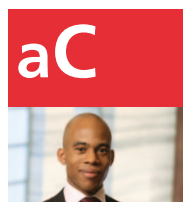
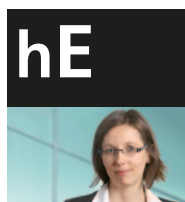
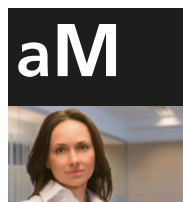
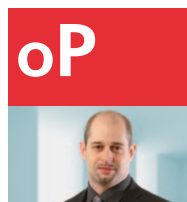
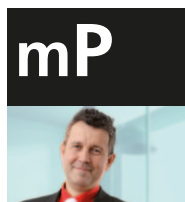
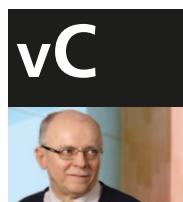
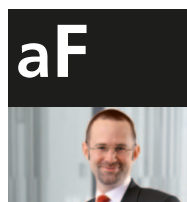


Our employees are
precious elements – our business
is built on them and they form
the basis of Komerční banka's success.



KB

KB Group
attends to
clients

2,670,000

Shareholders'
equity totalled
billion

CZK 74.9

The Group's capital
adequacy stands at
percent

16.1

Net profit
reached
billion

CZK 5.5

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Komerční banka, a.s. (hereinafter also “KB” or the “Bank”) is the parent company of KB Group (hereinafter also the “Group”) and also a member of the Société Générale Group. Komerční banka ranks among the leading banking institutions in the Czech Republic and Central and Eastern Europe. KB is a universal bank providing a wide range of services in retail, corporate and investment banking. Member companies of Komerční banka Group provide additional specialised financial services – such as pension fund and building society schemes, factoring, leasing, consumer lending and insurance. KB Group services are accessible through the Bank’s branch network, its direct banking channels, and through the sales networks of the subsidiaries.

HIGHLIGHTS FROM 2011'S FIRST HALF

01

Effective as of 1 January 2011, the Supervisory Board appointed Mr Aurélien Viry as a new member of Komerční banka's Board of Directors in charge of risk management. He replaced Didier Colin, who, after more than six years on the Bank's Board of Directors, assumed other responsibilities within the Société Générale Group.

Effective as of 1 January, a branch of Komerční banka, a.s. was established in the Slovak Republic. Cross-border merger by acquisition between Komerční banka and Komerční banka Bratislava preceded the branch's establishment, with Komerční banka becoming the acquiring company.

02

On 6 January 2011, KB Real Estate, s.r.o., a fully owned subsidiary of Komerční banka, was entered into the Commercial Register. The company was founded in connection with the acquisition and administration of KB's new office building in Prague.

After a pilot stage in the previous months, MojeOdměny (meaning "MyRewards"), a concept to reward clients for their loyalty and activity, was launched. In its first phase, KB refunds to clients the fee for one withdrawal from a KB ATM for every payment made at a retailer using a KB debit or credit card.

Komerční banka signed a third agreement with the European Investment Bank, the purpose of which is to support the financing of small and medium-sized enterprises in the Czech Republic. Thanks to the agreement, KB's corporate clients having fewer than 250 employees can obtain lower interest rates for business loans.

The magazine World Finance published the results for the traditional rating of the best pension funds in more than 30 countries of the world. In the Czech Republic, Penzijní fond Komerční banky was voted the winner.

03

Through KB Profilové fondy ("Profiled Funds"), Komerční banka introduced to its clients a modern method for investing their funds into pre-defined investment strategies. Without their needing to monitor securities prices, clients obtain a product by which their money is actively and efficiently managed.

Penzijní fond Komerční banky became one of the three largest pension funds in the Czech Republic by number of clients, which number surpassed 501,000.

In co-operation with leading companies in the Czech retail and telecommunication space, KB announced the launch of a project for contactless payments by telephone handset based on NFC technology. A pilot operation will commence in the middle of the year.

KB Group reported a net profit of CZK 5,478 million for the first six months of 2011. Gross volume of loans increased year on year by 9.4% to CZK 421.9 billion and volume of deposits rose by 1.9% to CZK 546.8 billion.

04

As part of developing its MojeOdměny concept, Komerční banka revised its offer of bank accounts at the beginning of April. New packages, MůjÚčet for individuals and Profi účet for companies and small businesses, offer attractive sets of accounts, insurance, cards and further services. The base price of the set is substantially decreased if a client actively uses other KB products. Those interested in MůjÚčet can apply for it on-line.

The Bank introduced two new types of credit card, specifically the A Card and Lady Card. The two new cards offer a number of supplementary services and benefits, such as discount schemes, insurance, assistance services, an extended warranty period, and contributions to private pension schemes amounting to 1% of the volume of non-cash card transactions.

KB received the prestigious "GTR Best Deals 2010" award from Global Trade Review magazine for the Bank's export credit to finance infrastructure and supply of special equipment and services in Azerbaijan.

At Komerční banka's Annual General Meeting, held on 21 April 2011, the shareholders approved a dividend payment of CZK 10,263 million. That is CZK 270 per share and represents a payout ratio of 77%.

The shareholders approved the Board of Directors' Report for 2010, the annual financial statements, as well as proposals for distributing the 2010 profit and the discretionary part of remuneration for members of the Board of Directors.

In addition, the General Meeting elected Mr Bernardo Sanchez Incera to the Supervisory Board with effect from 22 April 2011. The General Meeting also elected Mr Jean-Louis Mattei to the Audit Committee with effect from 22 April 2011.

The General Meeting extended KB's authorisation to acquire treasury shares representing up to 10% of its registered capital within the price range of CZK 500 to CZK 6,000.

05

Komerční banka Group announced its acquisition of a 50.1% ownership interest in SG Equipment Finance Czech Republic, s.r.o. for a purchase price of CZK 1,800 million. The firm is a leading provider of equipment and vendor financing in the Czech Republic and Slovakia. The acquisition will extend the offer of financing solutions to KB clients in the area of leasing and asset-backed loans.

06

Komerční banka introduced an opportunity to invest into a new fund, the KB Absolutních výnosů (Absolute Return) fund. The fund is intended for making short-term investments with potential for higher yield than from term deposits and saving accounts.

In the competition "Best Bank 2011", conducted by the financial newspaper Hospodářské noviny, KB won first place in the "Bank Innovator" category for its Lady Card. Moreover, KB placed second in the categories "Best Bank" and "Client Friendliest Bank".



Komerční banka considers corporate social responsibility to be one of the key factors for long-term success. It therefore naturally implements such responsibility into its business strategies and endeavours thereby to create value for clients, employees, business partners and shareholders.

The Bank has created rules of ethical conduct and compliance standards conforming to the most demanding standards in the financial sector. All KB employees pledge to uphold the rules of professional and ethical conduct expressed in KB's Ethical Code. By means of the Summary of Ethical Rules posted on the KB website, the Bank has begun during 2011 to introduce to its clients, business partners, shareholders and the general public the basic ethical values and principles to which KB Group adheres.

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

The Bank does not work with untrustworthy, non-transparent entities with risky reputations. It consistently applies rules and procedures to prevent KB from being misused for money laundering and financing of terrorism. This system of rules and procedures aims not only to expose cases related to money laundering or financing of terrorism, but also fundamentally to restrict access of potentially risky entities to Komerční banka's products and services.

KB does not enter into correspondent banking relationships with credit and similar institutions which are designated as shell institutions, or which do not sufficiently apply the know-your-client principles and procedures against legitimising the proceeds of crime and financing of terrorism.

Once again in 2011, KB is a partner of the Debt Advisory Center – Counselling in Stringency, a public service organisation dedicated to providing independent counselling free-of-charge in the area of consumer indebtedness, with the goal of increasing the population's financial literacy and legal awareness, as well as people's prudence regarding indebtedness.

Human Resources

Average number of employees in KB Group amounted to 8,869, in Komerční banka itself it was 7,780. This is a very diverse team consisting of women and men, recent graduates as well as employees with long experience, and various nationalities are represented among the staff.

KB perceives diversity of its employees as its strength. The combination of different experiences, ways of thinking and views of the world helps to make more effective decisions, encourages creativity and innovation. KB rigorously pursues a policy of equal opportunities and respects human rights. In order to increase the number of women in management, KB supports their career development through mentoring and networking.

The Bank introduces specific processes and instruments for individual populations of employees, thus allowing it better to respond to employees' individual expectations and needs. KB gives special consideration to employees on parental leave to enable them after return to build their previous careers, senior employees, the handicapped (who are granted the benefit of one extra day of vacation per quarter), students and graduates. The Bank provides a range of flexible working arrangements that help employees to balance work and personal life.

The Bank encourages its employees to contribute in designing new products and services and improving work processes. The seventh round of the My Idea competition was launched in mid-2011, which rewards the best proposals leading to increased quality of services. KB also gauges its employees' satisfaction on a regular basis, and the results of this exercise form the basis for new measures aiming to improve satisfaction.

Komerční banka has long supported various projects in the areas of culture, amateur sports, civic society and education.

Our long-term co-operation with prominent Czech universities, student organisations (AIESEC, IAESTE, Info-centre Ostrava), as well as certain vocational schools has been rewarded several times with the title "Most Desired Employer of the Year for University Graduates". KB also offers work experience during studies, support of various university projects, financial support, lectures, and more.

In the area of employee benefits, the Bank prefers financial security of its employees, thus contributing to the pension insurance and life insurance. Benefits also supplement vouchers for sport, culture, travel, health or education. The Bank provides its employees with financial aid on long-term sick leave and social aid in case of unexpected events in an employee's life.

Sponsoring

Komerční banka has long supported various projects in the areas of culture, amateur sports, civic society and education. Czech culture represents the main focus of KB's sponsorship activities.

The largest project is the provision of comprehensive support for the artistic activities of the Czech National Theatre, a symbol of Czech identity and cultural history. The co-operation with the National Theatre enters its 10th anniversary season in 2011.

In the first half of the year, Komerční banka also provided support to the KorresponDance festival of contemporary European dance. Ten choreographers from the Czech Republic, Slovakia, France and Germany presented their works at the festival.

Modrá pyramida was a partner in the international classical music festival Concentus Moraviae during the first half of 2011. The festival's concerts were held in more than a dozen cities and towns in South Moravia and the Vysočina Region.

Meanwhile, KB has continued its long-term co-operation with zoos in Prague, Ostrava and Jihlava. In spring, another half-season of the sporting-social project "Sport without Prejudice" took place, wherein children from elementary schools across the Czech Republic were able to try out various sporting disciplines.

Annual support is also provided to athletes with disabilities, the Czech Wheelchair Rugby Association, the Wheelchair Athletics Civic Association, as well as for their representational activities. Komerční banka is also the main partner of the country's KB Czech Wheelchair Athletics Cup competition.



Financial contributions from KB Group employees helped to return wild Przewalski's horses to their native Mongolia.

Volunteer Activities

In co-operation with Prague Zoo, Komerční banka has prepared the possibility to participate in an extraordinary project, "The Return of Wild Horses". Financial contributions from KB Group employees allowed the transport of Przewalski's horses to Mongolia. The collection will continue through the end of September.

Voluntary aid was also directed to the African continent. In spring 2011 Komerční banka, in co-operation with the Abbott health care institution and the non-profit organisation ADRA, organised a collection of old auto first aid kits. Older, but still functional medical materials will thus serve very well in a hospital in Itibo, Kenya. KB Group employees have donated a total of 500 first aid kits.

Other KB Group employees contributed to a blood drive project. In May and June, 40 employees donated blood as part of events organised by KB.

Charity

Charity activities at Komerční banka are managed under and co-ordinated by the KB – Jistota Foundation, which supported several dozen projects in the first half of 2011. The Jistota Foundation is fully managed by KB employees, and most of its resources are provided by Komerční banka and supplemented by contributions from KB Group employees.

Early this year, the Jistota Foundation and the Group's employees responded to the catastrophic situation following the devastating tsunami in Japan with a donation of CZK 250,000 for the affected areas. Jistota has donated CZK 500,000 to support education in the form of language courses for children from foster families and underprivileged families through the Endowment Fund of Livia and Václav Klaus.

As part of its support for children with disabilities, the Jistota Foundation supported projects of schools that provide care for the seriously physically disabled. Aid in a total amount of CZK 400,000 was directed to the institutions Daneta and Pointepo in the form of interior furnishings and complete facilities for a children's playground.

Proceeds from the employees' photography auction "The World in Green" were also handed over in the first half of 2011. Proceeds from the auctioned photographs and contribution of the Jistota Foundation totalled CZK 70,811 and was directed to purchasing medical equipment for the Paediatric Haematology and Oncology Clinic of University Hospital Motol.

The KB Foundation has continued in its co-operation with Linet, a manufacturer of hospital beds, in order to further expand its support for hospices and long-term care hospitals. Linet will provide a 30% discount on purchases of beds that the Jistota Foundation will donate.

Modrá pyramida already has a tradition as a partner of the Modrý klíč school, which helps children and adults with mental and combined disabilities. This year it initiated co-operation with the Zdravotní klaun ("Medical Clown") association through the project Cirkus Paciento, the aim of which is to make sick children's hospital stays a little bit easier.

Sustainable Development

Komerční banka is aware of the influence its activities have on the environment within which it operates and accordingly considers it important to act responsibly. KB therefore adopts adequate measures aimed, on the one hand, to eliminate negative impacts on the environment and, on the other, to contribute to its protection and improvement.

KB monitors its impact on the environment and identifies areas upon which focus is needed. It then adopts measures leading to effectively reducing negative environmental impacts.

The selection of cars in KB's vehicle fleet is conditioned upon environmental criteria, and their number has been reduced in recent years. Komerční banka also supports employees' cycling to work. It has installed bicycle stands in the buildings of its headquarters as well as its branches so that employees are able to use bicycles as an effective means of transport. KB employees also have participated in the Green Kilometres Competition. Videoconferencing is used instead of business trips whenever possible.

To achieve energy savings, KB prefers technological equipment conforming to environmental requirements (A-class, eco...). It uses LED light bulbs and motion detectors where possible. Since the start of 2011, 100% of the electricity that Komerční banka buys from its suppliers is Green Energy. The Bank is meticulous in electronic waste separation and recycling, while ordinary waste is separated at the headquarters buildings and Liberec call centre.

Komerční banka continues successfully in reducing its paper consumption. All its printers have been set for double-sided printing, and every employee has access to at least one double-sided printer. It also co-operates with its office paper supplier, the company Office Depot, in the "Trees for Life" programme. The supplier plants a tree for every 50 packages of paper purchased.

"Green products"

Several of the financial products offered at KB are specifically designed with the environment in mind. For financing reconstructions and restorations of houses and apartment buildings, KB offers the advantageous EKO mortgages and EKO loans within the Ministry of the Environment's programme for energy savings and use of renewable resources..

MACROECONOMIC DEVELOPMENT IN THE FIRST HALF OF 2011

Moderate economic recovery continued in the first half of 2011. The economic outlook nevertheless remains uncertain, with the risks currently stemming mainly from the sovereign debt problems in several countries in Europe and elsewhere.

Although it was expected that the economic recovery would continue in 2011, maintaining the course set in 2010, the newsflow in the first half was rather mixed. Export-oriented euro area members benefited from rising demand in emerging countries. Germany in particular experienced an excellent first quarter, with GDP surging 1.5% quarter on quarter. As Czech industry is closely linked to the German economy, the Czech Republic thus profited from the economic expansion in this most important trading partner.

The situation on the EMU periphery, however, disappointed the markets as the debt crisis there deepened. More countries (Portugal, Ireland) were forced to resort to the other euro zone governments and IMF for financial assistance, while the larger economies of Spain and Italy also have come under threat. While a summit of EMU leaders at the end of July produced agreement on a relief plan for Greece, there has been no sign of a long-term solution to the debt issues. Developments in the peripheral euro zone countries (Portugal, Ireland, Italy, Greece and Spain) remain the most urgent problem of the EMU, as the possible insolvency of such large countries would threaten the banking sector and possibly lead to another recession in EU countries.

Neither was there much good news from the other shore of the Atlantic. Not even the second round of quantitative easing steered the U.S. economy toward solid growth. The Fed, the U.S. central bank, thus prefers to maintain loose monetary conditions. Moreover, the United States also is affected by a debt crisis. In general, slow resolution of the debt problems has led to increased nervousness on financial markets, among companies and consumers alike. The uncertainty itself is causing higher volatility on financial markets, thus increasing yields on bonds of affected countries while reducing investment spending by companies and households. Nor was the

Asian region insulated from difficulties. Although Chinese GDP continued to grow strongly, government authorities were worried by surging inflation and the increasing number of non-performing loans from residential and infrastructure construction projects. Eventually, the banking sector losses may cause a slowdown in future lending and deceleration in the GDP growth rate.

The Czech Republic's gross domestic product rose by 0.9% quarter on quarter in Q1 2011, despite fiscal consolidation and the end of the solar energy boom. This marked the seventh consecutive quarter of positive growth. Although German expansion helped Czech industrial sectors, a decline was recorded in construction, which faces a poor situation on the housing market and, for the future, an expected decline in infrastructure spending. After a series of declines in value added within the agricultural sector last year, the first quarter showed signs of improvement. In the coming quarters, the agricultural sector should benefit from a better harvest, as the first harvest estimates suggest. Private services also posted solid growth in the beginning of this year, as they generally react with some lag to export-driven economic recovery. The Czech economy is expected to have grown further in the second quarter, albeit at a slower pace than in the first three months. The main reason is a smaller contribution from industry. Global industrial production in general was negatively affected by a temporary sub-supply interruption in Japan.

The labour market gradually improved in the first half, especially due to higher industrial sector demand. The unemployment rate thus declined from 9.7% in January to 8.1% in July, and a significant improvement of 1.1 percentage points was recorded even on seasonally adjusted data. The jobseeker/vacancy ratio and number of people receiving unemployment benefits gradually decreased as well.

The improving labour market situation has not yet been reflected in any improvement of household consumption. The average year-on-year increase in retail sales amounted to just 1.8% in the first five months of the year. Robust growth was recorded only in the automobile sales segment, with an average increase of about 10%. Households are still cautious about their spending, and fiscal consolidation has also played its role as this year it has affected social benefits as well as public sector wages.

The domestic economy was hindered by ongoing fiscal consolidation, as the government targets a balanced public budget in 2016. On the table are fundamental reforms of the pension and health care systems. The so-called “small” pension reform, i.e. a gradual raising of the retirement age, has already passed through Parliament. A “big” pension reform (introduction of the second pillar) and health care reform are being discussed in the lower house.

Year-on-year growth in domestic consumer prices accelerated slightly in the first half of 2011 from 1.6% in January to 1.8% in June. Inflation is still below the CNB target of 2.0%. On a month-on-month basis, fuel prices continued to rise up to May due to higher oil prices. Food prices posted a similar development, driven by poorer harvests both at home and abroad. As has become the trend, regulated prices also increased (rent, electricity, gas, heat, water and sewerage, etc.). Growth in prices of other goods and services has remained subdued, however, as domestic demand-inflation pressures are non-existent and unit labour costs are still declining.

The Czech National Bank has therefore kept its key interest rate at the record-low level of 0.75% that was set in May 2010. The CNB forecast points to a possible first rate hike in the last quarter of 2011. We may witness no increase in interest rates this year, however, should the debt crisis escalate further. Despite the EMU debt problems, the current exchange rate trend has been among the calmest in the past several years. From the beginning of the second quarter, the Czech currency was virtually steady. The relatively solid domestic macroeconomic environment, progress in reforms and the related fiscal outlook, as well as an absence of speculative capital flows were all behind the Czech currency's stability. In particular, however, this results from the unattractive interest rates in the Czech economy.

Moderate economic recovery accompanied by similarly rising loans demand continued in the first half of 2011. Lending was supported by continuing low interest rates and, in financing of residential property, by expectations for increased VAT on new housing.

Rising industrial capacity utilisation encouraged companies to begin investing into their production facilities. The economic outlook nevertheless remains uncertain, and, despite some improvement, a high level of unemployment persists. This has a negative impact on demand for banking services.

Komerční banka's strategy remains founded on an assumption of long-term convergence of the Czech Republic's society, economy and banking towards levels similar to those of Western European countries. KB is developing its universal banking model so that it can fully participate in the growth of the economy and take advantage of the significant medium-term potential for products and services on both retail and corporate banking markets.

Clients and Network

As of the end of June 2011, KB Group was serving 2.67 million clients on consolidated base. Standalone KB recorded 1,577,000 clients, of which 1,312,000 were individuals. The remaining 266,000 customers comprised entrepreneurs, businesses and corporations (including municipalities and associations). Modrá pyramida was serving 669,000 customers and the number of pension insurance participants at Penzijní fond reached almost 500,000. The services of ESSOX were being used by 295,000 active clients.

Komerční banka's clients had at their disposal 396 banking branches, 686 ATMs, and full-featured direct banking channels supported by two call centres. The number of clients using at least one direct banking channel, such as internet or telephone banking, reached 1,020,000 at the end of the quarter, which represents 65.0% of all clients. Customers held 1,670,000 active payment cards, of which 222,000 were credit cards. The number of active credit cards issued by ESSOX reached 159,000, and consumer financing from ESSOX was available through the network of 3,200 merchants. Modrá pyramida's customers had at their disposal 239 points of sale and 1,300 advisors.

Financial Products and Services

Total gross volume of loans provided by KB Group as of the end of June 2011 increased year on year by 9.4% to CZK 421.9 billion. The loans growth excluding the SGEF acquisition reached 6.1%.

In particular, growth in the volume of mortgages to individuals accelerated, as the total portfolio rose by 11.0% to CZK 115.7 billion. Komerční banka increased its new mortgages sales in the first half of 2011 by 49.3% to CZK 15.0 billion. The loan portfolio at Modrá pyramida grew by 6.3% to reach CZK 50.6 billion. The outstanding volume of consumer lending provided by KB and by ESSOX reversed an earlier downward trend during the second quarter. Nevertheless, the volume decreased by 0.6% year on year to CZK 28.3 billion as of the end of June.

Within business segments, consolidated lending grew by 11.5% (by 5.1% excluding the SGEF acquisition). The Bank's lending to small businesses increased by a relatively rapid 8.2% to CZK 26.6 billion. Loans to corporate clients expanded by a moderate 0.9% to CZK 178.0 billion. The volume of factor financing at Factoring KB rose by 22.8% to CZK 2.2 billion, while SGEF outstandings totalled CZK 19.2 billion.

The consolidated volume of deposits totalled CZK 546.8 billion, which is 1.9% more compared to the end of June 2010. A successful saving accounts offer drove the overall volume of deposits from individuals up by 2.7% to CZK 156.3 billion. The volume of clients' assets registered with Penzijní fond KB rose by a dynamic 6.6% to CZK 29.7 billion. Due to the successful "Wise Savings" campaign, deposits at the building society Modrá pyramida grew by 2.8% to CZK 70.4 billion. Deposits of business clients at Komerční banka increased by 0.3% to CZK 281.9 billion.

The volume of technical reserves in life insurance at Komerční pojišťovna grew by 35.5% to CZK 22.4 billion. Written insurance premiums declined by 21.5% compared to the extraordinary figures achieved in 2010, to CZK 4.2 billion. From this total, premiums for life insurance contributed CZK 4.0 billion.

Sales of IKS mutual funds through Komerční banka increased by 17.0% to CZK 2.1 billion.

Endeavouring to lead in improving customer services, Komerční banka brought several innovations to the Czech market.

In co-operation with other important companies, KB launched a pilot project for contactless payments involving real users in the Czech Republic. The new technology transfers payment functions from conventional payment cards to mobile telephone SIM cards, which further enhances payment security and comfort.

In co-operation with Komerční pojišťovna, Komerční banka offered new accident insurance products: My Payment Protection Insurance for individuals and Profi Payment Protection Insurance for business owners. The products are intended to provide money covering regular monthly payments in cases of long-term incapacity for work, disability, accidental death, or loss of employment.

Komerční banka introduced a new fund, the KB Absolute Return fund. It is intended for clients who want to invest their money and achieve higher returns than are possible from term deposits and saving accounts. IKS KB is manager of the fund.

In June, KB was recognised for its Lady Card product as "Bank Innovator 2011" in the "Best Bank 2011" competition conducted by Hospodářské noviny.

COMMENTS ON CONSOLIDATED FINANCIAL RESULTS

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

Komerční banka Group reported a net profit of CZK 5,478 million for the first six months of 2011, which represents a decrease of 15.5% in comparison with the same period of 2010. The decrease is due to CZK 1,663 million impairment relating to Greek government bonds. On the other hand, net profit was enhanced for the first time by a contribution from the newly acquired subsidiary SG Equipment Finance. Net profit adjusted for the one-off impacts improved by 7.5% to CZK 6,777 million. A significant year-on-year reduction in cost of risk of lending was the main factor driving growth in the adjusted profits. Revenues increased marginally. Komerční banka's investments into projects for improving service quality and into product innovations brought an increase in operating expenses. Gross volume of loans increased year on year by 9.4% to CZK 421.9 billion and volume of deposits rose by 1.9% to CZK 546.8 billion.

Profit and Loss Statement

Total net banking income rose by 0.8% year on year in the first half of 2011 to CZK 16,118 million. The growth was positively impacted by the acquisition of SGEF CR and by a slight increase in net interest income.

Net interest income, the most important contributor to total revenues, increased by 2.2% to CZK 10,941 million. The Group recorded a gain in interest income in an environment of low interest rates due to higher loan and deposit volumes. The result was negatively affected by year-on-year growth in the statutory contribution to the Deposit Insurance Fund. The average net interest margin remained unchanged at 3.3%.

Net income from fees and commissions declined by 0.5% to CZK 3,748 million as a result of a decrease in the average prices for transaction and maintenance fees. On the other hand, a growing number and volumes of loans in retail banking and fees from cross-selling, particularly in relation to life insurance, contributed most to the growth. As a result of higher sales, significantly increased commissions were paid to third parties for intermediating mortgages.

Net gains from financial operations decreased by 5.6% to CZK 1,386 million. Liquidity on the financial markets

remained subdued and the clients' demand for hedging products was recovering only slowly. Due to lower average spreads, revenues from FX payments decreased slightly.

Investments into improving the services provided, strengthening market position, and increasing efficiency led to a slight increase in operating costs. Total operating costs rose 7.3% year on year. However, the comparative base from the first half of 2010 was affected by a positive one-off item under staff costs and a positive result from the sale of several buildings. The acquisition of SGEF was also reflected in the costs. Personnel costs grew by 9.7% to CZK 3,258 million. If non-recurring items are excluded, the growth was affected by slight increase in the average number of employees and wages. The average number of employees expanded by 0.5%. Administrative costs grew by 2.0%, due to cost increases in marketing and an improvement of employees' skills. Costs under the item "Depreciation, impairment and disposal of fixed assets" were up by 14.9% to CZK 854 million, due to a positive result of CZK 62 million from the Bank's sale of unused buildings in the last year and due to new investments into software.

Gross operating income for the first half of 2011 decreased by 3.3% year on year to CZK 9,569 million.

Overall risk costs increased by 53.3% year on year to CZK 2,706 million due to the impairment of Greek government bonds held in the banking book of Komerční banka. Cost of risk of lending fell by 41.0% year on year to CZK 1,042 million as credit risk costs had been still high in the first half of 2010 due to the crisis. Moreover, Komerční banka was able this year to release provisions upon successfully restructuring corporate exposures that had been long in default. The trend in risk costs, after adjusting for one-offs, remained stable, as the corporate segment continued to improve while in the retail segment the situation was still burdened by high unemployment and deteriorated recovery performance in mortgages. The total cost of risk in relative terms grew to 133 basis points in the first half of 2011 versus 92 basis points in the same period of last

year (comparing the creation of reserves and provisions vis-à-vis average volume of loans).

Income taxes dropped by 24.8% to CZK 1,009 million. KB Group's consolidated net profit for the first half of 2011 reached CZK 5,571 million, which was 14.6% lower than in the same period of last year. Of this, CZK 94 million was profit attributable to minority interests (in subsidiaries) and the profit attributable to the Bank's shareholders amounted to CZK 5,478 million (down 15.5% year on year).

Balance Sheet

The comparison period in the balance sheet under IFRS is the end of the previous year. Therefore, the following text provides a comparison with the close of 2010, unless otherwise indicated.

The volume of KB Group's total assets as of 30 June 2011 increased by 3.8% relative to the end of 2010 to CZK 724.2 billion.

Amounts due from banks expanded by 4.1% to CZK 116.7 billion. The largest component of this item is loans provided to central banks as part of reverse repo operations, which grew by 13.6% to CZK 80.7 billion.

Financial assets at fair value through profit or loss decreased by 6.5% to CZK 31.8 billion. The portfolio comprises the Group's proprietary trading positions.

Total net loans and advances grew by 5.7% to CZK 406.4 billion. The gross amount of client loans and advances also increased, by 5.5% to CZK 421.9 billion. The share of standard loans within that total was 90.2% (CZK 380.7 billion), while the proportion of watch loans was 3.3% (CZK 14.0 billion) and loans under special review (substandard, doubtful, loss) comprised 6.4% of the portfolio with volume of CZK 27.2 billion. The volume of provisions created reached CZK 16.1 billion, which is 5.3% more than at the end of 2010.

The portfolio of securities available for sale increased by 2.0% to CZK 118.8 billion. The major part of this portfolio consists of debt securities in the amount of CZK 118.1 billion. The Greek government bonds were held in this portfolio at the parent KB, while KB's subsidiaries did not have any Greek government bonds in their books. The book value of shares and participation securities in the portfolio totalled just CZK 0.7 billion.

The volume of securities in the held to maturity portfolio increased by 1.6% to CZK 6.8 billion. That portfolio consists entirely of bonds.

The net book value of tangible fixed assets diminished by 2.2% to CZK 6.9 billion, and intangible fixed assets by 0.2% to CZK 3.7 billion. Due to the acquisition of SG Equipment Finance Czech Republic s.r.o. the amount of goodwill increased by 11.2% to CZK 3.9 billion.

Total liabilities grew by 4.4% to CZK 649.3 billion. Amounts due to customers increased by 1.6% to CZK 546.8 billion. The outstanding volume of issued securities rose by 7.8% to CZK 18.8 billion. The Group's liquidity as measured by the ratio of net loans to deposits reached a strong 74.3%. The balance of subordinated debt remained unchanged at CZK 6.0 billion.

Shareholders' equity, which declined by 1.5% to CZK 75.0 billion, was primarily affected by the net profit creation, dividend payment of CZK 10.2 billion. Revaluation in the fair value of hedging derivatives was a positive CZK 0.9 billion, and revaluation of the portfolio of securities available for sale was a positive CZK 1.2 billion.

Regulatory capital for the capital adequacy calculation reached CZK 57.8 billion as of the end of June 2011. KB Group's capital adequacy under Basel II standards stood at a high level of 16.1%, while the core Tier 1 capital ratio climbed to 14.6%.

Return on average equity in the first half of 2011 reached 14.9% and return on average assets was 1.5%.

EXPECTED DEVELOPMENT AND MAIN RISKS FOR THE DEVELOPMENT IN THE SECOND HALF OF 2011

In its baseline scenario, Komerční banka expects that the trends of development in business volumes observed in the first half of 2011 will continue. Both loans and deposits shall moderately increase, with growth in lending expected to slightly outpace that of deposits. This is based on the assumption that the Czech economy will achieve GDP growth of around 2.3% for the full year 2011 and that no major external shock will affect European financial markets.

The expected positive development in loans and deposits in the second half of 2011 should help offset the impacts of increasing competitive pressure on prices for financial services and product spreads. Growth in revenues, however, will remain subdued. The regulatory two-week repo rate of the Czech National Bank is expected to begin returning to a sustainable level during the second half, albeit slowly. The persisting environment of low interest rates will significantly limit the Bank's potential for expansion of the net interest margin. Fee income growth will continue to be affected by gradual price erosion, while net gains from financial operations will depend largely on the development in client demand for hedging instruments. The year-on-year comparison will be influenced by the elevated comparative base due to last year's hedging activities related to large-scale investments in the Czech solar energy sector.

Operational expenses in the second half will reflect KB's desire to stay at the forefront in terms of client satisfaction, service quality and sophistication. Komerční banka will therefore continue to invest in staff training, client-oriented infrastructure and marketing, as well as in improving efficiency through optimisation of processes. Operating costs will grow faster in 2011 than will revenues. The underlying development of commercial cost of risk will reflect changes in the macroeconomic environment. Mildly expanding economic output and a slightly decreased seasonally adjusted unemployment rate shall influence risk costs positively, while room for improvement in the retail segment will be curbed by worsened recovery rates on default mortgages linked to the vulnerable real estate market and the increased proportion of cases resolved through the court system rather than out of court.

KB also remains well prepared to face adverse developments in the economic environment. Komerční banka is aware of the imminent risks that, in spite of originating mostly from abroad, can significantly affect the Czech economy. These are linked especially to the problem of excessive public debts in several countries in Europe and elsewhere. The Bank's management expects that KB Group's operations will generate sufficient profit to cover the Group's capital needs and to pay dividends, even if the macroeconomic situation becomes worse than anticipated.

RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party on making financial or operational decisions. As of 30 June 2011, 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, derivative transactions and other types of transactions. These transactions were carried out on commercial terms and at market rates.

Amounts due to and from the Group companies

As of 30 June 2011, the Group had deposits of CZK 815 million in relation to the associate Komerční pojišťovna, a.s. The positive fair value of financial derivatives amounted to CZK 118 million, while the negative fair value amounted to CZK 284 million. Interest paid on deposits amounted to CZK 50 million, while interest expense on financial derivatives amounted to CZK 210 million and interest income from financial derivatives to CZK 115 million. The Group realised a loss from FX transactions of CZK 19 million, fee income of CZK 115 million, and fee expense of CZK 19 million. Other amounts due, amounts owed, income and expenses with the Group were immaterial as at 30 June 2011.

Amounts due to and from the Société Générale Group entities

Principal balances due from the Société Générale Group entities include:

CZK million	30 Jun 2011	31 Dec 2010
ALD Automotive s.r.o.	2,346	2,224
ESSOX SK s.r.o.	0	2
SG Equipment Finance Czech Republic s.r.o.	–	5,980
SG Express Bank	4	13
SG Private Banking (Suisse) S.A.	3	7
SG Vostok	0	31
SG Zurich	1	0
SGA Société Générale Acceptance N. V.	3,062	0
SG Paris	11,449	15,858
SG Warsaw	46	0
SG Algerie	2	2
SG ORBEO	161	127
BRD – Group Societe Generale S.A.	0	10
SG Centrale Finance	1,184	0
SG Istanbul	10	0
Rosbank	87	0
Succursale Newedge UK	33	0
BRD Roumani	8	0
SGBT Luxembourg	0	26
Total	18,396	24,280

Principal balances owed to the Société Générale Group entities include:

CZK million	30 Jun 2011	31 Dec 2010
ALD Automotive s.r.o.	0	13
BRD Roumani	1	0
SG Consumer Finance d.o.o.	6	4
SG Cyprus Ltd.	195	31
SG Equipment Finance Czech Republic s.r.o.	–	1,198
SG London	393	25
SG Frankfurt	0	28
SG New York	2	6
SG Private Banking (Suisse) S.A.	51	71
SG Vostok	0	5
SGBT Luxembourg	5,400	648
SG Paris	21,071	28,575
SG Warsaw	46	15
SG ORBEO	196	169
SG Centrale Finance	227	0
Inter Europe Conseil	65	286
Credit du Nord S.A.	3	4
Total	27,656	31,078

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

As of 30 June 2011, 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 153,191 million and CZK 154,862 million, respectively. These amounts principally relate to currency spots and forwards, interest rate forwards and swaps, options, commodity derivatives, emission allowances and guarantees for credit exposures.

As of 30 June 2011, the Group also carried other amounts due to and from the Société Générale Group entities which are immaterial.

During the period ended 30 June 2011, the Group realised total income of CZK 6,539 million and total expenses of CZK 7,219 million with the Société Générale Group. Income includes interest income from debt securities issued by Société Générale Paris, income from interbank deposits, fees from transactions with securities, interest income on hedging derivatives, and a gain on trading derivatives. Expenses comprise expenses of interbank deposits and subordinated debt, loss from financial operations, interest expense on hedging derivatives, and expenses related to the provision of management, consultancy and software services.

In the period 1 January–30 June 2011, the Group recorded no material expenses or income with other companies in the Société Générale Group.

Amounts due from members of the Management and Supervisory Boards and Directors' Committee

In respect of loans and guarantees as of 30 June 2011, the Bank recorded loan receivables totalling CZK 7 million granted to members of the Management Board, Directors' Committee and Supervisory Board. No draw-downs were made during the first half of 2011, and loan repayments amounted to CZK 1 million. The increase in loans is influenced by the entry of a new member of the Board of Directors with a loan in the amount of CZK 3 million.

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 2011, and outlook for the development of the Bank's and Group's financial situation, business activities and results.

Prague, 30 August 2011

Signed on behalf of the Board of Directors:



Henri Bonnet
Chairman of the Board of Directors
and CEO



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

REPORT ON FINANCIAL RESULTS (IN ACCORDANCE WITH IFRS)

Consolidated Income Statement and Statement of Comprehensive Income Period ended 30 June 2011

Consolidated Income Statement

		after reclassification
CZK million	30 Jun 2011	30 Jun 2010
Interest income and similar income	17,589	17,213
Interest expense and similar expense	(6,739)	(6,591)
Income from dividends	90	87
Net interest income and similar income	10,940	10,709
Net fee and commission income	3,748	3,766
Net profit on financial operations	1,386	1,467
Other income	44	54
Net operating income	16,118	15,996
Personnel expenses	(3,258)	(2,971)
General administrative expenses	(2,437)	(2,390)
Depreciation, impairment and disposal of fixed assets	(854)	(743)
Total operating expenses	(6,549)	(6,104)
Profit before provision for loan and investment losses, other risk and income taxes	9,569	9,892
Provisions for loan losses	(1,051)	(1,734)
Provisions for impairment of securities	(1,663)	0
Provisions for other risk expenses	9	(32)
Cost of risk	(2,705)	(1,766)
Income from share of associated companies	43	34
Profit attributable to exclusion of companies from consolidation	0	0
Share of profit of pension scheme beneficiaries	(326)	(298)
Profit before income taxes	6,581	7,862
Income taxes	(1,009)	(1,341)
Net profit for the period	5,572	6,521
Profit attributable to Group's equity holders	5,478	6,482
Profit attributable to non-controlling owners	94	39
Earnings per share/diluted earnings per share (in CZK)	146.79	170.79

Consolidated Statement of Comprehensive Income

CZK million	30 Jun 2011	30 Jun 2010
Net profit for the period	5,572	6,521
Hedging of cash flows		
– Net fair value gain (loss), net of tax	1,740	4,504
– Transfer to net profit, net of tax	(807)	(607)
Foreign exchange rate gain/(loss) from the remeasurement of net assets from foreign investments	0	1
Net value gain/(loss) on financial assets available for sale, net of tax	1,206	(985)
Hedging of cash flows net of tax attributable to non-controlling owners	(1)	0
Net value gain/(loss) on financial assets available for sale, net of tax (associated companies)	1	(4)
Other comprehensive income for the period, net of tax	2,139	2,909
Comprehensive income for the period, net of tax	7,711	9,430
Comprehensive income attributable to Group's equity holders	7,618	9,391
Comprehensive income attributable to non-controlling owners	93	39

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

Consolidated Statement of Financial Position as at 30 June 2011

CZK million	Note	30 Jun 2011	31 Dec 2010
Assets			
Cash and current balances with central banks		11,262	13,689
Financial assets at fair value through profit or loss		31,791	34,003
Positive fair value of hedging financial derivative transactions		12,732	11,854
Financial assets available for sale	4	118,812	116,445
Assets held for sale		110	34
Amounts due from banks		116,727	112,180
Loans and advances to customers	5	406,387	384,593
Investments held to maturity	6	6,820	6,712
Income taxes receivable		327	44
Deferred tax assets		4	12
Prepayments, accrued income and other assets		3,900	3,395
Investments in associates and unconsolidated subsidiaries		718	674
Intangible fixed assets		3,750	3,756
Tangible fixed assets		6,919	7,072
Goodwill		3,949	3,551
Total assets		724,208	698,014
Liabilities			
Amounts due to central banks		1	1
Financial liabilities at fair value through profit or loss		13,549	13,673
Negative fair value of hedging financial derivative transactions		5,492	7,224
Amounts due to banks		39,657	29,074
Amounts due to customers		546,774	538,051
Securities issued	8	18,789	17,431
Income taxes payable		203	94
Deferred tax liability		1,979	1,086
Accruals and other liabilities		15,769	8,245
Provisions	9	1,036	1,056
Subordinated debt		6,001	6,001
Total liabilities		649,250	621,936
Shareholders' equity			
Share capital		19,005	19,005
Share premium and reserves		53,164	55,774
Minority equity		2,789	1,299
Total shareholders' equity		74,958	76,078
Total liabilities and shareholders' equity		724,208	698,014

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

Consolidated Statement of Changes in Shareholders' Equity

CZK million	Share capital	Capital and reserve funds and undistributed profit*	Hedging instruments	Revaluation gains or losses	Revaluation of available for sale financial assets	Total	Non-controlling interest	Total, including non-controlling interest
Balance at 1 January 2011	19,005	49,658	3,908	1	2,207	74,779	1,299	76,078
Treasury shares, other	0	20	0	0	0	20	1	21
Acquisition of new subsidiary	0	0	0	0	0	0	1,396	1,396
Payment of dividends	0	(10,248)	0	0	0	(10,248)		(10,248)
Transactions with owners	0	(10,228)	0	0	0	(10,228)	1,397	(8,832)
Profit for the period	0	5,478	0	0	0	5,478	94	5,572
Other comprehensive income for the period, net of tax	0	1**	933	0	1,206	2,140	(1)	2,139
Comprehensive income for the period	0	5,479	933	0	1,206	7,618	93	7,711
Balance at 30 June 2011	19,005	44,909	4,841	1	3,413	72,169	2,789	74,958

CZK million	Share capital	Capital and reserve funds and undistributed profit*	Hedging instruments	Revaluation gains or losses	Revaluation of available for sale financial assets	Total	Non-controlling interest	Total, including non-controlling interest
Balance at 1 January 2010	19,005	42,776	2,382	(2)	3,412	67,573	1,219	68,792
Treasury shares, other	0	0	0	0	0	0	0	0
Payment of dividends	0	(6,452)	0	0	0	(6,452)	0	(6,452)
Transactions with owners	0	(6,452)	0	0	0	(6,452)	0	(6,452)
Profit for the period	0	6,482	0	0	0	6,482	39	6,521
Other comprehensive income for the period, net of tax	0	(4)**	3,897	1	(985)	2,909	0	2,909
Comprehensive income for the period	0	6,478	3,897	1	(985)	9,391	39	9,430
Balance at 30 June 2010	19,005	42,802	6,279	(1)	2,427	70,512	1,258	71,770

Note: * Capital and reserve funds and undistributed profit consist of statutory reserve funds, other funds created from profit, share premium, purchased treasury shares, undistributed net profit from the period, and retained earnings. Retained earnings amount to CZK 34,494 million as of 30 June 2011 and statutory reserve funds to CZK 4,119 million.

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

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

Consolidated Cash Flow Statement

		After reclassification
CZK million	30 Jun 2011	30 Jun 2010
Cash flows from operating activities		
Interest receipts	15,398	15,090
Interest payments	(5,749)	(5,676)
Commission and fee receipts	4,720	4,837
Commission and fee payments	(986)	(977)
Net income from financial transactions	1,309	631
Other income receipts	(260)	888
Cash payments to employees and suppliers, and other payments	(5,848)	(5,413)
Operating cash flow before changes in operating assets and operating liabilities	8,584	9,380
Due from banks	(2,535)	7,851
Financial assets at fair value through profit or loss	2,242	(6,010)
Loans and advances to customers	(4,906)	(1,318)
Other assets	223	(319)
Total (increase)/decrease in operating assets	(4,976)	204
Amounts due to banks	(4,486)	733
Financial liabilities at fair value through profit or loss	(260)	2,898
Amounts due to customers	7,422	(15,835)
Other liabilities	7,351	3,838
Total increase/(decrease) in operating liabilities	10,027	(8,366)
Net cash flow from operating activities before taxes	13,634	1,218
Income taxes paid	(1,294)	(1,378)
Net cash flows from operating activities	12,340	(160)
Cash flows from investing activities		
Dividends received	89	87
Purchase of investments held to maturity	(197)	(287)
Maturity of investments held to maturity*	193	450
Purchase of financial assets available for sale	(9,935)	(6,498)
Sale and maturity of financial assets available for sale*	8,747	5,802
Purchase of tangible and intangible fixed assets	(655)	(586)
Sale of tangible and intangible fixed assets	49	218
Purchase of investments in subsidiaries and associates	(1,800)	0
Net cash flow from investing activities	(3,509)	(814)
Cash flows from financing activities		
Paid dividends	(10,149)	(6,387)
Securities issued	2,449	368
Securities redeemed*	(1,473)	(209)
Net cash flow from financing activities	(9,173)	(6,228)
Net increase/(decrease) in cash and cash equivalents	(341)	(7,202)
Cash and cash equivalents at beginning of the period	10,034	16,315
Adjustment on cash and cash equivalents at beginning of the period due to acquisition of new subsidiary	46	0
Cash and cash equivalents at end of the period	9,739	9,113

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

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

Notes to the Consolidation Financial Results

1) Events for the period ended 30 June 2011

Dividends declared in respect of the year ended 31 December 2010

At the General Meeting held on 21 April 2011, the shareholders approved a dividend for the year ended 31 December 2010 of CZK 270 per share before tax. The dividend was declared in the aggregate amount of CZK 10,263 million. An amount of CZK 1,773 million was allocated to retained earnings.

Changes in equity investments in subsidiaries and associates in 2011

In January 2011, KB Real Estate, s.r.o. was recorded in the Commercial Register and was established by the Bank in connection with the future acquisition of a new office building in Prague and its management. In April 2011, the shareholder's equity of this company was increased by CZK 100 million. These funds will be used to finance expenditures related to the construction.

In April 2011, the General Meeting of Komerční pojišťovna, a.s. decided to increase its share capital by CZK 271 million from retained earnings in the form of an increase in the nominal share value. The increase was recorded in the Commercial Register in May 2011.

On 4 May 2011, the Bank purchased a majority stake of 50.1% in SG Equipment Finance Czech Republic, s.r.o. for the price of CZK 1,800 million. The remaining 49.9% is owned by SG Equipment Finance International GmbH. SG Equipment Finance Czech Republic s.r.o. is a leading provider of equipment finance and vendor solutions in the Czech Republic and Slovakia.

In May 2011, the Bank decreased the shareholder's equity in Bastion European Investments S.A. by EUR 2.2 million (CZK 63 million). The decrease was initiated only by the Bank, as the majority shareholder of Bastion European Investments S.A. The shareholder's equity decrease was planned.

Use of estimates

The presented consolidated financial statements for the period ended 30 June 2011 are based on the current best estimates, and management of the Group believes that these present the truest and fairest view of the Group's financial results and financial position using all relevant and available information at the financial statements date.

Seasonality and unusual items

The Group's principal activities are not significantly influenced by seasonality and in the first half of 2011 no unusual transaction occurred.

2) Principal accounting policies

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

Since 1 January 2011, the Group refined the presentation of certain items of its profit and loss statement in order to clarify their presentation. The amounts and balances for 2010 were restated to reflect the presentation for the current period. The tables below include a reconciliation of individual categories.

Reconciliation of categories in the Income Statement for period ended 30 June, 2010:

	As reported	After reclassification	Reference
CZK million	30 Jun 2010	30 Jun 2010	
Net fees and commissions	3,927	3,766	1, 2
Net profit from financial operations	1,449	1,467	1
General administrative expenses	(2,533)	(2,390)	2

1. FX differences from FX cash conversions in the amount of CZK 18 million were reclassified from Net fees and commissions to Net profit from financial operations.
2. Expenses related to payment cards in the amount of CZK 143 million were reclassified from General administrative expenses to Net fees and commissions.

3) Segment reporting

	Retail banking		Corporate banking		Investment banking		Other		Total	
CZK million	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income and similar income	6,470	6,635	2,970	2,871	7	104	1,493	1,099	10,940	10,709
Net fee and commission income	2,510	2,508	1,171	1,157	(5)	7	72	94	3,748	3,766
Net profit on financial operations	402	410	491	551	471	439	22	67	1,386	1,467
Other income	66	67	(17)	4	50	52	(55)	(69)	44	54
Net operating income	9,448	9,620	4,615	4,583	523	602	1,532	1,191	16,118	15,996

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

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

4) Financial assets available for sale

Financial assets available for sale comprise:

	30 Jun 2011		31 Dec 2010	
CZK million	Fair value	Cost*	Fair value	Cost*
Shares and participation certificates	702	63	702	63
Fixed income debt securities	105,761	101,875	104,679	99,928
Variable yield debt securities	12,349	12,105	11,064	11,299
Total debt securities	118,110	113,980	115,743	111,227
Total financial assets available for sale	118,812	114,043	116,445	111,290

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

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

CZK million	30 Jun 2011	31 Dec 2010
Debt securities available for sale issued by:		
- State institutions in the Czech Republic	69,655	70,594
- Foreign state institutions	28,001	24,940
- Financial institutions in the Czech Republic	16,457	15,510
- Foreign financial institutions	2,831	3,747
- Other entities in the Czech Republic	865	239
- Other foreign entities	301	713
Total debt securities available for sale	118,110	115,743

During the first half of 2011, the Group acquired government bonds with a nominal value of CZK 3,973 million, EUR 178 million (a total CZK equivalent of CZK 8,315 million) and acquired bonds of financial institutions with a nominal value of CZK 1,251 million. The Group during this period sold government bonds in the nominal amount of CZK 800 million and redeemed at maturity debt securities in the aggregate nominal volume of CZK 3,987 million and EUR 51 million (a total equivalent of CZK 5,145 million).

At the European summit held on July 21, 2011, euro area heads of State or government agreed a rescue plan for Greece. Under this plan, Greek government bondholders will have the opportunity to exchange bonds that currently mature between mid-2011 and end-2020 for new bonds to be issued by Greece with longer maturities up to 30 years. This voluntary debt exchange programme, which aims to attract 90% of all eligible bonds, will be carried out under the terms and conditions released, at the same date, by the International Institute of Finance (IIF).

Although the bailout was agreed on July 21, 2011, preparations had begun in June 2011.

A decision on the way in which Komerční banka will participate on the voluntary debt exchange programme will be taken once the terms of the programme have been fully analysed and the timeline for the exchange is clear.

Greek government bonds held by the Group as Available-for-sale financial assets in amortized cost and accrued interest amounted to CZK 7,025 million before write-down. All bonds will mature between mid-2011 and end-2020 and should therefore be eligible for the exchange scheme.

As a reflection of the 2011 Europe's Greek bailout amid an economic situation marked by expectations of the final terms and conditions of the rescue, on the one hand, and by the lack of transactions on the market for the majority of Greek government bonds, on the other hand, the Group's Greek government bonds held as Available-for-sale financial assets were valued then written down on the basis of a 21% discount on their nominal value. This discount was determined on the basis of the estimated value of the new bonds to be received through the exchange, using a normalised yield curve. The expected 9% yield used for this valuation is consistent with market yields on maturities similar to the new 30-year Greek bonds, after a correction of the yield curve as at June 30, 2011, the current inversion of which is typical of an abnormal market configuration. Greek bonds have not been reclassified from one category to another as at June 30, 2011. Greek bonds were transferred in the amount of CZK 5,361 million to level 3 of the fair value hierarchy as June 30, 2011.

The write-down recorded in "Cost of Risk" amounted to CZK 1,663 million; after tax, the impact on Net Group Income amounted to CZK 1,347 million.

5) Loans and advances to customers

Loans and advances to customers comprise:

CZK million	30 Jun 2011	31 Dec 2010
Debt securities acquired under initial offerings not designated for trading	451	0
Loans to customers	420,075	397,168
Bills of exchange	476	398
Forfaits	1,342	2,168
Other amounts due from customers	157	167
Total gross loans and advances to customers	422,501	399,901
Provisions for loans to Individuals	(5,031)	(5,202)
Provisions for loans to Corporates*	(11,067)	(10,091)
Provisions for other amounts due from customers	(16)	(15)
Total provisions for loans	(16,114)	(15,308)
Total loans and advances to customers, net	406,387	384,593

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

The loan portfolio of the Group as of 30 June 2011 (excluding other amounts due from customers) comprises the following breakdown by classification:

CZK million	Gross receivable	Collateral applied	Net exposure	Provisions	Carrying value	Provisions
Standard	380,672	179,004	201,668	0	380,672	0%
Watch	14,026	5,950	8,076	(955)	13,071	12%
Substandard	7,104	3,728	3,376	(2,143)	4,922	64%
Doubtful	4,369	843	3,526	(1,429)	2,940	41%
Loss	15,722	878	14,844	(11,571)	4,190	78%
Total	421,893	190,403	231,490	(16,098)	405,795	

The loan portfolio of the Group as of 31 December 2010 (excluding other amounts due from customers) comprises the following breakdown by classification:

CZK million	Gross receivable	Collateral applied	Net exposure	Provisions	Carrying value	Provisions
Standard	360,880	178,064	182,816	0	360,880	0%
Watch	13,043	5,041	7,642	(1,009)	12,034	13%
Substandard	7,976	4,065	3,911	(1,779)	6,197	45%
Doubtful	3,326	860	2,466	(1,522)	1,804	62%
Loss	14,509	745	13,764	(10,983)	3,526	80%
Total	399,734	189,135	210,599	(15,293)	384,441	

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

CZK million	30 Jun 2011	31 Dec 2010
Food industry and agriculture	14,250	12,686
Mining and extraction	1,768	731
Chemical and pharmaceutical industry	5,825	5,051
Metallurgy	9,624	6,621
Automotive industry	1,903	2,588
Manufacturing of other machinery	6,660	5,306
Manufacturing of electrical and electronic equipment	3,740	3,216
Other processing industry	9,234	7,222
Power plants, gas plants and waterworks	19,552	17,832
Construction industry	13,384	11,479
Retail	11,893	10,937
Wholesale	26,394	29,770
Accommodation and catering	1,182	1,017
Transportation, telecommunication and warehouses	14,680	9,378
Banking and insurance industry	18,412	23,710
Real estate	21,831	22,414
Public administration	28,191	26,648
Other industries	21,259	18,245
Individuals	192,111	184,883
Loans to customers	421,893	399,734

6) Investments held to maturity

Investments held to maturity comprise:

CZK million	30 Jun 2011		31 Dec 2010	
	Carrying value	Cost*	Carrying value	Cost*
Fixed income debt securities	6,820	6,661	6,712	6,523
Total investments held to maturity	6,820	6,661	6,712	6,523

Note: * Amortised acquisition cost

Investments held to maturity in the amount of CZK 5,906 million are issued by state institutions in the Czech Republic and CZK 914 million by foreign state institutions.

In the first half of 2011, the Group purchased debt securities in the total nominal amount of CZK 194 million and no debt securities were redeemed.

7) Bonds issued by foreign state institutions

Bonds issued by foreign state institutions designated as Financial assets available for sale and as Investment held to maturity as at 30 June 2011:

CZK million			Amortized cost			Fair value	
Country of Issuer	Financial assets available for sale	Investments held to maturity	Total	Financial assets available for sale	Investments held to maturity	Total	
Italy	7,699	475	8,174	7,964	488	8,452	
Poland	6,783	0	6,783	7,220	0	7,220	
Greece	6,913	0	6,913	5,361	0	5,361	
Slovakia	5,116	0	5,116	5,132	0	5,132	
EIB	2,254	0	2,254	2,324	0	2,324	
Portugal	0	247	247	0	202	202	
France	0	173	173	0	180	180	
Total	28,765	895	29,660	28,001	870	28,871	

Bonds issued by foreign state institutions designated as Financial assets available for sale and as Investment held to maturity as at 31 December 2010:

CZK million			Amortized cost			Fair value	
Country of Issuer	Financial assets available for sale	Investments held to maturity	Total	Financial assets available for sale	Investments held to maturity	Total	
Italy	7,707	506	8,213	7,882	455	8,337	
Poland	7,579	0	7,579	8,204	0	8,204	
Greece	7,438	0	7,438	6,249	0	6,249	
Slovakia	1,455	0	1,455	1,491	0	1,491	
EIB	1,000	0	1,000	1,114	0	1,114	
Portugal	0	254	254	0	249	249	
France	0	178	178	0	190	190	
Total	25,179	938	26,117	24,940	894	25,834	

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

CZK million		30 Jun 2011	31 Dec 2010
Country of Issuer		Fair value	Fair value
Slovakia		2,056	210
Poland		1,366	851
European Investment Bank		102	93
Other countries		17	122
Total		3,541	1,276

8) Securities issued

Securities issued comprise mortgage bonds of CZK 18,789 million. Publicly tradable mortgage bonds are issued to fund the Group's mortgage activities.

Debt securities are repayable, according to remaining maturity, as follows:

CZK million	30 Jun 2011	31 Dec 2010
In less than one year	0	0
In one to five years	12,644	12,635
In five to ten years	0	1,188
In ten to twenty years	0	0
In twenty to thirty years	6,145	3,608
Total debt securities	18,789	17,431

During the first half of 2011, the Group repurchased mortgage bonds in the aggregate nominal amount of CZK 1,322 million. The Bank also issued additional mortgage bonds in the aggregate nominal amount of CZK 2,080 million.

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

Name	Interest rate	Currency	Issue date	Maturity date	30 Jun 2011 CZK million	31 Dec 2010 CZK million
Mortgage bonds of Komerční banka, a.s., CZ0002000565	3M PRIBID minus the higher of 10 bps or 10% value of 3M PRIBID	CZK	2 Aug 2005	2 Aug 2015	2,306	2,478
Mortgage bonds of Komerční banka, a.s., CZ0002000664	4.40%	CZK	21 Oct 2005	21 Oct 2015	10,338	10,157
Mortgage bonds of Komerční banka, a.s., CZ0002000854	3.74%	EUR	1 Sept 2006	1 Sept 2016	0	650
Bonds of Komerční banka, a.s., CZ0003701427	4.22%	CZK	18 Dec 2007	1 Dec 2017	0	538
Mortgage bonds of Komerční banka, a.s., CZ0002001753	Rate of the interest swap sale in CZK for 10 years plus 150 bps	CZK	21 Dec 2007	21 Dec 2037	6,145	3,608
Total debt securities					18,789	17,431

Note: Three-month PRIBID was 78 basis points as of 30 June 2011.

The average value of the interest rate swap CZK sale for 10 years as of 30 June 2011 was 310 bps.

9) Provisions

Provisions comprise:

CZK million	30 Jun 2011	31 Dec 2010
Provisions for contracted commitments	452	457
Provisions for other credit commitments	570	569
Provision for restructuring	14	30
Total provisions	1,036	1,056

In the first half of 2011, the Group adjusted the amount of the provision for restructuring in respect of the change in the legal status of Komerční banka Bratislava, a.s., to a foreign branch of the Bank. The change in the provisioning amount includes only the use of the provision to cover the expenses in the first half of 2011.

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

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

CZK million	30 Jun 2011	31 Dec 2010
Provision for off balance sheet commitments	450	461
Provision for undrawn loan facilities	120	108
Total	570	569

Movements in the provisions for contracted commitments are as follows:

CZK million	Balance at the beginning of the period	Additions	Disposals	Accrual	Foreign exchange difference	Balance at the end of the period
Provisions for retirement bonuses	103	5	(7)	3	0	104
Provisions for loyalty and jubilee bonuses	2	0	0	0	0	2
Other provisions for contracted commitments	352	13	(14)	0	(5)	346
Provisions for restructuring	30	0	(15)	0	(1)	14
Total	487	18	(36)	3	(6)	466

10) Commitments and contingent liabilities

Legal disputes

The Group conducted a review of legal proceedings outstanding against it as of 30 June 2011. 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 178 million for these legal disputes. The Group has also recorded an accrual of CZK 156 million for costs associated with a potential payment of interest on the pursued claims.

As of 30 June 2011, the Group assessed lawsuits filed against other entities. The Group has been notified that certain parties against which it is taking legal action may file counterclaims against it. The Group will contest any such claims and, taking into consideration the opinion of its internal and external legal counsel, believes that any asserted claims made will not materially affect its financial position. No provision has been made in respect of these matters.

Financial commitments and contingencies comprise:

CZK million	30 Jun 2011	31 Dec 2010
Non-payment guarantees including commitments to issued non-payment guarantees	36,842	36,709
Payment guarantees including commitments to issued payment guarantees	9,715	10,723
Received bills of exchange/acceptances and endorsements of bills of exchange	40	49
Committed facilities and unutilised overdrafts	29,529	25,233
Undrawn credit commitments	37,924	42,602
Unutilised overdrafts and approved overdraft loans	32,528	33,159
Unutilised discount facilities	58	21
Unutilised limits under framework agreements to provide financial services	68,692	52,363
Open customer/import letters of credit uncovered	739	882
Stand-by letters of credit uncovered	566	444
Confirmed supplier/export letters of credit	222	12
Open customer/import letters of credit covered	111	103
Stand-by letters of credit covered	25	25
Total contingent revocable and irrevocable commitments	216,991	202,325

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

CZK million	30 Jun 2011	31 Dec 2010
Food industry and agriculture	9,077	7,656
Mining and extraction	1,295	389
Chemical and pharmaceutical industry	4,546	4,406
Metallurgy	5,906	6,183
Automotive industry	1,584	1,429
Manufacturing of other machinery	14,986	15,390
Manufacturing of electrical and electronic equipment	2,456	2,187
Other processing industry	5,643	5,675
Power plants, gas plants and waterworks	25,005	16,166
Construction industry	48,688	48,204
Retail	5,850	6,915
Wholesale	18,682	16,817
Accommodation and catering	644	712
Transportation, telecommunication and warehouses	12,392	8,922
Banking and insurance industry	8,628	12,529
Real estate	2,911	2,188
Public administration	8,678	10,511
Other industries	20,013	18,006
Individuals	20,007	18,040
Contingent liabilities	216,991	202,325

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 balance sheet at their fair value:

CZK million	30 Jun 2011		31 Dec 2010	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and current balances with central banks	11,262	11,262	13,689	13,689
Amounts due from banks	116,727	116,905	112,180	112,440
Loans and advances to customers	406,387	415,311	384,593	394,584
Investments held to maturity	6,820	7,259	6,712	6,943
Financial liabilities				
Amounts due to central banks and banks	39,658	39,794	29,075	29,362
Amounts due to customers	546,774	546,831	538,051	538,093
Securities issued	18,789	19,678	17,431	18,440
Subordinated debt	6,001	6,004	6,001	6,003

12) Events after the end of the reporting period

No significant event that has not been reflected in the financial statements occurred after the reporting period.

RATING

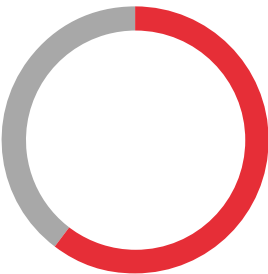
As of 30 August 2011

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

Note: Long-term rating from Standard & Poor's was at A as of 30 June 2011. The remaining above listed ratings were the same as of 30 June 2011 and 30 August 2011.

SHAREHOLDER STRUCTURE

Major shareholders of Komerční banka, a.s. as of 30 June 2011



- Société Générale S.A. (60.35%)
- Others (39.65%)

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