to maintain its healthy profitability and overall financial soundness, Komerční banka continued its focus on operational efficiency and extracting synergies from co-operation within the Group, as well as with SG Group companies or other partners. This has not prevented KB from allocating sufficient resources to underpin the drivers of future growth. In line with previous years, KB has kept its capital adequacy and liquidity strong and fully compliant with the applicable standards. Risk Management is pursuing a prudent and balanced approach to all types of risks assumed. It aims to support development of the Group's

business activities, and that includes sustainably growing its lending activities while reinforcing the Group's market positions. The objective is to ensure profitable lending and market activities across the business cycle and, at the same time, to preserve the sound balance sheet.

## Business performance of KB Group

### Developments in the client portfolio and distribution networks

At the close of June 2015, KB Group was serving 2.5 million clients on a consolidated basis. Standalone KB recorded 1,637,000 clients (+1.7% year on year), of which 1,382,000 were individuals. The remaining 256,000 customers were comprised of entrepreneurs, businesses and corporations (including municipalities and associations). Modrá pyramida was attending to 537,000 customers, and the number of pension insurance participants at KB Penzijní společnost reached 550,000. ESSOX's services were being used by 253,000 active clients.

Komerční banka's clients had at their disposal 399 banking branches (including one branch for corporate clients in Slovakia), 762 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 1,310,000 by the end of June 2015 and corresponds to 80.0% of all clients. Customers held 1,597,000 active payment cards, of which 199,000 were credit cards. The number of active credit cards issued by ESSOX came to 122,000. Modrá pyramida's customers had at their disposal 215 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 provided by KB Group increased by 5.6% year on year to reach CZK 519.4 billion. Mortgages and loans to corporations in the Czech Republic remained the most important drivers of the year-on-year growth of the overall portfolio, joined more recently by consumer loans and lending to small businesses.

Loans to individuals: KB Group's total housing loans comprise mortgages provided by KB and loans from Modrá pyramida. The total volume of housing loans grew by 7.8% year on year, enabling KB Group to expand its share in this market segment. The portfolio of mortgages to individuals rose by 12.4% from the year earlier to CZK 170.0 billion. In the low-rate environment, clients still preferred mortgages over building savings loans, but the decline in the volume of Modrá pyramida's loan portfolio slowed to 9.4%, bringing that portfolio to CZK 37.0 billion. Simplified granting procedures helped

to accelerate the Bank's consumer lending. The overall volume of consumer loans provided by Komerční banka and ESSOX was up by 3.6% to CZK 29.8 billion.

The total volume of loans provided by KB Group to businesses rose by 4.2% to CZK 277.8 billion. Inclusive of factor finance outstanding at Factoring KB, the overall volume of credit granted by KB to medium-sized and large corporate clients in the Czech Republic and Slovakia advanced by 4.0% to CZK 225.2 billion. The underlying growth of lending to corporations was even slightly faster, as KB reclassified in the second quarter an exposure from client loans to 'Amounts due to banks', following a client's merger. KB's lending to small businesses picked up in the second quarter, and in a year-over-year comparison it was higher by 3.4%, at CZK 29.1 billion. Total credit and leasing amounts outstanding at SGEF expanded by 7.5% year over year to CZK 23.4 billion.

### Amounts due to customers and assets under management

The overall volume of deposits in KB Group rose by 7.5% year on year to CZK 646.1 billion, excluding the impact of a deconsolidation of clients' assets in the Transformed Fund of KB Penzijní společnost as of 1 January 2015 and volatile repo operations with clients<sup>1</sup>. Deposits at KB from individual clients grew by a strong 10.6% year over year to CZK 185.6 billion. The deposit book of Modrá pyramida diminished by 2.8% to CZK 70.1 billion. Total deposits from businesses and other corporations climbed by 8.0% to CZK 384.3 billion.

Client assets managed by KB Penzijní společnost grew by 11.7% to CZK 43.0 billion. Technical reserves in life insurance at Komerční pojišťovna expanded by 6.8% to CZK 43.5 billion. The volumes in mutual funds held by KB clients (and managed by IKS KB and Amundi) grew by 26.7% to CZK 42.9 billion.

1) The reported volume of amounts due to customers remained almost flat (-0.2% year over year) at CZK 655.2 billion.



## Financial performance of KB Group

### Profit and loss statement

As of 1 January 2015, the Transformed Fund managed by KB Penzijní společnost, which gathers funds for supplementary pension insurance with government contribution, was deconsolidated from the consolidating group of Komerční banka. The fund is still administrated by KB Penzijní společnost, a fully owned subsidiary of Komerční banka whose own consolidation has not changed and continues to be carried out on a line-by-line basis according to IFRS 10.

The deconsolidation affects year-on-year comparison of net banking income. The comments provided below on an “adjusted” basis exclude the contribution of the Transformed Fund to consolidated revenues in 2014, as well as a corresponding elimination from the income statement of the line ‘Share of profit of pension scheme beneficiaries’. The adjusted comparison is thus based on the same consolidation scope for both 2014 and 2015. There was no impact from the deconsolidation on reported operating expenses, cost of risk and net profit of KB Group.

Total net banking income adjusted for deconsolidation of the Transformed Fund increased by a slight 0.7% to CZK 15,007 million. KB Group was able to maintain stable revenues thanks to higher volumes of client business, mainly in relation to loans, deposits and other assets under management. This was in spite of the overall lower margins. Reported (unadjusted) net banking income was down by 1.0%.

Adjusted net interest income moved up by a slight 0.1% to CZK 10,223 million, thanks to dynamic growth in loan and deposit volumes which was offsetting the effect of diminishing yields from reinvesting deposits. Net interest income generated from reinvestment of deposits thus declined, while net interest income from loans picked up almost in line with growth in the lending portfolio. The net interest margin (NIM), computed as the ratio of net interest income to interest-earning assets, reached 2.48% in the first half of 2015. That compares to 2.67% adjusted NIM one year earlier. The unadjusted net interest income declined by 3.7%.

Net income from fees and commissions (adjusted) declined by 2.1% to CZK 3,486 million. The majority of KB's clients had already switched to new MojeOdměny account bundles providing rewards for their activity. Despite swelling client numbers, this led to a drop in fee income from deposit products. Fees from transactions were positively influenced by gains in overall transaction activity, most particularly in the number of payment card transactions. KB is including more and more transactions within its account packages, however, and clients also

prefer lower-priced direct banking channels. Transaction fee income thus declined slightly year over year. Fees from loans were down, even if lending expanded, as the portfolio comprised an increasing share of loans which are not charged administration fees. Fees from cross-selling were boosted by dynamic growth in the volumes of client savings in life insurance policies, pension funds and mutual funds. Solid activity in the areas of private banking, loan syndications and other services for corporations also contributed positively.

Net gains from financial operations grew by 15.8% to CZK 1,247 million. The improved activity in the economy was reflected positively in the number of financing deals and related demand of corporate clients for hedging financial as well as commodity price risks. The Bank successfully concluded several structured transactions during the first half. On the contrary, business with institutional clients suffered from sluggish activity on the bond market. Net gains from FX payments continued to reflect a narrowing of average spreads and cost optimisation by clients on conversions. The impact of the deconsolidation on this revenue line was immaterial.

Reported operating expenditures were up by 6.8% to CZK 6,754 million. The increase was mainly caused by creation of a CZK 409 million provision for the estimated amount of the Group's 2015 contribution to the Bank Resolution Fund, which will be established in accordance with the EU's Bank Recovery and Resolution Directive. The growth excluding this factor was a modest 0.3%. Personnel expenses rose by 1.2% to CZK 3,374 million while the average number of employees diminished by 1.4% to 8,422. General administrative expenses excluding the Resolution Fund provision, at CZK 2,093 million, decreased by 0.5% in comparison with the first half of 2014. The Group reinforced its marketing activities and IT support, and the main savings were achieved in the cost areas of real estate and telecommunications. The category ‘Depreciation, impairment and disposal of fixed assets’ declined by 1.0% to CZK 879 million, and this decrease was mainly due to the completed amortisation of certain software applications.

Gross operating income for the first half reached CZK 8,253 million, down by 3.8% on a basis adjusted for deconsolidation of the Transformed Fund. The unadjusted figure was lower by 6.5%.

The cost of risk dropped by 84.9% to CZK 118 million, which means 5 basis points in relative terms as measured over the average volume of the lending portfolio. Clients' repayment discipline was very good both in retail and corporate segments, influenced also by the favourable macroeconomic conditions. The Group was able to release provisions for certain non-standard exposures, thanks to



successful recovery and improvement in the financial situations of some clients or due to reduction in these exposures.

Income from shares in associated undertakings, which comprise KB's stake in Komerční pojišťovna, declined by a slight 1.1% to CZK 94 million.

Following deconsolidation of the Transformed Fund, the line 'Share of profit of pension scheme beneficiaries' ceased to be reported in the consolidated income statement. The amount was CZK 248 million a year ago. This change effectively offsets the decrease in net banking income also stemming from the deconsolidation.

Income taxes increased by 5.5% to CZK 1,376 million.

At CZK 6,853 million, KB Group's consolidated net profit for the first half of 2015 was higher by 4.0% in comparison with the same period in the prior year. Of this amount, CZK 213 million was profit attributable to holders of minority stakes in KB's subsidiaries (+3.9% year on year). Net attributable profit totalled CZK 6,640 million, which is 4.0% more than in the first half of 2014.

## Statement of financial position (balance sheet)

The comparison period for the balance sheet under IFRS is the end of the previous year. Therefore, unless otherwise indicated, the following text provides a comparison with the close of 2014.

As a result of the aforementioned deconsolidation of the Transformed Fund, the pro forma consolidated balance sheet as of 31 December 2014 contracts by CZK 41.4 billion. Smaller on the asset side are in particular the items 'Available-for-sale financial assets' (by CZK 35.4 billion), and 'Held-to-maturity investments' (by CZK 7.1 billion). On the other side of the balance sheet, the volume decreases mainly on the lines 'Amounts due to customers' (by CZK 40.2 billion), and 'Shareholders' equity' (by CZK 1.5 billion).

As of 30 June 2015, KB Group's total assets had declined by 6.6% for the year to date to CZK 890.6 billion. Adjusted for the deconsolidation, the total assets were smaller by 2.3%.

Amounts due from banks grew by 1.3% to CZK 60.5 billion. The largest component of this item consisted of term placements with other banks.

Financial assets at fair value through profit or loss decreased by 8.9% to CZK 38.2 billion. That portfolio comprises the Group's proprietary trading positions.

Total net loans and advances added 1.5% in comparison with the end of the previous year to reach CZK 502.2 billion. The gross amount of client loans and advances grew by 1.3% to CZK 519.4 billion. The share of standard loans within that total climbed to 93.2% (CZK 483.9 billion) while the proportion of loans rated watch was 1.7% (CZK 9.1 billion). Loans under special review (substandard, doubtful and loss) comprised 5.1% of the portfolio, with volume of CZK 26.4 billion. The volume of provisions created for

loans reached CZK 17.8 billion, which was 5.5% less than at the end of 2014.

The portfolio of financial assets available for sale (AFS) shrank by 43.9% to CZK 43.5 billion. The growth adjusted for the effect of the deconsolidation reached 3.4%. The volume of securities in the held-to-maturity (HTM) portfolio was down by 12.4% to CZK 67.0 billion. The decrease adjusted for the effect of the deconsolidation was 3.5%.

Of the CZK 43.5 billion total volume of debt securities in the AFS portfolio, Czech government bonds comprised CZK 20.3 billion and foreign government bonds CZK 5.9 billion. Of the HTM portfolio's CZK 67.0 billion in debt securities, Czech government bonds constituted CZK 56.8 billion and foreign government bonds CZK 10.2 billion.

The net book value of tangible fixed assets dropped by 2.1% to CZK 7.5 billion, while that of intangible fixed assets diminished by 2.9% to CZK 3.7 billion. Goodwill, which primarily derives from the acquisitions of Modrá pyramida, SGEF and ESSOX, remained unchanged at CZK 3.8 billion.

Total liabilities were 6.1% smaller in comparison to the end of 2014 and reached CZK 792.4 billion. Amounts due to customers declined by 6.6% to CZK 655.2 billion, and when adjusted for the effect of the deconsolidation the reduction was by 1.0%. The volume outstanding of issued securities grew by 3.2% to CZK 23.3 billion. The Group's liquidity as measured by the ratio of net loans to deposits was 76.6%.

Shareholders' equity dropped for the year to date by 10.3% to CZK 98.2 billion, as the generation of net profit was more than offset by the dividends payment (KB paid out CZK 11.8 billion in May). Revaluation gains on cash flow hedges decreased due to higher market interest rates in comparison with the end of 2014. The revaluation of the AFS portfolio (which represents primarily reinvestment of client deposits) declined as a result of deconsolidating the Transformed Fund, a pick-up in interest rates, and amortisation of the revaluation difference on securities reclassified from the AFS to HTM portfolio in 2014. As of 30 June 2015, KB held in treasury 238,672 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 65.5 billion as of 30 June 2015. 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%. From 1 January 2015, there has been in accordance with applicable regulations included into the regulatory capital base a contribution from a part of the revaluation reserve recognised within the equity account. This item, which pertains to disposable bonds in the AFS portfolio, amounted to CZK 1.7 billion. It contributed 42 basis points to the capital adequacy ratio.

As measured by the Liquidity Coverage Ratio, the level of KB's liquidity throughout the first half safely met requirements established by the Basel III framework.

## Expected development and main risks to that development in the second half of 2015

The baseline scenario for macroeconomic development in the second half of 2015 assumes that the Czech economy will remain on an upward path, fuelled by solid growth in household spending, fixed capital investment and government outlays. Czech exports should continue to be competitive on the country's main markets and their volume is expected to increase. Nevertheless, the dynamic domestic demand may lead to even faster growth in imports, thus slightly narrowing the country's trade surplus. In spite that the risk of deflation has probably been averted, the Czech National Bank is not expected in the remaining months of 2015 either to eliminate its exchange rate target for the Czech crown versus the euro or to begin raising its monetary policy rates from technical zero.

In the banking sector, the improved confidence of consumers and businesses should gradually be reflected in modest acceleration in demand for loans, and particularly in the heretofore subdued areas of consumer credit and lending to small and medium enterprises. The growth in lending should readily be covered by the free liquidity in the Czech banking sector from client deposits.

At mid-year, the main external risks seen for the development of the Czech economy were slowing of economic recovery in countries which are major trading partners of the Czech Republic or escalation of the crises in Ukraine or the Middle East. The Czech Republic does not itself suffer from substantial external imbalances, and the near-term position of public budgets, as well as the indebtedness of households and corporates, stand at healthy levels.

For the second half of 2015, Komerční banka's management expects the Group's loan portfolio will continue to expand at a rate year on year similar to that in the first half. Within the category of housing loans, building society loans will probably continue to be displaced by mortgages, although the declining trend in Modrá pyramida's own portfolio should slow. KB aims to outperform the market in growing its portfolios of consumer loans and loans to small businesses. Lending in corporate segments should be bolstered by the growing economy and dynamic investment activity.

The Group also expects the overall deposits volume to expand moderately in the second half of the year, influenced by consumers' increasing disposable income and good operating profitability of corporations. A priority for KB remains to grow non-banking assets under management, which means mainly mutual funds, life insurance and pension savings.

In the full year 2015, growing volumes of loans and deposits should offset the erosion of net interest margin caused primarily by the low interest rates prevailing on the market. The net interest income in 2015

should thus reach a level similar to that in 2014 after adjusting for the accounting impact of deconsolidating the transformed pension fund.

Income from fees and commissions is expected to decline slightly in comparison with 2014 (on an adjusted basis). The number of transactions should rise, as should the volumes of clients' non-bank savings and activity in the area of services for corporations, such as structured and syndicated financing and trade finance, as well as in private banking. These positives will probably be more than offset, however, by clients' continuing migration to account packages offering rewards, as well as to lower-cost direct banking channels. In December 2015, moreover, the level of interchange fees charged for payment card transactions will be capped at 0.2% for debit card and 0.3% for credit card transactions. That is in accordance with a regulation of the European Union, and it, too, will negatively influence the volume of collected fees.

The growing economy should be underpinning foreign payment traffic as well as clients' demand for hedging risks in relation to currencies, commodity prices and interest rates. This should mean the income from financial operations will reach at least the same or a better level than in the previous year.

In line with its strategy, the Group will continue its disciplined and rigorous cost management, with a focus on streamlining internal processes and extracting operational efficiencies and synergies. Putting aside the obligation to pay several hundred million crowns into the Resolution Fund, newly established in 2015 under the EU's Bank Recovery and Resolution Directive, and despite a slight increase in personnel costs, the overall level of operating expenditures will remain similar as in 2014.

The expanding economy and low market interest rates are both favourable factors for the quality of the loans portfolio. The cost of risk for 2015 is thus expected to be relatively low. The extremely low level achieved in the first half of 2015 is not expected to be sustainable over the medium-term, however. The cost of risk may be further affected by ambiguity in consumer protection regulation of consumer credit.

KB expects no changes in taxation that would alter the tax burden compared to the first half.

Komerční banka will endeavour to be efficient in managing the amount and structure of its capital while safely meeting all regulatory requirements. The management expects that KB Group operations will generate profit in 2015 sufficient to cover the Group's capital needs and for dividend payment in the previously announced range of 80–100% of the consolidated net profit attributable to shareholders.

## Developments in KB's corporate governance

The General Meeting held on 23 April 2015 approved the Board of Directors' report on the Bank's business activity and state of its assets for the year 2014 as presented. Moreover, the General Meeting approved the annual financial statements and consolidated financial statements for 2014, as well as the distribution of the net profit from 2014. The latter included a dividend payout of CZK 11.8 billion, which amounts to CZK 310 per share and a payout ratio of 90.7% of KB Group's attributable net profit. The corresponding gross dividend yield based on 2014's closing share price is 6.5%. The General meeting elected Ms Sylvie Remond as a member of the Supervisory Board. Shareholders decided again about the conditions for acquiring the Bank's shares into treasury. The General Meeting also appointed the company Deloitte Audit as Komerční banka's external auditor for 2015. Furthermore, the General Meeting decided upon amendments to the Bank's Articles of Association in order to ensure their compliance with the currently valid law.

In relation to his accepting a position within the International Banking and Financial Services Division of Société Générale Group, Mr Pavel Čejka resigned from the Board of Directors of Komerční banka with effect from 31 March 2015. The Supervisory Board accordingly elected Mr Libor Löfler as new member of the Board of Directors of Komerční banka with effect from 1 April 2015.

## Relationships among related parties

Parties are considered to be related if one party has the ability to control another party or exercise significant influence over the other party in making financial or operational decisions. The Group was controlled as of 30 June 2015 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 companies within the Group

As of 30 June 2015, the Group had deposits of CZK 697 million belonging to the associate Komerční pojišťovna, a.s. The positive fair value of financial derivatives totalled CZK 2,252 million and the negative fair value CZK 14 million. The book value of mortgage bonds issued by the Bank was CZK 817 million. Interest expense from financial derivatives amounted to CZK 617 million and interest income from financial derivatives came to CZK 773 million. Fee expense totalled CZK 35 million, fee income CZK 147 million, and insurance expense CZK 20 million.

### Amounts due to and from Société Générale Group entities

Principal balances due from Société Générale Group entities are as follow:

(CZKm)	30 Jun 2015	31 Dec 2014
ALD Automotive Czech Republic s.r.o.	3,003	3,773
BRD Romania	50	10
Rosbank	50	66
SG Bruxelles	19	20
SG Expressbank	11	2
SG Zürich	706	0
SG New York	3	0
SG Paris	10,824	13,123
SG Warsaw	0	257
SGA Société Générale Acceptance	3,098	3,295
Splitska Banka	6	3
SGBT Luxembourg	0	1
Société Générale Newedge UK Ltd	4	9
Société Générale (China) Ltd	42	45
ALD Automotive Slovakia s.r.o.	867	0
SG de Banques au Senegal	2	0
AMUNDI GROUP	4	0
<b>Total</b>	<b>18,689</b>	<b>20,604</b>

Principal balances due to Société Générale Group entities are as follow:

(CZKm)	30 Jun 2015	31 Dec 2014
ALD Automotive Czech Republic s.r.o.	185	0
BRD Romania	1	1
Credit du Nord	2	18
Inter Europe Conseil	5	4
Investiční kapitálová společnost KB	0	63
Pema Praha	6	2
Rosbank	0	1
SG Amsterdam	67	15
SG CONSUMER FINANCE	249	15
SG Cyprus LTD	0	15
SG Frankfurt	5	2,560
SG Expressbank	1	1
SG London	397	12
SG New York	1	4
SG Paris	21,047	28,842
SG Private Banking (Suisse) S.A.	335	334
SG Warsaw	81	334
SGBT Luxembourg	2,713	1,472
Splitska Banka	41	45
SOGEPROM Česká republika s.r.o.	7	7
SG de Banque au Liban	14	0
AMUNDI GROUP	3,436	0
SGSS Nantes	3	0
<b>Total</b>	<b>28,596</b>	33,745

Principal amounts due to and from the Société Générale Group entities comprise in particular balances of current and overdraft accounts, deposits on margin accounts, nostro and loro accounts, loans issued, 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 issued.

As of 30 June 2015, the Group also carried off-balance sheet exposures to the Société Générale Group, of which off-balance sheet notional assets and liabilities totalled CZK 238,303 million and CZK 282,692 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 2015, the Group also carried other amounts due to and from Société Générale Group entities, but these were not material.

During the period ended 30 June 2015, the Group received total income of CZK 11,690 million and incurred total expenses of CZK 9,968 million in relation to Société Générale Group entities. That income included mainly interest income from derivatives, fair value gains from financial derivatives, fees from advisory and assistance services, interest income from debt securities issued by Société Générale Group and income from interbank deposits. Expenses consisted especially of interest expense on derivatives, fair value losses from derivatives, losses from financial operations, expenses for assistance services and expenses for interbank deposits.

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

In respect of loans and guarantees as of 30 June 2015, the Group recorded loan receivables from loans granted to managers in key positions and members of the Supervisory Board totalling CZK 21 million. During the first half of 2015, new drawdowns of CZK 9 million were made under the loans granted. Loan repayments in the first half of 2015 totalled CZK 1 million.

## Report on financial results as of 30 June 2015 (in accordance with IFRS)

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**Consolidated Financial  
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## CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2015

### Consolidated Income Statement

(CZK m)	30 Jun 2015	30 Jun 2014
Interest income and similar income	14,511	15,708
Interest expense and similar expense	(4,290)	(5,095)
Income from dividends	2	0
<b>Net interest income and similar income</b>	<b>10,223</b>	10,613
Net fee and commission income	3,486	3,401
Net profit on financial operations	1,247	1,077
Other income	51	62
<b>Net operating income</b>	<b>15,007</b>	15,153
Personnel expenses	(3,374)	(3,334)
General administrative expenses	(2,501)	(2,103)
Depreciation, impairment and disposal of fixed assets	(879)	(888)
<b>Total operating expenses</b>	<b>(6,754)</b>	(6,325)
<b>Profit before allowances/provisions for loan and investment losses, other risk and income taxes</b>	<b>8,253</b>	8,828
Allowances for loan losses	(111)	(776)
Allowances for impairment of securities	0	0
Provisions for other risk expenses	(7)	(4)
<b>Cost of risk</b>	<b>(118)</b>	(780)
Income from share of associated companies	94	95
Profit attributable to exclusion of companies from consolidation	0	0
Share of profit of pension scheme beneficiaries	0	(248)
<b>Profit before income taxes</b>	<b>8,229</b>	7,895
Income taxes	(1,376)	(1,304)
<b>Net profit for the period</b>	<b>6,853</b>	6,591
Profit attributable to the non-controlling owners	213	205
Profit attributable to Group's equity holders	6,640	6,386
<b>Earnings per share/diluted earnings per share (in CZK)</b>	<b>175.77</b>	169.07

### Consolidated Statement of Comprehensive Income

(CZK m)	30 Jun 2015	30 Jun 2014
<b>Net profit for the period</b>	<b>6,853</b>	6,591
<b>Items that will not be reclassified to Income Statement</b>		
Remeasurement of retirement benefits plan, net of tax	0	0
<b>Items that may be reclassified subsequently to Income Statement</b>		
Cash flows hedging		
– Net fair value gain/(loss), net of tax	(2,812)	7,032
– Transfer to net profit/(loss), net of tax	(1,673)	(1,625)
Foreign exchange gain/(loss) on hedge of a foreign net investment	(1)	0
Net value gain/(loss) on available-for-sale financial assets, net of tax	(693)	545
Net value gain/(loss) on available-for-sale financial assets, net of tax (associated undertakings)	(56)	48
<b>Other comprehensive income for the period, net of tax</b>	<b>(5,235)</b>	6,000
<b>Comprehensive income for the period, net of tax</b>	<b>1,618</b>	12,591
Comprehensive income attributable to non-controlling owners	213	205
Comprehensive income attributable to Group's equity holders	1,405	12,386

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



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2015

(CZKm)	Note	30 Jun 2015	31 Dec 2014
<b>ASSETS</b>			
Cash and current balances with central banks		136,098	152,903
Financial assets at fair value through profit or loss		38,220	41,968
Positive fair value of hedging financial derivative transactions		22,984	29,216
Available-for-sale financial assets	4	43,478	77,440
Assets held for sale		97	63
Amounts due from banks		60,461	59,698
Loans and advances to customers	5	502,218	494,706
Revaluation differences on portfolios hedge items		21	29
Held-to-maturity investments	6	67,004	76,519
Income taxes receivable		261	233
Deferred tax assets		60	93
Prepayments, accrued income and other assets		3,696	3,983
Investments in associates and unconsolidated subsidiaries		1,132	1,234
Intangible fixed assets		3,650	3,758
Tangible fixed assets		7,506	7,666
Goodwill		3,752	3,752
<b>Total assets</b>		<b>890,638</b>	953,261
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Amounts due to central banks		2	2
Financial liabilities at fair value through profit or loss		20,624	23,470
Negative fair value of hedging financial derivative transactions		11,330	14,777
Amounts due to banks		54,014	61,360
Amounts due to customers		655,222	701,867
Revaluation differences on portfolios hedge items		342	761
Securities issued	8	23,296	22,584
Income taxes payable		49	109
Deferred tax liability		3,971	5,308
Accruals and other liabilities		21,965	12,181
Provisions	9	1,581	1,348
<b>Total liabilities</b>		<b>792,396</b>	843,767
Share capital		19,005	19,005
Share premium and reserves		75,582	87,358
Minority equity		3,655	3,131
<b>Total shareholders' equity</b>		<b>98,242</b>	109,494
<b>Total liabilities and shareholders' equity</b>		<b>890,638</b>	953,261

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

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2015

(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
<b>Balance as of 31 December 2014</b>	<b>19,005</b>	<b>64,734</b>	<b>(22)</b>	<b>15,980</b>	<b>6</b>	<b>6,660</b>	<b>106,363</b>	<b>3,131</b>	<b>109,494</b>
Deconsolidation of Transformed Fund***	0	0	0	(61)	0	(1,427)	(1,488)	0	(1,488)
Treasury shares, other	0	90	0	0	0	0	90	549	639
Payment of dividends	0	(11,783)	0	0	0	0	(11,783)	(238)	(12,021)
<b>Transactions with owners</b>	<b>0</b>	<b>(11,693)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(11,693)</b>	<b>311</b>	<b>(11,382)</b>
Profit for the period	0	6,640	0	0	0	0	6,640	213	6,853
Other comprehensive income for the period, net of tax	0	(56)**	0	(4,485)	(1)	(693)	(5,235)	0	(5,235)
<b>Comprehensive income for the period</b>	<b>0</b>	<b>6,584</b>	<b>0</b>	<b>(4,485)</b>	<b>(1)</b>	<b>(693)</b>	<b>1,405</b>	<b>213</b>	<b>1,618</b>
<b>Balance as of 30 June 2015</b>	<b>19,005</b>	<b>59,625</b>	<b>(22)</b>	<b>11,434</b>	<b>5</b>	<b>4,540</b>	<b>94,587</b>	<b>3,655</b>	<b>98,242</b>

\* Capital and reserve funds and retained earnings as of 30 Jun 2015 consist of statutory reserve funds in the amount of CZK 3,621 million (31 Dec 2014: CZK 3,621 million), other funds created from profit in the amount of CZK 1,369 million (31 Dec 2014: CZK 1,049 million), share premium and purchased treasury shares in the amount of CZK -667 million (31 Dec 2014: CZK -366 million), net profit from the period in the amount of CZK 6,639 million (31 Dec 2014: CZK 12,985 million) and retained earnings in the amount of CZK 48,663 million (31 Dec 2014: CZK 47,445 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).

\*\*\* As of 1 January 2015, the Transformovaný fond KB Penzijní společnost, a.s. (Transformed Fund) was deconsolidated from the consolidating group of Komerční banka (refer to Note 1).

(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
<b>Balance as of 31 December 2013</b>	<b>19,005</b>	<b>60,266</b>	<b>(9)</b>	<b>8,181</b>	<b>5</b>	<b>6,211</b>	<b>93,659</b>	<b>2,879</b>	<b>96,538</b>
Treasury shares, other	0	76	0	0	0	0	76	1	77
Payment of dividends	0	(8,742)	0	0	0	0	(8,742)	(126)	(8,868)
<b>Transactions with owners</b>	<b>0</b>	<b>(8,666)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(8,666)</b>	<b>(125)</b>	<b>(8,791)</b>
Profit for the period	0	6,386	0	0	0	0	6,386	205	6,591
Other comprehensive income for the period, net of tax	0	48**	0	5,407	0	545	6,000	0	5,998
<b>Comprehensive income for the period</b>	<b>0</b>	<b>6,434</b>	<b>0</b>	<b>5,407</b>	<b>0</b>	<b>545</b>	<b>12,386</b>	<b>205</b>	<b>12,591</b>
<b>Balance as of 30 June 2014</b>	<b>19,005</b>	<b>58,034</b>	<b>(9)</b>	<b>13,588</b>	<b>5</b>	<b>6,756</b>	<b>97,379</b>	<b>2,959</b>	<b>100,338</b>

\* Capital and reserve funds and retained earnings as of 30 Jun 2014 consist of statutory reserve funds in the amount of CZK 3,621 million (31 Dec 2013: CZK 3,621 million), other funds created from profit in the amount of CZK 1,049 million (31 Dec 2013: CZK 1,049 million), share premium and purchased treasury shares in the amount of CZK -407 million (31 Dec 2013: CZK -427 million), net profit from the period in the amount of CZK 6,386 million (31 Dec 2013: CZK 12,528 million) and retained earnings in the amount of CZK 47,385 million (31 Dec 2013: CZK 43,495 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 comprise an integral part of this Consolidated Statement of Changes in Shareholders' Equity.

## CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2015

(CZKmn)	30 Jun 2015	30 Jun 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest receipts	12,632	13,663
Interest payments	(6,431)	(4,840)
Commission and fee receipts	4,272	4,209
Commission and fee payments	(831)	(862)
Net income from financial transactions	1,741	(526)
Other income receipts	292	596
Payments to employees and suppliers, and other payments	(5,172)	(5,772)
<b>Operating cash flow before changes in operating assets and operating liabilities</b>	<b>6,503</b>	6,468
Due from banks	2,861	12,499
Financial assets at fair value through profit or loss	3,669	(2,303)
Loans and advances to customers	(12,343)	(693)
Other assets	(144)	(550)
<b>Total (increase)/decrease in operating assets</b>	<b>(5,957)</b>	8,953
Amounts due to banks	(5,696)	(7,493)
Financial liabilities at fair value through profit or loss	(2,845)	2,427
Amounts due to customers	(5,921)	7,865
Other liabilities	10,189	6,149
<b>Total increase/(decrease) in operating liabilities</b>	<b>(4,273)</b>	8,948
Net cash flow from operating activities before taxes	(3,727)	24,369
Income taxes paid	(1,563)	(2,071)
<b>Net cash flows from operating activities</b>	<b>(5,290)</b>	22,298
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	142	118
Purchase of held-to-maturity investments	(1,373)	(3,553)
Maturity of held-to-maturity investments*	4,733	2,603
Purchase of available-for-sale financial assets	(2,209)	(5,642)
Sale and maturity of available-for-sale financial assets*	403	5,182
Purchase of tangible and intangible assets	(604)	(273)
Sale of tangible and intangible assets	11	0
<b>Net cash flow from investing activities</b>	<b>1,103</b>	(1,565)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(11,616)	(8,616)
Dividends paid (non-controlling interest)	(238)	(126)
Securities issued	591	0
Securities redeemed*	(696)	(1,499)
Capital increased (non-controlling interest)	549	0
<b>Net cash flow from financing activities</b>	<b>(11,410)</b>	(10,241)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(15,597)</b>	10,492
Cash and cash equivalents at beginning of the period	138,698	43,365
Deconsolidation of Transformed Fund**	(419)	43,365
FX differences on cash and cash equivalents at beginning of year	17	5
<b>Cash and cash equivalents at end of the period</b>	<b>122,699</b>	53,862

\* This amount also includes coupons received and paid.

\*\* As of 1 January 2015, Transformovaný fond KB Penzijní společnost, a.s. (Transformed Fund) was deconsolidated from the consolidating group of Komerční banka (refer to Note 1).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS INCOME FOR THE PERIOD ENDED 30 JUNE 2015

### 1 Events in the period ended 30 June 2015

#### Dividends declared in respect of the year ended 31 December 2014

In accordance with a resolution of the Bank's General Shareholders' meeting held on 23 April 2015, Komerční banka paid out CZK 11,783 million (CZK 310 per share before tax) in dividends and the remaining balance of the net profit was allocated to retained earnings. Moreover, the Group paid out CZK 238 million in dividends to the non-controlling owners of ESSOX s.r.o.

#### Changes in equity investments in subsidiaries and associates in 2015

In May 2015, the Bank reduced the shareholders' equity in Bastion European Investments S.A. by EUR 3.2 million (equivalent to CZK 91 million). The decrease was initiated solely by the Bank, as the majority shareholder of Bastion European Investments S.A.

In June 2015, the Bank and SG Equipment Finance International GmbH increased shareholders' equity of SG Equipment Finance Czech Republic s.r.o. by CZK 1,100 million in the manner of increasing other capital funds. KB's contribution was CZK 551.1 million.

The presented Consolidated Financial Statements for the period ended 30 June 2015 are based on the current best estimates. The management of the Group believes that they present a true and fair view of the Group's financial results and financial position using all relevant and available information as of the financial statements date.

#### Deconsolidation of Transformovaný fond KB Penzijní společnost, a.s.

As of 1 January 2015, Transformovaný fond KB Penzijní společnost, a.s. (TF), managed by KB Penzijní společnost, which gathers funds of supplementary pension insurance with government contribution, was deconsolidated from the consolidating group of Komerční banka. The fund continues to be administrated by KB Penzijní společnost, a fully owned subsidiary of Komerční banka, whose own consolidation has not changed and continues to be carried out on a line-by-line basis according to IFRS 10.

The deconsolidation of TF followed approval by the Czech National Bank of a pertinent change in the Statutes of TF with effective date 1 January 2015. That change limits the discretion of KB Penzijní společnost for investments in variable income instruments (such as equities and real estate). Therefore, the probability of triggering the generic legal guarantee of KB with regard to potential negative annual yield of TF has been reduced. The three elements of control which must be met according to IFRS 10 in order to consolidate an entity in the parent's financial statements have not been fulfilled from that date.

As a result of the deconsolidation, the pro forma consolidated balance sheet as of 31 December 2014 contracts by CZK 41.4 billion. Smaller in particular are the items '*Amounts due to customers*' (by CZK 40.1 billion), '*Available-for-sale financial assets*' (by CZK 35.4 billion) and '*Held-to-maturity investments*' (by CZK 7.1 billion). Pro forma 2014 '*Net profit for the period*' is not changed, and only portions of the items '*Net interest income and similar income*' (change of CZK 0.8 billion) and '*Net fees and commission income*' (change of CZK 0.3 billion) are netted with the item '*Share of profit of pension scheme beneficiaries*' (change of CZK 0.5 billion).

#### Seasonality and unusual items

The Group's principal activities are not significantly influenced by seasonality and in the first half of 2015 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 the requirements of IAS 34 Interim Financial Reporting.

### 3 Segment reporting

(CZKm)	Retail banking		Corporate banking		Investment banking		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net interest income and similar income	5,773	6,261	3,413	3,484	68	64	969	804	10,223	10,613
Net fee and commission income	2,311	2,233	1,074	1,098	(33)	(22)	134	92	3,486	3,401
Net profit on financial operations	406	413	670	537	185	122	(14)	5	1,247	1,077
Other income	35	40	(3)	(8)	56	67	(37)	(37)	51	62
<b>Net operating income</b>	<b>8,525</b>	<b>8,947</b>	<b>5,154</b>	<b>5,111</b>	<b>276</b>	<b>231</b>	<b>1,052</b>	<b>864</b>	<b>15,007</b>	<b>15,153</b>

Given the specifics of banking activities, the Board of Directors of the Bank (the chief operating decision maker) is provided with information on other income, creation of provisions, 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 rate 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 2015		31 Dec 2014	
	Fair value	Cost*	Fair value	Cost*
<b>Shares and participation certificates</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>
Fixed income debt securities	28,401	25,613	54,576	49,377
Variable yield debt securities	15,076	14,462	22,862	22,308
<b>Total debt securities</b>	<b>43,477</b>	<b>40,075</b>	<b>77,438</b>	<b>71,685</b>
<b>Total available-for-sale financial assets</b>	<b>43,478</b>	<b>40,076</b>	<b>77,440</b>	<b>71,687</b>

\* 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 2015	31 Dec 2014
<b>Debt securities available for sale issued by:</b>		
– State institutions in the Czech Republic	20,314	39,911
– Foreign state institutions	5,914	9,107
– Financial institutions in the Czech Republic	16,413	20,117
– Foreign financial institutions	836	5,662
– Other entities in the Czech Republic	0	1,708
– Other foreign entities	0	933
<b>Total debt securities available for sale</b>	<b>43,477</b>	<b>77,438</b>

During the first half of 2015, the Group acquired bonds issued by state institutions in the Czech Republic with total nominal value of CZK 1,800 million.

During the first half of 2014, the Group acquired bonds with total nominal value of CZK 5,404 million, of which bonds issued by state institutions in the Czech Republic were in nominal value of CZK 3,780 million, bonds issued by foreign state institutions were EUR 45 million (equivalent to CZK 1,234 million), bonds issued by foreign financial institutions were EUR 3 million (equivalent to CZK 90 million) and bonds issued by other entities in the Czech Republic were CZK 300 million.

During the first half of 2014, the Group received regular repayment of debt securities at maturity in the aggregate nominal amount of CZK 1,023 million and EUR 115 million, a total CZK equivalent of CZK 4,182 million, of which CZK 1,023 million had been issued by state institutions in the Czech Republic, bonds with nominal value of EUR 95 million (equivalent to CZK 2,599 million) had been issued by foreign state institutions and bonds with nominal value of EUR 20 million (equivalent to CZK 560 million) had been issued by foreign financial institutions.

During the first half of 2014, the Group sold Czech government bonds with nominal value of EUR 8 million (equivalent to CZK 220 million).

#### Reclassification of certain debt securities held in the portfolio of 'Available-for-sale financial assets'

During the first quarter of 2014, the Group had begun to review the accounting recognition of certain debt securities issued by state institutions and held in the portfolio of 'Available-for-sale financial assets' (hereafter only "AFS") and which the Group intends to hold until their maturity. The Group concluded that all regulatory and accounting requirements, as well as internal limits, were satisfied for recognition of debt securities in the nominal value of CZK 56,596 million in the portfolio of 'Held-to-maturity investments' (hereafter only "HTM") and decided to reclassify the respective securities from AFS to HTM. The securities were reclassified at fair value. The corresponding unrealised gains or losses in the shareholders' equity of CZK 5,011 million are retained in 'Other Comprehensive Income'. Such amounts are amortised over the remaining lives of the securities.

## 5 Loans and advances to customers

Loans and advances to customers comprise the following:

(CZKm)	30 Jun 2015	31 Dec 2014
Loans to customers	514,992	510,353
Bills of exchange	286	318
Forfaits	355	673
<b>Total loans and advances to customers excluding bonds and other amounts due from customers, gross</b>	<b>515,633</b>	511,344
Debt securities	3,783	2,072
Other amounts due from customers	617	140
<b>Total loans and advances to customers, gross</b>	<b>520,033</b>	513,556
Provisions for loans to customers		
– individuals	(7,135)	(7,250)
– corporates*	(10,664)	(11,584)
<b>Total provisions for loans to customers</b>	<b>(17,799)</b>	(18,834)
Provisions for other amounts due from customers	(16)	(16)
<b>Total provisions for loans and other amounts due from customers</b>	<b>(17,815)</b>	(18,850)
<b>Total loans and advances to customers, net</b>	<b>502,218</b>	494,706

\* This item includes loans granted to individual entrepreneurs.

As of 30 June 2015, 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	Allowances
Standard	480,122	220,779	259,343	(150)	479,972	0%
Watch	9,086	3,102	5,984	(903)	8,183	15%
Substandard	6,865	4,196	2,669	(1,221)	5,644	46%
Doubtful	1,917	1,050	867	(785)	1,132	91%
Loss	17,643	1,195	16,448	(14,740)	2,903	90%
<b>Total</b>	<b>515,633</b>	<b>230,322</b>	<b>285,311</b>	<b>(17,799)</b>	<b>497,834</b>	

As of 31 December 2014, the loan portfolio of the Group (excluding 'Debt securities' and 'Other amounts due from customers') was comprised of the following, as broken down by classification:

(CZKm)	Gross receivable	Collateral applied	Net exposure	Allowances	Carrying value	Allowances
Standard	474,888	216,804	258,013	0	474,817	0%
Watch	9,689	3,535	6,154	(971)	8,718	16%
Substandard	6,955	3,942	3,013	(1,696)	5,259	56%
Doubtful	1,493	568	925	(721)	772	78%
Loss	18,319	1,257	17,133	(15,446)	2,944	90%
<b>Total</b>	<b>511,344</b>	<b>226,106</b>	<b>285,238</b>	<b>(18,834)</b>	<b>492,510</b>	

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

(CZKm)	30 Jun 2015	31 Dec 2014
Food industry and agriculture	16,179	17,077
Mining and extraction	3,087	3,914
Chemical and pharmaceutical industry	6,674	6,329
Metallurgy	10,455	9,728
Automotive industry	9,501	10,245
Manufacturing of other machinery	8,991	10,145
Manufacturing of electrical and electronic equipment	3,903	3,403
Other processing industry	9,452	7,827
Power plants, gas plants and waterworks	19,283	21,182
Construction industry	11,365	9,863
Retail	10,972	11,582
Wholesale	33,139	31,351
Accommodation and catering	1,064	996
Transportation, telecommunication and warehouses	23,535	23,255
Banking and insurance industry	13,556	20,269
Real estate	37,837	36,092
Public administration	34,238	33,908
Other industries	25,321	26,782
Individuals	237,081	227,396
<b>Loans to customers</b>	<b>515,633</b>	<b>511,344</b>



## 6 Held-to-maturity investments

The held-to-maturity investments comprise the following:

(CZKm)	30 Jun 2015		31 Dec 2014	
	Carrying value	Cost*	Carrying value	Cost*
Fixed income debt securities	67,004	65,920	76,519	74,780
<b>Total held-to-maturity investments</b>	<b>67,004</b>	<b>65,920</b>	<b>76,519</b>	<b>74,780</b>

\* Amortised acquisition cost.

As of 30 June 2015, the *'Held-to-maturity investments'* portfolio includes bonds issued by state institutions in the Czech Republic in the amount of CZK 56,846 million (2014: CZK 66,245 million) and CZK 10,158 million (2014: CZK 10,274 million) in bonds issued by foreign state institutions.

During the first half of 2015, the Group acquired bonds with nominal value of CZK 1,000 million and EUR 7 million (equivalent in total to CZK 1,194 million), of which CZK 1,000 million comprised bonds issued by state institutions in the Czech Republic and CZK 194 million bonds issued by foreign state institutions. During the first half of 2015, the Group received regular repayment at maturity of bonds issued by state institutions in the Czech Republic in the aggregate nominal value of CZK 1,380 million.

During the first half of 2014, the Group acquired bonds with a nominal value of CZK 2,740 million and EUR 13,5 million (equivalent to CZK 3,111 million), of which CZK 2,740 million comprised bonds issued by state institutions in the Czech Republic and CZK 371 million bonds issued by foreign state institutions. During the first half 2014, the Bank received regular repayment at maturity of bonds that had been issued by state institutions in the Czech Republic in the aggregate nominal value of EUR 25 million (equivalent in total to CZK 687 million).

During the first quarter of 2014, certain debt securities in the nominal value of CZK 56,596 million issued by state institutions and held in the portfolio of *'Available-for-sale financial assets'* were reclassified to the portfolio of *'Held to-maturity investments'*. The securities were reclassified at fair value. The corresponding unrealised gains or losses in the shareholders' equity of CZK 5,011 million are retained in 'Other Comprehensive Income'. Such amounts are amortised over the remaining lives of the securities.

## 7 Bonds issued by foreign state institutions

As of 30 June 2015, 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	681	5,130	5,811	763	5,154	5,917
Slovakia	3,371	4,903	8,274	3,996	5,112	9,108
EIB	1,000	0	1,000	1,155	0	1,155
France	0	0	0	0	0	0
<b>Total</b>	<b>5,052</b>	<b>10,033</b>	<b>15,085</b>	<b>5,914</b>	<b>10,266</b>	<b>16,180</b>

As of 31 December 2014, bonds issued by foreign state institutions designated as 'Available-for-sale financial assets' and as 'Held-to-maturity investments' comprised 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	1,265	5,001	6,266	1,447	5,111	6,558
Slovakia	5,416	5,039	10,455	6,209	5,163	11,372
EIB	1,250	0	1,250	1,451	0	1,451
France	0	0	0	0	0	0
<b>Total</b>	<b>7,931</b>	<b>10,040</b>	<b>17,971</b>	<b>9,107</b>	<b>10,274</b>	<b>19,381</b>

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

(CZKm) Country of Issuer	30 Jun 2015	31 Dec 2014
	Fair value	Fair value
Poland	33	63
Slovakia	3,901	2,402
EIB	51	85
<b>Total</b>	<b>3,985</b>	<b>2,550</b>

## 8 Securities issued

Securities issued comprise mortgage bonds of CZK 23,296 million. The Group issues mortgage bonds to fund its mortgage activities.

Debt securities according to their remaining time to maturity can be broken out as follows:

(CZKm)	30 Jun 2015	31 Dec 2014
In less than one year	11,661	11,682
In one to five years	1,730	1,731
In five to ten years	1,021	1,009
In ten to twenty years	0	0
in twenty to thirty years	8,884	8,162
<b>Total debt securities</b>	<b>23,296</b>	<b>22,584</b>

During the first half of 2015, the Group repurchased mortgage bonds with aggregate nominal volume of CZK 200 million and increased the nominal volume in issue by CZK 500 million.

The aforementioned debt securities include the following bonds issued by the Group:

Name	Interest rate	Currency	Issue date	Maturity date	30 Jun 2015 (CZK)	31 Dec 2014 (CZK)
HZL Komerční banka, a.s. CZ0002000565	3M PRIBID minus the greater of 10 bps or 10% of the value of 3M PRIBID	CZK	2 Aug 2005	2 Aug 2015	410	610
HZL Komerční banka, a.s. CZ0002000664	4.40%	CZK	21 Oct 2005	21 Oct 2015	11,251	11,072
HZL 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	8,884	8,162
HZL Komerční banka, a.s. CZ0002002801	2.55%	CZK	21 Dec 2012	21 Dec 2022	1,021	1,009
HZL Komerční banka, a.s. CZ0002003064	6M PRIBOR plus 50 bps	CZK	14 Mar 2013	14 Mar 2018	1,730	1,731
<b>Total bonds</b>					<b>23,296</b>	22,584

Three-month PRIBID was 3 bps as of 30 June 2015.

Six-month PRIBOR was 39 bps as of 30 June 2015.

The value of the interest rate swap CZK sale average for 10 years as of 30 June 2015 was 129 bps.

## 9 Provisions

Provisions comprise the following:

(CZK)	30 Jun 2015	31 Dec 2014
Provisions for contracted commitments	1,039	646
Provisions for other credit commitments	542	702
Provision for restructuring	0	0
<b>Total provisions</b>	<b>1,581</b>	1,348

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, termination of rental agreements, jubilee bonuses and retirement bonuses.

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

(CZK)	30 Jun 2015	31 Dec 2014
Provision for off-balance sheet commitments	477	625
Provision for undrawn loan facilities	65	77
<b>Total</b>	<b>542</b>	702

Movements in the provisions for contracted commitments and for restructuring were as follow:

(CZK)	Retirement benefits plan	Provisions for loyalty and jubilee bonuses	Other provisions for contracted commitments	Provisions for restructuring	Total
<b>Balance as of 1 January 2015</b>	<b>178</b>	<b>3</b>	<b>465</b>	<b>0</b>	<b>646</b>
Additions	6	0	443	6	449
Disposals	(5)	0	(54)	(5)	(59)
Accruals	1	0	0	1	1
Remeasurement	0	0	0	0	0
Foreign exchange differences	0	0	2	0	2
<b>Balance as of 30 June 2015</b>	<b>180</b>	<b>3</b>	<b>856</b>	<b>180</b>	<b>1,039</b>

(CZKm)	Retirement benefits plan	Provisions for loyalty and jubilee bonuses	Other provisions for contracted commitments	Provisions for restructuring	Total
<b>Balance as of 1 January 2014</b>	<b>160</b>	<b>3</b>	<b>410</b>	<b>0</b>	<b>573</b>
Additions	4	0	22	0	26
Disposals	(5)	(1)	(49)	0	(55)
Accruals	1	0	0	0	1
Remeasurement	0	0	0	0	0
Foreign exchange differences	0	0	0	0	0
<b>Balance as of 30 June 2014</b>	<b>160</b>	<b>2</b>	<b>383</b>	<b>0</b>	<b>545</b>

## 10 Commitments and contingent liabilities

### Legal disputes

The Group conducted a review of legal proceedings outstanding against it as of 30 June 2015. Pursuant to the review of significant litigation matters, and in terms of the risks of losses and the litigated amounts, the Group has recorded provisions of CZK 290 million for these legal disputes. The Group has also recorded provisions of CZK 46 million for costs associated with a potential payment of interest on the pursued claims.

As of 30 June 2015, the Group conducted a review of legal proceedings it had 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 2015	31 Dec 2014
Non-payment guarantees, including commitments to issued non-payment guarantees	35,527	36,302
Payment guarantees, including commitments to issued payment guarantees	13,313	11,952
Committed facilities and unutilised overdrafts	16,561	10,917
Undrawn credit commitments	53,352	40,260
Unutilised overdrafts and approved overdraft loans	12,967	12,613
Unutilised limits under framework agreements to provide financial services	13,293	11,992
Open customer/import letters of credit uncovered	775	618
Standby letters of credit uncovered	2,691	2,524
Confirmed supplier/export letters of credit	0	134
<b>Total contingent revocable and irrevocable commitments</b>	<b>148,479</b>	<b>127,312</b>

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

(CZKm)	30 Jun 2015	31 Dec 2014
Food industry and agriculture	8,595	8,374
Mining and extraction	4,586	784
Chemical and pharmaceutical industry	1,985	2,761
Metallurgy	5,209	4,328
Automotive industry	1,329	1,442
Manufacturing of other machinery	6,596	6,988
Manufacturing of electrical and electronic equipment	2,213	2,531
Other processing industry	1,725	1,856
Power plants, gas plants and waterworks	9,167	8,335
Construction industry	31,887	30,942
Retail	6,681	2,464
Wholesale	8,840	8,044
Accommodation and catering	345	364
Transportation, telecommunication and warehouses	9,951	5,059
Banking and insurance industry	4,565	3,479
Real estate	2,397	1,137
Public administration	4,070	4,149
Other industries	16,155	16,370
Individuals	22,183	17,905
<b>Contingent liabilities</b>	<b>148,479</b>	<b>127,312</b>

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 2015		31 Dec 2014	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Cash and current balances with central banks	136,098	136,098	152,903	152,903
Amounts due from banks	60,461	61,206	59,698	60,090
Loans and advances to customers	502,218	516,935	494,706	509,297
Held-to-maturity investments	67,004	70,382	76,519	80,873
<b>Financial liabilities</b>				
Amounts due to central banks	2	2	2	2
Amounts due to banks	54,014	54,030	61,360	61,380
Amounts due to customers	655,222	655,246	701,867	699,828
Securities issued	23,296	22,539	22,584	23,253

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 2015				31 Dec 2014			
	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>								
Cash and current balances with central banks	136,098	6,735	0	129,363	152,903	7,161	0	145,742
Amounts due from banks	61,206	0	0	61,206	60,090	0	0	60,090
Loans and advances to customers	516,935	0	0	516,935	509,297	0	0	509,297
Held-to-maturity investments	70,382	70,382	0	0	80,873	80,873	0	0
<b>Financial liabilities</b>								
Amounts due to central banks	2	0	0	2	2	0	0	2
Amounts due to banks	54,014	0	0	54,014	61,380	0	0	61,380
Amounts due to customers	655,222	0	0	655,222	699,828	0	0	699,828
Securities issued	23,296	0	0	23,296	23,253	0	0	23,253

## 12 Transfers between levels of the fair value hierarchy

There were no transfers between levels during the first half of 2015.

## 13 Events after the reporting period

No significant event occurred after the financial statements date.

## Ratings

As of 31 July 2015

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

The share capital of Komerční banka totals CZK 19,004,926,000 and is divided into 38,009,852 ordinary shares admitted to trading on the European regulated market, each with a nominal value of CZK 500. All the Bank's shares carry the same rights.

As of 30 June 2015, the number of shareholders comprised 42,834 legal entities and private individuals, of which 37,666 were private individuals from the Czech Republic. KB held in treasury 238,672 of its own shares, constituting 0.63% of the registered capital.

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

**The principal shareholders of Komerční banka, a.s. with over 3% of the share capital as of 30 June 2015:**

Shareholder	Proportion of share capital (%)
Société Générale S.A.	60.35
Nortrust Nominees Limited	4.93
Chase Nominees Limited	3.84



## 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 2015, and outlook for the development of the Bank's and Group's financial situation, business activities and results.

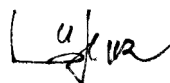
Prague, 27 August 2015

Signed on behalf of the Board of Directors:



**Peter Palečka**

Member of the Board of Directors  
and Senior Executive Director, Corporate Secretary



**Libor Löfler**

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

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