

NA PARTNERSTVÍ ZÁLEŽÍ



2014 Half-Yearly Report

Komerční banka, a.s.

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Further Information

Detailed financial and operational information about Komerční banka Group is available in additional publications on KB's website for shareholders and investors www.kb.cz/en/about-the-bank/investor-relations/index.shtml. Additional information on corporate social responsibility and ethics at Komerční banka is available in the section "About the bank" 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.

This document contains a number of forward-looking statements relating to the targets and strategies of Komerční banka Group. These statements are based upon numerous assumptions, both general and specific. As a result, there exists a risk that these 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 subsequent 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.

Profile of Komerční banka Group

Komerční banka, a.s., (hereinafter “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 ranks among the leading banking institutions in the Czech Republic, as well as in Central and Eastern Europe. It is a universal bank providing a wide range of services in retail, corporate and investment banking.

Member companies of Komerční banka Group provide additional specialised financial services, such as pension savings and building society schemes, leasing, factoring, consumer lending and insurance. These are made available through KB’s branch network, its direct banking channels, and the subsidiaries’ own sales networks. The Bank also provides services in the Slovak Republic through its branch focused on serving corporate clients.

Komerční banka is the only Czech bank whose shares are publicly traded. As of 30 June 2014, the number of its shareholders totalled 42,567. Of these, 37,468 were individuals resident in the Czech Republic.

Vision and Mission

Long-term Mutually Beneficial Relationships with Clients and Other Stakeholders

Komerční banka is a universal bank based on a multi-channel model. KB presents to its clients a comprehensive range of financial products and services. Through constant innovation, the Bank endeavours to best meet its customers’ evolving needs while tailoring its offer to suit specific clients.

To Create Value for Clients, Shareholders and Employees

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

Principles of Corporate Social Responsibility

Rules of Conduct

Komerční banka recognises that only by taking an ethical approach to doing business and providing financial services can it hope to maintain and even strengthen its position in the banking sector. The Bank also acknowledges that a fundamental prerequisite for successfully developing the company consists in the professional conduct and dealings on the part of its employees, as exemplified in particular by fostering and preserving direct and open relationships with clients as well as by fortifying the mutual trust between KB and its clients. Komerční banka expects its employees to be fully aware of and committed to their obligation to act in accordance with the ethical standards set forth in its Code of Ethics, which applies to all KB employees without exception, and to endeavour always to adhere to those standards.

Corporate Governance

Komerční banka adheres to and voluntarily upholds all the principal standards of corporate governance in compliance with the Corporate Governance Code based on the OECD principles as amended in 2004 and issued by the Czech Securities Commission. The Czech wording of the Revision of the Code is available on the website of the Ministry of Finance of the Czech Republic at <http://www.mfcr.cz>.

Sustainable Development

Komerční banka is aware of the influence that its activities have on the surroundings within which it operates, and it considers responsible behaviour to be important. KB monitors the impact of its activities on the environment and identifies those areas upon which focus is needed. Accordingly, it adopts measures leading to effectively diminishing any negative influence on the environment.

Highlights from 2014's First Half

1

January

Komerční banka began providing advantageous loans for the repair and modernisation of residential buildings with the support of EU resources obtained by the State Housing Development Fund (Státní fond rozvoje bydlení) under the Jessica Programme.

2

February

KB extended its portfolio of payment cards with contactless debit cards from Visa.

3

March

The Bank became the first on the Czech market to introduce technology supporting payments at vending machines using contactless payment cards. Electronic payments such as for snacks, parking or mobile phone top-ups are thus becoming easier and quicker both for clients and operators.

4

April

Among other matters, the General Meeting approved KB's annual financial statements, distribution of the 2013 profit (including dividend payments in the amount of CZK 8,742 million, which is CZK 230 per share), and contracts of members of the Supervisory Board and Audit Committee. It also confirmed KB's authority to acquire treasury shares.

5

May

The Slovak branch of Komerční banka completed implementation of a new system for processing payments in euro which ensures uniform conditions for payments across the entire Single Euro Payment Area (SEPA).

Joining forces with the Association of Small and Medium-Sized Enterprises (AMSP CR), KB launched the second year of the Start up! (Nastartuje se) grant programme for young and beginning entrepreneurs.

6

June

In co-operation with the AMSP CR, the Bank offered an opportunity to entrepreneurs and enterprises to obtain direct financial support for their projects through a grant programme urging them to pursue their entrepreneurial plans and ideas for innovations.

Macroeconomic Development

The recovery trend in the Czech economy strengthened at the turn of 2013 to 2014. According to a preliminary estimate of the Czech Statistical Office, Czech GDP added 2.6% in the second quarter on a year-over-year basis. The volume of output remained at the same level as in the first quarter, following strong quarterly growth of 0.8% in Q1. The momentum was driven by the industrial sector, due mainly to export activity. For the first six months of 2014, industrial production recorded a gain of 6.4% while manufacturing improved by 8.3%. This mainly was due to an improved economic situation among the Czech Republic's trading partners. Growing numbers of orders constitute a positive sign also for the remainder of the year. After five years, we are noting improvement even in construction. From January to June, real construction output expanded by 5.7%. Last but not least, recovery is apparent also in the services sector. However, there is a risk stemming from implementation of sanctions against the Russian Federation and from Russian counter-measures.

In contrast to 2010 and 2011, the current recovery is broad-based and is not reliant solely on exports. From a demand perspective, the structure of economic growth is balanced. Recovery in domestic demand is apparent both in investment and in household consumption. Foreign trade dynamics remain high, meanwhile, with net exports contributing 1.5 percentage points of the year-on-year growth in GDP of 2.9% for 2014's first quarter. From the beginning of the year to May, year-on-year growth in exports averaged 14.1% while imports for the same period rose by an average 13.1%. This year's trade surplus looks set to reach its best result in history. Especially because of the strong foreign-trade performance in goods and services, the Czech Republic could this year report a surplus also on the current account balance for the first

time since 1993. Domestic demand should contribute more than half of this year's expected economic growth of 2.9%. Investments increased by 5.8% year on year through the first three months, and crucial for that continuing development is that it no longer will be constrained by fiscal consolidation. On the contrary, investment activity should be positively supported by construction, recovery in the real estate market, and growing industrial output. For the first quarter, household consumption rose by 1.6% year on year. According to the business cycle survey, consumer confidence is at its highest in the past six years. Household consumption is supported by low inflation and the resulting increase in real wages. Fiscal policy, too, is supporting economic growth this year.

The economic recovery can be seen in an improving situation on the labour market. For the year's first half, the unemployment rate after seasonal adjustment decreased from 8.0% at the end of 2013 to 7.7% in June. It should slip below 7.5% by the end of the year. A pick-up in wages is also apparent. Growth in real wages this year should reach nearly 2%. Year-on-year growth in real wages of 3.1% for the first quarter still showed the effect of the tax optimisation at the turn of 2013 to 2014.

Despite significant weakening of the crown due to the Czech National Bank's November intervention, inflation this year should reach only 0.4% on average. During the first six months, year-on-year growth in consumer prices held to an average 0.2%, thus showing that the central bank had managed to prevent deflation. For the remainder of 2014, we expect a slight uptick in inflation towards 0.7% at the end of the year.

The low-inflationary environment is the reason for the central bank's maintaining an extremely accommodative monetary policy. The CNB's key policy rate is at "technical" zero, and the exchange rate is being used as an instrument of monetary policy. The CNB is holding to an intervention regime whereby it does not allow the crown to strengthen above CZK 27.00/EUR. The monetary policy stance will not change this year.

Fulfilling KB's Strategic Priorities

The strategic priorities of KB Group for 2014 presented at the Annual General Meeting in April 2014 have been confirmed. Komerční banka is developing a universal-banking model through which, for reasons of efficiency, regulation or co-operation with other partners, a part of its activities is developed in the subsidiaries and associates. The Group will focus on utilising its strong relationships with clients and the economic recovery to increase lending volumes to both retail and corporate segments. Towards that end, the parameters of the standard credit products will be improved and programmes for advantageous financing will be developed for various client groups. The Group will continue to build the volume of funds under management by providing long-term, mutually beneficial savings and investment solutions for clients.

KB is focused upon strengthening its leading position in the multi-channel availability of financial services. The main base for building mutual relationships with clients remains Komerční banka's branch network, wherein a dedicated relationship manager is appointed to assist each client. The KB network is complemented by the distribution networks of subsidiaries, especially Modrá pyramida. The growing share of financial activities handled by clients on-line is

reflected in KB's continuously upgrading its internet banking while adding new functionalities. This product stands among the top products on the Czech banking market, and it enables clients to efficiently manage their finances not only in the Bank itself but also in the subsidiaries. One example of the initiatives in preparation is a new-generation application for clients to trade financial instruments on-line.

Even with the progressive digitisation of banking, the bank branches are nevertheless gaining in importance as knowledge advisory centres for dealing with more complex financial needs. KB currently regards the number of its bank branches to be adequate, as the density of branches in the Czech Republic is comparable with the situation in, for example, Scandinavia (i.e. significantly lower than in continental Western Europe). Komerční banka continues to invest significantly into developing its employees' knowledge, which enables them to be exceptional on the market in providing skilled advisory which clients perceive as real added value. Meanwhile, KB continues in testing its new concept for bank branches to meet the changing needs of clients when visiting the Bank. The new concept will subsequently be extended to the entire branch network.

Aware of the significant pressures on the Group's revenues due especially to the low level of market interest rates, the efforts of competitors to strengthen their positions, and the still-fragile macroeconomic situation, KB is maintaining rigorous discipline in cost management and it will intensively pursue opportunities to boost operational efficiency. At the same time, the Group is prepared to devote sufficient resources in support of such future growth areas as, for example, on-line banking.

Despite intense competition in the lending market, the setting of KB Group's risk appetite has been confirmed with a view to ensuring sustainable growth in lending activities and strengthening KB's market positions while maintaining a solid asset structure and with the aim of profitably conducting its business activities all through the business cycle. Similarly, the Group will keep its capital reserves and liquidity at such levels as reliably to meet the heightened regulatory requirements.

Business Performance of KB Group

Market Environment

The Czech economy in the first half of the year continued its gradual recovery, which began to manifest itself in increased creation of new jobs as well as in higher investments into production capacities. Demand for Czech production grew both domestically and abroad. Inflation remained extremely low and the Czech crown's exchange rate was stable, limited as it was by the central bank's intervention regime. Lending to individuals in the banking system accelerated slightly, but the pace of growth in corporate lending was slower at the end of June compared with the end of 2013. Corporations were financing their increased investments mostly from cash reserves created in prior periods and in some cases on the bond market. Thus, the expected acceleration in lending did not yet occur. Household deposits at banks further strengthened, as did the volumes of savings and investments in mutual and pension funds and life insurance. The growth of deposit volumes in the corporate segment within the banking system was especially seen from financial institutions and the public sector. Meanwhile, the volume of deposits from private non-financial corporations remained stable.

Developments in the Client Portfolio and Distribution Networks

As of the end of June 2014, KB Group was serving 2.5 million clients on a consolidated basis. Standalone KB recorded 1,609,000 clients (+1.4% year on year), of which 1,357,000 were individuals. The remaining 253,000 customers were comprised of entrepreneurs, businesses and corporations (including municipalities and associations). Modrá pyramida was attending to 569,000 customers, and the number of pension insurance participants at KB Penzijní

společnost reached 559,000. ESSOX's services were being used by 281,000 active clients.

Komerční banka's clients had at their disposal 400 banking branches (including one branch for corporate clients in Slovakia), 734 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 1,223,000 by the end of June 2014 and corresponds to 76.0% of all clients. Customers held 1,570,000 active payment cards, of which 200,000 were credit cards. The number of active credit cards issued by ESSOX came to 132,000, and consumer financing from ESSOX was available through its network of 2,800 merchants. Modrá pyramida's customers had at their disposal 212 points of sale and 1,044 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 year on year by 3.5% to CZK 491.8 billion. Mortgages added most to the portfolio's growth while consumer lending also grew. Corporate lending activities expanded mainly in Slovakia.¹

In the segment of loans to individuals, the portfolio of mortgages to individuals rose by 10.1% year on year to CZK 151.2 billion as clients preferred mortgages over building savings loans in the environment of low interest rates. The volume of Modrá pyramida's loan portfolio thus dropped by 13.0% to CZK 40.8 billion. The Group was successful in developing

consumer lending, and the volume provided by KB and ESSOX grew by 4.4% to CZK 28.7 billion.

The total volume of loans provided by KB Group to businesses rose by 3.1% to CZK 266.5 billion. The overall volume of credit granted by KB to (medium-sized and large) corporate clients rose by 3.3% to CZK 216.5 billion, inclusive of factor finance outstanding at Factoring KB. Within this total, lending in Slovakia grew at the fastest pace. Lending to small businesses declined by 1.3% to CZK 28.2 billion. Total credit and leasing amounts outstanding at SGEF rose by 6.9% year over year to CZK 21.8 billion.

Amounts Due to Customers and Assets Under Management

The total volume of deposits² on KB Group's balance sheet rose by 8.0% year on year to CZK 638.6 billion. Deposits from businesses climbed by 9.7% to CZK 355.1 billion. This category was influenced by the inflow of large volume placements from public and financial institutions, although there was slowing in this category during the second quarter. Deposits at KB from individual clients rose by 6.6% to CZK 167.8 billion, and the deposit book of Modrá pyramida added 0.9% year on year to reach CZK 72.1 billion. Client assets in the Transformed fund managed by KB Penzijní společnost (which are consolidated in the KB Group accounts) grew by 11.6% to CZK 38.0 billion.

Total technical reserves in life insurance at Komerční pojišťovna expanded by 30.1% to CZK 40.7 billion. The volumes in mutual funds held by KB clients (and managed by IKS KB and Amundi) increased by 14.4% to CZK 34.2 billion.

1) There was a slight contribution to the CZK growth rates for loans and deposits (mainly in corporate segments) from revaluation of instruments denominated in foreign currencies. This reflects the weaker CZK following CNB intervention in November 2013.

2) Excluding repo operations with clients. Total amounts due from clients expanded by 8.2% year on year to CZK 656.5 billion.

Financial Performance of KB Group

Profit and Loss Statement

Total net banking income decreased in the first half of the year by 2.3% to CZK 15,153 million. Among the main reasons for the decline were very low market interest rates, which even continued to move lower through the year's first half. The trend of decreasing prices for basic banking services continued. Also contributing to lower banking income were the growing use of on-line banking and popularity of client rewards, as well as subdued activity on the financial markets caused by the central bank's anchoring the exchange rate and interest rates. Contributing positively, however, were the increasing volumes of deposits and other assets under management and the growing volume of the lending portfolio in the retail segment.

Net interest income was up by 0.3% to CZK 10,613 million and was underpinned by growing volumes of loans and deposits. The low interest rates prevailing on the market continued to push in the negative direction through the first half-year, however, thus limiting yields on reinvested deposits. The net interest margin, computed as the ratio of net interest income to interest-earning assets reported on the balance sheet, thus decreased to 2.6% in the first half of 2014 from 2.9% one year earlier.

Net income from fees and commissions declined by 3.5% to CZK 3,401 million. KB expanded its MojeOdměny client rewards programme, and that effectively drove down fee income from deposit products. The impact on income from transactions was compensated by an increased number of payments. Since the beginning of 2013, the Bank also has been offering consumer loans and mortgages without administration fees for those products. On the other hand, KB saw

increased activity and thus better fee income from trade finance, loan syndications, and transactions with payment cards. Growth in the volume of client savings in life insurance policies and mutual funds boosted income from cross-selling.

Net gains from financial operations dropped by 18.8% to CZK 1,077 million. Influenced by CNB measures, low volatility of exchange and low interest rates limited clients' demand for financial hedging and the potential to generate profits from trading. Furthermore, the prior year comparative base had been slightly increased from the sale of Italian government bonds. Net gains from FX payments reflected narrower average spreads.

Total operating expenditures declined by 1.3% to CZK 6,325 million. Personnel expenses were higher by a slight 0.6%, at CZK 3,334 million. The average number of employees diminished by 0.9% to 8,545. General administrative expenses declined by 5.6% to CZK 2,103 million. The main savings were achieved in real estate costs and telecommunications. The category "Depreciation, impairment and disposal of fixed assets" was up by 2.5% to CZK 888 million, and this increase was mainly driven by new software applications.

Gross operating income for the first six months declined by 3.0% to CZK 8,828 million.

Cost of risk further declined by 19.1% to CZK 780 million, reaching 32 basis points in relative terms as measured over the average volume of the portfolio. Besides the generally good payment discipline of clients in the corporate and retail segments, the low net creation of provisions also reflected an improved situation for several corporate

clients. This meant that provisions against these exposures could be reduced.

Income from shares in associated undertakings rose by 28.4% to CZK 95 million thanks to an increase in profit at Komerční pojišťovna which mirrors its business successes. The proportion of profit attributable to clients of the Transformed fund of KB Penzijní společnost came to CZK 248 million, down by 4.2% as low interest rates limited yields from the fund's portfolio.

Income taxes decreased by 10.5% to CZK 1,304 million.

At CZK 6,591 million, KB Group's consolidated net profit for the first half of 2014 was higher by 1.5% in comparison with the same period of 2013. Of this amount, CZK 205 million was profit attributable to holders of minority stakes in KB's subsidiaries (+12.0%). Profit attributable to the Bank's shareholders totalled CZK 6,386 million, which is 1.2% more than in the first half of the previous year.

Statement of Financial Position

The comparison period for the balance sheet under IFRS is the end of the previous year. Therefore, unless otherwise indicated, the following text provides a comparison with the close of 2013.

As of 30 June 2014, KB Group's total assets had increased by 1.6% for the year to date to CZK 877.6 billion.

Amounts due from banks dropped by 10.3% to CZK 112.8 billion. The largest component of this item consisted of placements with central banks in relation to reverse repo operations.

Financial assets at fair value through profit or loss grew by 5.8% to CZK 39.3 billion. That portfolio comprises the Group's proprietary trading positions.

At CZK 472.9 billion, total net loans and advances remained at a virtually flat level in comparison to the end of 2013. The gross amount of client loans and advances was up by a marginal 0.1%, at CZK 491.8 billion. The share of standard loans within that total climbed to 92.5% (CZK 454.7 billion) while the proportion of loans rated watch was 2.0% (CZK 9.9 billion). Loans under special review (substandard, doubtful and loss) comprised 5.5% of the portfolio, with volume of CZK 27.2 billion. The volume of provisions created for loans reached CZK 19.1 billion, which was 2.9% more than at the end of 2013.

The portfolio of financial assets available for sale (AFS) shrank by 45.4% to CZK 77.2 billion. Meanwhile, the volume of securities in the held-to-maturity (HTM) portfolio increased by CZK 69.2 billion to CZK 73.4 billion. These effects were mainly due to reclassification from the AFS to HTM portfolio of certain debt securities in the nominal value of CZK 56.6 billion that the Group intends to hold until their maturity. The change was carried out in the first quarter of 2014. The reclassification was intended to limit volatility of regulatory capital in accordance with the Basel III regulatory framework while respecting all the rules of international account standards. The securities were reclassified at fair value. The corresponding AFS revaluation reserve in the shareholders' equity of CZK 5.0 billion has been retained in other comprehensive income and included into the carrying value of securities held to maturity. Such amounts are amortised over the remaining maturities of these securities.

Of the CZK 77.2 billion total volume of debt securities in the AFS portfolio, Czech government bonds comprised CZK 42.1 billion and foreign government bonds CZK 8.6 billion. Of the CZK 73.4 billion total volume of debt securities in the HTM portfolio, Czech government bonds comprised CZK 65.7 billion and foreign government bonds CZK 7.7 billion.

The net book value of tangible fixed assets slipped by 3.0% to CZK 7.6 billion, while that of intangible fixed assets dropped by 3.3% to CZK 3.6 billion. Goodwill, which primarily derives from the acquisitions of Modrá pyramida, SGEF and ESSOX, remained unchanged at CZK 3.8 billion.

Total liabilities were 1.3% higher in comparison to the end of 2013 and reached CZK 777.3 billion. Amounts due to customers grew by 1.1% to CZK 656.5 billion. The volume outstanding of issued securities decreased by 4.4% to CZK 21.4 billion. The Group's liquidity, as measured by the ratio of net loans to deposits, was 76.3% (72.0% if including client assets in the transformed pension fund).

Shareholders' equity rose for the year to date by 3.9% to CZK 100.3 billion. KB paid out CZK 8.7 billion in dividends, which was more than offset by the generation of net profit and increase in revaluation gains on the AFS portfolio and cash flow hedges (both of which represent primarily reinvestment of client deposits) due to a decrease in market yields compared with the end of 2013. As of 30 June 2014, KB held in treasury 238,672 of its own shares, constituting 0.63% of the registered capital.

Regulatory Indicators

With effect from 2014, Czech banks are subject to capital requirements according

to EU regulations implementing the Basel III regulatory framework. Consolidated regulatory capital for the capital adequacy calculation stood at CZK 63.8 billion as of 30 June 2014. This amount includes the current year's profit, which is adjusted with a provision for the dividend. That is in accordance with applicable regulations, and the provision is set at the 69.8% level of the dividend payout ratio from last year's profit. 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 a high 16.7%. Allocation of retained earnings of 2013 contributed to the increase in regulatory capital in the first quarter of 2014.

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

Developments in KB's Corporate Governance

The General Meeting held on 30 April 2014 approved (as presented) the Board of Directors' report on the Bank's business activity and state of its assets for the year 2013. Moreover, the General Meeting approved the annual financial statements and the consolidated financial statements

for 2013, as well as the distribution of the net profit from 2013. The latter included a dividend payout of CZK 8.7 billion, which amounts to CZK 230 per share. In connection with the re-codification of company law, the General Meeting approved the contracts of service concluded between Komerční banka

and members of the Supervisory Board and the contracts of service between Komerční banka and members of the Audit Committee. Shareholders decided once again about the conditions for acquiring the Bank's shares into treasury.

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. As at 30 June 2014, the Group was controlled by Société Générale, which owns 60.35% of the Bank's issued share capital.

A number of banking transactions are entered into with related parties in the normal course of business. These specifically include loans, deposits, transactions with

derivative financial instruments and other types of transactions. These transactions were carried out on an arm's length basis.

Amounts Due to and from the Group Companies

As at 30 June 2014, the Group held deposits of CZK 816 million from the associate Komerční pojišťovna, a.s. The positive fair value of financial derivatives in relation to the associate Komerční pojišťovna, a.s. amounted to CZK 1,589 million and the negative fair value to CZK 35 million.

The book value of mortgage bonds issued by the Bank was CZK 818 million. Interest expense from financial derivatives totalled CZK 230 million and interest income from financial derivatives amounted to CZK 327 million. Interest expense from deposits totalled CZK 36 million, fee expense amounted to CZK 38 million and fee income was CZK 187 million. Other amounts receivable, amounts payable, revenues and costs in relation to the Group as at 30 June 2014 were immaterial.

Amounts due to and from Société Générale Group entities

Principal balances due from Société Générale Group entities include:

(CZKm)	30 Jun 2014	31 Dec 2013
ALD Automotive s.r.o.	3,501	3,182
Succursale Newedge UK	11	7
SG Express Bank	1	1
Rosbank	0	1
SG Bruxelles	20	21
SGA Société Générale Acceptance	3,220	3,345
SG London	2	238
SG Paris	11,807	12,834
SG New York	0	3
BRD - Groupe Société Générale	24	116
SG Warsaw	263	68
Total	18,849	19,816

Principal balances owed to Société Générale Group entities include:

(CZKm)	30 Jun 2014	31 Dec 2013
SG Istanbul	0	10
ALD Automotive s.r.o.	1	0
Rosbank	29	6
Investiční kapitálová společnost KB, a.s.	77	55
SG Cyprus Ltd.	21	127
BRD - Groupe Société Générale	0	5
ESSOX SK s.r.o.	0	13
SG New York	2	1
SG Private Banking /Suisse/ S.A.	329	276
SG Amsterdam	89	32
SGBT Luxembourg	2,197	1,869
SG Paris	16,453	30,381
SG London	0	2
PEMA Praha, spol. s r. o.	9	11
SG Warsaw	20	34
Splitska Banka	1	27
Credit du Nord SA	40	4
SG CONSUMER FINANCE	11	0
SG Frankfurt	65	178
Inter Europe Conseil	3	2
SG Express Bank	2	0
Total	19,349	33,033

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, issued loans, interbank market loans and placements, as well as debt securities acquired under initial offerings not designated for trading, fair values of financial derivatives and issued bonds.

As at 30 June 2014, 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 238,675 million and CZK 236,082 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 at 30 June 2014 the Group also carried other amounts due to and from the Société Générale Group entities which were immaterial.

During the period ended 30 June 2014, the Group realised total income of CZK 12,504 million and total expenses of CZK 13,977 million in relation to Société Générale Group entities. That income included mainly interest income from derivatives, gains from fair value of financial derivatives, fees from advisory and assistance services, interest income from debt securities issued by Société Générale Group and income from interbank deposits. Expenses comprised especially those of interest expense on derivatives, losses from fair value of derivatives, losses from financial operations, expenses for assistance services, and expenses of interbank deposits.

Amounts Due from the Members of the Management and Supervisory Boards and Directors' Committee

In respect of loans and guarantees as at 30 June 2014, the Group recorded loan receivables from loans granted to the members of the Board of Directors, Supervisory Board and Directors' Committee totalling CZK 9.8 million. During the first half of 2014, new loan draw-downs of CZK 1.2 million were made. During the first half of 2014, loan repayments amounted to CZK 0.9 million. The increase of loans is affected by there being a new member of the Supervisory Board and the Directors' Committee having a loan already outstanding of CZK 0.4 million. A resigning member of the Directors' Committee had a loan in the amount of CZK 2 million.

Expected Development and Main Risks to that Development in the Second Half of 2014

In its baseline scenario, Komerční banka anticipates that the Czech economy will build in the second half of 2014 upon the growth renewed in the previous year, due to the recovery in domestic demand from both consumers and businesses and persisting good export performance. With the economy growing, the situation on the labour market should gradually improve. Investments into tangible assets should also grow. Despite the ongoing intervention to weaken the Czech crown, inflation should remain low, thus inducing the Czech National Bank (CNB) to keep monetary policy interest rates at record low levels.

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

KB's management expects the Group loan portfolio will continue to grow in the individuals segment with the exception of Modrá pyramida loans, which continue to

be influenced by consumers' preference for bank mortgages over building savings loans. Moreover, the products portfolio offered by Modrá pyramida agents has been expanded to include KB mortgages. In the corporate segment, moderate acceleration in lending is expected as corporations will combine external sources with their own cash reserves to finance their new investments. The Group also expects the total volume of deposits to stabilise in the second half of the year, as the result of their greater utilisation by corporates. Meanwhile, deposits of individual clients will continue to grow moderately. The final result may, however, be influenced by the movement of large deposit volumes by corporate clients in one direction or the other. In any case, these deposits do not contribute greatly to interest income. A priority for KB remains to grow non-banking assets under management, which means mainly mutual funds, life insurance and pension savings. Growing economic activity and also growth in the number of KB's clients should contribute to a slight gain in the number of transactions executed by the Bank's clients.

Despite expected growth in business volumes, KB Group's financial performance will come up against several adverse effects. Extremely low market interest rates will hold down returns from reinvesting deposits, while

intense competition will limit the potential to grow the interest margin on lending and weigh upon income from fees and commissions. The stabilisation of interest rates and exchange rates by central bank measures is leading to lower client demand for hedging of financial risks and also reduces the possibility to generate income from trading on the Bank's own account.

In view of these adverse trends, KB will continue strictly to control operating costs so that these will not grow. The cost of risk has been perceived as low in previous quarters. An improving economy and generally good credit discipline among clients give rise to conditions in which any shift to creating provisions at a more normal pace would occur slowly. Cost of risk may be further affected by ambiguity in the regulation of consumer protection regarding consumer lending. KB does not expect changes in taxation that would alter the level of tax burden compared to the first half.

Komerční banka will endeavour to be efficient in the amount and structure of its capital while safely meeting all regulatory requirements. The management expects that KB Group operations will generate profit in 2014 sufficient to cover the Group's capital needs and for dividend payment.

Management Affidavit

To the best of our knowledge, we believe that this half-year report gives a fair and true view of the Bank's and Group's financial positions, business activities and financial results from the first half of 2014, as well as the outlook for development of the Bank's and Group's financial situation, business activities and financial results.

Prague, 26 August 2014

Signed on behalf of the Board of Directors:



Albert Le Dirac'h
Chairman of the Board of Directors
and Chief Executive Officer



Pavel Čejka
Member of the Board of Directors
and Senior Executive Director

Report on Financial Results as of 30 June 2014 (in accordance with IFRS)

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CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME PERIOD ENDED 30 JUNE 2014

Consolidated Income Statement

(CZKm)	30 Jun 2014	30 Jun 2013
Interest income and similar income	15,708	16,254
Interest expense and similar expense	(5,095)	(5,670)
Income from dividends	0	2
Net interest income and similar income	10,613	10,586
Net fee and commission income	3,401	3,526
Net profit on financial operations	1,077	1,325
Other income	62	71
Net operating income	15,153	15,508
Personnel expenses	(3,334)	(3,315)
General administrative expenses	(2,103)	(2,228)
Depreciation, impairment and disposal of fixed assets	(888)	(866)
Total operating expenses	(6,325)	(6,409)
Profit before allowances/provisions for loan and investment losses, other risk and income taxes	8,828	9,099
Allowances for loan losses	(776)	(966)
Allowances for impairment of securities	0	0
Provisions for other risk expenses	(4)	2
Cost of risk	(780)	(964)
Income from share of associated companies	95	74
Profit attributable to exclusion of companies from consolidation	0	0
Share of profit of pension scheme beneficiaries	(248)	(259)
Profit before income taxes	7,895	7,950
Income taxes	(1,304)	(1,457)
Net profit for the period	6,591	6,493
Profit attributable to the non-controlling owners	205	183
Profit attributable to Group's equity holders	6,386	6,310
Earnings per share/diluted earnings per share (in CZK)	169.07	167.05

Consolidated Statement of Comprehensive Income

(CZKm)	30 Jun 2014	30 Jun 2013
Net profit for the period	6,591	6,493
Items that will not be reclassified to Income Statement		
Remeasurement of retirement benefits plan, net of tax	0	0
Items that may be reclassified subsequently to Income Statement		
Cash flow hedging		
- Net fair value gain/(loss), net of tax	7,032	(4,817)
- Transfer to net profit/(loss), net of tax	(1,625)	(1,366)
Foreign exchange gain/(loss) on hedge of a foreign net investment	0	0
Net value gain/(loss) on available-for-sale financial assets, net of tax	545	(1,965)
Net value gain/(loss) on available-for-sale financial assets, net of tax (associated undertakings)	48	(36)
Other comprehensive income for the period, net of tax	6,000	(8,184)
Comprehensive income for the period, net of tax	12,591	(1,691)
Comprehensive income attributable to non-controlling owners	205	184
Comprehensive income attributable to Group's equity holders	12,386	(1,875)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

(CZKm)	Note	30 Jun 2014	31 Dec 2013
ASSETS			
Cash and current balances with central banks		56,121	44,405
Financial assets at fair value through profit or loss		39,302	37,133
Positive fair value of hedging financial derivative transactions		25,963	18,249
Available-for-sale financial assets	4	77,159	141,200
Assets held for sale		110	84
Amounts due from banks		112,823	125,735
Loans and advances to customers	5	472,929	473,089
Revaluation differences on portfolios hedge items		34	7
Held-to-maturity investments	6	73,427	4,200
Income taxes receivable		192	82
Deferred tax assets		24	36
Prepayments, accrued income and other assets		3,363	3,280
Investments in associates and unconsolidated subsidiaries		1,110	1,084
Intangible fixed assets		3,646	3,772
Tangible fixed assets		7,638	7,872
Goodwill		3,752	3,752
Total assets		877,593	863,980
LIABILITIES			
Amounts due to central banks		1	1
Financial liabilities at fair value through profit or loss		19,801	17,530
Negative fair value of hedging financial derivative transactions		12,939	12,262
Amounts due to banks		43,262	49,680
Amounts due to customers		656,518	649,158
Revaluation differences on portfolios hedge items		327	(218)
Securities issued	8	21,435	22,417
Income taxes payable		56	744
Deferred tax liability		4,827	3,496
Accruals and other liabilities		17,038	11,228
Provisions	9	1,051	1,144
Subordinated debt		0	0
Total liabilities		777,255	767,442
SHAREHOLDERS' EQUITY			
Share capital		19,005	19,005
Share premium and reserves		78,374	74,654
Minority equity		2,959	2,879
Total shareholders' equity		100,338	96,538
Total liabilities and shareholders' equity		877,593	863,980

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY PERIOD ENDED 30 JUNE 2014

(CZKm)	Share capital	Capital and reserve funds and retained earnings*	Remeasurement of retirement benefits plan	Cash flow hedging	Hedge of a foreign net investment	Available-for-sale financial assets	Total	Non-controlling interest	Total, including non-controlling interest
Balance as at 31 December 2013	19,005	60,266	(9)	8,181	5	6,211	93,659	2,879	96,538
Changes of methods	0	0	0	0	0	0	0	0	0
Balance as at 1 January 2014	19,005	60,266	(9)	8,181	5	6,211	93,659	2,879	96,538
Treasury shares, other	0	76	0	0	0	0	76	1	77
Payment of dividends	0	(8,742)	0	0	0	0	(8,742)	(126)	(8,868)
Transactions with owners	0	(8,666)	0	0	0	0	(8,666)	(125)	(8,791)
Profit for the period	0	6,386	0	0	0	0	6,386	205	6,591
Other comprehensive income for the period, net of tax	0	48**	0	5,407	0	545	6,000	0	5,998
Comprehensive income for the period	0	6,434	0	5,407	0	545	12,386	205	12,591
Balance as at 30 June 2014	19,005	58,034	(9)	13,588	5	6,756	97,379	2,959	100,338

Note: * Capital and reserve funds and retained earnings as at 30 Jun 2014 consist of statutory reserve funds in the amount of CZK 3,621 million (31 Dec 2013: CZK 3,621 million), other funds created from profit in the amount of CZK 1,049 million (31 Dec 2013: CZK 1,049 million), share premium and purchased treasury shares in the amount of CZK -407 million (31 Dec 2013: CZK -427 million), net profit from the period in the amount of CZK 6,386 million (31 Dec 2013: CZK 12,528 million) and retained earnings in the amount of CZK 47,385 million (31 Dec 2013: CZK 43,495 million).

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

(CZKm)	Share capital	Capital and reserve funds and retained earnings*	Remeasurement of retirement benefits plan	Cash flow hedging	Hedge of a foreign net investment	Available-for-sale financial assets	Total	Non-controlling interest	Total, including non-controlling interest
Balance as at 31 December 2012	19,005	56,411	0	14,271	3	8,118	97,808	2,769	100,577
Changes of methods	0	(28)	(11)	0	0	0	(39)	0	(39)
Balance as at 1 January 2013	19,005	56,383	(11)	14,271	3	8,118	97,769	2,769	100,538
Treasury shares, other	0	78	0	0	0	0	78	1	79
Payment of dividends	0	(8,742)	0	0	0	0	(8,742)	(271)	(9,013)
Transactions with owners	0	(8,664)	0	0	0	0	(8,664)	(270)	(8,934)
Profit for the period	0	6,310	0	0	0	0	6,310	183	6,493
Other comprehensive income for the period, net of tax	0	(36)**	0	(6,184)	0	(1,965)	(8,185)	1	(8,184)
Comprehensive income for the period	0	6,274	0	(6,184)	0	(1,965)	(1,875)	184	(1,691)
Balance as at 30 June 2013	19,005	53,993	(11)	8,087	3	6,153	87,230	2,683	89,913

Note: * Capital and reserve funds and retained earnings as at 30 Jun 2013 consist of statutory reserve funds in the amount of CZK 3,621 million (31 Dec 2012: CZK 3,854 million), other funds created from profit in the amount of CZK 1,053 million (31 Dec 2012: CZK 793 million), share premium and purchased treasury shares in the amount of CZK -454 million (31 Dec 2012: CZK -478 million), net profit from the period in the amount of CZK 6,310 million (31 Dec 2012: CZK 13,954 million) and retained earnings in the amount of CZK 43,463 million (31 Dec 2012: CZK 38,260 million).

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

The accompanying Notes are an integral part of this Consolidated Statement of Changes in Shareholders' Equity.

CONSOLIDATED CASH FLOW STATEMENT
PERIOD ENDED 30 JUNE 2014

(CZKm)	30 June 2014	30 June 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	13,663	14,324
Interest payments	(4,840)	(12,914)
Commission and fee receipts	4,209	4,414
Commission and fee payments	(862)	(850)
Net income from financial transactions	(526)	7,637
Other income receipts	596	557
Cash payments to employees and suppliers, and other payments	(5,772)	(6,743)
Operating cash flow before changes in operating assets and operating liabilities	6,468	6,425
Due from banks	12,499	(17,657)
Financial assets at fair value through profit or loss	(2,303)	10,675
Loans and advances to customers	(693)	(6,997)
Other assets	(550)	1,160
Total (increase)/decrease in operating assets	8,953	(12,819)
Amounts due to banks	(7,493)	(6,148)
Financial liabilities at fair value through profit or loss	2,427	(1,962)
Amounts due to customers	7,865	28,675
Other liabilities	6,149	4,541
Total increase/(decrease) in operating liabilities	8,948	25,106
Net cash flow from operating activities before taxes	24,369	18,712
Income taxes paid	(2,071)	(1,515)
Net cash flows from operating activities	22,298	17,197
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	118	83
Purchase of held-to-maturity investments	(3,553)	0
Maturity of held-to-maturity investments*	2,603	102
Purchase of available-for-sale financial assets	(5,642)	(12,689)
Sale and maturity of available-for-sale financial assets*	5,182	17,245
Purchase of tangible and intangible assets	(273)	(594)
Sale of tangible and intangible assets	0	1,081
Purchase of investments in subsidiaries and associated undertakings	0	0
Net cash flow from investing activities	(1,565)	5,228
CASH FLOWS FROM FINANCING ACTIVITIES		
Paid dividends	(8,616)	(8,609)
Paid dividends (non-controlling interest)	(126)	(270)
Securities issued	0	0
Securities redeemed*	(1,499)	3,669
Subordinated debt repaid*	0	1,801
Net cash flow from financing activities	(10,241)	(3,409)
Net increase/(decrease) in cash and cash equivalents	10,492	19,016
Cash and cash equivalents at beginning of the period	43,365	26,391
FX differences on cash and cash equivalents at beginning of year	5	29
Cash and cash equivalents at end of the period	53,862	45,436

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PERIOD ENDED 30 JUNE 2014

1 Events for the period ended 30 June 2014

Dividends declared in respect of the year ended 31 December 2013

In accordance with the resolution of the Bank's General Shareholders' meeting held on 30 April 2014, the Bank paid out CZK 8,742 million (CZK 230 per share before tax) in dividends and the remaining balance of the net profit was allocated to retained earnings. Moreover, the Group paid out CZK 126 million in dividends to non-controlling owners of SG Equipment Finance Czech Republic s.r.o.

Changes in equity investments in subsidiaries and associates in 2014

In May 2014 the Bank decreased the shareholders' equity in Bastion European Investments S.A. by EUR 2.9 million (CZK equivalent of 83 million). The decrease was initiated solely by the Bank, as the majority shareholder of Bastion European Investments S.A.

In June 2014, the shareholder's equity of KB Penzijní společnost, a.s. was increased by CZK 220 million in the form of increasing other capital funds.

The presented Consolidated Financial Statements for the period ended 30 June 2014 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 at the financial statements date.

Seasonality and unusual items

The Group's principal activities are not significantly influenced by seasonality, and in the first half of 2014 no unusual transaction occurred.

2 Principal accounting policies

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

3 Segment reporting

	Retail banking		Corporate banking		Investment banking		Other		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
(CZKm)										
Net interest and similar income	6,261	6,267	3,484	3,420	64	58	804	841	10,613	10,586
Net fee and commission income	2,233	2,396	1,098	1,048	(22)	(22)	92	104	3,401	3,526
Net profit on financial operations	413	404	537	590	122	212	5	119	1,077	1,325
Other income	40	54	(8)	(6)	67	103	(37)	(80)	62	71
Net operating income	8,947	9,121	5,111	5,052	231	351	864	984	15,153	15,508

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

As most of the income 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 rates conditions, including the liquidity component reflecting the existing opportunities to acquire and invest financial resources.

The Group's income is primarily (more than 98%) 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 2014		31 Dec 2013	
	Fair value	Cost*	Fair value	Cost*
Shares and participation certificates	2	2	2	2
Fixed income debt securities	53,046	48,530	118,595	108,872
Variable yield debt securities	24,111	23,293	22,603	22,222
Total debt securities	77,157	71,823	141,198	131,094
Total available-for-sale financial assets	77,159	71,825	141,200	131,096

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

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

(CZKm)	30 Jun 2014	31 Dec 2013
Debt securities available for sale issued by:		
- State institutions in the Czech Republic	42,127	98,198
- Foreign state institutions	8,648	17,384
- Financial institutions in the Czech Republic	21,030	20,757
- Foreign financial institutions	3,424	3,375
- Other entities in the Czech Republic	842	499
- Other foreign entities	1,086	985
Total debt securities available for sale	77,157	141,198

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

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

During the first half of 2013, the Group sold Czech government bonds with nominal value of EUR 8 million (equivalent to CZK 220 million).

During the first half of 2013, the Group acquired bonds in nominal value of CZK 11,530 million. With the exception of bonds of Czech Export Bank in the amount of EUR 115 million, equivalent to CZK 2,984 million, the entire amount was comprised of bonds issued by state institutions in the Czech and Slovak republics. The volume of Czech government bonds was CZK 5,892 million and the volume of Slovak government bonds was EUR 102 million, equivalent to CZK 2,654 million.

In the period, there occurred regular repayment of debt securities at maturity in the aggregate nominal amount of CZK 7,345 million and EUR 40 million, in total equivalent to CZK 8,373 million, of which CZK 6,345 million had been issued by state institutions in the Czech Republic, CZK 1,000 million was bonds that had been issued by European Investment Bank, EUR 20 million had been issued by foreign state institutions and EUR 20 million by foreign financial institutions.

During the first half of 2013, the Group sold Italian government bonds with total nominal value of CZK 7,470 million. The bond sale produced a net gain of CZK 64 million and is reported on the line 'Net profit on financial operations'.

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

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

5 Loans and advances to customers

Loans and advances to customers comprise the following:

(CZKm)	30 Jun 2014	31 Dec 2013
Loans to customers	489,927	489,305
Bills of exchange	309	302
Forfaits	837	1,458
Total loans and advances to customers excluding bonds and other amounts due from customers, gross	491,073	491,065
Debt securities	743	461
Other amounts due from customers	188	101
Total loans and advances to customers, gross	492,004	491,627
Allowances for loans to customers		
- individuals	(7,347)	(7,125)
- corporates *	(11,709)	(11,395)
Total allowances for loans to customers	(19,056)	(18,520)
Allowances for other amounts due from customers	(19)	(18)
Total allowances for loans and other amounts due from customers	(19,075)	(18,538)
Total loans and advances to customers, net	472,929	473,089

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

As at 30 June 2014, the loan portfolio of the Group (excluding debt securities and other amounts due from customers) is comprised of the following, as broken down by classification:

(CZKm)	Gross receivable	Collateral applied	Net exposure	Allowances	Carrying value	Allowances
Standard	453,951	208,507	245,444	0	453,951	0%
Watch	9,910	3,760	6,150	(894)	9,016	15%
Substandard	6,314	3,179	3,135	(1,476)	4,838	47%
Doubtful	2,058	822	1,236	(962)	1,096	78%
Loss	18,840	1,230	17,610	(15,724)	3,116	89%
Total	491,073	217,498	273,575	(19,056)	472,017	

As at 31 December 2013, the loan portfolio of the Group (excluding debt securities and other amounts due from customers) is comprised of the following, as broken down by classification:

(CZKm)	Gross receivable	Collateral applied	Net exposure	Allowances	Carrying value	Allowances
Standard	453,974	205,790	248,184	0	453,974	0%
Watch	9,570	3,778	5,792	(844)	8,726	15%
Substandard	7,048	3,369	3,679	(1,482)	5,566	40%
Doubtful	2,048	674	1,374	(943)	1,105	69%
Loss	18,425	1,148	17,277	(15,251)	3,174	88%
Total	491,065	214,759	276,306	(18,520)	472,545	

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

(CZKm)	30 Jun 2014	31 Dec 2013
Food industry and agriculture	16,476	17,254
Mining and extraction	4,232	4,863
Chemical and pharmaceutical industry	5,960	6,639
Metallurgy	9,389	9,039
Automotive industry	3,813	5,113
Manufacturing of other machinery	9,431	9,524
Manufacturing of electrical and electronic equipment	3,456	3,237
Other processing industry	8,922	8,601
Power plants, gas plants and waterworks	26,853	26,285
Construction industry	10,347	9,865
Retail	11,884	10,473
Wholesale	29,045	29,086
Accommodation and catering	1,000	1,014
Transportation, telecommunication and warehouses	19,603	21,918
Banking and insurance industry	19,916	18,780
Real estate	32,338	32,858
Public administration	34,714	35,539
Other industries	23,091	22,898
Individuals	220,603	218,079
Loans to customers	491,073	491,065

6 Held-to-maturity investments

Held-to-maturity investments comprise the following:

(CZKm)	30 Jun 2014		31 Dec 2013	
	Carrying value	Cost*	Carrying value	Cost*
Fixed income debt securities	73,427	72,277	4,200	4,071
Total held-to-maturity investments	73,427	72,277	4,200	4,071

Note: * Amortised acquisition cost.

As at 30 June 2014, the 'Held-to-maturity investments' portfolio includes bonds issued by state institutions in the Czech Republic in the amount of CZK 65,701 million (2013: CZK 4,006 million) and CZK 7,726 million (2013: CZK 194 million) issued by foreign state institutions.

During the first half of 2014, the Group acquired bonds with nominal value of CZK 2,740 million and EUR 13.5 million (equivalent in total to CZK 3,111 million), of which CZK 2,740 million comprised bonds issued by state institutions in the Czech Republic and CZK 371 million bonds issued by foreign state institutions. During the first half of 2014, there occurred regular repayment at maturity of bonds issued by state institutions in the Czech Republic in the aggregate nominal value of EUR 25 million (equivalent in total to CZK 687 million).

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

7 Bonds issued by foreign state institutions

As at 30 June 2014, 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	1,194	2,738	3,932	1,307	2,792	4,099
Slovakia	5,374	4,723	10,097	5,903	4,866	10,769
EIB	1,250	0	1,250	1,438	0	1,438
ESFS	0	0	0	0	0	0
France	0	192	192	0	200	200
Total	7,818	7,653	15,471	8,648	7,858	16,506

As at 31 December 2013, 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	5,431	0	5,431	5,930	0	5,930
Slovakia	8,840	0	8,840	9,452	0	9,452
EIB	1,250	0	1,250	1,436	0	1,436
ESFS	561	0	561	566	0	566
France	0	193	193	0	198	198
Total	16,082	193	16,275	17,384	198	17,582

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

(CZKm) Country of issuer	30 Jun 2014	31 Dec 2013
	Fair value	Fair value
Poland	64	66
Slovakia	2,334	1,268
EIB	82	0
Total	2,480	1,334

8 Securities issued

Securities issued comprise mortgage bonds of CZK 21,435 million. The Group issues publicly tradable mortgage bonds to fund its mortgage activities.

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

(CZKm)	30 Jun 2014	31 Dec 2013
In less than one year	0	0
In one to five years	13,741	14,862
In five to ten years	1,022	1,011
In ten to twenty years	0	0
In twenty to thirty years	6,672	6,544
Total debt securities	21,435	22,417

During the first half of 2014, the Group repurchased mortgage bonds in aggregate nominal volume of CZK 1,303 million.

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

Name	Interest rate	Currency	Issue date	Maturity date	30 Jun 2014 (CZKm)	31 Dec 2013 (CZKm)
HZL Komerční banky, a.s. CZ0002000565	3M PRIBID minus the higher of 10 bps or 10% of the value of 3M PRIBID	CZK	2 Aug 2005	2 Aug 2015	610	1,910
HZL Komerční banky, a.s. CZ0002000664	4.40%	CZK	21 Oct 2005	21 Oct 2015	11,369	11,191
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	6,672	6,544
HZL Komerční banky, a.s. CZ0002002801	2.55%	CZK	21 Dec 2012	21 Dec 2022	1,022	1,011
HZL Komerční banky, a.s. CZ0002003064	6M PRIBOR plus 50 bps	CZK	14 Mar 2013	14 Mar 2018	1,762	1,761
Total debt securities					21,435	22,417

Notes: Three-month PRIBID was 4 bps as at 30 June 2014.

Six-month PRIBOR was 42 bps as at 30 June 2014.

The average value of the interest rate swap sale in CZK for ten years as at 30 June 2014 was 133 bps.

9 Provisions

Provisions comprise the following:

(CZKm)	30 Jun 2014	31 Dec 2013
Provisions for contracted commitments	545	573
Provisions for other credit commitments	506	571
Provision for restructuring	0	0
Total provisions	1,051	1,144

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

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

(CZKm)	30 Jun 2014	31 Dec 2013
Provision for off-balance sheet commitments	439	385
Provision for undrawn loan facilities	67	186
Total	506	571

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	Provisions for restructuring	Total
Balance at 1 January 2014	160	3	410	0	573
Additions	4	0	22	0	26
Disposals	(5)	(1)	(49)	0	(55)
Accruals	1	0	0	0	1
Remeasurement	0	0	0	0	0
Foreign exchange difference	0	0	0	0	0
Balance at 30 June 2014	160	2	383	0	545

(CZKm)	Retirement benefits plan	Provisions for loyalty and jubilee bonuses	Other provisions for contracted commitments	Provisions for restructuring	Total
Balance at 1 January 2013	160	2	362	10	534
Additions	5	0	22	0	27
Disposals	(6)	0	(21)	(10)	(37)
Accruals	2	0	0	0	2
Remeasurement	0	0	0	0	0
Foreign exchange difference	0	0	2	0	2
Balance at 30 June 2013	161	2	365	0	528

10 Commitments and contingent liabilities

Legal disputes

The Group conducted a review of legal proceedings outstanding against it as at 30 June 2014. 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 288 million for these legal disputes. The Group has also recorded a provision of CZK 52 million for costs associated with a potential payment of interest on the pursued claims.

As at 30 June 2014, 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 2014	31 Dec 2013
Non-payment guarantees incl. commitments to issue non-payment guarantees	37,128	40,593
Payment guarantees including commitments to issue payment guarantees	8,791	12,894
Committed facilities and unutilised overdrafts	16,267	12,869
Undrawn credit commitments	42,121	44,075
Unutilised overdrafts and approved overdraft loans	13,485	14,067
Unutilised limits under framework agreements to provide financial services	13,146	8,740
Open customer/import letters of credit uncovered	821	719
Stand-by letters of credit uncovered	2,430	1,982
Confirmed supplier/export letters of credit	300	169
Total contingent revocable and irrevocable commitments	134,489	136,108

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

(CZKm)	30 Jun 2014	31 Dec 2013
Food industry and agriculture	7,502	9,041
Mining and extraction	1,055	2,315
Chemical and pharmaceutical industry	2,988	2,771
Metallurgy	4,237	4,194
Automotive industry	1,155	2,101
Manufacturing of other machinery	6,891	7,008
Manufacturing of electrical and electronic equipment	1,727	2,270
Other processing industry	1,779	2,247
Power plants, gas plants and waterworks	9,224	7,501
Construction industry	30,813	32,081
Retail	2,806	3,937
Wholesale	7,413	7,881
Accommodation and catering	370	323
Transportation, telecommunication and warehouses	6,201	5,587
Banking and insurance industry	4,674	2,229
Real estate	1,714	2,511
Public administration	4,885	5,547
Other industries	19,808	19,718
Individuals	19,247	16,846
Contingent liabilities	134,489	136,108

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 value:

(CZKm)	30 Jun 2014		31 Dec 2013	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and current balances with central banks	56,121	56,121	44,405	44,405
Amounts due from banks	112,823	112,126	125,735	125,760
Loans and advances to customers	472,929	485,896	473,089	485,883
Held-to-maturity investments	73,427	76,284	4,200	4,523
Financial liabilities				
Amounts due to central banks	1	1	1	1
Amounts due to banks	43,262	43,256	49,680	49,671
Amounts due to customers	656,518	656,556	649,158	649,229
Securities issued	21,435	21,487	22,417	23,078

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 2014				31 Dec 2013			
	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
Financial assets								
Cash and current balances with central banks	56,121	0	0	56,121	44,405	0	0	44,405
Amounts due from banks	112,126	0	0	112,126	125,760	0	0	125,760
Loans and advances to customers	485,896	0	0	485,896	485,883	0	0	485,883
Held-to-maturity investments	76,284	76,284	0	0	4,523	4,523	0	0
Financial liabilities								
Amounts due to central banks	1	0	0	1	1	0	0	1
Amounts due to banks	43,256	0	0	43,256	49,671	0	0	49,671
Amounts due to customers	656,556	0	0	656,556	649,229	0	0	649,229
Securities issued	21,487	0	0	21,487	23,078	0	0	23,078

12 Transfers between levels of the fair value hierarchy

During the first half of 2014 there were no transfers between levels.

13 Events after the reporting period

No significant event occurred after the reporting period.

Ratings

As of 31 July 2014

Rating agency	Long-term	Short-term
Standard & Poor's	A	A-1
Fitch Ratings	A-	F1
Moody's Investors Service	A2	Prime-1

Shareholder Structure

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

As of 30 June 2014, the number of shareholders comprised 42,567 legal entities and private individuals. KB held in treasury 238,672 of its own shares, constituting 0.63% of the registered capital.

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

The principal shareholders of Komerční banka, a.s. with over 3% of the share capital, as of 30 June 2014:

Shareholder	Proportion of share capital (%)
Société Générale S.A.	60.35
Chase Nominees Limited	5.45
Nortrust Nominees Limited	4.58

NA PARTNERSTVÍ ZÁLEŽÍ

