





1,369

Komerční banka was serving 1,369,000 clients at the end of June 2004, of which 1,075,000 were individuals and 294,000 legal entities.

56%

A total of 771,000 clients – representing more than 56% of the total client base were using the Phone, Internet or PC banking services at the end of June 2003.

3,868

In the first half of 2004, Komerční banka posted a net profit of CZK 3,868 million.

Macroeconomic Trend in the First Half of 2004

Czech GDP grew by 3.1% in the first quarter of 2004, the same growth rate as in 2003. Although this figure was above the average for the Euro zone, the Czech Republic had the slowest growth among Central European new EU members. The main growth factor driving GDP growth in the first quarter of 2004 was the fixed capital formation, which expanded by 9.5%, followed by household consumption increasing by 3.9%. Investment demand was strongly influenced by construction spending. Government consumption fell by 1.6%.

In the first half of 2004, the Czech industry further accelerated, increasing from January to May by 9.9%. This growth continued to be driven above all by the exports, as the direct export sales rose by 14.4%. Nevertheless, the gap between the growth in export sales and that of domestic sales seems to be narrowing. Growth has continued to be more rapid among foreign-controlled companies, although purely domestic companies show some signs that they intend to catch up. The Czech construction industry witnessed an extraordinary boom through the first five months of 2004, with the growth of 22.9%. That sector has benefited especially from large infrastructure projects and rapid growth in housing construction. Moreover, extremely high growth rates for March and in April were influenced by the increase in the rate of value-added-tax (from 5% to 19%), that took effect in May 2004. Consumption by households has been progressively more oriented towards services as indicated by growing divergence in the ways retail sales and sales of services are developing. Retail sales rose by 1.4% during the first five months, which is a considerable slowdown relative to the last year. This slowdown was due especially to decreasing demand in the automotive segment. Unemployment – and especially long-term joblessness – has been one of the main macroeconomic problems of the Czech Republic. At the end of 2004's first half, the unemployment rate remained rather stable at 9.9% level. It seems increasingly evident that a more significant decline in the unemployment rate may come only after fundamental labour market reforms.

In contrast to 2003, consumer prices in the first half of 2004 registered quite a significant growth: in June 2004, the year-on-year headline inflation was 2.9%. Changes in indirect taxes began to fuel increases in consumer prices as early as in January. Another change in taxes affected the inflation rate in May, although only moderately. The increase in prices after the EU accession has been relatively moderate until now. Producer prices rose considerably faster than those for consumers, a year-on-year PPI standing at 6.2% in June. Czech PPI was pulled predominantly by the global raw material prices, in particular those for oil and metals. In June 2004, world oil prices were by 31% above their last year levels, while metals prices registered an increase of 32%. So far, strong competition in the Czech markets has prevented those cost-inflation pressures on products of final consumption. During January to May 2004, the CZK/EUR exchange rate of fluctuated in a range of 32.3 to 33.0 CZK/EUR, while the rate against the dollar ranged from 26.0 to 27.0 CZK/USD. In the first half of June, due to favourable macroeconomic fundamentals, the Czech currency started to appreciate, reaching 31.3 CZK/EUR. Later, though, the exchange rate was affected by the governmental crisis, which temporarily interrupted the ongoing tendency for the crown to appreciate. The weaker crown earlier in the year had had a positive impact on foreign trade. The trade deficit amounted to CZK 12.6 billion in the first five months of 2004. Exports rose by 19.2% during the period, while imports increased by 18.5%. Even as trade in both exports and imports have been accelerating together, the year-on-year decline in the trade deficit has been a positive signal for the trade balance's prospects. Exports continued to rise quickly also after the EU accession, with machinery exports growing most rapidly. In the first quarter of 2004, the current account deficit amounted to CZK 16.7 billion. The main source of the current account shortfall remained the income balance, which showed a deficit balance of CZK 19 billion. The income balance and the current account deficit have been increasingly affected by the reinvestments of profits. As these do not represent real financial flows, however, reinvestments do not threaten the external stability of the country.

Business Activities

Komerční banka (hereinafter “KB” or “the Bank”) was serving 1,369,000 clients at the end of June 2004, of which 1,075,000 were individuals and 294,000 legal entities. The number of clients has increased year on year by 90,000, i.e. by 7%, mainly because of the rising number of individual clients.

Distribution network

The Bank provides its services through a wide sales network consisting of 335 points of sale, 37 business centres for clients from the medium-enterprises and municipalities segment and 8 dedicated centres for large corporations. Komerční banka continued in the optimisation of its branch network. New branches were opened during the first half of the year, and some of them were closed. In accordance with its multichannel approach to clients, the Bank has been installing new ATMs. As of the end of June 536 ATMs were in operation.

Direct banking

More and more clients communicate with the Bank through its direct banking channels, which permit very easy and convenient access to the Bank and its services. A total of 771,000 clients – representing more than 56% of the total client base and an increase of 52% compared to the end of June 2003 – were using the Phone, Internet or PC banking services.

KB’s service *Expresní linka* offers the new possibility for clients to access their accounts through the internet. Using this service, they have ready access to precise information of about their account balances and use of payment cards. They can also pay their bills and make other transactions online. Another new feature is the possibility of using *Expresní linka* or *KB’s Information Line* to find out how much KB would be able to lend the client through the *Osobní úvěr* or *Perfektní půjčka* loan products. A client can obtain information within 10 minutes and can immediately make an appointment at a branch to sign the loan agreement.

Retail banking activities

In the first six months of 2004 Komerční banka continued to focus on improving the offering of services to its individual clients, entrepreneurs and small businesses, and the Bank came up with some product and service innovations to enhance the Bank’s performance in this segment.

In April, *Merlin*, a new insurance product was launched. *Merlin* protects clients against the consequences of loss or theft of payment cards issued by Komerční banka. It provides security against such potential abuses as unauthorised cash withdrawals, or use of personal documents and keys stolen together with the card.

In the first half of 2004 the sale of mortgages to individuals increased by 19% year on year and consumer loans granted – mainly *Perfektní půjčka* – grew by 6% compared to the same period in 2003. Total mortgages outstanding to individuals rose to CZK 26 billion, i.e. by 45%. Total consumer loans climbed to CZK 9.6 billion (by 17%).

KB continued offering a bank assurance product called *Vital*, of which 24 thousands were sold, with the total premium written of CZK 1.4 billion.

For the small business segment, the KB offered new merchants the new *Profi payment terminal*, launched in April 2004. KB clients can now obtain a payment terminal under favourable conditions. Merchants benefit from the increased turnover, greater customer satisfaction and improved customer retention. This offer also enhances the use of payment cards.

A special offer for pharmacies and members of Sdružení praktických lékařů (Association of General Practitioners), focused on satisfying their financing needs, was developed and launched during the second quarter of 2004.

During the first half of the year KB granted 4.4 thousand business loans to small businesses and entrepreneurs in the total volume of CZK 4.1 billion. This points to the success of the *Profi úvěr* loan product. KB has further redesigned this product to make it even more attractive and accessible. The share of *Profi úvěr* in all business loans newly granted to this segment increased to nearly 80%. Total outstanding loans to small businesses expanded by 47% to CZK 8.4 billion.

Komerční banka became a partner in the Prague Economic Chamber's SME Rating Project. This aims to make bank loans more accessible to small and medium-sized companies by providing credit ratings for those companies. Such a rating represents an objective and professional view on individual businesses. Clients with this rating will receive a discount on the Bank's fee for processing loan applications.

Corporate banking activities

Komerční banka is the leading bank in the Czech market servicing corporate clients. With the support of its subsidiaries and of SG Group the Bank provides a complex range of banking, investment and other financial products, and it continues to innovate its product line.

During the first six months of the year, KB granted CZK 26.1 billion of loans to Medium Enterprises and Municipalities (MEM), i.e. by 55% more than in the first half of 2003. To Medium Enterprises only, volume of granted loans increased by 68%. Total loans outstanding increased by 22% to CZK 35.7 billion.

KB participated in six syndicated loans with total KB's participation of more than CZK 3.5 billion.

Komplet Packages, new packages for medium enterprises and municipalities' clients, include all the up to date means for managing those organisation's needs.

Flexirámec, also dedicated to medium-sized enterprises and municipalities, is a new global credit frame agreement. It enables the client to use different types of credit products such as overdrafts, business loans, guaranties, letters of credit, forfeiting, bills of exchange, etc.

Program Vital offers to the employees of KB's corporate clients two programs of life insurance with the employer's contribution and favourable conditions for both employees and employer.

In order to improve its servicing of corporate clients, the Bank has continued during 2004 to organise regional "Meeting days with KB". Here, clients had the possibility to get acquainted with the full range of KB products as well as to attend presentations by both KB and external professionals on the EU Structural Funds' subsidy programmes.

Major Events

Annual General Meeting of Shareholders

On 17 June 2004, the regular General Meeting of Komerční banka was held, where shareholders approved the Report by the Board of Directors on Business Activity of the Bank and the Status of its Assets for the year 2003. Further, shareholders approved the standalone and consolidated financial statements for year 2003 and decided on the distribution of profit. The General Meeting approved the payment of dividend totalling CZK 7,602 million, which translates into CZK 200 per share (before tax). Shareholders also approved the acquisition of own ordinary shares in the maximum amount of 3,800,985 pieces, i.e. 10% of its share capital, amendments to the Articles of Association and remuneration for members of the Bank's statutory bodies.

Sale of company MUZO, a. s.

In accordance with the Share Purchase Agreement dated 19 December 2003 the Bank in February 2004 sold its 52.6% share in the share capital of the company MUZO, a. s., to PGT Capital, s. r. o., affiliate of Global Payments Inc., for cash consideration of USD 34.7 million.

State Guarantee

Based on the Framework Agreement on Transfer of Claims between Česká konsolidační agentura (ČKA) and Komerční banka the settlement date was established as 18 June 2004. A successful transfer of receivables' ownership to ČKA will be followed by the transfer of documentation before the end of September 2004.

Rating improvement

Rating agencies Moody's and Fitch Ratings increased their ratings for KB in April 2004. Moody's increased its financial strength rating from D to C-, while Fitch Ratings changed its long-term rating for the Bank from A- to A and short-term rating from F2 to F1.

Unconsolidated Financial Results (IFRS)

Profit and Loss Account

In the first half of 2004, Komerční banka posted a net profit of CZK 3,868 million. The year-on-year decrease of 13.9% was caused, in particular, by a change in accounting methodology for the available-for-sale portfolio (AFS), year-on-year increase in the cost of risk due to impairment of the CDO (collateralised debt obligations) portfolio, and non-recurring events that had positively influenced the result for 2003's first half. In the first half of both 2004 and 2003 the Bank reported one-off income from sales of its ownership interests. Viewed on a like-to-like basis, the unconsolidated net profit of Komerční banka decreased by 4.8%.

Net banking income

Net banking income amounted to CZK 11,201 million. Although the Net interest income and Net fees and commissions showed year-on-year gains, the accounting change in the AFS portfolio (with the positive effect of CZK 448 million in 2003) brought a decrease in Net banking income of 1.4%. On the like-to-like basis the Net banking income would increase by 2.6%. Net interest income still represents more than half (54.6%) of the Bank's total revenues. The share of Fees and commissions in total revenues increased from 37.0 % to 37.8%.

Net interest income

Net interest income rose to CZK 6,119 million, representing a year-on-year increase of 2.7%. Though the year-on-year comparison was still negatively affected by the market interest rates that are lower in 2004 than in 2003 (by 75 bp until the interest-rate change at the end of June 2004), Net interest income benefited from the increasing lending volumes. Retail and SME loans played a particularly important role here, and the total net interest income from loans managed to grow year on year by 15.7% to CZK 1,655 million. A 17.9% year-on-year increase in current accounts helped to increase in net interest income from deposits by 3.2% to CZK 3,647 million. The other net interest income comes mainly from securities and reinvestments of the Bank's equity. On 25 June 2004 the Czech National Bank (CNB) increased its 2W REPO rate by 25 bp to 2.25%, thus raising rates for the first time since the end of 1997.

Net fees and commissions

Net fees and commissions totalled to CZK 4,340 million, which is an increase by 3.2% compared to the first half of 2003. Non-foreign exchange fees and commissions grew year on year by 7.4% to CZK 3,491 million. The main components of the non-FX fees and commissions are those for settlements, account maintenance and services for loans. Net fees and commissions from payment cards, loan administration and account maintenance rose dynamically. Fees and commissions from FX foreign payments showed a year-on-year decline of 11.7% to CZK 520 million, while fees and commissions from foreign exchange cash conversions fell by 10.3% to CZK 329 million. This development resulted from the decreasing volumes of these transactions.

Net profit from financial operations

Net profit from financial operations came to CZK 358 million. This reflected a new accounting treatment for changes in the fair values of available-for-sale securities. It decreased on a like-to-like basis from CZK 413 million by 13.3%. Because the changes in the fair values of the AFS portfolio had been included in the profit and loss statement through the end of 2003, an additional amount of CZK 448 million was included in the result for the first half of 2003. Most of this was due to repricing of a single bond issue. From

January 2004 these changes are charged directly to equity. As at the end of June 2004, CZK 3 million, which compares to CZK 229 million of opening balance as at the beginning of the year, was charged into the shareholders' equity.

Net profit from foreign exchange operations fell by 13.6% to CZK 298 million and was generated mainly by client operations. Profit from interest-rate and commodity derivatives of CZK 104 million (CZK 0 million in the first half of 2003) resulted mainly from the increase in the fair value of the non-hedging interest-rate derivatives that partially cover the Bank's bond position. On the other hand, for securities and security derivatives, there was a net loss of CZK 44 million that resulted from the decreasing fair value of bonds after the increase in market interest rates.

Other income

Other income amounted to CZK 384 million, which is an increase of 14.1% compared to the same period in 2003. Other income consists mainly of dividends from subsidiaries and associated companies, which grew year on year by 27.2% to CZK 322 million. This especially reflected higher dividends received from the companies Investiční kapitálová společnost KB, a. s. (IKS KB) and Modrá pyramida stavební spořitelna, a. s. (previously Všeobecná stavební spořitelna Komerční banky, a. s.), along with dividends received from the pension fund Penzijní fond Komerční banky, a. s.

Total operating costs

Total operating costs climbed slightly from CZK 5,842 million to CZK 5,891 million. Although the Bank was able to achieve further cost savings, external negative factors (i.e. the higher value-added tax and the contributions to the Deposit Insurance Fund) resulted in a slight increase in total costs by 0.8% year on year.

Personnel expenses slightly decreased by 0.5% to CZK 2,403 million. This result includes the release of over accruals of unpaid bonuses in the first quarters of both 2004 and 2003. Without this the personnel expenses would have decreased by 3.9% and reached the level of CZK 2,571 million. The personnel costs were partially influenced by the decrease of headcount by 12% year on year (number of employees – FTE as at 30 June 2004: 7,926) and also include costs related to the SG share programme and social insurance for expatriates.

General administrative expenses totalled to CZK 2,679 million, which was a year-on-year increase of 0.2%. These costs in 2004 include higher contributions to the Deposit Insurance Fund in the total amount of CZK 317 million (i.e. by CZK 153 million more than in the first half of 2003) and a negative impact from the change in the value-added tax and the change of accounting policy for small fixed assets. The Bank continued in its successful cost management. Since the beginning of 2004 the Bank no longer reports restructuring costs separately, as the transformation of the Bank has been completed. Depreciation, impairment and disposal of fixed assets increased by 7.2% to CZK 809 million, which compares to CZK 755 million in the first half of 2003. This especially reflects continuing investments mainly in IT technologies, new ATMs and branches.

Cost of risk

Cost of risk includes Provisions for loans losses and Provisions for impairment of securities. There was a charge of CZK 630 million for the 2004's first half, which compares to the net release of CZK 94 million for the period in 2003. Net creation of Provisions for loan losses amounted to CZK 412 million compared to the net release of CZK 114 million as at the end of June 2003. The 2003 result was influenced by the sale of non-performing loans to GE Capital Corporation and higher income from fully written-off loans. In the first half of 2004, the volume of general provisions stayed unchanged at CZK 4,010 million. The cost of risk on the credit portfolio remains at the low level of 45 bp.

Net creation of provisions for impairment of securities amounted to CZK 218 million. Due to the change in accounting methodology, which is in line with International Financial Reporting Standards (IFRS), the year-on-year development is not comparable. Until the end of 2003, both changes in the marked-to-model values and impairment were booked to the profit and loss statement (CZK -20 million in the first half of 2003). Beginning in 2004, changes in the marked-to-model values of CDOs are booked to equity and only the impairment is reported in the profit and loss statement. During the second quarter, KB reassessed ratings of underlying assets of the CDO portfolio. As a result, the Bank posted a CDO impairment of CZK 218 million.

Net profit on subsidiaries and associates

Net profit on subsidiaries and associates totalled CZK 761 million representing a decrease of 2.9% compared to the same period of 2003. In the first quarter the Bank finished the sale of its stake in the company MUZO, a. s. for USD 34.7 million. The overall pre-tax gain on this transaction was CZK 804 million. The Bank also posted provisions due to the continuing restructuring process at Komerční pojišťovna, a. s. (KB's insurance subsidiary) and initial investments in FranFinance Consumer Credit, s. r. o. In 2003, the total profit on subsidiaries and associates of CZK 784 million had included profit from the sale of the companies CAC Leasing and Reflexim.

Income tax

The income tax totalled CZK 1,573 million, of which tax payable amounted to CZK 1,548 million and the change in deferred tax CZK 24 million. The total income tax decreased by 17.7% compared to the first half of 2003. The effective tax rate was 28.9%.

Net profit after tax

Net profit after tax was CZK 3,868 million for the first half of 2004. On the like-to-like basis it decreased by 4.8% year on year.

Key financial ratios

	as at 30 June 2004	as at 30 June 2003	as at 30 June 2003 (restated)
Capital adequacy – CNB (%)	14.8	15.4	15.4
Cost / Income Ratio – including restructuring costs (%)	52.6	51.4	53.5
Return on Average Equity – ROAE (%)	20.5	25.3	22.7
Return on Average Assets – ROAA (%)	1.7	2.1	1.9
Net Interest Margin (%)	3.0	3.1	3.1
Earnings per Share – annualised (CZK)	204.0	236.0	214.0

Balance Sheet

Total assets increased by 2.7% and amounted to CZK 459.5 billion as at the end of the first half of 2004.

ASSETS

Cash and balances with the central bank

Cash and balances with the central bank slightly increased to CZK 12.7 billion (i.e. by 2.2% year to date) and correspond to the operating needs of the Bank. The balance of obligatory minimal reserves with the central bank reached CZK 6.1 billion and bear interest at the CNB's two-week repurchase rate, which was increased on 25 June 2004 from 2.00% to 2.25%.

Amounts due from banks

Amounts due from banks increased to CZK 233.0 billion, i.e. by 15.6% from the CZK 201.6 billion at the end of 2003. Loans to the Czech National Bank as a part of repo operations grew from CZK 166.4 billion to CZK 175.4 billion. Term deposits with banks increased to CZK 36 billion from CZK 15 billion. Amounts due from banks continue to include bonds issued by Société Générale S. A., the parent bank, in the total value of CZK 19.1 billion, which the Bank purchased under market conditions in 2002 and 2003.

Amounts due from the Česká konsolidační agentura

Amounts due from the Česká konsolidační agentura declined to CZK 13.2 billion since the end of 2003, when they amounted to CZK 24.3 billion. Most of these loans relate to the refinancing of transfers of classified assets to Česká konsolidační agentura in 1999 and 2000 and mature in August 2004 and March 2005, respectively.

Net loans and advances to clients

Net loans and advances to clients (after deducting provisions) increased from the end of 2003 by 3.1% to CZK 136.2 billion. The balance of provisions and reserves for losses from loans was CZK 9.3 billion as at the end of June. Total mortgage loans grew year to date by 15.1% to CZK 29.7 billion, while consumer loans grew in the same period by 6.7% to CZK 9.6 billion.

Standard loans continued increasing their share in the total loan portfolio by 0.6 percentage points to 80.6%. Meanwhile, the volume of loans under special review (sub-standard, doubtful, loss) declined to 6.2%, i.e. by 2.7 percentage points. The balance of specific provisions for loan losses stayed stable at CZK 5.3 billion. At the end of June 2004, 55.2% of the loans under special review were covered by the specific provisions.

The balance of general reserves of CZK 4 billion has not changed since the end of 2003. Czech law obliges the Bank to dissolve at least 25% of tax-deductible general provisions every year during 2002 – 2005 period. The used value of collateral to client loans grew slightly to CZK 65.8 billion, of which CZK 35.4 billion, or 53.8% was in the form of real estate.

The State Guarantee provided to Komerční banka in 2000 expired at the end of 2003. At that time the gross balance of CZK 1.3 billion of guaranteed receivables to be transferred to the Czech Consolidation Agency were still on the balance sheet of the Bank. The final loss as at 31 December 2003 amounted to CZK 5.3 billion and KB had already received an advanced payment of CZK 5.9 billion. Based on the Framework Agreement on Transfer of Claims between Česká konsolidační agentura and Komerční banka the settlement date was established as 18 June 2004. A successful transfer of receivables' ownership will be followed by the transfer of documentation by the end of September 2004. The final settlement of the State Guarantee had no material impact on the Bank's profit and loss statement.

Securities

In accordance with IAS 39, and in line with the intent of their acquisition, the Bank divides securities held into portfolios held for trading, available for sale and held to maturity. The Bank also records securities issued by banks or other entities and acquired under initial offerings, and which are not intended for trading, in the categories due from banks or net loans and advances to clients.

Trading securities

Trading securities amounted to CZK 22.2 billion, representing a reduction of 13.4% compared to the end of 2003. The decline was caused by the decrease in treasury bills held by the Bank. The treasury bills comprised 67.7% of the portfolio held for trading.

Securities available for sale

Total volume of the securities in the portfolio available for sale declined by 17.4% to CZK 18.7 billion. The decline came mostly from sales of government bonds, but also from the decrease in the portfolio of asset-backed securities (CBO). The latter was influenced by the change in their marked-to-model value, the impairment of this portfolio, the CZK/USD exchange rate development and also partial repayments.

Investments held to maturity

The volume of the portfolio of securities held to maturity increased from CZK 0.1 billion as at the end of 2004 to CZK 1 billion.

Investments in subsidiaries and associates

The value of investments in subsidiaries and associates rose since the end of 2003 by 15.9% to CZK 1.7 billion. This change was a result of the increase in the share capital of Komerční pojišťovna, a. s. of CZK 200 million and the increase of the share capital of FranFinance Consumer Credit, s. r. o. of CZK 125 million in February 2004. In the first quarter the Bank sold its 52.6% share in the company MUZO, a. s. to the company PGT Capital, s. r. o., an affiliate of Global Payments Inc., with the net book value of CZK 61 million as at the end of 2003.

LIABILITIES

Amounts due to banks

Amounts due to banks totalled to CZK 14.7 billion, which is a decline of 22.3% compared to the end of 2003.

Amounts due to clients

Amounts due to clients grew by 6.6% year to date to CZK 372.4 billion. The volume of deposits on current accounts increased to CZK 207 billion from the CZK 202.3 billion at the end of 2003, i.e. by 2.3%. The term and saving deposits further declined by 4.6% to CZK 102 billion. Loans from customers and other payables to customers increased during the first half of 2004 to CZK 63.3 billion.

Certificated debt

The volume of certificated debt amounted to CZK 20 billion, representing a year-to-date decrease of 6.4%. In 2004 two mortgage bonds issued in 1999 in the total volume of CZK 5.5 billion were repaid. Meanwhile the Bank continued issuing new mortgage bonds in the amount of CZK 2.4 billion.

Shareholders' equity

Komerční banka's shareholders' equity decreased by 13.4% to the total of CZK 35 billion. The decline was substantially influenced by the amounts for dividends to be paid for 2003. The Annual General Meeting of the Bank decided on the dividend payment (see Major Events) in the total amount of CZK 7.6 billion. The hedging revaluation reserve is a part of the shareholders' equity, and that decreased significantly from CZK 1.3 billion to CZK -0.1 billion as a result of higher interest rates. Also part of equity is the revaluation reserve for the available-for-sale portfolio. This account was first created in January 2004 with an opening balance of CZK 229 million. At the end of June, the account amounted to CZK 3 million. Shareholders' equity also includes the net profit of the current period in the amount of CZK 3.9 billion.

The Bank's share capital remained stable at CZK 19 billion. Shareholders' equity represents 7.6% of Komerční banka's total assets.

Expected Developments in the Financial Situation

Komerční banka, with the support of Société Générale, will continue improving of the business model successfully implemented through the Transformation Programme completed in 2003. Continuing to implement the Bank's strategy will have a positive impact on the future business results and financial performance of the Bank.

Shareholder Structure

Main shareholders of Komerční banka, a. s., with a share in the share capital exceeding 5%

(as at 17 July 2004)

Shareholder	Number of shares	Proportion of share capital (%)
Société Générale S. A.	22,940,227	60.35
The Bank of New York ADR Department *	2,187,441	5.76
Other shareholders	12,882,184	33.89

Note: * With the permission of the Czech National Bank, The Bank of New York ADR Department is the holder of those shares for which Global Depository Receipts (GDRs) were issued and which are in the possession of a significant number of foreign investors.

Prague, 29 July 2004

Signed on behalf of the Board of Directors:



Alexis Juan

Chairman of the Board of Directors and CEO



Philippe Rucheton

Member of the Board of Directors and CFO

Financial Section

Unconsolidated Financial Statements According to International Financial Reporting Standards (IFRS)

Profit and Loss Statement

CZK million	30 June 2004 (Unaudited)	30 June 2003 (Unaudited)
Interest income	9,639	10,602
Interest expense	(3,520)	(4,642)
Net interest income	6,119	5,960
Net fees and commissions	4,340	4,205
Net profit/(loss) on financial operations	358	861
Other income	384	337
Net banking income	11,201	11,363
Personnel expenses	(2,403)	(2,415)
General administrative expenses	(2,679)	(2,673)
Depreciation, impairment and disposal of fixed assets	(809)	(754)
Total operating costs	(5,891)	(5,842)
Profit before provisions for loan and investment losses and income taxes	5,310	5,521
Provision for loan losses	(412)	114
Provision for impairment of securities	(218)	(20)
Cost of risk	(630)	94
Profit or (loss) on subsidiaries and associates	761	784
Profit/(loss) before income taxes	5,441	6,399
Income taxes	(1,573)	(1,908)
Net profit/(loss)	3,868	4,491

Balance Sheet

CZK million	30 June 2004 (Unaudited)	31 December 2003 (Audited)	30 June 2003 (Unaudited)
Assets			
Cash and balances with central banks	12,607	12,340	13,960
Amounts due from banks	233,020	201,638	186,828
Trading securities	22,242	25,674	19,752
Positive fair value of financial derivative transactions	6,160	9,015	11,435
Due from Česká konsolidační agentura	13,178	24,303	34,716
Loans to customers, net	136,195	131,042	117,680
Securities available for sale	18,725	22,673	26,482
Investments held to maturity	964	97	93
Prepayments, accrued income and other assets	2,676	7,095	8,160
Deferred tax asset	512	496	649
Investments in subsidiaries and associates	1,651	1,424	1,477
Tangible and intangible fixed assets, net	11,552	11,768	10,888
Total assets	459,482	447,565	432,120
Liabilities			
Amounts due to banks	14,730	18,958	18,383
Amounts due to customers	372,401	349,505	342,717
Negative fair value of financial derivative transactions	4,236	3,458	4,370
Certificated debt	19,978	21,348	18,484
Accruals, provisions and other liabilities	13,088	11,796	8,194
Income taxes payable	0	1,449	1,180
Deferred tax liability	49	651	1,451
Subordinated debt	0	0	0
Total liabilities	424,482	407,166	394,779
Shareholders' equity			
Share capital	19,005	19,005	19,005
Share premium and reserves	15,995	21,394	18,336
Total shareholders' equity	35,000	40,399	37,341
Total liabilities and shareholders' equity	459,482	447,565	432,120

Unconsolidated Financial Statements According to Czech Accounting Standards (CAS)

Profit and Loss Statement

CZK million

Item no.	Name of item	30 June 2004	30 June 2003
1.	Interest income and similar income	9,639	10,602
	of which: interest income from debt securities	829	930
2.	Interest expense and similar expense	(3,508)	(4,626)
	of which: interest expense from debt securities	(891)	(872)
3.	Income from shares and equity investments	391	288
(a)	Income from equity investments in associates	85	212
(b)	Income from equity investments from subsidiaries	237	41
(c)	Income from other shares and equity investments	69	35
4.	Commissions and fee income	3,781	3,485
5.	Commissions and fee expense	(290)	(442)
6.	Profit or loss on financial operations	664	1,761
7.	Other operating income	1,276	3,085
8.	Other operating expenses	(610)	(416)
9.	Administrative expenses	(4,600)	(4,490)
(a)	Staff costs	(2,279)	(2,228)
(aa)	Wages and salaries	(1,624)	(1,619)
(ab)	Social security and health insurance	(584)	(566)
(ac)	Other staff costs	(71)	(43)
(b)	Other administrative costs	(2,321)	(2,262)
10.	Release of reserves and provisions for tangible and intangible fixed assets	47	152
11.	Depreciation/amortization, charge and use of reserves and provisions for tangible and intangible fixed assets	(752)	(791)
12.	Release of provisions and reserves for receivables and guarantees, recoveries of receivables previously written off	1,448	2,813
13.	Write-offs, charge and use of provisions and reserves for receivables and guarantees	(1,866)	(5,348)
14.	Release of provisions for equity investments and subsidiaries and associates	0	0
15.	Losses related to transfers of equity investments in subsidiaries and associates, charge and use of provisions for equity investments in subsidiaries and associates	(43)	0
16.	Release of other reserves	33	973
17.	Charge and use of other reserves	(354)	(582)
18.	Share of profits/(losses) of subsidiaries and associates	0	0
19.	Profit/loss for the period from ordinary activities before taxes	5,256	6,464
20.	Extraordinary income	0	0
21.	Extraordinary expenses	0	0
22.	Profit/loss for the period from extraordinary activities before taxes	0	0
23.	Income tax	(1,574)	(1,908)
24.	Net profit/loss for the period	3,682	4,556

Balance Sheet

Assets

CZK million		30 June 2004			30 June 2003
Item no.	Name of item	Gross	Adjustment	Net	Net
1.	Cash in hand, balances with central banks	12,175	0	12,175	13,174
2.	State zero-coupon bonds and other securities eligible for refinancing with the CNB	22,389	0	22,389	28,171
(a)	Issued by state institutions	22,389	0	22,389	28,171
(b)	Other	0	0	0	0
3.	Amounts due from banks and savings associations	233,128	5	233,123	187,208
(a)	Repayable on demand	9,739	0	9,739	6,170
(b)	Other receivables	223,389	5	223,384	181,038
4.	Amounts due from customers and members of savings associations	158,722	5,339	153,383	160,587
(a)	Repayable on demand	2,354	0	2,354	2,682
(b)	Other receivables	156,368	5,339	151,029	157,905
5.	Debt securities	19,448	0	19,448	17,905
(a)	Issued by state institutions	6,606	0	6,606	1,529
(b)	Issued by other entities	12,842	0	12,842	16,376
6.	Shares, participation certificates and other holdings	94	0	94	252
7.	Equity holdings in associates	220	0	220	220
	of which: in banks	220	0	220	220
8.	Equity holdings in subsidiaries	2,713	1,282	1,431	1,257
	of which: in banks	438	0	438	418
9.	Intangible fixed assets	4,660	2,813	1,847	1,065
(a)	Incorporation costs	0	0	0	0
(b)	Goodwill	0	0	0	0
10.	Tangible fixed assets	20,039	10,492	9,547	9,615
	of which: land and buildings for operating activities	11,678	4,386	7,292	7,540
11.	Other assets	9,039	283	8,756	18,171
12.	Receivables from shareholders and partners	0	0	0	0
13.	Prepayments and accrued income	916	0	916	788
14.	TOTAL ASSETS	483,543	20,214	463,329	438,413

Liabilities

CZK million

Item no.	Name of item	30 June 2004	30 June 2003
1.	Amounts owed to banks and savings associations	13,272	17,301
(a)	Repayable on demand	6,700	2,468
(b)	Other payables	6,572	14,833
2.	Amounts owed to customers - members of savings associations	329,996	309,400
(a)	Repayable on demand	208,674	177,061
(b)	Other payables	121,322	132,339
3.	Payables from debt securities	63,537	52,937
(a)	Issued debt securities	62,384	51,801
(b)	Other payables from debt securities	1,153	1,136
4.	Other liabilities	14,710	9,684
5.	Deferred income and accrued expenses	21	24
6.	Reserves	6,754	11,618
(a)	For pensions and similar liabilities	0	0
(b)	For taxes	1	1,651
(c)	Other	6,753	9,967
7.	Subordinated liabilities	0	0
8.	Share capital	18,974	18,960
(a)	Share capital paid-up	19,005	19,005
(b)	Treasury shares	(31)	(45)
9.	Share premium	121	121
10.	Reserve funds and other funds from profit	2,149	1,708
(a)	Mandatory reserve funds and funds for risk	1,616	1,151
(b)	Other reserve funds	388	387
(c)	Other funds from profit	145	170
11.	Revaluation reserve	0	0
12.	Capital funds	0	0
13.	Gains or losses from revaluation	(152)	3,012
(a)	Of assets and liabilities	0	0
(b)	Hedging derivatives	(118)	3,061
(c)	Re-translation of equity holdings	(34)	(49)
14.	Retained earnings and accumulated losses brought forward	10,265	9,092
15.	Profit or loss for the period	3,682	4,556
16.	TOTAL LIABILITIES	463,329	438,413

Off-Balance Sheet

CZK million

Item no.	Name of item	30 June 2004	30 June 2003
1.	Issued commitments and guarantees	100,149	90,588
2.	Provided collateral	0	0
3.	Amounts due from spot transactions	9,386	5,471
4.	Amounts due from term transactions	577,051	395,406
5.	Amounts due from option transactions	31,783	24,611
6.	Receivables written off	9,479	10,191
7.	Assets provided into custody, administration and safe-keeping	30	60
8.	Assets provided for management	0	0
9.	Accepted commitments and guarantees	63,888	92,306
10.	Received collateral	320,278	296,152
11.	Amounts owed from spot transactions	9,384	5,470
12.	Amounts owed from term transactions	575,635	393,230
13.	Amounts owed from option transactions	31,783	24,612
14.	Assets received into custody, administration and safe-keeping	88,627	43,180
15.	Assets received for management	2,784	2,325

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