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# Half-Yearly Report 2016

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Komerční banka, a.s.

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2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029

**2016**

NA PARTNERSTVÍ ZÁLEŽÍ



**KB**

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## Further information

Detailed financial and operational information about Komerční banka Group is available in other publications on KB's website for shareholders and investors [www.kb.cz/en/about-the-bank/investor-relations/index.shtml](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 a listed Czech bank. As of 30 June 2016, the number of its shareholders totalled 45,826. Of these, 40,244 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 unceasing innovation, the Bank endeavours to meet its customers' evolving needs while tailoring its offer to suit specific clients.

### **To create value for clients, shareholders and employees**

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

## Corporate social responsibility

Responsibility is the basis of every partnership and it is also our priority in relation to our clients, employees, shareholders and the broader society. Corporate social responsibility is consistent with Komerční banka's fundamental values, even as the Bank's business strategy regards this to be a condition for long-term success. Corporate social responsibility ensures that Komerční banka Group's long-term interests are being served in a responsible manner while duly considering the expectations of its major stakeholders and complying with all regulations. This responsibility is advanced in the economic, environmental and social areas, it is made an integral aspect of the entire organisation, and its observation and implementation at all levels are supported by a variety of resources. Komerční banka, as part of the Société Générale Group, conducts its business with the utmost respect for values and principles under:

- the Universal Declaration of Human Rights and its associated covenants (namely, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights),
- the main conventions of the International Labour Organization,
- the UNESCO World Heritage Convention, and
- the OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinational Enterprises.

### **Five strategic priorities**

Its corporate social responsibility policy ensures that Komerční banka upholds each of its commitments and makes sustainable progress according to five strategic priorities: developing responsible finance, notably through enforcement of the general environmental and social principles in all business activities; rolling out a responsible and solidarity-based banking offer; strengthening its role as a responsible employer; exemplary management of its environmental impact and purchasing policy; and reinforcing its role as a responsible actor at the heart of today's society.

## Highlights from 2016's first half

### January

Komerční banka became the first bank on the Czech market to offer start-ups financing for their projects in co-operation with the European Investment Fund. Clients need not document their business histories, and a good business plan is enough for obtaining credit.

The Bank was recognised as providing the best services for business and export as it was named "Best Trade Finance Bank" in an award presented annually by Global Finance magazine.

Modrá pyramida introduced for its clients dynamic biometric signature, which improves the speed and efficiency with which clients are served. It also increases security of the documents they sign. Biometric signature's introduction was made possible by extensive digitalization and automatization in processing contracts, supporting advisors, and connecting to other bank systems.

### February

Komerční banka and Worldline agreed to form a partnership to provide merchant acquiring and payment processing services to retailers under the brand name KB SmartPay. Clients will see an improved product offer, including expanded card acceptance for web payments and further simplification in using payment services.

Finparada.cz named KB as offering the Financial Product of the Year 2015 in recognising the Trusteer Rapport tool from IBM that the Bank provides free of charge to its clients. The software enhances protection of clients' devices and minimises the risk for abuse of login information for online banking.

At the very same time as the Apple Watch was launched on the Czech market, Komerční banka introduced a new banking application for this smart watch.

Komerční banka joined the largest project geared towards providing assistance to Czech craftsmen: The Year of Crafts 2016, which has been declared by the Association of Small and Medium-Sized Enterprises and Crafts of the Czech Republic.

### March

With support from the European Investment Bank, KB became the only bank in the Czech Republic to begin providing advantageous EuroEnergie loans to help small and medium-sized enterprises finance energy-saving projects.

Again co-operating with the European Investment Bank, Komerční banka launched an offer of advantageous financing to firms in the Czech Republic employing young people up to 30 years of age.

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

### April

ESSOX s.r.o. agreed to acquire 100% ownership in PSA FINANCE ČESKÁ REPUBLIKA, s.r.o. and PSA FINANCE SLOVAKIA, s.r.o. from Banque PSA Finance. Both companies provide financing for PSA Groupe's Peugeot, Citroën and DS car brands. The two companies are consolidated in KB Group accounts from 1 July.

At the General Meeting on 22 April, Komerční banka's shareholders ratified the Board of Directors' proposal to approve the reported profit and distribution of the 2015 dividend of CZK 310 per share.

The General Meeting also approved a share split in the ratio of 5:1. The split took legal effect on 25 April 2016 with its entry into the register of companies. Shareholders received five new shares with nominal value CZK 100 in place of each old share with nominal value CZK 500. The split shares began trading on the Prague Stock Exchange on 12 May 2016.

### May

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

## June

The programme of Komerční banka's Global Depositary Receipts (GDRs) registered under ISIN US5004594090 and US5004591021 was terminated as of 3 June 2016. Acceptance of the GDRs for trading at the London Stock Exchange was cancelled on 30 March 2016. The Board of Directors had approved these steps in January. Improvements in the Czech Republic's institutional framework and integration into the European Union's regulatory environment have eliminated the need to provide this additional layer of assurance to investors through listing on a developed stock market.

KB announced that Mr Jan Pokorný, currently Executive Director for Structured Financing, will in August become a Member of the Board of Directors with responsibility for Top Corporations, Investment Banking and Structured Financing. He will replace Karel Vašák, whose mandate is expiring at this date. Mr Karel Vašák will be assigned new duties within Société Générale.

With the MojePojištění majetku (My Property Insurance) policy, Komerční pojišťovna entered the market for residential property, household and household liability insurance. The new product is unique in eliminating the risk of underinsurance. Instead of the client's designating a level of insurance coverage, KP reimburses the full cost of renovation in case of an insured event.

## July

ESSOX's takeover of the subsidiaries of Banque PSA Finance in the Czech Republic and Slovakia brought about the following changes: With effect from 1 July, Mrs Jana Hanušová, who is also statutory representative of ESSOX, became statutory representative of PSA FINANCE ČESKÁ REPUBLIKA. Mr Jean-Philippe Vincent became CEO of PSA FINANCE ČESKÁ REPUBLIKA. Mrs Jana Hanušová and Mrs Mária Kováčiková were named statutory representatives of PSA FINANCE SLOVAKIA. Mrs Mária Kováčiková also became CEO of the company.

## Macroeconomic development

In line with expectations, growth of the Czech economy slowed in 2016's first half. Last year's growth by a robust 4.6% had been driven largely by several one-off factors. Most importantly, the country had been drawing upon the last of European funds from the 2007–2013 programming period, and that had encouraged investment activity. The economy had begun to lose momentum already in the final quarter of 2015. This year's first quarter confirmed this slowdown. Annual growth in gross fixed capital formation reached just 3.1%, whereas it had averaged 8.2% in the final three months of 2015. Year-on-year growth in the national economy slowed from 4.0% in the fourth quarter of 2015 to 3.0% for the first quarter of 2016. That deceleration trend will continue through the remainder of this year, and we expect overall GDP growth for 2016 to come in slightly above 2%.

The reduction in investment activities financed from public funds is manifested above all in construction output. While for all of 2015 construction rose by 7.1% and civil engineering output improved by 17.1%, output in the construction sector declined year on year during the first five months of 2016. The slowdown was evident also in the industrial sector, but most particularly in certain subsectors. Industrial growth of 4.4% for the first five months of 2016 was influenced by strong demand (especially from the euro zone) for the products of Czech carmakers. Manufacturing of motor vehicles improved by 15.8% year on year from January to May. The situation is far less rosy in other industry sectors, and there was even decline in some, including electricity production; distribution of electricity, gas and heat; metalworking industries; and chemical production. In that last sector, the decrease reflects the negative impact of shutdowns at major refineries.

The combination of strong foreign demand (especially for products of the Czech automotive sector), smaller imports of capital goods, and ever lower commodity prices year on year was reflected in a record trade surplus. For the first five months of 2016, that surplus reached a record of nearly CZK 109 billion. The surplus on the goods and services balance pushed the current account surplus up to a record 1.4% of GDP during the first quarter of 2016. As a result, the Czech crown's exchange rate attacked the Czech National Bank's commitment level of 27 CZK to the euro through the first half, and even the shock resulting from the UK's referendum vote to leave the EU did not cause a dramatic weakening of the Czech currency. We assume that the interventionary exchange

rate regime will not be abandoned through the rest of this year, and we also expect no change in the monetary policy rate settings during 2016.

The economic growth is reflected in the labour market. The unemployment rate in the Czech Republic stands at 5.2% in mid-year, putting the country's jobless rate at the lowest level among all EU countries. Resulting tensions are already appearing in wages development. Average wages growth accelerated to a 4.4% annual rate in the first quarter of 2016 from 3.2% in the previous quarter. In the meantime, inflation remains very low and even declined through 2016's first half (except in April). While January's year-on-year consumer price inflation stood at 0.6%, that figure for June was 0.1%. Annual growth in consumer prices averaged 0.4% for the first six months of this year. These low dynamics were caused especially by prices of fuel and food. We expect a rapid pick-up in inflation during the second half of the year due to the statistical base effect, and inflation should be significantly above 1% at the end of 2016.

## Fulfilling KB's strategic priorities

Komerční banka's strategy is based on building long-term, mutually beneficial relationships with its clients, thereby allowing the Bank precisely to identify dynamic changes in clients' needs and expectations while constantly adapting its services offer in accordance with this knowledge. KB differentiates itself on the market through its high-quality advisory, offer of value-added products, proximity to clients via branches and direct banking channels, as well as growth in lending while consistently managing risk and costs. KB is developing a universal-banking model centred around meeting the financial needs of its clients.

Development of KB Group's businesses in the first half of 2016 reflected the Group's strategy and the priorities presented to the Annual General Meeting in April.

Komerční banka has adjusted its client service model in the retail segments in order to better satisfy the differing needs of various client groups. The branch network remains the main base for building mutual relationships. The number of branches has been maintained, while the Bank continued in optimising their size and configuration so that privacy and efficiency of servicing clients are enhanced.

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. KB has been developing a new approach and tools for multi-channel and digital client relationship management processes while also enhancing its capacities for analysing business data and approach to generating leads.

The continued dynamic growth of lending in both retail and corporate segments, including gains in market share for such key products as consumer loans, mortgages and lending to small businesses, was supported by ongoing refinements in credit-granting processes and a specific expert approach to clients from high-potential economic sectors. In corporate segments, the Bank has been developing high value-added financing, hedging and service solutions, and it has significantly reinforced its capabilities and position in structured financing.

Non-bank assets under management offer clients advantageous alternatives for their savings even when interest rates are low. The growth in the volume of such assets has been underpinned by expanding the range of investment and saving options.

Moreover, Komerční pojišťovna has launched an advantageous programme of real estate, household and liability insurance that is available exclusively to the clients of KB and Modrá pyramida.

KB must address the ever-increasing regulatory requirements in the most efficient manner. As in previous years, the Bank has met all its regulatory obligations, and, in particular, it has maintained solid capital adequacy and liquidity.

A key aspect of Komerční banka's strategic vision is to pursue the creation of longstanding partnerships with its employees. In doing so, Komerční banka presumes there to be a professional relationship that stems from mutual trust, respect, communication, equality of opportunity, and the availability of attractive prospects for professional and career development. In the context of a tight labour market, KB focused on attracting the best talents to the right positions and on reinforcing its brand awareness among external candidates.

In order to maintain its healthy profitability and overall financial soundness, Komerční banka continued its focus on operational efficiency and controlling operating costs. The Group further optimised its operating processes and facilities. The rapid pace of change in technologies used in the banking industry is captured in the programme of IT transformation, whereby key elements in the IT infrastructure are progressively updated or replaced. Ongoing change is generally funded from depreciation and amortisation.

KB has kept up a prudent and balanced approach to managing all types of assumed risks. 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. The excellent quality of the assets portfolio has been maintained.

# Business performance of KB Group

## Developments in the client portfolio and distribution networks

At the close of June 2016, KB Group was serving 2.4 million clients on a consolidated basis. Standalone KB recorded 1,649,000 clients (+0.7% year on year), of which 1,393,000 were individuals. The remaining 256,000 customers were comprised of entrepreneurs, businesses and corporations (including municipalities and associations). Modrá pyramida was attending to 503,000 customers, and the number of pension insurance participants at KB Penzijní společnost reached 540,000. ESSOX's services were being used by 210,000 active clients.

Komerční banka's clients had at their disposal 397 banking branches (including one branch for corporate clients in Slovakia), 773 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 1,364,000 by the end of June 2016 and corresponds to 82.7% of all clients. Customers held 1,611,000 active payment cards, of which 197,000 were credit cards. The number of active credit cards issued by ESSOX came to 115,000. Modrá pyramida's customers had at their disposal 217 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 expanded by 9.9% year on year to CZK 570.8 billion. Lending increased across all categories.

Among lending to individuals, the overall volume of housing loans<sup>1</sup> grew by 10.9% year on year. Within this total, the portfolio of mortgages to individuals expanded by 12.8% from the year earlier to CZK 194.9 billion. Modrá pyramida reported growth of its portfolio by 2.0% to CZK 37.7 billion. The volume of consumer lending provided by KB and ESSOX was up by 6.9% to CZK 31.5 billion, notably outperforming the market.

The total volume of loans provided by KB Group to businesses climbed by 10.7% to CZK 304.3 billion. The overall volume of credit granted by KB to medium-sized and large corporate clients in the Czech Republic and Slovakia, and inclusive of factor finance outstanding at Factoring KB, advanced by 11.8% to CZK 248.0 billion. Lending to small businesses expanded by 6.7% to CZK 31.6 billion. Total credit and leasing amounts outstanding at SGEF were higher by 5.5% year over year at CZK 24.7 billion.

## Deposits and assets under management

While excluding volatile repo operations with clients<sup>2</sup>, the overall volume of deposits within KB Group rose by 10.2% year on year to CZK 690.0 billion. Deposits at KB from individual clients grew by 12.5% year on year to CZK 208.9 billion. The deposit book at Modrá pyramida diminished by 7.3% to CZK 64.9 billion. Total deposits from businesses and other corporations climbed by 12.3% to CZK 409.4 billion.

Client assets managed by KB Penzijní společnost were higher by 10.4% at CZK 47.5 billion. Technical reserves in life insurance at Komerční pojišťovna expanded by 5.4% to CZK 45.8 billion. The volumes in mutual funds held by KB Group clients grew by 9.2% to CZK 51.2 billion.

1) Mortgages to individuals provided by KB + loans to clients provided by Modrá pyramida

2) The total volume of 'Amounts due to customers' was up by 9.3% to CZK 694.3 billion.

# Financial performance of KB Group

## Profit and loss statement

As from 1 January 2016, Komerční banka reclassified certain items in the income statement and statement of financial position in accordance with IFRS to better reflect the substance of those items and recommendations of the European Banking Authority.

Specifically, the contribution to the Deposit Insurance Fund has been reclassified from 'Net interest income' to 'General administrative expenses' and the contribution to the Investor Compensation Fund (supported by securities brokers) has been reclassified from 'Net fees and commissions' to 'General administrative expenses'. In addition, the balances of depository bills of exchange have been reclassified from 'Amounts due to customers' to 'Securities issued'.

The comments provided above and below are on a like-for-like basis. Results for the first half of 2016 and the comparable period (first half 2015) are presented in accordance with the reporting methodology applied from 2016.

Komerční banka's reported revenues (net banking income) for the first six months of 2016 were up by 5.3%. This growth was markedly influenced by a gain from reimbursement for KB's stake in VISA Europe Ltd. after that company had been acquired by VISA Inc. Excluding this one-off impact, the revenues declined by a slight 0.9%.

Net interest income was down by 2.1% to CZK 10,446 million as pressure continued from the prevailing low market interest rates and in spite of growing loan and deposit volumes. Yields from reinvestment of deposits decreased markedly, and interest income from loans rose somewhat more slowly than did their volumes, reflecting the competitive pressure on loan spreads. The net interest margin<sup>1</sup>, computed as the ratio of net interest income to interest-earning assets reported on the balance sheet, narrowed to 2.5% in the six months of 2016 from 2.6% one year earlier.

Net fees and commissions were down by 2.4% to CZK 3,408 million, due to lower fees from basic services partially offset by higher transaction activity. The Bank paid out more rewards within the MojeOdměny (MyRewards) loyalty programme and generated fewer fees for loan services as a result of previously cancelling loan administration fees. Weaker

construction activity and smaller numbers of public tenders reduced demand for bank guarantees. On the positive side, transaction fee income was supported by rising numbers of the Bank's clients and the larger size of their transactions. Fees from cross-selling were stable, inasmuch as the volume of assets under management continued to grow strongly even though sales of mutual funds and life insurance policies were somewhat subdued. Also stable were fees from specialised financial services, mainly for corporations (including custody, debt capital market services and syndications).

Net gains from financial operations improved by 12.3% even excluding the contribution from the VISA Europe transaction. Demand from corporate clients for hedging of currency and interest rate risks was solid, and a growing number of clients used the eTrading platform for foreign exchange transactions. Along with increasing foreign transactions turnover, this boosted fees and commissions from FX transactions. In the second quarter, KB recognised in the income statement the CZK 959 million value (before taxation) of consideration it obtained for its stake in VISA Europe, coming in the forms of cash, deferred cash and securities. Including this one-off gain, reported net profit from financial operations climbed by 89.2% to CZK 2,359 million.

Operating expenditures remained almost flat at CZK 7,196 million (–0.1% year over year). Within this total, personnel expenses were higher by 1.6% at CZK 3,429 million. The average number of employees was flat at 8,434. General administrative expenses (excluding the regulatory funds) were down by 3.0% to CZK 2,029 million. Savings were achieved across all main areas except for marketing. The cost of contributions to the Deposit Insurance Fund, Resolution Fund and Investor Protection Fund (supported by securities brokers) totalled CZK 874 million, which in accordance with the IFRIC 21 guideline is the total charge to these funds for the year 2016. As of 30 June 2015, by comparison, KB had booked CZK 861 million of costs for the regulatory funds, while those expenditures for the full year 2015 had reached CZK 913 million. The category 'Depreciation, impairment and disposal of fixed assets' was smaller by 1.7%, at CZK 864 million, as certain assets had reached the end of their depreciation periods during 2015.

Gross operating income for the first six months of 2016 was higher by 10.0% year on year, at CZK 9,082 million. If the gain

from the VISA Europe transaction were excluded, the gross operating income would have declined by 1.6%.

The cost of risk increased to CZK 788 million from the very low result of the previous year's first half (CZK 118 million). This translates into 29 basis points in relative terms<sup>II</sup> as measured over the average volume of the lending portfolio. Provisioning in retail segments remained marginal, reflecting the very good repayment discipline of clients and successful recovery performance. The cost of risk in corporate segments was influenced by creation of provisions on a few isolated cases.

Income from shares in associated undertakings (effectively only from Komerční pojišťovna) was up by 3.2% to CZK 97 million.

Income taxes increased by 8.4% to CZK 1,492 million.

At CZK 6,899 million, KB Group's consolidated net profit for the first half of 2016 was higher by 0.7% in comparison with the same period in the prior year. Of this amount, CZK 204 million was profit attributable to holders of minority stakes in KB's subsidiaries (-4.2% versus the year earlier). Profit attributable to the Bank's shareholders totalled CZK 6,695 million, which is 0.8% more than in the first six months of 2015. The attributable net profit not including the net gain from the VISA Europe transaction declined by 10.9% year on year.

## Statement of financial position

The comparison period for the balance sheet under IFRS is the end of the previous year. Therefore, unless indicated otherwise, the following text provides a comparison with the close of 2015.

As of 1 January 2016, Komerční banka reclassified depository bills of exchange from 'Amounts due to customers' to 'Securities issued'. The figures have been reclassified retrospectively. As a result of the reclassification, the item 'Amounts due to customers' as of 31 December 2015 contracts by CZK 10.1 billion and the item 'Securities issued' expands by the same amount.

As of 30 June 2016, KB Group's total assets had grown by 5.4% for the year to date to CZK 939.8 billion.

Cash and current balances with central banks were up by 11.5% to CZK 143.0 billion. The main component of this item comprises the volume of obligatory minimum reserves at central banks.

Amounts due from banks grew by 15.4% to CZK 55.2 billion.

Financial assets measured at fair value through profit or loss increased by 14.9% to CZK 33.6 billion.

Total net loans and advances picked up by 4.4% in comparison with the end of the previous year to reach CZK 555.8 billion. The gross amount of client loans and advances<sup>III</sup> was up by 4.1%

to CZK 570.8 billion. The share of standard loans within that total climbed to 94.6% (CZK 540.3 billion) while the proportion of loans rated watch was 1.3% (CZK 7.7 billion). Loans under special review (substandard, doubtful and loss) comprised 4.0% of the portfolio, with volume of CZK 22.9 billion. The volume of provisions created for loans reached CZK 15.3 billion. That was 3.1% less than at the close of 2015.

The portfolio of securities available for sale (AFS) diminished by 5.0% to CZK 39.8 billion. Of the CZK 39.8 billion in the AFS portfolio, debt securities comprised CZK 39.6 billion. These included CZK 20.1 billion in Czech government bonds and foreign government bonds of CZK 8.1 billion. The volume of securities in the held-to-maturity (HTM) portfolio shrank by 7.0% to CZK 62.4 billion. From the CZK 62.4 billion total volume of debt securities in this portfolio, Czech government bonds constituted CZK 53.2 billion and foreign government bonds CZK 9.2 billion.

The net book value of tangible fixed assets dropped by 6.7% to CZK 6.4 billion, while that of intangible fixed assets declined by 3.4% to reach 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 6.6% higher in comparison to the close of 2015 and reached CZK 837.1 billion. Amounts due to customers grew by 5.8% to CZK 694.3 billion. Because of the decrease in depository bills of exchange, the volume outstanding of issued securities fell by 26.4% to CZK 15.8 billion. The Group's liquidity as measured by the ratio of net loans to deposits<sup>IV</sup> was 80.1%.

Shareholders' equity dropped year to date by 3.4% to CZK 102.6 billion, as the generation of net profit and revaluation gains on cash flow hedges was more than offset by the dividends payment (KB paid out CZK 11.7 billion in May). Revaluation gains on cash flow hedges were higher due to lower long-term interest rates in comparison with the end of 2015. The revaluation of the AFS portfolio (which represents primarily reinvestment of client deposits) declined as a result of recognising the reimbursement for KB's stake in VISA Europe Ltd. within 'Net gains from financial operations' and amortisation of the revaluation differences on securities reclassified from the AFS to HTM portfolio in 2014. As of 30 June 2016, KB held in treasury 1,193,360 of its own shares constituting 0.63% of the registered capital.

## Regulatory capital and liquidity

Consolidated regulatory capital for the capital adequacy calculation stood at CZK 65.9 billion as of 30 June 2016. 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 15.3%. The regulatory capital base includes a contribution from a part of the revaluation reserve related to AFS securities portfolio recognised within the equity account.

As measured by the Liquidity Coverage Ratio, KB's liquidity throughout the first half of 2016 safely met requirements established by the applicable regulations.

## Definitions of the mentioned alternative performance indicators

- I **Net interest margin (NIM):** 'Net interest income' minus 'Dividend income' divided by average interest-earning assets (IEA) year to date (IEA comprise 'Amounts due from banks', 'Current balances with central banks', 'Net loans and advances to customers', 'Financial assets at fair value through profit or loss' (only debt securities), 'Financial assets available for sale' (only debt securities), 'Investments held to maturity' (only debt securities)). Data for 2015 are reported in accordance with 2016 reporting methodology, i.e. cost of the Deposit Insurance Fund is not included in the category 'Net interest income'.

### Reconciliation of the 'Net interest margin' calculation, (CZK<sup>m</sup>, consolidated, unaudited):

(Source: Profit and loss statement)	1H 2016	1H 2015 PROFORMA
<b>Net interest income (excl. Income from dividends)</b>	<b>10,445</b>	<b>10,667</b>
(Source: Statement of financial position)	30 JUN 2016	30 JUN 2015 PROFORMA
Amounts due from banks + Amounts due from central banks	191,014	189,824
Loans and advances to customers, net	555,813	502,218
Financial assets at fair value through profit or loss (Debt securities)	9,046	17,285
Financial assets available for sale (Debt securities)	39,604	43,476
Investments held to maturity (Debt securities)	62,408	67,004
<b>Interest-bearing assets</b>	<b>857,885</b>	<b>819,807</b>
<b>Average interest-bearing assets, year to date</b>	<b>835,713</b>	<b>824,891</b>
<b>NIM year to date, annualised</b>	<b>2.5%</b>	<b>2.6%</b>

- II **Cost of risk in relative terms:** annualised 'Allowances for loan losses' divided by the average of 'Gross amount of client loans and advances', year to date
- III **Gross amount of client loans and advances:** 'Gross amount of client loans and advances' minus 'Other amounts due from customers'
- IV **Net loans to deposits:** 'Net loans and advances to customers' divided by total 'Amounts due to customers'. Data for 2015 are reported in accordance with 2016 reporting methodology, i.e. depository bills of exchange are not included in the category 'Amounts due to customers'.

## Expected development and main risks to that development in the second half of 2016

In its baseline macroeconomic scenario, Komerční banka expects that the Czech economy will grow by approximately 2.1%, driven by solid private and foreign demand, even as a reduction in investment activities financed from public sources will cause a year-on-year drop in construction output. Total fixed investments in the economy should increase marginally. Inflation will remain low, at an average 0.5%, despite that gradual tightening in the labour market will probably drive up nominal wages in the economy by more than 3% this year.

The Czech National Bank is not expected to change its basic monetary policy setting. The two-week repo rate should stay at 0.05% and the CZK/EUR exchange rate will be maintained near CZK 27. Longer-term interest rates should rise only moderately, and the baseline expectation is for the ten-year swap rate to be approaching 0.7% at the close of the year compared to 0.5% at the end of June. The short end of the yield curve for Czech government bonds should remain in negative territory due to demand from foreign investors driven by negative CZK/EUR cross currency basis spreads.

With solid performance in the economy, growth in the volume of loans provided by banks should exceed 6% in 2016. Improved consumer confidence should gradually be reflected in modestly accelerating demand even for the heretofore subdued area of unsecured consumer lending. The growth in lending should readily be covered by the free liquidity created in the Czech banking sector by client deposits.

In contrast with the accommodative monetary policy that seeks to avert deflation and support economic growth, banking sector regulation will continue to limit growth potential and increase costs to the banking business – and especially of lending. The CNB has announced a new limit on the maximum loan-to-value ratio for newly granted mortgages of 95% from October 2016, and that will be lowered yet again to 90% from April 2017. The CNB also has informed KB that in accordance with its assessment of Komerční banka's systemic importance the Bank's systemic risk buffer will be lifted to 3.0% from 2.5% as from 1 January 2017. This is in addition to CNB's previously announced decision to raise the rate of countercyclical capital buffer from 1 January 2017 to 0.5% (from 0%). In its Financial Stability Report, the CNB also provided a stricter interpretation of Basel III rules on interaction of regulatory capital

buffers, effectively leading to a more rigorous Overall Capital Requirement for banks. For KB, these increases lead to a higher Overall Capital Requirement from 1 January 2017 of 15.5% of risk-weighted assets from the current level of 14.5%. Additional changes in capital requirements may ensue from the continuing annual Supervisory Review and Evaluation Process.

With this new information on further substantial raising of capital requirements, KB's Board of Directors decided to put under review its previously communicated guidance on dividend distribution from the 2016 result. Under the current assumption of no additional changes to the capital requirements in 2016, the Bank should be able to sustain the organic development of its business activities by returning to a dividend payout ratio on the level usual before the period of increased dividend distribution (from 2014).

In 2016, ESSOX continues resolving claims of clients to refund fees paid for concluding consumer loan agreements and to set the level of interest on the respective loans at the CNB's discount rate inasmuch as the claimants considered that disclosure of the contractual parameters in the contracts' documentation had not been in accordance with Appendix 3 of the Consumer Credit Act. ESSOX will utilise all of its procedural rights in order to prove that it complied with the Consumer Credit Act when concluding the consumer loan agreements.

At mid-year, the main external risks seen for the development of the Czech economy were slowing of economic recovery in countries which are the Czech Republic's major trading partners, unexpected developments following the decision of voters in the United Kingdom to leave the European Union, escalation in the wave of mass immigration to Europe, or continuing incidence of serious terrorist attacks on the Continent.

For the second half of 2016, Komerční banka's management expects the Group's loan portfolio will keep expanding year on year at a rate similar to, or just slightly slower than, that in the first half. Within the housing loans category, mortgages should continue to grow faster than building society loans. As would be consistent with recent periods, KB aims to outperform the market in expanding its portfolios of consumer loans and loans to small businesses. In corporate segments, low interest rates mainly are boosting lending volumes for such financial investments as

business acquisitions or real estate deals. Meanwhile, financing of working capital needs is tending to be slower in the present situation of abundant liquidity.

The Group also expects the overall deposits volume to expand in the second half of the year, influenced by consumers' increasing disposable income and the 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 2016, the environment characterised by interest rates lower than in the previous year will cause net interest income to decline slightly despite the solid growth in volumes of interest-earning assets (mainly loans). Income from fees and commissions will probably diminish, too, inasmuch as the trend of sinking fees from basic services will moderate but not end. This trend will be offset only in part by clients' greater transaction activity, higher volumes of assets under management, and development of specialised financial services. The solid growth of financing and relative economic uncertainty should underpin clients' demand for hedging risks in relation to currencies, commodity prices, and interest rates. The growing economy and foreign trade are expected to support foreign payment traffic, as well. This should mean that income from financial operations will reach at least the same level as, or even better than, in the previous year.

Disciplined and rigorous cost management will be continued within KB Group while focusing on simplification and synergies. The number of employees and branches will change only marginally or not at all. Those expenses driven by ongoing development of multi-channel banking functionalities and transforming selected parts of the IT infrastructure will be in line with the regular level of depreciation and amortisation. Having impaired a part of its real estate portfolio at the end of 2015 by CZK 418 million, KB probably will report operating expenditures declining by a similar amount.

The quality of the Bank's assets can be expected to remain excellent and the loans under special review as a proportion of the total portfolio to stay stable at the current low level. The level of cost of risk achieved in 2015 is nevertheless not perceived as sustainable over the medium term. The future development of provisioning will reflect growth in the overall lending volume and changes in such macroeconomic factors as level of interest rates, economic growth, and unemployment. The volume of provisions in retail segments should continue at low levels, and any potential future growth should be gradual and moderate. In corporate segments, the volume of provisions created may vary in individual quarters, given the dynamic development of conditions within certain sectors of the economy.

The management expects that KB Group's operations will generate earnings in 2016 sufficient to cover the Group's capital needs and for dividend payment.

## Developments in KB's corporate governance

The General Meeting held on 22 April 2016 approved the Board of Directors' report on the Bank's business activity and state of its assets for the year 2015 as presented. Moreover, the General Meeting approved the annual financial statements and the consolidated financial statements for 2015, as well as the distribution of the net profit from 2015. The latter included a dividend payout of CZK 11.8 billion, which amounts to CZK 310 per share and a payout ratio of 92.4% of KB Group's attributable net profit. The corresponding gross dividend yield based on 2015's closing share price is 6.3%.

The General meeting re-elected Mr Bořivoj Kačena 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 the external auditor of Komerční banka for the year 2016.

Furthermore, the General Meeting decided upon amendment of the Bank's Articles of Association in order to ensure their compliance with the currently valid legislation.

The General Meeting also approved a share split in the ratio of 5:1. The split took effect on 25 April 2016 with its entry into the register of companies. The Central Securities Depository changed the respective entry as of 11 May 2016. Shareholders received five new shares with nominal value CZK 100 in place of each old share with nominal value CZK 500.

As proposed by the nominations committee, the Supervisory Board re-elected Mr Vladimír Jeřábek as a member of the Board with effect from 3 June 2016.

## Changes in the Group structure

ESSOX s.r.o., a subsidiary 50.93% owned by Komerční banka, concluded on 1 July 2016 the acquisitions of 100% ownership stakes in PSA FINANCE ČESKÁ REPUBLIKA, s.r.o. ("PSA Finance CZ") and in PSA FINANCE SLOVAKIA, s.r.o. ("PSA Finance SK") from members of Banque PSA Finance, based in Paris. PSA Finance CZ and PSA Finance SK have been consolidated in Komerční banka Group accounts from 1 July 2016.

## 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 in making financial or operational decisions. The Group was controlled as of 30 June 2016, by Société Générale S.A., which owns 60.35% of the Bank's issued share capital.

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 are carried out on an arm's length basis.

### Amounts due to and from Group companies

As of 30 June 2016, the Group had deposits of CZK 1,837 million belonging to the associate, Komerční pojišťovna, a.s. The positive fair value of financial derivatives in relation to Komerční pojišťovna was CZK 1,796 million and the negative fair value was CZK 32 million. The book value of mortgage bonds issued by the Bank was CZK 816 million and interest expense from mortgage bonds amounted to CZK 10 million. Interest expense from financial derivatives totalled CZK 265 million and interest income from financial derivatives came to CZK 414 million. Fee expense amounted to CZK 36 million, fee income CZK 156 million, and insurance expense CZK 15 million.

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

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

(CZKm)	30 JUN 2016		31 DEC 2015	
	TOTAL	OF WHICH DERIVATIVES	TOTAL	OF WHICH DERIVATIVES
ALD Automotive s.r.o. (Czech Republic)	4,417	0	3,820	0
ALD Automotive s.r.o. (Slovak Republic)	492	0	648	0
BRD Romania	99	0	0	0
Rosbank	29	0	67	0
SG Bruxelles	138	0	2	0
SG Expressbank	9	0	10	0
SG Paris	10,923	5,368	9,527	4,230
SG Warsaw	27	0	1	0
SGA Société Générale Acceptance	2,985	0	3,098	0
Société Générale Algeria	0	0	2	0
Splitska Banka	5	0	5	0
SG Zürich	250	0	0	0
Société Générale Newedge UK Ltd	4	0	3	0
Société Générale (China) Ltd	27	0	19	0
<b>Total</b>	<b>19,405</b>	<b>5,368</b>	<b>17,202</b>	<b>4,230</b>

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

(CZKm)	30 JUN 2016		31 DEC 2015	
	TOTAL	OF WHICH DERIVATIVES	TOTAL	OF WHICH DERIVATIVES
ALD Automotive Czech Republic, s.r.o	367	0	186	0
BRD Romania	2	0	3	1
Crédit du Nord	1	0	0	0
Inter Europe Conseil	0	0	2	0
PEMA Praha	45	0	13	0
SG Amsterdam	36	0	46	0
SG Banques au Liban (SG Cyprus)	3	0	14	0
SG VIENNE	62	0	0	0
SG Frankfurt	10	0	1	0
SG ISSUER	1	0	0	0
SG London	226	0	11	0
SG New York	1	0	2	0
SG Paris	28,376	8,428	25,604	6,925
SG Private Banking (Suisse) S.A.	190	0	280	0
SG Warsaw	2	0	3	0
SG Zurich	0	0	1	0
SGBT Luxembourg	1,091	0	978	0
Splitska Banka	117	0	1	0
SOGEPROM Česká republika s.r.o.	6	0	6	0
<b>Total</b>	<b>30,536</b>	<b>8,428</b>	<b>27,151</b>	<b>6,926</b>

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

As of 30 June 2016, 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 354,547 million and CZK 337,793 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 2016, the Group also carried other amounts due to and from the Société Générale Group entities which are immaterial.

During the period ended 30 June 2016, the Group realised total income of CZK 10,738 million and total expenses of CZK 10,824 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 interbank deposits, interest expense on derivatives, losses from fair value of derivatives, losses from financial operations, and expenses for assistance services.

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

In respect of loans and guarantees as of 30 June 2016, the Group recorded loan receivables from loans granted to the members of the Board of Directors and Supervisory Board totalling CZK 20 million (as of 31 December 2015 CZK 21 million). During the first half of 2016, new drawdowns of CZK 0 million were made under the loans granted. Loan repayments in the first half of 2016, totalled CZK 1 million.

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# Report on financial results as of 30 June 2016 (in accordance with IFRS)

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## Consolidated Income Statement and Statement of Comprehensive Income for the period ended 30 June 2016

### Consolidated Income Statement

(CZKm)	30 JUN 2016	30 JUN 2015
Interest income and similar income	13,417	14,511
Interest expense and similar expense	(2,972)	(3,844)
Income from dividends	1	2
<b>Net interest income and similar income</b>	<b>10,446</b>	<b>10,669</b>
Net fee and commission income	3,408	3,492
Net profit on financial operations	2,359	1,247
Other income	65	51
<b>Net operating income</b>	<b>16,278</b>	<b>15,459</b>
Personnel expenses	(3,429)	(3,374)
General administrative expenses	(2,903)	(2,953)
Depreciation, impairment and disposal of fixed assets	(864)	(879)
<b>Total operating expenses</b>	<b>(7,196)</b>	<b>(7,206)</b>
<b>Profit before allowances/provisions for loan and investment losses, other risk and income taxes</b>	<b>9,082</b>	<b>8,253</b>
Allowances for loan losses	(811)	(111)
Provisions for other risk expenses	23	(7)
<b>Cost of risk</b>	<b>(788)</b>	<b>(118)</b>
Income from share of associated companies	97	94
Share of profit of pension scheme beneficiaries	0	0
<b>Profit before income taxes</b>	<b>8,391</b>	<b>8,229</b>
Income taxes	(1,492)	(1,376)
<b>Net profit for the period</b>	<b>6,899</b>	<b>6,853</b>
Profit attributable to the non-controlling owners	204	213
Profit attributable to Group's equity holders	6,695	6,640
<b>Earnings per share/diluted earnings per share (in CZK)</b>	<b>35.45</b>	<b>35.16*</b>

\* Adjusted for the effect of a 5-for-1 share split made by KB in April 2016 (see Note 1 – Events for the period ended 30 June 2016). The previously reported value of earnings per share (before the split) for the first half of 2015 was CZK 175.77.

### Consolidated Statement of Comprehensive Income

(CZKm)	30 JUN 2016	30 JUN 2015
<b>Net profit for the period</b>	<b>6,899</b>	<b>6,853</b>
<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	4,675	(2,812)
– Transfer to net profit/(loss), net of tax	(1,634)	(1,673)
Foreign exchange gain/(loss) on hedge of a foreign net investment	1	(1)
Net value gain/(loss) on available-for-sale financial assets, net of tax	(1,457)	(693)
Net value gain/(loss) on available-for-sale financial assets, net of tax (associated undertakings)	(4)	(56)
<b>Other comprehensive income for the period, net of tax</b>	<b>1,581</b>	<b>(5,235)</b>
<b>Comprehensive income for the period, net of tax</b>	<b>8,480</b>	<b>1,618</b>
Comprehensive income attributable to non-controlling owners	204	213
Comprehensive income attributable to Group's equity holders	8,276	1,405

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

## Consolidated Statement of Financial Position as of 30 June 2016

(CZKm)	NOTE	30 JUN 2016	31 DEC 2015
<b>ASSETS</b>			
Cash and current balances with central banks		143,035	128,336
Financial assets at fair value through profit or loss		33,550	29,198
Positive fair value of hedging financial derivative transactions		29,174	23,701
Available-for-sale financial assets	4	39,766	41,864
Assets held for sale		751	385
Amounts due from banks		55,151	47,799
Loans and advances to customers	5	555,811	532,617
Revaluation differences on portfolios hedge items		40	18
Held-to-maturity investments	6	62,408	67,083
Income taxes receivable		46	367
Deferred tax assets		71	70
Prepayments, accrued income and other assets		4,949	4,436
Investments in associates and unconsolidated subsidiaries		1,159	1,219
Intangible fixed assets		3,736	3,867
Tangible fixed assets		6,383	6,844
Goodwill		3,752	3,752
<b>Total assets</b>		<b>939,782</b>	<b>891,556</b>
<b>LIABILITIES AND EQUITY</b>			
Amounts due to central banks		1	1
Financial liabilities at fair value through profit or loss		22,349	19,494
Negative fair value of hedging financial derivative transactions		11,572	10,055
Amounts due to banks		61,773	56,230
Amounts due to customers		694,319	656,287
Revaluation differences on portfolios hedge items		1,133	610
Securities issued	8	15,752	21,403
Income taxes payable		214	83
Deferred tax liability		4,674	4,584
Accruals and other liabilities		24,060	15,419
Provisions	9	1,288	1,161
<b>Total liabilities</b>		<b>837,135</b>	<b>785,327</b>
Share capital		19,005	19,005
Share premium and reserves		79,997	83,408
Minority equity		3,645	3,816
<b>Total equity</b>		<b>102,647</b>	<b>106,229</b>
<b>Total liabilities and equity</b>		<b>939,782</b>	<b>891,556</b>

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

## Consolidated Statement of Changes in Shareholders' Equity for the period ended 30 June 2016

(CZKm)	SHARE CAPITAL	CAPITAL FUNDS AND RETAINED EARNINGS*	REMEA-SUREMENT 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 2015</b>	<b>19,005</b>	<b>65,832</b>	<b>(38)</b>	<b>12,653</b>	<b>1</b>	<b>4,960</b>	<b>102,413</b>	<b>3,816</b>	<b>106,229</b>
Treasury shares, other	0	96	0	0	0	0	96	0	96
Payment of dividends	0	(11,783)	0	0	0	0	(11,783)	(375)	(12,158)
<b>Transactions with owners</b>	<b>0</b>	<b>(11,687)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(11,687)</b>	<b>(375)</b>	<b>(12,062)</b>
Profit for the period	0	6,695	0	0	0	0	6,695	204	6,899
Other comprehensive income for the period, net of tax	0	-4**	0	3,041	1	(1,457)	1,581	0	1,581
<b>Comprehensive income for the period</b>	<b>0</b>	<b>6,691</b>	<b>0</b>	<b>3,041</b>	<b>1</b>	<b>(1,457)</b>	<b>8,276</b>	<b>204</b>	<b>8,480</b>
<b>Balance as of 30 June 2016</b>	<b>19,005</b>	<b>60,836</b>	<b>(38)</b>	<b>15,694</b>	<b>2</b>	<b>3,503</b>	<b>99,002</b>	<b>3,645</b>	<b>102,647</b>

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

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

(CZKm)	SHARE CAPITAL	CAPITAL AND RESERVE FUNDS AND RETAINED EARNINGS*	REMEA-SUREMENT 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 funds and retained earnings as of 30 June 2015 consist of other funds created from profit in the amount of CZK 4,670 million (31 Dec 2014: CZK 4,670 million), share premium, treasury shares and share-based transactions in the amount of CZK -667 million (31 Dec 2014: CZK -267 million), net profit from the period in the amount of CZK 6,639 million (31 Dec 2014: CZK 12,954 million), and retained earnings in the amount of CZK 48,663 million (31 Dec 2014: CZK 47,376 million).

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

\*\*\* 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 constitute an integral part of this Consolidated Statement of Changes in Shareholders' Equity.

## Consolidated Cash Flow Statement for the period ended 30 June 2016

(CZKm)	30 JUN 2016	30 JUN 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest receipts	12,493	12,632
Interest payments	(2,282)	(6,431)
Commission and fee receipts	4,037	4,272
Commission and fee payments	(693)	(831)
Net income from financial transactions	1,922	1,741
Other income receipts	141	292
Cash payments to employees and suppliers, and other payments	(6,318)	(5,172)
<b>Operating cash flow before changes in operating assets and operating liabilities</b>	<b>9,300</b>	<b>6,503</b>
Due from banks	(5,821)	2,861
Financial assets at fair value through profit or loss	(4,334)	3,669
Loans and advances to customers	(23,781)	(12,343)
Other assets	(313)	(144)
<b>Total (increase)/decrease in operating assets</b>	<b>(34,249)</b>	<b>(5,957)</b>
Amounts due to banks	(5,960)	(5,696)
Financial liabilities at fair value through profit or loss	2,854	(2,845)
Amounts due to customers	38,288	(5,921)
Other liabilities	8,377	10,189
<b>Total increase/(decrease) in operating liabilities</b>	<b>43,559</b>	<b>(4,273)</b>
Net cash flow from operating activities before taxes	18,610	(3,727)
Income taxes paid	(1,343)	(1,563)
<b>Net cash flows from operating activities</b>	<b>17,267</b>	<b>(5,290)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	153	142
Purchase of held-to-maturity investments	(2,548)	(1,373)
Maturity of held-to-maturity investments*	(7,777)	4,733
Purchase of available-for-sale financial assets	(835)	(2,209)
Sale and maturity of available-for-sale financial assets*	2,548	403
Purchase of tangible and intangible assets	(1,841)	(604)
Sale of tangible and intangible assets	664	11
<b>Net cash flow from investing activities</b>	<b>5,918</b>	<b>1,103</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Paid dividends	(11,684)	(11,616)
Paid dividends (non-controlling interest)	0	(238)
Securities issued	0	591
Securities redeemed*	(6,548)	(696)
Increased capital (non-controlling interest)	0	549
<b>Net cash flow from financing activities</b>	<b>(18,271)</b>	<b>(11,410)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,914</b>	<b>(15,597)</b>
Cash and cash equivalents at beginning of the period	126,132	138,698
Deconsolidation of Transformed Fund**	0	(419)
FX differences on Cash and cash equivalents at beginning of year	(1)	17
<b>Cash and cash equivalents at end of the period</b>	<b>131,045</b>	<b>122,699</b>

\* The amount also includes received and paid coupons.

\*\* 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).

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

## Notes to the Consolidated Financial Statements for the period ended 30 June 2016

### 1 Events for the period ended 30 June 2016

#### Dividends declared in respect of the year ended 31 December 2015

In accordance with a resolution of the Bank's General Shareholders' meeting held on 22 April 2016, the Bank 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 decided to pay out CZK 375 million in dividends to non-controlling owners of ESSOX s.r.o.

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

In March 2016, KB concluded an agreement on the sale of its interest in Cataps, s.r.o. with Worldline SA/NV based upon which KB will transfer its merchant acquiring into Cataps, s.r.o. and subsequently sell its 80% stake in Cataps, s.r.o. Both the steps are expected in the third quarter of 2016 after meeting all conditions precedent (in particular obtaining regulatory approvals).

In April 2016, KB's subsidiary ESSOX s.r.o. concluded agreements to acquire 100% ownership stakes in PSA FINANCE ČESKÁ REPUBLIKA, s.r.o. and in PSA FINANCE SLOVAKIA, s.r.o. from members of the Paris-based Banque PSA Finance group. The acquisitions were finalised in July 2016 after obtaining all required regulatory approvals.

In May 2016, the equity in Bastion European Investments S.A. was decreased by EUR 3.5 million (equivalent to CZK 100 million). The decrease was initiated solely by the Bank as the majority shareholder of Bastion European Investments S.A.

In June 2016, KB's investment into subsidiary NP 33, s.r.o. was reclassified as **'Assets held for sale'** due to expected sale of this company.

The General Meeting held on 22 April 2016 approved a 5-for-1 split of Komerční banka's shares. That means the increased number of shares were distributed to existing shareholders, with each existing shareholder receiving five new shares each with nominal value CZK 100 for each original share with nominal value CZK 500.

The presented Consolidated Financial Statements for the period ended 30 June 2016 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.

#### Seasonality and unusual items

The Group's principal activities are not significantly influenced by seasonality, and in the first half of 2016 no unusual transaction occurred.

### 2 Principal accounting policies

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

As from 1 January 2016, the following changes were made in reporting of several items for better presentation in accordance with their nature, recommendations of the European Banking Authority, and the Group's accounting principles:

- The contribution to the Deposit Insurance Fund is newly reported in the category **'General administrative expenses'**. Previously, it had been reported as a part of **'Net interest and similar income'** (CZK 446 million as of 30 June 2015).
- The contribution to the Securities Brokers Guarantee Fund, previously reported in the category **'Net fee and commission income'**, is newly reported in **'General administrative expenses'** (CZK 6 million as of 30 June 2015).

### 3 Segment reporting

(CZKm)	RETAIL BANKING		CORPORATE BANKING		INVESTMENT BANKING		OTHER		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income and similar income	6,028	6,052	3,406	3,580	37	68	975	969	10,446	10,669
Net fee and commission income	2,249	2,314	1,048	1,077	(11)	(33)	122	134	3,408	3,492
Net profit on financial operations	441	406	783	670	137	185	998	(14)	2,359	1,247
Other income	39	35	(2)	-3	61	56	(33)	(37)	65	51
<b>Net operating income</b>	<b>8,757</b>	<b>8,807</b>	<b>5,235</b>	<b>5,324</b>	<b>224</b>	<b>276</b>	<b>2,062</b>	<b>1,052</b>	<b>16,278</b>	<b>15,459</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 2016		31 DEC 2015	
	FAIR VALUE	COST*	FAIR VALUE	COST*
<b>Shares and participation certificates</b>	<b>162</b>	<b>1</b>	<b>675</b>	<b>1</b>
Fixed income debt securities	25,609	22,294	27,095	23,984
Variable yield debt securities	13,995	13,500	14,094	13,563
<b>Total debt securities</b>	<b>39,604</b>	<b>35,794</b>	<b>41,189</b>	<b>37,547</b>
<b>Total available-for-sale financial assets</b>	<b>39,766</b>	<b>35,795</b>	<b>41,864</b>	<b>37,548</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 2016	31 DEC 2015
<b>Debt securities available for sale issued by:</b>		
– State institutions in the Czech Republic	20,109	20,376
– Foreign state institutions	8,104	7,919
– Financial institutions in the Czech Republic	10,570	12,062
– Foreign financial institutions	821	832
<b>Total debt securities available for sale</b>	<b>39,604</b>	<b>41,189</b>

During the first half of 2016, the Group acquired bonds issued by state institutions in the Czech Republic with total nominal value of CZK 550 million. During the first half of 2016, the Group had regular repayment of bonds in the aggregate nominal value of CZK 2,317 million, of which CZK 900 million had been issued by state institutions in the Czech Republic and CZK 1,417 million by financial institutions in the Czech Republic.

During the first half of 2015, the Group had acquired bonds issued by state institutions in the Czech Republic with total nominal value of CZK 1,800 million. During the first half of 2015, the Group had no regular repayment of bonds.

## 5 Loans and advances to customers

Loans and advances to customers comprise the following:

(CZKm)	30 JUN 2016	31 DEC 2015
Loans to customers	566,199	544,009
Bills of exchange	294	302
Forfaits	451	272
<b>Total loans and advances to customers excluding bonds and other amounts due from customers, gross</b>	<b>566,944</b>	<b>544,583</b>
Debt securities	3,880	3,654
Other amounts due from customers	333	214
<b>Total loans and advances to customers, gross</b>	<b>571,157</b>	<b>548,451</b>
Portfolio provisions for loans to customers		
– Individuals	(364)	(342)
– Corporates*	(281)	(275)
Specific provisions for loans to customers		
– Individuals	(6,969)	(7,320)
– Corporates*	(7,717)	(7,881)
<b>Total provisions for loans to customers</b>	<b>(15,331)</b>	<b>(15,818)</b>
Specific provisions for other amounts due from customers	(15)	(16)
<b>Total provisions for loans and other amounts due from customers</b>	<b>(15,346)</b>	<b>(15,834)</b>
<b>Total loans and advances to customers, net</b>	<b>555,811</b>	<b>532,617</b>

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

As of 30 June 2016, the loan portfolio of the Group (excluding 'Debt securities' and 'Other amounts due from customers') is comprised of the following, as broken down by classification:

(CZKm)	GROSS RECEIVABLE	COLLATERAL APPLIED	NET EXPOSURE	PROVISIONS	CARRYING VALUE	PROVISIONS
Standard	536,389	248,489	287,900	(645)*	535,744	0%
Watch	7,704	3,262	4,442	(555)	7,149	12%
Substandard	7,936	3,187	4,749	(2,915)	5,021	61%
Doubtful	1,132	386	746	(555)	577	74%
Loss	13,783	1,737	12,046	(10,661)	3,122	89%
<b>Total</b>	<b>566,944</b>	<b>257,061</b>	<b>309,883</b>	<b>(15,331)</b>	<b>551,613</b>	

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

As of 31 December 2015, 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	PROVISIONS	CARRYING VALUE	PROVISIONS
Standard	512,644	237,901	274,743	(617)*	512,027	0%
Watch	8,742	3,367	5,375	(583)	8,159	11%
Substandard	7,172	3,550	3,622	(2,577)	4,595	71%
Doubtful	2,029	1,246	783	(654)	1,375	84%
Loss	13,996	1,082	12,914	(11,387)	2,609	88%
<b>Total</b>	<b>544,583</b>	<b>247,146</b>	<b>297,437</b>	<b>(15,818)</b>	<b>528,765</b>	

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

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

(CZKm)	30 JUN 2016	31 DEC 2015
Food industry and agriculture	16,457	16,903
Mining and extraction	5,243	5,948
Chemical and pharmaceutical industry	6,264	6,114
Metallurgy	10,280	10,764
Automotive industry	11,779	10,526
Manufacturing of other machinery	9,185	8,958
Manufacturing of electrical and electronic equipment	4,052	3,575
Other processing industry	9,453	8,240
Power plants, gas plants and waterworks	18,222	17,319
Construction industry	11,563	10,498
Retail	15,921	14,134
Wholesale	28,189	28,092
Accommodation and catering	1,514	1,451
Transportation, telecommunication and warehouses	24,600	24,764
Banking and insurance industry	22,055	19,963
Real estate	51,081	43,070
Public administration	29,141	32,235
Other industries	30,498	31,605
Individuals	261,447	250,424
<b>Loans to customers</b>	<b>566,944</b>	<b>544,583</b>

## 6 Held-to-maturity investments

The held-to-maturity investments comprise the following:

(CZKm)	30 JUN 2016		31 DEC 2015	
	CARRYING VALUE	COST*	CARRYING VALUE	COST*
Fixed income debt securities	62,408	61,470	67,083	65,578
<b>Total held-to-maturity investments</b>	<b>62,408</b>	<b>61,470</b>	<b>67,083</b>	<b>65,578</b>

\* Amortised acquisition cost.

As of 30 June 2016, the '**Held-to-maturity investments**' portfolio includes bonds issued by state institutions in the Czech Republic in the amount of CZK 53,202 million (2015: CZK 56,224 million) and CZK 9,206 million (2015: CZK 10,859 million) in bonds issued by foreign state institutions.

During the first half of 2016, the Group acquired bonds with nominal value of CZK 1,250 million and EUR 40 million (equivalent in total to CZK 2,331 million), of which CZK 1,250 million comprised bonds issued by state institutions in the Czech Republic and CZK 1,081 million bonds issued by foreign state institutions. During the first half of 2016, the Group received regular repayment of debt securities in the aggregate nominal value of CZK 200 million and EUR 98.25 million (equivalent in total to CZK 2,856 million), of which CZK 200 million comprised bonds issued by state institutions in the Czech Republic and CZK 2,656 million comprised bonds issued by foreign state institutions.

During the first half of the year 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 of bonds issued by state institutions in the Czech Republic in the aggregate nominal value of CZK 1,380 million.

## 7 Bonds issued by foreign state institutions

As of 30 June 2016, bonds issued by foreign state institutions designated as 'Available-for-sale financial assets' and as 'Held-to-maturity investments' comprise the following:

(CZKm) COUNTRY OF ISSUER	AMORTISED COST			FAIR VALUE		
	AVAILABLE-FOR-SALE FINANCIAL ASSETS	HELD-TO-MATURITY INVESTMENTS	TOTAL	AVAILABLE-FOR-SALE FINANCIAL ASSETS	HELD-TO-MATURITY INVESTMENTS	TOTAL
Poland	679	5,951	6,630	783	6,116	6,899
Slovakia	3,345	3,135	6,480	4,250	3,404	7,654
EIB	1,000	0	1,000	1,128	0	1,128
Romania	1,869	0	1,869	1,943	0	1,943
<b>Total</b>	<b>6,893</b>	<b>9,086</b>	<b>15,979</b>	<b>8,104</b>	<b>9,520</b>	<b>17,624</b>

As of 31 December 2015, bonds issued by foreign state institutions designated as 'Available-for-sale financial assets' and as 'Held-to-maturity investments' was comprised of the following:

(CZKm) COUNTRY OF ISSUER	AMORTISED COST			FAIR VALUE		
	AVAILABLE-FOR-SALE FINANCIAL ASSETS	HELD-TO-MATURITY INVESTMENTS	TOTAL	AVAILABLE-FOR-SALE FINANCIAL ASSETS	HELD-TO-MATURITY INVESTMENTS	TOTAL
Poland	676	5,778	6,454	786	6,023	6,809
Slovakia	3,338	4,812	8,150	4,067	5,146	9,213
EIB	1,000	0	1,000	1,162	0	1,162
Romania	1,889	0	1,889	1,904	0	1,904
<b>Total</b>	<b>6,903</b>	<b>10,590</b>	<b>17,493</b>	<b>7,919</b>	<b>11,169</b>	<b>19,088</b>

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

(CZKm) COUNTRY OF ISSUER	30 JUN 2016	31 DEC 2015
	FAIR VALUE	FAIR VALUE
Poland	0	1
Slovakia	897	1,991
EIB	62	52
<b>Total</b>	<b>959</b>	<b>2,044</b>

## 8 Securities issued

Securities issued comprise the following:

(CZKm)	30 JUN 2016	31 DEC 2015
Mortgage bonds	11,417	11,283
Depository bills of exchange	4,335	10,120
<b>Total securities issued</b>	<b>15,752</b>	<b>21,403</b>

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

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

(CZKm)	30 JUN 2016	31 DEC 2015
In less than one year	0	0
In one to five years	1,750	1,761
In five to ten years	1,020	1,008
In ten to twenty years	0	0
in twenty to thirty years	8,647	8,514
<b>Total mortgage bonds</b>	<b>11,417</b>	<b>11,283</b>

During the first half of 2016, the Group repurchased mortgage bonds with aggregate nominal volume of CZK 8 million.

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

NAME	INTEREST RATE	CURRENCY	ISSUE DATE	MATURITY DATE	30 JUN 2016 (CZKm)	31 DEC 2015 (CZKm)
HZL Komerční banky, a.s. CZ0002001753	Rate of the interest swap sale in CZK for 10 years plus 150 bps	CZK	21 Dec 2007	21 Dec 2037	8,647	8,514
HZL Komerční banky, a.s. CZ0002002801	2.55%	CZK	21 Dec 2012	21 Dec 2022	1,020	1,008
HZL Komerční banky, a.s., CZ0002003064	6M PRIBOR plus 50 bps	CZK	14 Mar 2013	14 Mar 2018	1,750	1,761
<b>Total mortgage bonds</b>					<b>11,417</b>	<b>11,283</b>

Six-month PRIBOR was 36 bps as of 30 June 2016.

The ten-year average rate of the interest rate swap sale in CZK as of 30 June 2016 was 51 bps.

## 9 Provisions

*Provisions comprise the following:*

(CZKm)	30 JUN 2016	31 DEC 2015
Provisions for contracted commitments	355	378
Provisions for other credit commitments	933	783
<b>Total provisions</b>	<b>1,288</b>	<b>1,161</b>

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

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

(CZKm)	30 JUN 2016	31 DEC 2015
Provisions for off-balance sheet commitments	877	728
Provisions for undrawn loan facilities	56	55
<b>Total</b>	<b>933</b>	<b>783</b>

Movements in the provisions for contracted commitments were as follow:

(CZKm)	RETIREMENT BENEFITS PLAN	PROVISIONS FOR LOYALTY AND JUBILEE BONUSES	OTHER PROVISIONS FOR CONTRACTED COMMITMENTS	TOTAL
<b>Balance at 1 January 2016</b>	<b>201</b>	<b>2</b>	<b>175</b>	<b>378</b>
Charge	6	0	15	21
Release	0	0	(36)	(36)
Use	(4)	0	(6)	(10)
Accrual	2	0	0	2
Remeasurement	0	0	0	0
Foreign exchange difference	0	0	0	0
<b>Balance at 30 June 2016</b>	<b>205</b>	<b>2</b>	<b>148</b>	<b>355</b>

(CZKm)	RETIREMENT BENEFITS PLAN	PROVISIONS FOR LOYALTY AND JUBILEE BONUSES	OTHER PROVISIONS FOR CONTRACTED COMMITMENTS	TOTAL
<b>Balance at 1 January 2015</b>	<b>178</b>	<b>3</b>	<b>465</b>	646
Charge	6	0	443	449
Release	0	0	(20)	(20)
Use	(5)	0	(34)	(39)
Accrual	1	0	0	1
Remeasurement	0	0	0	0
Foreign exchange difference	0	0	2	2
<b>Balance at 30 June 2015</b>	<b>180</b>	<b>3</b>	<b>856</b>	<b>1,039</b>

## 10 Commitments and contingent liabilities

### Legal disputes

The Group conducted a review of legal proceedings outstanding against it as of 30 June 2016. 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 25 million for these legal disputes. The Group has also recorded a provision of CZK 40 million for costs associated with a potential payment of interest on the pursued claims.

As of 30 June 2016, the Group conducted a review of legal proceedings filed against other entities. The Group has been notified that certain parties against which it is taking legal action may file counterclaims against it. The Group will contest any such claims and, taking into consideration the opinion of its internal and external legal counsel, believes that any asserted claims made will not materially affect its financial position. No provision has been made in respect of these matters.

Financial commitments and contingencies comprise the following:

(CZKm)	30 JUN 2016	31 DEC 2015
Non-payment guarantees, including commitments to issued non-payment guarantees	34,810	35,358
Payment guarantees, including commitments to issued payment guarantees	13,021	12,716
Committed facilities and unutilised overdrafts	13,966	14,351
Undrawn credit commitments	56,685	48,082
Unutilised overdrafts and approved overdraft loans	13,876	13,309
Unutilised limits under framework agreements to provide financial services	9,384	10,820
Open customer/import letters of credit uncovered	628	566
Standby letters of credit uncovered	1,392	1,336
Confirmed supplier/export letters of credit	53	52
<b>Total contingent revocable and irrevocable commitments</b>	<b>143,815</b>	<b>136,590</b>

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

(CZKm)	30 JUN 2016	31 DEC 2015
Food industry and agriculture	8,145	8,259
Mining and extraction	704	419
Chemical and pharmaceutical industry	3,542	3,432
Metallurgy	5,181	5,251
Automotive industry	1,254	1,350
Manufacturing of other machinery	6,961	7,283
Manufacturing of electrical and electronic equipment	1,733	1,894
Other processing industry	2,256	1,564
Power plants, gas plants and waterworks	8,263	7,231
Construction industry	30,974	32,866
Retail	3,048	2,966
Wholesale	8,934	7,840
Accommodation and catering	407	417
Transportation, telecommunication and warehouses	9,125	9,429
Banking and insurance industry	5,677	4,106
Real estate	2,761	2,885
Public administration	3,990	3,143
Other industries	13,494	12,642
Individuals	27,366	23,613
<b>Contingent liabilities</b>	<b>143,815</b>	<b>136,590</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 2016		31 DEC 2015	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
<b>Financial assets</b>				
Cash and current balances with central banks	143,035	143,035	128,336	128,336
Amounts due from banks	55,151	57,376	47,799	49,468
Loans and advances to customers	555,813	570,227	532,617	548,622
Held-to-maturity investments	62,408	67,202	67,083	72,264
<b>Financial liabilities</b>				
Amounts due to central banks	1	1	1	1
Amounts due to banks	61,773	61,782	56,230	56,222
Amounts due to customers	694,320	694,989	655,826	654,478
Securities issued	15,752	15,251	21,864	20,976

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 2016				31 DEC 2015			
	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	143,035	7,172	0	135,863	128,336	11,357	0	116,979
Amounts due from banks	57,376	0	0	57,376	49,468	0	0	49,468
Loans and advances to customers	570,227	0	0	570,227	548,622	0	0	548,622
Held-to-maturity investments	67,202	67,202	0	0	72,264	72,264	0	0
<b>Financial liabilities</b>								
Amounts due to central banks	1	0	0	1	1	0	0	1
Amounts due to banks	61,782	0	0	61,782	56,222	0	0	56,222
Amounts due to customers	694,989	0	0	694,989	654,478	0	0	654,478
Securities issued	15,251	0	0	15,251	20,976	0	0	20,976

## 12 Transfers between levels of the fair value hierarchy

There were no transfers between levels during the first half of 2016.

## 13 Events after the reporting period

In April 2016, ESSOX s.r.o. agreed to acquire 100% ownership in PSA FINANCE ČESKÁ REPUBLIKA, s.r.o. and PSA FINANCE SLOVAKIA, s.r.o. from Banque PSA Finance. The acquisition was completed in July 2016 upon obtaining all required regulatory approvals.

# Ratings

## Ratings of Komerční banka as of 30 June 2016:

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 190,049,260 ordinary shares admitted to trading on the European regulated market, each with a nominal value of CZK 100. All the Bank's shares carry the same rights. As of 30 June 2016, the number of shareholders comprised 45,826 legal entities and private individuals, of which 40,244 were private individuals from the Czech Republic. KB held in treasury 238,672 of its own shares, constituting 0.63% of the registered capital.

In January the Board of Directors approved termination of trading of Komerční banka's Global Depositary Receipts (GDRs) registered under ISIN US5004594090 and US5004591021 at the London Stock Exchange with effect from 3rd June. Acceptance of the GDRs to trading on the London Stock Exchange was cancelled on 30 March 2016.

The General Meeting also approved a share split in the ratio of 5:1. The split of the shares of Komerční banka took effect on 25 April 2016 by its entry in the register of companies. Central Securities Depository changed the entry as of 11 May 2016. Shareholders received five new shares with nominal value of CZK 100 instead of one share with nominal value of CZK 500.

## The principal shareholders of Komerční banka, a.s. with over 1% of the share capital as of 30 June 2016:

SHAREHOLDER	SHARE ON KB'S REGISTERED CAPITAL
Société Générale S.A.	60.35%
Nortrust Nominees Limited	5.55%
Chase Nominees Limited	3.71%
CLEARSTREAM BANKING, s.a.	2.78%
Brown Brothers Harriman	2.66%
AMERICAN GENERAL LIFE INSURANCE COMPANY	2.54%
J. P. MORGAN BANK	1.32%
OTHER SHAREHOLDERS	21.09%

## 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 2016, and outlook for the development of the Bank's and Group's financial situation, business activities and results.

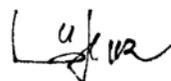
Prague, 26 August 2016

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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1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008

NA PARTNERSTVÍ ZÁLEŽÍ



**KB**