

**Komerční banka, a.s.**  
**Report on Financial Results**  
**as at 30 June 2008**

In the first half of 2008, KB served

**1.61 million**

clients

[www.kb.cz](http://www.kb.cz)



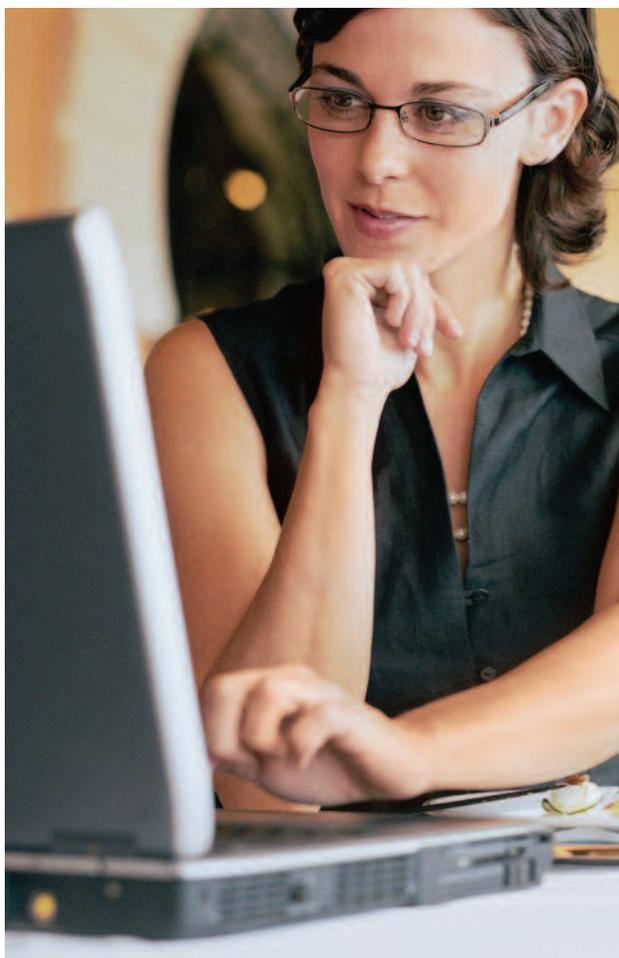
My world. My bank.

# Different people, different products

## Komerční banka

has a leading position among Central European universal banks as measured by operating efficiency. It provides a comprehensive range of services in retail, corporate and investment banking. KB serves its clients through 390 points of sale throughout the Czech Republic and 666 ATMs.

It is a member of Société Générale Group, one of the largest banking groups in the euro zone.



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# Highlights from 2008's First Half

In year-on-year terms, the net profit of KB Group for the first half rose by 22.1% to reach CZK 6,458 million. The Group was successful in all its main activities. Cost of risk continued to develop reasonably in line with ongoing loan exposure growth and adequate provisions coverage, benefiting from strong economic growth. KB further improved its operational efficiency.

## Annual General Meeting of Shareholders

KB's Annual General Meeting (AGM) was held on 29 April 2008. On the back of good 2007 results and a sound capital structure, shareholders approved a dividend payment of CZK 6,842 million. That comes to CZK 180 per share and represents a payout ratio of 61%.

The AGM elected Mr. Bořivoj Kačena as a member of the Supervisory Board.

Shareholders also approved the Board of Directors' Report for 2007, the annual financial statements, as well as the proposals for distributing the profit for 2007 and the discretionary part of remuneration for members of the Board of Directors. In addition, the General Meeting made amendments to the Articles of Association.

The AGM extended KB's authorisation to acquire treasury shares representing up to 10% of its registered capital within the price range of CZK 2,500 to CZK 5,000.

## Personnel changes in the Board of Directors

With effect from 1 February, Mr. Patrice Taillandier-Thomas was appointed a new member of the Board of Directors and Chief Administrative Officer. Mr. Phillipe Rucheton resigned as of 31 January from the position of Vice-Chairman of the Board of Directors and Deputy Chief Executive Officer to become a member of the Executive Board and CFO of Newedge, a joint venture between Société Générale and Calyon. Effective from 2 June 2008, Mr. Vladimír Jeřábek was named a member of the Board of Directors. Mr. Jeřábek remains in his position of Executive Director for the Distribution Network.

## Steps affirming responsibility to clients and environment

In February, three years after introducing the Guaranteed Service Level (GSL), KB gave new form to this commitment to maintain a high quality of products and services for clients' maximum satisfaction. The measures of the Guaranteed Services Level refer to security, reliability, speed and credibility of products and services and to a personalised approach when dealing with clients or creating new products. As part of the GSL, clients are provided with information about the standard already achieved for the services and products it offers.

Komerční banka has taken on the commitment that in its operations it will observe the key principles of corporate social responsibility, sustainable development, and environmental protection. In accordance with this commitment, KB signed in April an agreement to purchase Green Energy supplies. Consequently, Komerční banka contributes CZK 0.10 for each kWh of electricity it consumes. The energy provider ČEZ Group contributes a matching amount from its own funds. The funds so collected will help to support beneficial environmental projects for research into, education in, and use of energy from renewable resources. An independent advisory panel, the Green Energy Council, decides on the allocation of these funds.

## Introducing product and service innovations

KB Group continued introducing innovative products and services in order to accommodate clients' changing needs.

- T-Mobile bonus card – a joint product with T-Mobile that is unique on the Czech credit card market. Being a part of the mobile telephony operator's loyalty scheme, it offers, among other benefits, the longest interest-free period on the Czech market (up to 76 days).
- Hypotéka Dopředu Dozadu (mortgage) – offers a significant benefit in approving the provision of funds by KB even before client actually chooses a specific property to be financed by the mortgage. The terms of the signed contract (including a guaranteed interest rate) shall remain in effect for up to nine months. Another attractive feature of this product innovation is that it can be used for financing a property that the client has bought or refurbished using his or her own funds.
- Cash back – allowing payment cardholders to withdraw cash when paying for their shopping at the checkout. The service is expected to be especially popular in smaller municipalities without ATMs.

- SEPA – since April, Komerční banka's clients have been able to benefit from all the advantages of the Single European Payments Area for making their payments. The SEPA scheme of uniform European standards for non-cash payments eliminates differences between national and cross-border euro payments within the entire SEPA (European Economic Area countries plus Switzerland).
- Garant mortgage – introduced by Modrá pyramida stavební spořitelna (MPSS) in March, with a guaranteed interest rate and payment period of 20 years.
- Vital Invest by Komerční pojišťovna has offered since March an option to conclude a supplementary policy for the risk of injury with up to 10 times higher insurance benefit.
- KB Ametyst 4 – introduced by IKS, is a new guaranteed fund for exclusive distribution in KB's network. The fund can grow the value of investors' money when equity indices rise but also when they decline and, at the same time, guarantees return of at least 100% of the invested capital.

## Improved sales capabilities

In addition to four new branches opened in the first half of 2008, the sales potential of the entire KB Group was enhanced by the opening of a second call centre in Zlín. The opening ceremony took place on 16 April. Within one year, the centre will employ around 230 employees. It will back up operations of the call centre in Liberec so that the smooth servicing of more than 720,000 telephone banking users is assured. The new call centre will also allow extending the scope of services provided and offered by other KB Group companies.

## Basel II reporting

Komerční banka began reporting under Basel II regulations from January 2008, upon validation in 2007 of the advanced methods for measuring credit risk (Advanced Internal Ratings Based Approach) and operational risk (Advanced Measurement Approach) by both the Czech National Bank and, at the Société Générale Group level, the French Commission Bancaire. Implementation of the Basel II Accord's Pillar I standards led to improvement in the Bank's capital adequacy. Preparation for implementing the Pillar II measures continued in the first half of 2008.

# Macroeconomic Trends in the First Half of 2008

Economic activity in the Czech Republic registered a slowdown at the beginning of 2008. After the economic dynamics reached its peak in 2007, real economic growth decelerated to 5.2% year-on-year in Q1 2008 and further slow-down during the year is expected. Overall, economic development was greatly influenced by the worsening economic climate abroad, by the increasing domestic consumer prices and world prices of crude oil and other raw materials, and also by the deteriorating terms of trade. Changes were recorded in the structure of economic growth, as the dynamics of household consumer expenditure diminished and the investment activity of firms weakened. Net exports became the most important growth factor in 2008 so far.

There were also significant shifts in the sources of economic growth during 2008. The gross value added in industry increased considerably. Moreover, the shares of the trade, hotels and restaurants, and transportation segments grew, as did financial intermediation and business services. On the other hand, the gross value added in the construction and agricultural sectors declined. Total industrial output growth reached 6% year-on-year in the first six months of 2008, which means a slowdown compared to 2007.

Despite the koruna's continuing appreciation, Czech foreign trade achieved highly positive results in the period January–June 2008. Nevertheless, a certain slowdown in comparison to the previous year was also apparent. The growth rates of exports and imports were roughly similar and amounted to 5%, year-on-year. The trade balance reached CZK 64 billion, which is CZK 7 billion more than the previous year's level. As traditionally, foreign trade's main drivers were the machinery, fossil fuels and chemicals segments. While the trade in machinery exhibited increasing trade surpluses and its balance reached CZK 186 billion in June 2008, the trade deficits in fossil fuels and chemicals continued to deepen and reached CZK 80 billion and CZK 53 billion, respectively, in this period. That was despite the moderating effect of the appreciating koruna. Worsening terms of trade influenced foreign trade negatively, as exports became cheaper relative to imports.

The economic slowdown in 1H 2008 was also reflected in the construction sector, which achieved lower dynamics (increasing by 1% year-on-year) than a year earlier. There was also a change in the segment's structure, as the output growth was especially in engineering construction and driven by big projects in transport infrastructure. On the other hand, house/commercial property construction contracted from its boom of the previous year ahead of a VAT hike in January 2008.

Overall, retail sales in 2008 were adversely affected by increasing prices and consumers' diminishing purchasing power. The real year-on-year growth in retail sales for the period January–May 2008 reached 2.5%, which is significantly less than the figure for 2007. Foods sales stagnated, and the dynamics in automotive sales weakened considerably.

The labour market continued to develop favourably in 2008. The unemployment rate declined steadily to 5.0% in June from 6.1% in January. While the average wage increased year on year by 10.4% in nominal terms during 1Q 2008. This growth was in real terms significantly off-set by the high inflation and reached only 2.8%. The Czech labour market was close to a situation of full employment and exhibited a deficiency of qualified (and often even of less-qualified) workers. The tensions in the labour market may represent a threat to the Czech economy's future performance.

The robust economic activity, continuing strong consumer demand, increasing world prices, and changes in the VAT account for the dynamic growth in consumer prices during the first half of 2008. The year-on-year rise in the consumer price index exceeded 7% in the first quarter of 2008 and slipped only slightly below this threshold in the second quarter, so that the average 12-month inflation in June reached 5.4%. Although the koruna appreciated simultaneously and very rapidly during this period, this development could not compensate for the other inflationary pressures. The currency's year-on-year appreciation between January and June reached 10% with respect to the euro and 16% against the dollar, so that the average exchange rate stood at 24.30 CZK/EUR and 15.60 CZK/USD in June 2008. The koruna continued in its appreciation trend in July, as well, and broke the symbolic thresholds of 24 CZK/EUR and 15 CZK/USD. The verbal intervention by the CNB governor and subsequent rate cut by 25bps have weakened koruna to some extent in early August.

In reaction to economic developments of the beginning of 2008, the CNB Bank Board decided to tighten monetary policy. The basic interest rates were initially raised in February 2008 so that the 2W repo rate moved to 3.75% from 3.5% at the beginning of the year. 3M PRIBOR averaged 4.1% in the first half of 2008. The considerable appreciation of koruna in the first half of 2008 and its possible unfavourable impact on the economy made the CNB Bank Board cut down the 2W repo rate back to 3.5%, effective from August 8. Czech interest rates continue to be the lowest among the EU-27 and the second lowest in Europe. The low rates promoted further credit and mortgage growth in the Czech economy, although the dynamics decelerated in comparison to the previous year. Lending to households grew by 30% year-on-year and particularly strong growth was apparent in housing loans, which totalled CZK 553 billion in May 2008.

# Business Activities

The main principle underlying Komerční banka's business activities is that of its commitment to building long-term relationships with clients.

The KB Group's retail market strategy focuses on further developing business activities and leveraging on that market's significant growth potential. The Bank's objectives are to continue increasing the number of clients in all sub-segments of the individuals market and to further develop lending activities and cross-selling within this still under-penetrated market.

KB aims to fortify further its leading position on the small and medium enterprises market while maintaining its unique position in serving large corporations in the Czech Republic. Also among the main objectives in the business segment are to expand the loans portfolio and increase cross-selling of advanced products.

Despite a certain slowing in the banking market's growth seen in the first half of 2008, Komerční banka was able to develop successfully in line with the aforementioned strategic objectives.

## Clients

The number of clients of Komerční banka standalone increased by 4% year-on-year to reach 1,607,000. The total of individual clients rose by 5% to 1,322,000. Since the beginning of 2008, the number of individual clients grew by 29,000.

Modrá pyramida stavební spořitelna was serving 755,000 clients as at the end of June 2008. That number was lower by 4% in comparison to June 2007, due to the persisting effect of the lower state subsidy for building savings that was cut in 2004. A peak in sales of new contracts had been recorded in 2003, then still under the more favourable conditions. Importantly, MPSS concluded by 26% more savings contracts in the first half of 2008 than a year earlier, which may indicate stabilisation in the number of clients in the medium term.

The number of participants in pension schemes operated by Penzijní fond KB increased by 35,000 year-on-year to some 483,000. The consumer finance company ESSOX registered 186,000 active clients, an increase by 15%.

## Distribution network

Extension and improvements of Komerční banka's distribution network continued as planned in the first half of 2008. As at the end of June, the network included 390 branches for retail clients (up by 9 year-on-year) and thus approached the target level of 400 branches. Corporate clients and municipalities were served via 35 KB business centres and four Top Corporate divisions were dedicated to serving the largest corporations.

Fifty-eight percent of clients have access to the Bank 24 hours a day through direct banking channels. As at the end of 2008's first half, 931,000 clients (7% more than in June 2007) were using at least one direct banking channel, such as Mojebanka on the internet, Expresní linka by telephone, or the mobile telephone channel Mobilní banka. The total number of active direct banking products rose by 9% to 1,313,000. The new call centre in Zlín began in April to function and thereby to complement the activities of the original call centre in Liberec.

The card business developed swiftly, too. 225,000 actively used credit cards means year-on-year growth of 20.6%. Of these, some 169,000 credit cards were issued to individual clients. The number of active debit cards rose by 5.9% to 1,438,000.

MPSS' own distribution was conducted through 239 points of sale and 1,302 sales agents, of which 372 were full-time professionals.

In the retail segment, a new analytical CRM system was implemented that will help to optimise the scope of services offered to clients and increase clients' overall satisfaction. In the top corporations segment, a new model of client servicing was launched. Relationship managers are now supported by dedicated Client Service Teams, allowing them to better identify client needs as well as to meet those needs.

## Lending

Total lending expanded in all segments. Overall, the lending portfolio rose by 23.8%, to CZK 350.7 billion. Mortgage outstanding volumes to individuals were up by 27.2% to CZK 82.3 billion. Modrá pyramida's construction loans grew by 29.7% to CZK 35.9 billion. Consumer loans provided by KB and ESSOX were also up in the same period, by 28.8% to CZK 27.2 billion.

Business lending performed strongly, recording a 23.1% increase to CZK 202.2 billion. Loans to small businesses granted by KB grew by 38.6% to CZK 17.9 billion, while loans to corporations (provided by KB and KB Slovakia) increased by 22.1% to CZK 181.1 billion, and factoring receivables (at Factoring KB) rose by 6.3% to CZK 3.1 billion.

## Deposits

Total deposits increased moderately to CZK 532.5 billion, up 5.1% compared to the end of June 2007. The proportion of deposits from individuals stood at 44%. Individual clients' deposits at KB rose by 2.3% to CZK 147.3 billion. Building savings in MPSS climbed by 7.3% to CZK 63.8 billion. Clients' pension assets grew by 17.2% to CZK 24.4 billion. Business deposits in the Group expanded by 3.7% to CZK 288.9 billion.

## Cross-selling and sales by subsidiaries

The number of products sold per current account in the Individuals segment increased from 5.31 as at the end of June 2007 to 5.64 one year later. The growth was driven by demand for internet banking, card insurance, credit cards, and other products.

Overall, the subsidiaries were also successful in achieving their sales targets. In the first half of 2008, the number of newly concluded savings contracts at MPSS reached almost 74,000, up 26% year-on-year. The number of signed lending contracts declined by 22%, but their volume expanded by 2% to CZK 5.7 billion. More than 35,000 new customers subscribed to the pension schemes of Penzijní fond KB, thus increasing the number of contracts by 8% year on year. The volume of new loans provided by ESSOX rose by 15% to CZK 2,245 million, reflecting a 4% increase in the number of concluded contracts. The gross premium written by Komerční pojišťovna improved by 3% year on year to CZK 1,172 million despite a 7% decrease in the number of newly agreed policies. The factoring turnover at Factoring KB rose by 1% to CZK 8,171 million.

Sales of IKS/SGAM mutual funds through KB Group networks in the first six months of 2008 were affected by the negative situation in global financial markets and declined by 23% compared to the same period of 2007. Assets of KB Group clients in the mutual funds were 3% smaller than one year earlier and totalled CZK 43.9 billion.

To complement the range of products available to its clients, Komerční banka has also been distributing Allianz insurance policies and the financial and operational leasing products of the SG Group's companies ALD, SGEF and ECS.

## Expected development of business activities

Komerční banka will aim to continue the successful implementation of its business strategy outlined above. The KB Group will focus on expanding its loan portfolio across all customer segments while further focusing on customer experience improvements. Sticking to the prudent risk policies will become ever more important, as the economic environment is expected to become somewhat more challenging in the upcoming months.

To be able to offer quality services to the increased number of clients, KB will continue expanding its front-office capacities as well as developing the new functionalities of its direct banking channels. Front-office staff will be reinforced not only at the new call centre in Zlín but also in the new branches, and new specialist positions will be created where most needed. Expansion of the branch network will be concluded for the short to medium term at 400 branches. The Bank expects that extending working hours of the branches from July 2008 will further improve clients' satisfaction and loyalty.

KB will focus on using the potential for cross-selling to clients of other KB Group companies, and of MPSS in particular. These clients will be offered advantageous products that complement those services and products they currently use. MPSS agents will be further trained to sell the new "Blue product portfolio" of account packages, consumer loans, credit cards and other products, and management expects that sales to MPSS clients will gradually accelerate.

# Consolidated Financial Results (IFRS)

In year-on-year terms, the net profit of KB Group rose by 22.1% to reach CZK 6,458 million. The Group was successful in all its main activities. Cost of risk continued to develop reasonably in line with ongoing loan exposure growth and adequate provisions coverage, benefiting from strong economic growth. KB further improved its operational efficiency.

## Profit and Loss Statement Revenues

Net banking income rose by 12.3% to CZK 16,178 million. Net interest income and net profit from financial operations were the fastest growing components of total revenues. Net interest income gained 14.3% to reach CZK 10,310 million. The growth in interest income was driven by increased lending volumes (+23.8% year on year) and expansion of the deposit base (by 5.1%). The contributions to that growth from the subsidiaries ESSOX and MPSS developed especially dynamically. The reported growth of total net fees and commissions of 6.5% in 1H 2008 was supported by a one-off reimbursement among banks of incorrectly charged interchange fees in the previous years, amounting to CZK 162 million. Underlying fee income, reaching CZK 4,059 million, was underpinned by an enlarged client base and strong economic activity. The growth of net fees and commissions was reduced by a decline in fees from cross-selling of mutual funds, reflecting unfavourable global economic conditions. Net profit from financial operations gained 14.5% against 1H 2007 to reach CZK 1,723 million. Rapid increase in profit from securities and interest rate derivatives compensated for a decline in net interest income from financial markets trading activities.

## Operating costs

Total operating costs grew by 9.3% year on year and reached CZK 7,205 million. The cost-income ratio further improved to 44.5% from 45.7% in 1H 2007. Personnel expenses rose by 3.8% to CZK 3,053 million. The 3.6% increase in the average number of Group employees and the growth of nominal wage was partially offset by the effects of the tax reform (cap on social and health insurance). The rise in headcount followed the opening of nine new branches between June 2007 and 2008 and of the new call centre in Zlín. General administrative expenses recorded a rise of 12.0% to CZK 3,259 million. The growth was driven by increased expenditures supporting the business growth, by the expanding branch network and higher inflation (affecting especially maintenance costs and energy). Depreciation, impairments and disposal of fixed assets rose by 20.8% to CZK 893 million, influenced by positive one-off gains in the first half of 2007. The underlying trend would see a slight increase in depreciation.

In the first half of 2008, Komerční banka developed successfully its net revenues in all business segments, despite signs of a slightly deteriorating macroeconomic outlook. Thus, gross operating income grew by 14.8% from the year-earlier level to CZK 8,973 million.

### Cost of risk

The net provisioning charge recorded in 1H 2008 reached CZK 910 million, up by 15.6% from 1H 2007.

The moderate growth in cost of risk validated KB's balanced and prudent risk management. The consolidated cost of credit risk, therefore, declined in 1H 2008 to 35 basis points from 39 bps in 1H 2007.

### Income tax

Income tax totalled CZK 1,460 million, down 1.6% compared to 2007. This reflects the lower applicable corporate income tax rate.

### Net profit

KB Group's net profit for 1H 2008 totalled CZK 6,458 million, a 22.1% year-on-year increase.

## Balance Sheet

Total assets of the Group as of 30 June 2008 stood at CZK 677.0 billion, having risen by 5.9% from 30 June 2007.

The consolidated shareholders' equity increased by 9.1% over the same period to reach CZK 48.5 billion.

### ASSETS

#### Cash and current accounts with banks

Cash and balances with central banks decreased by 31.3% compared to June 2007 to CZK 8.3 billion. Balances with central banks, which represent obligatory minimum reserves, stood at CZK 1.2 billion. The interest earned on obligatory minimum reserves with the Czech National Bank is equal to the CNB's two-week repurchase rate, which had stood at 2.75% as at 30 June 2007. That rate was 3.00% from 27 July to 30 August 2007, 3.25% until 29 November 2007, and 3.50% until 7 February 2008. As at 30 June 2008, the two-week repurchase rate was 3.75%. Obligatory minimum reserves with the National Bank of Slovakia bore interest at 1.5% as at 30 June for both years.

### Amounts due from banks

Amounts due from banks decreased to CZK 169.8 billion, i.e. by 25.3% in comparison with the end of 2007's first half. Advances due from the CNB, which represent reverse repo transactions, declined by 16.4% to CZK 115.3 billion. Term deposits with other banks declined by 49.8% to CZK 32.4 billion. The bond portfolio, at amortised cost of CZK 14.4 billion, was down by 6.5%. Within this portfolio, CZK 12.1 billion is represented by bonds issued by the parent bank, Société Générale S.A.

### Net loans and advances to customers

Total net loans and advances rose by a significant 24.2% to CZK 341.1 billion. Gross loans increased by 23.8% to CZK 350.7 billion. Standalone KB accounted for 84.7% and MPSS for 10.2% of the Group loan portfolio.

The quality of the loan book remained under control despite continued loan exposure growth. Standard loans rose by 25.6% to CZK 324.2 billion, and their share in the total portfolio increased to 92.5% (91.1% in June 2007). Loans rated watch declined by 0.9%, and their share in the total portfolio thus decreased to 3.6% (4.5% in June 2007). The growth of loans under special review (substandard, doubtful, loss), at 10.7%, was by one-half slower than was the growth in the overall portfolio, and their share in the total portfolio declined to 4.0% (from 4.4% in June 2007). The contribution of KB's subsidiaries to Group standard loans was 15.6%, to watch loans 8.7%, and to loans under special review 14.3%.

The Group maintained adequate provisions coverage. The balance of specific provisions for loan losses increased by 11.8% to CZK 10.2 billion. At the end of June 2008, loans under special review were provisioned by specific reserves on average by 68% (up from 67% at the end June 2007).

### Securities

The portfolio of financial assets at fair value through profit or loss increased by 60.9% to CZK 30.5 billion. This was mainly due to growth of fixed income debt securities by 63.6% to CZK 26.9 billion. The portfolio of securities held for trading grew by 13.4% to CZK 85.6 billion. The portfolio of securities held to maturity declined by almost 60% to CZK 1.4 billion. The latter comprises bonds from countries within the European Monetary Union and the Czech Republic.

### Goodwill

Total goodwill was CZK 3,551 million at the end of 2008's first half, and that represented no change from the previous period.

## LIABILITIES AND SHAREHOLDERS' EQUITY

### Amounts due to banks

In the first half of 2008, amounts due to banks decreased by 32.8% year on year to CZK 15.4 billion.

### Amounts due to customers

Amounts due to customers increased year on year by 5.1% and totalled CZK 532.5 billion. The share of deposits from individuals remained at 44%. The volume of deposits on current accounts reached CZK 279.6 billion, having risen by more than 7.3%. Clients' pension assets which also are in the category amounts due to customers under Czech accounting regulations, rose by 17.2% to CZK 24.4 billion.

### Securities issued

The volume of securities issued grew by 14.3% to CZK 29.8 billion. The portfolio is made up predominantly of publicly tradable mortgage bonds issued by Komerční banka to fund its mortgage activities.

### Subordinated debt

The volume of subordinated debt accepted by Komerční banka in December 2006 remained stable at CZK 6.0 billion.

### Shareholders' equity

As at the end of June 2008, the Group's shareholders' equity stood at CZK 48.5 billion, which compares to CZK 44.5 billion at the same date last year. In June 2008, Komerční banka paid out CZK 6.8 billion in dividends (approved at the 2008 Annual General Meeting). KB's share capital remained stable at CZK 19 billion. The hedging revaluation reserve, which reflects changes in the fair value of hedging derivatives, moved from a negative CZK 887 million to a negative CZK 1.4 billion as a result of an increase in interest rates. Also a part of equity is the revaluation reserve for the available-for-sale portfolio, which ended the half at a negative CZK 1.8 billion. That compares to a negative CZK 470 million on the same date last year. Shareholders' equity includes, too, the attributable net profit of the current period in the amount of CZK 6.4 billion. Total shareholders' equity corresponds to 7% of total Group assets.

## Expected developments in the financial situation

The management is convinced that the KB Group business model is well balanced to continue the positive trends in the financial results. At the same time, the effects of a global economic slowdown on the open Czech economy, along with intensified competition, may make it somewhat more challenging to sustain growth in all segments.

Current management view is based on presently known competitive landscape, available financial and economic data along with a series of both specific and general assumptions. A variety of factors could cause business results and conditions to differ materially from publicly announced forward-looking statements, which makes forward-looking statements inherently uncertain.

For the second half of the year 2008, management is confident in Komerční banka's capacity to continue the favourable development in the Group's financial performance – and including in its net profit. The Group shall sustain a very high level of operational efficiency during this period. Growth in costs is not expected to exceed growth in revenues, and the cost-to-income ratio shall thus remain close to 45%. The cost of risk in the second half of 2008 will be influenced by the macroeconomic situation, which is currently estimated to face some challenges. KB's recent improvements in its credit scoring, granting, and monitoring processes were aimed at strengthening of the bank's ability to overcome the downturn in the economic cycle, while not excessively inhibiting the loan portfolio growth. The tax reforms introduced with effect from January 2008 shall positively impact the Group's net result.

Management also expects that rapid growth in lending will lead to gradual increase in the loans-to-deposits ratio from the current levels. However, Komerční banka's very good liquidity will not be compromised. The strong capital base reflected in the targeted Tier 1 capital-adequacy ratio that is close to 10% also will be maintained.

# Consolidated Profit and Loss Statement According to IFRS

CZK million	1H 2008 (unaudited)	1H 2007 (unaudited)
Interest income	20,654	15,696
Interest expense	(10,452)	(6,772)
Dividends	107	99
<b>Net interest and assimilated income</b>	<b>10,310</b>	<b>9,023</b>
Net fees and commissions	4,059	3,812
Net profit/(loss) on financial operations	1,723	1,505
Other operating income	86	69
<b>Net banking income</b>	<b>16,178</b>	<b>14,409</b>
Personnel expenses	(3,053)	(2,941)
General administrative expenses	(3,259)	(2,911)
Depreciation, impairment and disposal of fixed assets	(893)	(739)
<b>Total operating expenses</b>	<b>(7,205)</b>	<b>(6,591)</b>
<b>Gross operating income</b>	<b>8,973</b>	<b>7,818</b>
Provision for loan losses	(888)	(762)
Provision for losses on securities	0	0
Provision for other risks expenses	(22)	(25)
<b>Cost of risk</b>	<b>(910)</b>	<b>(787)</b>
<b>Net operating income</b>	<b>8,063</b>	<b>7,031</b>
Net profit/(loss) from subsidiaries and associates	37	29
Share of profit of pension scheme beneficiaries	(181)	(288)
<b>Profit/(loss) before income taxes</b>	<b>7,918</b>	<b>6,772</b>
Income taxes	(1,460)	(1,484)
<b>Profit/(loss) for the period before minority interest</b>	<b>6,458</b>	<b>5,289</b>
Profit attributable to the Bank's equity holders	6,412	5,278
Minority profit/(loss)	47	11
<b>Earnings/(loss) per share (in CZK)</b>	<b>340</b>	<b>278</b>

# Consolidated Balance Sheet According to IFRS

CZK million	30 June 2008	31 December 2007	30 June 2007
Assets	(unaudited)	(unaudited, restated)	(unaudited)
Cash and currents balances with central banks	8,322	10,957	12,108
Amounts due from banks	169,788	203,690	227,200
Financial assets at fair value through profit or loss	30,507	24,501	18,955
Positive fair value of financial derivative transactions	17,268	9,439	8,315
Loans and advances to customers, net	341,051	304,938	274,574
Securities available for sale	85,634	81,826	75,483
Investments held to maturity	1,354	2,999	3,360
Prepayments, accrued income and other assets	6,243	7,000	3,050
Income taxes receivable	4	4	109
Deferred tax asset	1,128	729	1,054
Assets held for sale	633	735	604
Investment property	0	0	219
Goodwill	3,551	3,551	3,551
Intangible fixed assets, net	3,163	2,954	2,650
Tangible fixed assets, net	7,868	8,002	7,667
Investments in associates and unconsolidated subsidiaries, net	508	493	448
<b>Total assets</b>	<b>677,022</b>	<b>661,819</b>	<b>639,347</b>

CZK million	30 June 2008	31 December 2007	30 June 2007
Liabilities	(unaudited)	(unaudited, restated)	(unaudited)
Amounts due to banks	15,420	12,276	22,975
Amounts due to customers	532,529	540,230	506,876
of which: Amounts due to customers of PF KB	24,646	23,217	21,123
Financial liabilities at fair value through profit or loss	780	1,848	2,272
Negative fair value of derivative transactions	16,620	8,621	8,610
Securities issued	29,805	27,917	26,077
Accruals and other liabilities	25,686	12,348	19,737
Provisions	1,568	1,691	2,299
Income taxes payable	95	226	11
Deferred tax liability	2	4	3
Subordinated debt	6,003	6,004	6,002
<b>Total liabilities</b>	<b>628,508</b>	<b>611,164</b>	<b>594,860</b>
<b>Shareholders' equity</b>			
Share capital	19,005	19,005	19,005
Share premium and reserves	28,402	30,589	24,890
Minority interest	1,107	1,060	591
<b>Total shareholders' equity</b>	<b>48,514</b>	<b>50,654</b>	<b>44,487</b>
<b>Total liabilities and shareholders' equity</b>	<b>677,022</b>	<b>661,819</b>	<b>639,347</b>

# Rating

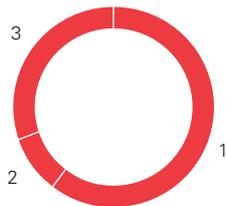
As at 30 July 2008 (same as at 30 June 2008)

Rating agency	Long-term	Short-term
Moody's Investors Service	A1/Aa3 *	Prime-1
Standard & Poor's	A+	A-1
Fitch Ratings	A+	F1

Note: \* Foreign currency deposit rating/Global local currency deposit rating. Moody's long-term foreign currency deposit rating is constrained by the foreign currency deposit ceiling for the Czech Republic.

# Shareholder Structure

Major shareholders of Komerční banka, a.s. as at 29 May 2008



1	Société Générale S.A.	60.35%
2	Investors Bank & Trust Company (shares held on behalf of third parties)	9.44%
3	Others	30.21%

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