

2009

Komerční banka stands among the most prominent banking institutions both in the Czech Republic and in the region of Central and Eastern Europe.

Report of the Board of Directors
Komerční banka, a.s.



Report of the Board of Directors on the Bank's and Group's Business Activities and State of Assets

Vision and Mission

Long-term Profitable Relationships with Clients

Komerční banka is a universal bank with a diversified multi-channel model. KB offers its clients a comprehensive range of financial products and services. Through constant innovations, the Bank endeavours to meet its customers' evolving needs and to tailor its offer to suit specific clients.

To Create Value for Shareholders, Customers and Employees

KB continuously develops its business activities. Co-operation with other members of the KB Group, with companies from the 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. Komerční banka is aware that its position as a fully integrated and leading Czech financial institution brings with it certain responsibilities, as well.

Strategy

Komerční banka's strategy is founded on an assumption for long-term convergence of the main trends in the Czech Republic's society, economy and banking system towards levels similar to those of Western European countries. In the long term, this convergence will be manifested in relatively faster growth in economic output accompanied by gradual change and development in business and consumer attitudes and requirements. In the financial services area, the Bank expects a growing importance of financial intermediation driven by a rise in consumer

wealth and sophistication with respect to requirements for financial services. It is expected that bank clients from both the corporate and retail segments will become more demanding, and it will thus be necessary to offer more differentiated services to various client segments and corresponding to their distinct requirements.

Despite the current somewhat unstable economic environment, KB remains convinced of significant medium-term growth potential for retail market products including mortgage and consumer lending and alternative investment products. In the corporate market, the currently low credit product penetration suggests a potential for further lending, especially in the small and medium-size business sector, while the rising sophistication of clients should support demand for such products as hedging or trade finance instruments. Some revenue sources, on the other hand, are expected to be significantly limited in future, such as, for example, income from foreign currency conversions upon the introduction of the euro.

KB is developing a universal banking model wherein its investment banking activities are primarily focused on servicing clients; trading on the Bank's own account is only a complementary activity and is restricted by rather conservative limits. The Bank strives to build long-term, mutually beneficial relationships with its clients, allowing it to precisely identify dynamic changes in clients' needs and expectations and constantly adapt its services offer according to this knowledge. Superior client knowledge and level of services as well as operational efficiency and prudent risk management remain the cornerstones of KB's strategy.

The Group's strategy in the retail segment focuses on organic growth that will be

driven primarily by developing cross-selling possibilities within the Group's existing client base. KB aims to maintain its leading position on the small and medium-size enterprise market while retaining its unique position in serving large corporations in the Czech Republic.

KB maintains high service quality standards in individual client segments, underpinned by easy access to the Group's services, highly qualified personnel, an advanced and innovative product portfolio, and transparency. Clients have access to a full range of distribution channels, although the branch network, where a dedicated relationship manager is appointed to assist each client, remains the main base for building mutual relationships. At the same time, proper client segmentation enables effectively adjusting the service model according to the clients' preferences. The wide range of high-quality products and services provides for comprehensively satisfying their financial needs.

Effective risk management is a necessary condition for the Bank's long-term development. KB has decided to conservatively manage the interest and liquidity risk of its Structural Book while excluding speculation on short-term fluctuations in market conditions. Credit risk procedures and limits are set prudently. Risks accepted into the Market Book are confined by strict trading limits that are regularly reviewed.

Ensuring the long-term stability of the Bank of course remains one of the tasks of financial management. Komerční banka plans to maintain a solid capital position which will allow it to share in the expected growth of lending activities in the Czech Republic in line with the expected economic convergence and potentially to take advantage of selected and

attractive acquisition opportunities, should these present themselves in future. KB will capitalise on the progress of technologies and processes in order to continuously improve operational efficiency, which is considered fundamental for maintaining competitiveness on a maturing market. KB aims to defend its position as one of the most operationally efficient banks in Central Europe.

KB's strategy could not be pursued successfully without qualified and loyal employees. As an employer, Komerční banka is aware of this fact in its recruitment as well as in day-to-day relations with its employees. That is why it offers a competitive level of remuneration, professional development and employment stability. Last but not least, KB relies on the commitment and responsibility of its associates that ensue from the possibility to work for a bank that is a preferred employer in the country.

Main Challenges for the Bank and Group in 2010 and Expected Developments in the Financial Situation

The economic environment will remain challenging in 2010, and the Bank does not expect the economy to be yet fully recovered from impacts of the recession. Nevertheless, the Group's strong capital and liquidity position will enable it to continue supporting its clients and to expand its lending portfolio. Komerční banka will focus on using the potential to work with the Group's existing clients, developing cross-selling opportunities, and reinforcing the perception of KB as the main bank among those clients. Acquisition activities in retail banking will be oriented to active clients from higher segments. As part of its aim to retain its leading market position in the corporate segment, the Bank will strive to take greater advantage of opportunities to sell the products of subsidiaries and associated companies, for instance in the areas of factoring, leasing and the like.

Co-operation within the KB Group, with companies from the 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.

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Economic environment in 2010 will remain challenging and the impact of economic recession will not be fully overcome.

Demand for loans is expected most likely to remain subdued for the greater part of 2010, with possibly better prospects towards the end of the year. In the corporate segment, the still uncertain outlook for global economic recovery is likely to limit businesses' appetite for investments into production capacity. The retail banking segment, meanwhile, will remain under pressure from persisting high unemployment. The uncertainties on the labour market are likely to play a significant role in the expected slow recovery in demand for retail loans, including mortgages, while provisioning will remain relatively high throughout 2010. Considering the strong competitive pressure with regard to fees and deposit margins, neither does KB expect a rapid rebound in the remaining revenue areas.

Tight controls over operating expenses imposed last year will be maintained. Moreover, long-term projects boosting the Group's efficiency will be continued in order to position the Group well for the future. KB will endeavour to ensure that operating costs do not grow faster than revenues.

Prudent risk management continues to be a priority component in the Bank's operations. The Group will benefit from the measures adopted since 2008 to limit credit risk, although the economic outlook remains uncertain. The procedures and limits in use will continue to be refined in order to achieve an optimum balance between risks taken on and development of business activities.

The management expects that the Bank's operations will generate sufficient profit to cover the Group's capital needs ensuing from the growing loan portfolio and to pay dividends, even should the macroeconomic situation be worse than anticipated. As of the start of 2010, impacts from changes in banking industry regulation presently under discussion at the EU level are not

clear. Nevertheless, Komerční banka's current ratios of capital adequacy and financial stability stand well above the actual requirements and, therefore, fulfilment of any new standards potentially to be adopted should not be substantially burdensome for the Bank. Economic developments in the Czech Republic and in its main foreign trading partners comprise one of the most important risk factors potentially influencing the Bank's future performance.

Comments on the IFRS Consolidated Financial Results

Komerční banka Group earned a consolidated and audited attributable net profit of CZK 11,007 million for 2009 under International Financial Reporting Standards (IFRS). Compared to the CZK 13,161 million in 2008, this represents a decrease of 16.4%. KB Group maintained its sound liquidity, as seen in its ratio of loans to deposits at 67.5% and also in its strong capital position. At year end, capital adequacy stood at 14.1% and the core Tier 1 ratio at 12.7% (not including the net profit of 2009).

Net banking income declined by a slight 2.0% while operating expenses fell by 3.3%. As a result, gross operating profit decreased by 1.0% compared to 2008 and reached CZK 19,013 million. The cost-income ratio further improved to 42.5%. The return on equity decreased to 17.0% in 2009 from 23.6%.

Year-on-year comparison was also affected by several one-off income items booked in 2008, such as sale of KB's ownership in the Prague Stock Exchange. Nevertheless, the indicators for business development and financial strength that were achieved put Komerční banka in a good position for the future. The solid results were achieved in a difficult economic environment and were underpinned by maintaining tight cost control and careful risk management.

Profit and Loss Statement

Net interest income

Net interest income, which has the largest share in total revenues, increased by 3.9% to CZK 22,088 million. Standalone KB's share in the consolidated net interest income was 77%. Within KB Group, net interest income grew fastest at ESSOX (by 30.5%) and followed by Modrá pyramida (by 19.5%) due to those companies' good business volumes. Net interest income from loans increased by 13.6%, which was underpinned by higher lending spreads and increased lending volumes (as gross loans rose by 3.4% year on year). Affected by heightened competitive pressure on deposit spreads as well as by the gradual interest rate cuts seen in the Czech National Bank's 2 week repo rate from 2.25% in January to 1.00% in December, net interest income from deposits decreased by 3.2%. (The central bank cut rates four times during 2009: by 50 basis points on 6 February, and three times by 25 basis points on 11 May, 7 August, and 17 December.) Net interest income from investment banking in 2009 returned to a positive figure and totalled CZK 130 million.

The aforementioned factors and an improved asset mix led to a slight increase in the net interest margin, which reached 3.5% (on interest-bearing assets).

Net fees and commissions

Income from net fees and commissions was lower by 3.8% year on year, totalling CZK 7,745 million. The decline was due to constrained economic activity that weighed on transaction numbers and sales of mutual funds, as well as continuing competitive pressure. One-off income from settling interchange fees of CZK 205 million recorded in 2008 also impacted the comparison negatively. Transaction fees decreased by 10.1% to CZK 3,580 million due to a lower number of

transactions (mainly in the business segment) and to the effect of the 2008 one-off item. Fees from cross-selling decreased by 7.0% to CZK 346 million due to the lower sales of mutual funds, while sales of life insurance significantly improved. Maintenance fees fell by 5.8% to CZK 1,889 million as a result of continuing market pressure on pricing and of customers' switching to more favourably priced financial packages. Fees for loan services increased by 17.1% to CZK 1,282 million due to the increased number of credit products in the retail segment and the strong growth at ESSOX. Also, commissions paid for intermediating mortgages sales declined year on year, thus positively impacting this line. Other fees grew by 8.6% to reach CZK 646 million in comparison with the previous year as they benefited from the increased activity in loan syndications.

Net profit from financial operations

Net profit from financial operations recorded an overall satisfactory result, mainly from proprietary trading, while client demand for trading and mainly for hedging of currency risks was rather subdued due to decline in international trade. Reported profit from financial operations dropped by 28.4% to CZK 3,024 million due to the one-off gain from sale of KB's stake in the Prague Stock Exchange (amounting to CZK 485 million) in 2008 and because the Group booked in 2009 a negative one-off impact in Penzijní fond KB from revaluation of securities of CZK 239 million and from securities sales of CZK 293 million. According to Czech law, a minimum 85% of a pension fund's profit must be distributed among the participants of the pension scheme and the annual appreciation of their pension assets cannot be negative.

Treasury operations were successful overall in 2009 in the environment of a decreasing yield curve. The share of proprietary trading

revenues in net profit from financial operations is expected to gradually return to lower levels.

Net profit from foreign exchange operations totalled CZK 2,762 million, which represents a decrease of 2.7%. From this, net fees and provisions for foreign currency payments and conversions declined by 10.3% to CZK 1,458 million, reflecting the decline in foreign trade.

Net profit from commodity derivative operations fell by 48.5% to CZK 17 million.

Other income

Other income grew by 2.2% to CZK 184 million. Of this, CZK 94 million was for intermediation fees earned by ESSOX, which will be booked in net fees and commissions from 2010. Property rental income accounted for much of the rest of this item.

Net banking income

Net banking income containing the items stated above declined by 2.0% to CZK 33,041 million.

Operating costs

A number of cost optimisation measures were adopted throughout 2009, leading to a 3.3% reduction in total operating costs to CZK 14,028 million. The operating cost-to-income ratio further improved to 42.5% in 2009 from 43.0% in 2008. The most significant savings were achieved in general administrative expenses, which recorded a decline by 7.3% to CZK 6,126 million. That was due predominantly to reduced marketing expenditures, as well as to savings on procurement, IT and telecommunications. Personnel expenses grew by 1.8% to CZK 6,434 million as the average number of Group employees remained almost stable year on year. Depreciation dropped by 7.1% to CZK 1,468 million, resulting from a smaller base of depreciated assets due to continued sales of unused buildings.

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A number of measures adopted in 2009 lead to a 33% reduction in operating costs. The cost-income ration further improved to 42.5%.

Gross operating income

Gross operating income decreased by a slight 1.0% from the year-earlier level to CZK 19,013 million.

Cost of Risk

Development in the cost of risk during 2009 was affected by the global financial and economic recession. Total cost of risk in 2009 increased by 82.6% to CZK 5,423 million compared to CZK 2,970 million in 2008. Overall, the consolidated cost of risk grew to 94 basis points at the end of 2009 from 51 basis points in 2008. At KB standalone, the corresponding values stood at 90 basis points and 49 basis points. After sharply increasing risk costs from the second half of 2008, KB registered a stabilisation in this development during the last two quarters of 2009 that was seen especially in the corporate segment. The risk profile of loans to individuals had not fully broken out of its deteriorating trend before the end of 2009, however. In the light of consistent application of prudent policies and additional measures implemented since 2008, KB forecasts that its cost of risk will be kept safely under control.

Net creation of provisions for loan losses amounted to CZK 5,344 million, a figure 89.8% higher than the CZK 2,815 million in 2008. Creation of provisions for impairment of securities reached a positive value of CZK 6 million compared to the negative CZK 152 million in 2008. Creation of provisions for other risks – mainly related to legal disputes and to selected operational risks – totalled CZK 85 million in 2008 against CZK 3 million in 2008.

Share of profit of pension scheme beneficiaries

The share of profit of pension scheme beneficiaries declined by 54.2% to CZK 65 million from CZK 142 million in 2008. This line represents an amount for which

participants in the PF KB pension schemes are eligible under Czech regulations and is calculated as 85% of the pension fund's net profit. The fund's general meeting may decide to distribute among participants an even higher share. The fall in profit was primarily caused by the items discussed under the line net profit from financial operations.

Profit before taxes

As a result of the aforesaid developments, consolidated profit before income taxes declined by 16.7% year on year to CZK 13,549 million.

Tax charge

Lower gross profit generation and the lower corporate income tax rate resulted in the income tax decreasing by 18.8% to CZK 2,455 million.

Net profit

KB Group's net profit for 2009 came to CZK 11,094 million, down by 16.2% in comparison with 2008. Profit attributable to the Bank's shareholders totalled CZK 11,007 million, less by 16.4%.

Other comprehensive income, net of tax

Other comprehensive income, which comprises hedging of cash flows, hedging of currency risk for a foreign net investment, and profits and losses from financial assets available for sale, net of tax, reached CZK 1,503 million. That was down 74.6% in comparison with 2008.

Comprehensive income for the period

The Group's comprehensive income for the 2009 amounted to CZK 12,597 million, less by 34.2% year-on-year.

Balance Sheet

The Group's total assets as of 31 December 2009 had slightly decreased by 0.6% from the end of 2008 to CZK 695.0 billion.

ASSETS

Amounts due from banks

Amounts due from banks decreased by 10.1% compared to 2008 to CZK 131.3 billion. The largest component of this item is represented by loans provided to CNB as part of reverse repo operations, which slightly increased by 0.3% against 2008 to CZK 95.2 billion.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss declined by 44.4% year on year to CZK 24.4 billion. The portfolio comprises proprietary trading positions of the Group.

Loans and advances to customers

Total net loans and advances expanded by 2.3% to CZK 372.3 billion. Gross loans grew by 3.4% to CZK 386.6 billion. Standalone KB had an 86% share in the loan portfolio. Modrá pyramida had a share of almost 12% in the consolidated portfolio.

Of the total amount of loans, credits to individual clients comprised 45%, increasing by 10.7% from the year earlier. The portfolio of mortgages to individuals surpassed the CZK 100 billion mark in 2009, rising by 10.9% to reach CZK 100.4 billion at the end of the year. The Modrá pyramida loan portfolio grew by 16.0% year on year to CZK 45.6 billion. The total value of consumer loans, which are provided by both KB and ESSOX, grew year on year by 2.6% to CZK 29.6 billion.

The Group's business loans reached CZK 206.4 billion, which represents a decrease of 1.4% that was due mainly to lower demand for loans in the uncertain environment. Within this segment, lending to small businesses and entrepreneurs retained its dynamism, growing by 5.5% to CZK 24.5 billion. Loans to corporations (provided by KB and KB Bratislava) declined by 1.6% to

CZK 180.1 billion. The volume of receivables financed through factoring decreased by 39.6% to CZK 1.8 billion.

The loan portfolio's quality was effected by the economic slowdown. The total share of standard loans as of 31 December 2009 represented 89.5% of the total gross loan portfolio, and their volume increased by 1.4% year on year. The share of KB's subsidiaries in total standard loans reached 17.3%.

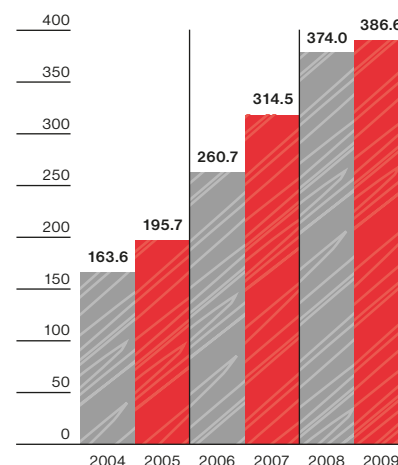
The share of watch loans in the total portfolio decreased in comparison to 2008 to 3.7%. Subsidiaries contributed 13.0% to the volume of watch loans. At the end of the year, watch loans were provisioned on average at 7.9%.

Loans under special review (substandard, doubtful, loss) grew to a share of 6.7% (4.9% at the end of 2008) and their volume increased year on year by 43.7% to CZK 26.1 billion. The share of subsidiaries in the loans under special review was 14.6%, with a relatively high share from ESSOX that reflects its exposure to consumer finance. At the end of December 2009, 50.7% of the loans under special review were covered by specific provisions (from 60.2% at the close of 2008). In November 2009, the Group booked a one-off writing off of long overdue loans classified as loss amounting to CZK 2.3 billion.

Securities available for sale

The portfolio of securities available for sale grew by 16.2% year on year to CZK 114.1 billion. The major part of the portfolio consists of debt securities issued by banks and governments that were acquired to achieve relatively advantageous yield coupled with limited risk. The investment portfolio of Protos is included in this line, and securities available for sale include KB's shareholding in the Czech and Moravian Guarantee and Development Bank.

Loans provided by KB Group (gross, CZK billion)



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Investments held to maturity

The portfolio of securities held to maturity, which is comprised of bonds issued by government institutions from the Czech Republic and countries within the European Monetary Union, had risen by 372.8% to CZK 6.8 billion. The increase was due to new purchases of securities into the held-to-maturity portfolio of Penzijní fond KB totalling CZK 1.6 billion and reclassification of securities previously held in the available-for-sale portfolio of Penzijní fond in the amount of CZK 3.6 billion.

Tangible and intangible fixed assets

The net book value of tangible fixed assets as of the end of 2009 had decreased by 3.4% to CZK 7.7 billion. The value of intangible fixed assets increased year on year by 6.2% to CZK 3.7 billion.

Goodwill

As of 31 December 2009, total goodwill amounted to CZK 3.6 billion. That was the same level as at the end of 2008. Of this, goodwill from the acquisition of Modrá pyramida in 2006 stood at CZK 3.4 billion.

LIABILITIES AND SHAREHOLDERS' EQUITY

Amounts due to banks

In 2009, amounts due to banks increased by 68.6% to CZK 18.7 billion. The line represents primarily amounts drawn to cover the Group's short-term liquidity needs in certain currencies.

Amounts due to customers

The total volume of deposits decreased by a slight 0.5% to CZK 551.8 billion, mainly due to the deteriorated liquidity positions of business clients, whose deposits declined by 3.5% to CZK 295.1 billion. Deposits from individuals at KB decreased marginally by 0.3% to CZK 153.7 billion. Clients' pension assets at Penzijní fond KB increased by

5.9% to CZK 27.2 billion, and the building society Modrá pyramida, with a volume of CZK 67.1 billion, held 2.7% more deposits than a year earlier.

Volumes on current accounts rose by 0.9% to CZK 296.7 billion. On the other hand, term and saving deposits decreased by a slight 0.2% to CZK 191.9 billion.

Securities issued

The Group's certificated debt decreased by 24.7% to CZK 18.2 billion due to repayments and buying back of mortgage bonds issued by the Bank. The majority of this item is comprised of mortgage bonds issued during 2005–2007.

Provisions

Provisions declined by 1.0% to CZK 2.0 billion. This line item does not include provisions for loan losses, which are reflected at the line loans and advances to customers. It includes provisions for contractual commitments and provisions for other credit commitments, comprising provisions for off-balance sheet commitments and provisions for undrawn loan facilities. This line also includes provisions for restructuring of KB Bratislava and for centralisation of back offices.

Shareholders' equity

In 2009, the Group's shareholders' equity increased by 9.2% to CZK 68.8 billion. This growth year on year was mainly influenced by the creation of attributable net profit for the current year (CZK 11.0 billion), a dividend payment of CZK 6.8 billion (approved at the 2009 Annual General Meeting) and changes in the value of financial instruments booked into shareholders' equity. KB's share capital remained stable at CZK 19.0 billion.

The hedging revaluation reserve, which reflects changes in the fair value of hedging

derivatives, decreased by 32.9% from CZK 3.6 billion at the end of 2008 to CZK 2.4 billion at the end of 2009. Revaluation of securities available for sale for the same period increased by 344.8% year on year from CZK 0.8 billion to CZK 3.4 billion.

Revaluation of hedging derivatives and the portfolio of securities available for sale provides only a limited picture for determining the balance sheet value, as, in accordance with accounting standards, assets and liabilities hedged by derivatives are valued on an accrual basis. Therefore, the book value of the hedging reserve and the value of the hedged assets and liabilities are generated on the basis of different accounting regulations. Similarly, the portfolio of securities available for sale is managed to correspond with the development of liabilities having stable interest yields. These, however, are not revalued on a mark-to-market basis.

For the purposes of capital adequacy under Basel II standards, revaluation of the hedging reserve is not included in calculating the regulatory capital. The regulatory capital of the consolidated Group according to the CNB methodology (Basel II) reached CZK 47.9 billion.

Acquisition of Treasury Shares in 2009

Komerční banka held 54,000 of its own shares as of 31 December 2009. These shares were purchased during 2006 in accordance with decisions taken by the Bank's general meetings of 28 April 2005 and 26 April 2006 allowing KB to purchase its own shares into treasury. In addition, Komerční banka intermediated transactions

in KB shares for clients. In this case, it acted at the client's request and immediately sold on to the client the shares that had been purchased.

Based on the consent of the General Meeting held on 29 April 2009, Komerční banka was authorised to acquire its ordinary shares as treasury stock under the following conditions:

- The maximum amount of shares that can be held by the Bank at any specific moment shall be 3,800,985 pieces of ordinary shares.

- The share purchase value must be at least CZK 1,000 a piece and at most CZK 3,500 a piece.
- This resolution shall be valid for the term of 18 months.
- Shares may not be acquired by the Bank should such acquisition breach the conditions stipulated in S. 161a (1)(b) and (c) of the Commercial Code.
- For the term of validity hereof the Bank can buy and sell shares repeatedly without any further restrictions.

Corporate Social Responsibility

Komerční banka is fully aware of the responsibilities that ensue from its position as a large and prominent corporation, as well as from its desire to build long-term relationships with all its stakeholders. The principles of corporate social responsibility constitute an integral part of KB's strategy, as does that of transparency in relations with all its partners. Rigorous internal controls, prudent risk management, and adherence to all regulatory requirements are indispensable prerequisites of social responsibility.

Komerční banka shares in treasury

	Number/nominal value as at 1 January 2009	Proportion of share capital as at 1 January 2009	Number/nominal value as at 31 December 2009	Proportion of share capital as at 31 December 2009
	(pcs/CZK thousand)	(%)	(pcs/CZK thousand)	(%)
Trading portfolio	0	0	0	0
(Trading book)	0		0	
Portfolio available for sale	54,000	0.142	54,000	0.142
(Banking book)	27,000		27,000	

Komerční banka's intermediation for clients in its own shares during 2009

	Number/nominal value of acquired shares	Number/nominal value of sold shares	Sum of purchase prices of acquired shares	Min. and max. acquisition price	Sum of selling prices of sold shares	Min. and max. selling price
	(pcs/CZK thousand)	(pcs/CZK thousand)	(CZK thousand)	(CZK)	(CZK thousand)	(CZK)
Trading portfolio	17,200	17,200	46,823	1,580	46,821	1,580
(Trading book)	8,600	8,600		3,670		3,670
Portfolio available for sale	0	0	0	0	0	0
(Banking book)	0	0		0		0

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Komerční banka's corporate social responsibility is reflected in the Bank's decision-making processes, corporate governance, as well as certain specific measures and activities. Komerční banka fully implements and adheres to the rules defined by the Czech National Bank, Czech law and EU regulations. Furthermore, the Group's rules generally go beyond the application of legal and regulatory requirements. The principles of corporate social responsibility also overlap into other areas, such as rules on corporate governance, risk management and human resources management. This chapter is therefore predominantly devoted to describing activities primarily aimed at implementing KB's corporate social responsibility. Respective chapters of the annual report are devoted to describing other processes for which corporate social responsibility is also an important aspect.

Corporate Governance and Organisation, Internal Control

The Bank is managed by the six-member Board of Directors. The Supervisory Board is composed of nine members including an independent member and employee representatives.

Given that Komerční banka operates in lines of business, markets and regions in which a number of risks are present, tight control over risk parameters, development of in-depth risk management expertise, and implementation of high-performance risk management structures are crucial for the Group. In addition to the Board of Directors, the Audit Committee is specifically responsible for examining the consistency of the Group's internal risk management framework and compliance with applicable law and regulations. Internal control is defined as all processes and resources that enable the Group's management to ascertain whether the transactions carried out and the organisation and procedures within the Group are compliant with the valid legal and regulatory

measures, professional and ethical practices, and internal regulations and policies defined by the Bank's executive bodies.

First-level controls have been set up across the entire Bank and are monitored on a regular basis by Internal Audit and the Audit Committee. Komerční banka has established compliance standards and rules of ethic conduct that meet the sector's high standards. Professional and banking secrecy are key aspects of KB's operations as are legal obligations.

Measures against Legitimisation of Proceeds of Crime and Financing of Terrorism

Komerční banka has set up a rigorous system for preventing money laundering and financing of terrorism.

The main principles of this system include:

- a) clearly established and written rules, their effective operation, and regular training for employees in regard to them;
- b) refusing to collaborate with clients and counterparties not providing proper identification or co operation in the deep control necessary for effectively evaluating the risk of money laundering and financing of terrorism, as well as to identify persons who are untrustworthy or whose transactions do not meet standards of transparency.

Towards these ends, the main task for 2009 was to further strengthen the methodological and control mechanisms ensuing from the relevant legislation associated with the prevention of money laundering and financing of terrorism.

Corporate Responsibility in Human Resources Management

Great attention is given to developing human resources (the tools for which are described in the chapter "Employees"). Among the

priorities in human resources management is to utilise the potential of individual employees in such way as also to provide personal development, professional opportunities and improvement in professional qualifications while maintaining a balance between professional and private life.

KB respects the diversity of its employees. The variety of personalities, backgrounds, attitudes and opinions of employees can create an environment that pushes forward both individuals and the results of entire teams and of the Bank.

In the field of human resources, Komerční banka also includes among its priorities the creation of a favourable environment for the population of employees whose possibilities are limited in some way. The Bank thus creates measures to support and employ people with disabilities, parents on parental leave and with children, among others.

Ethical Requirements for KB Group Employees

In accordance with KB Group's vision of corporate responsibility, employees and representatives of the Group must adhere to strict principles, both in terms of professional conduct and risk prevention. Top-notch employees conducting business in a first-class manner create a positive image for the Bank, and their assistance in preventing dishonest business practices is a key asset of the Group.

The Ethical Code defines the general rules of behaviour and conduct for all of the Bank's employees. Employees confirm their personal commitment to respect the Ethical Code by signing this document, and the Compliance Department regularly monitors and evaluates its fulfilment. The Ethical Code consists especially of rules on adhering to legal regulations and internal policies, not abusing one's position, avoiding impermissible activities, preventing

abuse of confidential information, the obligation to avoid conflicts of interest, as well as the duty to act professionally towards clients.

Compliance with the Ethical Code is expected from every employee of the Bank.

The Ethical Code adheres also to the principles taken over from the Société Générale Group's Code of Conduct. This Code provides an orientation in the main principles governing corporate conduct, which are based on the ethical requirements and expectations of employees, clients, shareholders, business partners, regulators and other stakeholders. The framework established by this Code is operative throughout the SG Group.

KB subsidiaries have been inspired by KB's Ethical Code and have created their own regulations that are adapted to their particular conditions.

Sustainable Development

In accordance with the concept of sustainable development, Komerční banka adopts appropriate measures with the aim to eliminate the Bank's negative effects on the environment. To achieve this goal, KB regularly monitors a number of environmental indicators that provide a practical overview of the company's impacts on its surroundings and help in setting priorities. The Bank's most urgent challenges in this area are in conserving paper and energy. Thanks to printing on both sides, sharing of best practices and other measures, the Bank has managed to reduce paper consumption by approximately 14% since 2007. All KB managers and other employees are expected to behave responsibly.

Among its services to customers, Komerční banka's direct banking services provide good opportunities for clients to behave in an environmentally friendlier manner. KB offers the possibility to process all orders electronically,

The principles of corporate social responsibility constitute an integral part of KB's strategy, as does that of transparency in relations with all its partners.

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Komerční banka in its sponsoring policy focuses on three main areas: culture, amateur sports and education.

thus enabling, for example, to arrange consumer loans or process credit card applications online and without having to print out a single paper document. In January 2010, KB also began printing duplex hard copy versions of account statements.

Since 2008, KB has supported use of renewable energy by its participation in the Green Energy project initiated by the ČEZ Group. The contributions thus collected from the price of green energy support projects for research, education and utilisation of renewable energy sources.

Sponsoring

Komerční banka develops relationships with its clients and employees with a long-term perspective. The same principle applies for its sponsorship policy, which, like the policy of the parent company Société Générale, focuses on three main areas: culture, amateur sports and education.

In 2009, Komerční banka and the National Theatre entered into their eighth year of co-operation. The exceptional and successful project of hosting first stagings in the regions, which the National Theatre implemented as a direct result of its collaboration with KB, continued in the past year. Komerční banka also sponsored two major concert events of the season in Prague. In April, the American soprano Nicole Cabell performed with the accompaniment of the Prague Symphony Orchestra, and in December another prominent performer of the American opera scene, Denyce Graves, gave a performance accompanied by the Czech Radio Symphony Orchestra.

In 2009, Komerční banka entered already its fifth year as the main partner of the Prague Zoo, one of the most beautiful in the world. Also in 2009, KB strengthened its contribution to the development of regional zoos and extended its partnership with the zoos in Ostrava and Jihlava.

In the field of amateur sports, KB offers long-term support to children's sports through the project "Sport without Prejudice" (Sport bez předsudků). In 2009, Komerční banka was a partner, too, of athletes with disabilities, whether wheelchair-bound athletes or disabled rugby players. KB is also the general partner of the Czech Rugby Union.

The music festival Smetana's Litomyšl is traditionally augmented by a series of art exhibitions, Smetana's Creative Litomyšl. KB was the main partner of the exhibition series already for the fourth time. In 2009, visitors had the opportunity to see drawings, prints and models from the projects of Aleš Veselý.

Komerční banka also is a traditional partner of universities. In supporting university education of new professionals, the Bank also sees the promise of developing the future quality of the Czech banking system. In 2009, Komerční banka was a partner of the University of Economics, Prague, Masaryk University in Brno and the Czech Technical University.

KB – Jistota Foundation

The KB – Jistota Foundation has been helping people in need for 14 years already, and during that time it has supported more than 900 projects. It focuses on the areas of social services, support for medical institutions, aid to children in social institutions, and disaster relief. It also helps individuals living in poverty. The Foundation's main mission is not only to provide financial assistance but especially to endeavour to help those who have found themselves in difficult life situations to return to normal life. Both Komerční banka itself as well as its employees and clients contribute to the KB – Jistota Foundation.

For three years, the KB – Jistota Foundation has supported the building of so-called Baby Boxes directly in maternity hospitals to save the lives of children whose mothers are unwilling or unable to take care of them.

In 2009, KB contributed CZK 2 million for the establishment of eight of these emergency boxes. The Bank also supported the Endowment Fund of Livia and Vaclav Klaus with a CZK 1.5 million contribution to scholarships for children from socially disadvantaged families and orphanages.

At the Motol Hospital, the Foundation helped to purchase special equipment for orthopaedic surgery for children. The Institute for the Care of Mother and Child in the Podolí area of Prague is already a long-time partner of the Jistota Foundation, and thanks to the Foundation's contribution the hospital was able to purchase a special examination chair and ultrasound equipment in 2009. Doctors at Prague's Central Military Hospital also have benefited from support of the KB – Jistota Foundation. They now have available an HD endoscope, a unique device and the third of its kind in Europe.

The KB – Jistota Foundation helped, too, in the aftermath of floods that dramatically affected the lives of people especially in southern Bohemia and northern Moravia. It contributed CZK 2.5 million to helping alleviate the consequences of the floods. The Foundation co-operated closely and directly with municipal mayors in allocating these funds to ensure that they would be used where they were truly needed.

Volunteer Activities

KB Group employees were actively involved in the so-called Citizen Commitment Week, which is organised internationally by the parent company Société Générale. Komerční banka had decided to help the Czech Federation of Food Banks, which collects food and ensures its distribution to charitable organisations in the Czech Republic, especially those helping children, mothers with children, large families, the socially disadvantaged and the homeless. KB and SG Group employees in the Czech Republic and Slovakia donated more than 3.5 tons

of conserved foodstuffs to CSFB, while the KB – Jistota Foundation supplemented this volunteer activity with a financial gift of CZK 200,000.

In collaboration with blood banks, KB organised mass blood drives in which over 400 KB Group employees around the country participated during 2009. Overall, more than 170 litres of this most precious fluid were donated by KB Group employees at these events.

Clients and Markets

The year 2009 was undoubtedly difficult from the perspective of the market environment's development. Nevertheless, Komerční banka Group's stable and strong position allowed for further development of long-term relationships with clients, continuation in financing their needs, and improvements in the efficiency and quality of services provided.

The branch network, which is the starting point for building relationships with clients, was expanded by four new branches, two of which were kiosk branches, to a total of 398. Within the branch network, 20 business centres serve corporate clients and municipalities while four divisions have been created to attend to large corporations.

Five branches were completely renovated in 2009, while four others were relocated. The number of ATMs increased from 673 to 685. The number of branches will remain approximately the same in 2010, as some units that have not proven profitable will be closed and, at the same time, new sites with sufficient potential may be occupied.

The Bank's operations have undergone several changes in order to improve efficiency and the quality of customer service. Among the most important changes was the creation in April 2009 of a new Custody Department

and depositary. The department has overall responsibility for the depositary's provision of services to collective investment units (pension funds and investment companies) and provision of custody services. Meanwhile, the project for back office centralisation in the distribution network was even more extensive. The first centres to open were an active products centre and a passive products centre in Ostrava. During 2010, the centralisation of activities into two passive product centres and four active products centres will be completed. Starting early in 2010, the work in higher level branches will be newly organised within the distribution network.

Changes also will continue in 2010 and will lead to the reorganisation of service, better work with all information available about clients across the entire Group, and the corresponding training of banking advisers. All this will be effected in order to adapt the service model to clients' possibilities and requirements while providing such range and quality of services as meet the needs of individual sub-segments. Lower demand due to the slowdown in economic growth and implementation of measures to enhance efficiency will bring a slight decrease in the number of employees in 2010.

Establishing co-operation with Česká pojišťovna, whose property insurance for individuals and businesses will be available to KB clients, is of strategic importance. At the same time, Česká pojišťovna dealers will offer KB mortgages in their distribution network.

Development of the Regulatory Environment

As a bank of an EU Member State and also as part of SG Group, Komerční banka is subject to certain EU regulations (directives) in addition to Czech regulations and supervision.

In connection with the new Payment System Act, there arose the important task to ensure as of 1 November 2009 timely adaptation of banking information systems, client contract

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documents and internal regulations to changes in the payment system and to provide training for employees. Komerční banka successfully implemented all the required changes. In line with its long-term strategy, moreover, it protects its clients' interests even beyond the Act's requirements (for example, in the area of minimising the consequences of credit card loss or theft). From a customer's perspective, some of the most significant changes related to implementing the Act include the change in frequency of statements and their free provision, introduction of the new "micro-entrepreneur" category, and the limited liability of the client for unauthorised transactions using payment cards or other payment methods, among many others.

As of the same date, Komerční banka became the first bank on the Czech market to accede to the Czech Banking Association's Standard No. 22, Mobility of Clients – Procedure for Changing Banks, which makes it easier for clients to switch banks.

In 2009, a project for implementing Directive 2008/48/EC on credit agreements for consumers was launched as well. The act transposing the Directive into the Czech legal order is to be adopted during 2010. This Directive introduces new requirements for providers of consumer loans, and particularly in terms of providing consumers with information. Prior to implementing Directive is necessary to adjust the Bank's information systems and loan contract documentation.

Komerční banka welcomes the EU's initiatives on behalf of consumers. It believes that the new regulations will contribute to improved client awareness and will strengthen the accountability of non-banking financial institutions providing financial services.

Client Services

To ensure proper service for its various customers, KB has created a detailed system

for segmenting its client base. The basic categories include the following: Individuals, Small Businesses (the indicative criterion is annual turnover of up to CZK 60 million), Enterprises and Municipalities (as indicated by annual turnover up to CZK 1.5 billion), and Top Corporates. In line with its strategy of building a universal bank, KB intends to develop its activities in all these segments.

Economic recession of the year 2009 brought to the banking market increased competition for client deposits and limitations on lending, due to less available liquidity and to the tightening of lending criteria established by risk management. KB did not fundamentally change its lending policy in these times of crisis however, some lending terms had to be modified, as a precautionary measure due to the macroeconomic downturn. Moreover, the ongoing monitoring of developments in loan portfolio quality was markedly strengthened throughout the network. KB's strong and stable position served to guarantee clients as to the safekeeping of their deposits and facilitated additional financing for the development of their activities.

For KB Group, 2010 will be a year for developing synergies. There is great potential in sharing client bases of KB Group's individual members, as it will permit optimising the offer of financial products and services while continuing to develop an individual approach to each client. As it implements new products, KB will continue to focus on acquiring new clients through product innovations. Considerable resources will be devoted to training front office staff so they are able to use their knowledge and skills to fulfil customers' demanding expectations.

Individuals

In 2009, Komerční banka served 1,343,000 clients in the Individuals segment. KB has retained its strong position in the children and

youth sub-segments, maintaining more than 171,000 child accounts as of the year's end.

Despite the economic recession, KB was relatively successful in developing lending activities in the Individuals segment. The volume of mortgages for individuals increased by 11%, and KB improved its market share in the declining market for new mortgages. The total volume of mortgages provided thus reached CZK 100 billion.

The results of subsidiaries' product sales can be considered relatively successful in the given economic environment.

Sales of Modrá pyramida and Penzijní fond KB moved roughly in line with their relevant markets. Sales of Komerční pojišťovna life insurance were extraordinarily successful, recording a significant increase of the market share on premiums written from 3% to almost 8%. Modrá pyramida's network also acquired 9,000 new clients for KB banking services.

In 2009, the Bank introduced a range of new products in the Individuals segment.

The Bank accommodated clients' increased interest in savings products by offering new

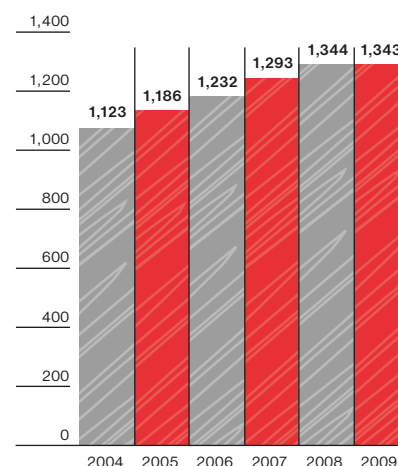
deposit products – term and savings accounts – that enabled it to maintain the growth in client assets.

An appealing new Platinum card is designed for the most demanding customers. It has brought above-standard services plus exceptional care and convenience for cardholders and their family members. This payment card also features above-standard travel insurance, lifestyle assistance service, and unique insurance for golf and ski equipment. Other KB payment cards, too, acquired better conditions by way of substantial increase in travel insurance limits. KB also cancelled co payment for treatment as well as the maximum age limit of the insured.

The broadening of Merlin payment card insurance represents a significant change. The new form of Merlin insurance as the first on the Czech market covers the risk of misuse of payment cards issued by another bank.

A new feature for the Bank's youngest clients is the child life insurance Brouček, offered in collaboration with Komerční pojišťovna. The protection variant provides financial security for the child in the case of an unexpected event, such as total disability or death of the adult who arranged the insurance. The savings variant of the insurance allows parents or grandparents

Number of clients – Individuals in 2004–2009 (in thousands, KB standalone bank)



KB (Bank) – Individuals segment	2009	2008	Change %
Number of mortgages	82,700	76,700	7.8%
Volume of mortgages (CZK billion)	100.4	90.5	10.9%
Number of consumer loans	225,100	219,200	2.7%
Volume of consumer loans and current account debits (CZK billion)	16.0	17.3	(7.5%)
Volume of credit card loans (CZK billion)	2.7	2.6	4.9%
Number of active credit cards	182,100	181,900	0.1%
Number of active packages	987,800	974,400	1.4%
Number of children's accounts	171,500	171,500	0.0%

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to provide the child with a certain amount of money for his or her adulthood. Supplementary insurance covering injury or hospitalisation for the account holder or child may be added to either variant.

As part of the new co-operation with Česká pojišťovna, clients can arrange property insurance, including mandatory auto liability coverage and collision insurance, while Česká pojišťovna's distribution network now offers KB mortgages. Co-operation with T-Mobile developed successfully on a joint project for a T-Mobile Bonus credit card linked to its loyalty programme. By the end of 2009, some 65,000 clients had activated the card.

Komerční banka has begun promoting the use of grants from the Green Savings programme. It is the first bank on the market to prepare a new series of attractive loan products known as EKO loans. The offer includes the EKO Personal Loan with repayment of up to 6 years, EKO Real Estate Loan with maturities up to 10 years, and EKO Mortgage Loan with repayment of up to 30 years. All EKO loans are provided by KB under advantageous conditions.

Due to the maximum flexibility of parameters on the mortgage market, and supported by the new Worry Free Mortgage communication concept, KB managed to increase its market share. Among the new parameters is insurance against inability to repay the mortgage.

KB has extended its offer of deposit products with the Guaranteed Deposit, a product that permits high earnings on their deposited funds and at the same time provides for their high liquidity.

In 2010, a centre for foreign clients, among other things, will be put into operation in Prague. In order to strengthen the risk management system, co-operation will begin with the company ESSOX in recovery of past-due receivables.

Private Banking

KB Private Banking again showed double-digit percentage growth for 2009 in the number of clients and assets under management. The negative impacts of the financial crisis on clients were significantly eliminated by the long-term conservative tactical approach in allocating clients' assets.

Private Banking services are provided at 20 regional branches for very affluent clients with financial assets over CZK 8 million. For clients whose potential amount of assets exceeds CZK 20 million, services and investment advisory are provided by a separate Private Banking branch in Prague and with associated teams in Brno and Ostrava. This business model effectively makes use of the synergy between the Bank's corporate and retail segments.

The past year, which saw high volatility in capital markets, brought significantly growing interest among private investors in primary issues of corporate bonds, investing into physical gold, and, as in previous years, guaranteed investment certificates denominated in Czech crowns and foreign currencies.

In 2010, KB Private Banking will further extend its product offer, especially as a result of direct collaboration with the expert centres SG Private Banking and SG Private Banking Zurich in Switzerland. This synergy within SG Group will provide a unique offer of investment solutions and service of the highest quality for KB's Private Banking clients.

Small Businesses

As a traditional partner for entrepreneurs and small business, Komerční banka currently serves more than 261,000 clients classified as small businesses. Entrepreneurs are able to use the services of their banking advisers at all 398 points of sale, which offer consultancy in the area of day-to-day banking, financing of business activities, and support from EU structural funds. In addition to the extensive network of branches,

a toll-free infoline, the www.kb.cz website, and the specialised advisory portal www.moje-firma.cz also are available to clients.

As already has become traditional, increased lending remains a strategic objective for this segment. KB recorded a slowdown in financing growth in 2009 as well as a change in clients' needs. Nevertheless, the volume of loans provided increased by 6% year on year. Throughout the year, it was apparent that companies were restrained in their investment plans and, on the other hand, had increased operating capital needs, particularly as a solution to temporary funds deficiencies caused by their customers' increasingly extended payment of invoices. Komerční banka thus funded especially receivables and inventories purchases in the Small Businesses segment.

Last year, the popularity increased for loans enabling the borrower to eliminate the risk of interest rate fluctuations and better plan company cash flows. One example is the business loan Profi Loan FIX. A fixed interest rate and annuity form of repayment give the entrepreneur the certainty of a constant monthly payment throughout the loan's repayment period, insurance against inability to pay (which is automatically a part of the loan), as well as security in the event of medical complications for the entrepreneur.

The government's anti-crisis measures led to, among others, the creation of new support programmes from Czech-Moravian Guarantee and Development Bank (ČMZRB) and the Support and Guarantee Agricultural and Forestry Fund (PGRLF). These have extended guarantees also for operating capital funding and were positively received on the market. Komerční banka is a long-term partner of both institutions. In 2009, it concluded contracts on co-operation under the new support programmes with both ČMZRB and PGRLF while extending its contracts on the already existing programmes.

Last year, KB also joined the Green Savings programme. Grants from this programme may be drawn not only by individuals but also by housing co-operatives and associations of housing unit owners for the purposes of reconstructing housing units on the condition that energy-saving measures are part of the reconstruction. Within the Residential House Program, housing co-operatives can obtain loans for their investment projects and then pay these off when the grants are received.

The dynamics of financing also were significantly supported in the past year by grants from European funds. KB expects the year 2010 to be extremely favourable for grant applicants. All operational programmes are already fully prepared and have functioning application processing systems. KB is providing its clients with an average 160 consultations monthly, whether through personal visits to KB EU Point specialists or banking advisers.

Among the main changes in the product offer in 2009 was a redesign of the range of packages for entrepreneurs and small businesses. While not changing the monthly fee for account maintenance, the Bank provides with a package a defined number of incoming transactions, an increased outgoing payments and free withdrawals from KB's ATMs. Komerční banka's activities also focus on start-up businesses. The price of the Efekt Start package was reduced to CZK 99 per month. Knowledge of the business environment and the particular characteristics of various business sectors and phases of a firm's lifecycle is a prerequisite for the Bank to ensure that its offer meets the possibilities and requirements of entrepreneurs in the range, quality and price of banking services. The offer of day-to-day banking services is established in order to adapt to a client's changing needs over time.

In 2009, as in previous years, and as part of a segmentation adjustment, several

thousand business clients were moved from the business centres to the care of Top Small Business banking advisors working throughout the distribution network. The Bank will thus operate closer to the place of these clients' businesses and will better adjust the service format to the needs of entrepreneurs of a given size.

Enterprises and Municipalities

Komerční banka has maintained its leading position on the banking services market for enterprises, large corporations and municipalities. Research from the Median agency showed that half of medium-sized and large enterprises used KB services in 2009. In answer to the question "At which banks do you use loans?", the largest number of respondents (36%) named Komerční banka.

The total volume of business loans provided by Komerční banka increased year on year by 1% to CZK 89.1 billion. Deposits of enterprises and entrepreneurs decreased by 4% to CZK 121.8 billion. Compared to the decline of the overall corporate financing market in the Czech Republic, this was a relatively good result.

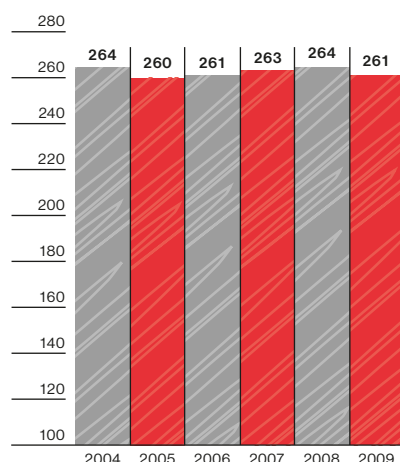
KB managed to significantly increase the volume of loans provided in the municipalities and public sector area. The Bank has developed expert advisory services in the area of public contracts, budgets, and optimal financing for development projects.

Investments in projects for using renewable energy sources obtained great momentum on the market. KB prepared a new business model and established a team of specialists for financing renewable resources with an emphasis on photovoltaics. The financing volume for these projects increased significantly in 2009. Compared to 2008, the connected capacity financed by KB increased by 531% from 13 to 69 MWp. In co-operation with Česká pojišťovna, moreover, Komerční

Komerční banka has begun promoting the use of grants from the Green Savings programme. It is the first bank on the market to prepare a new series of attractive loan products known as EKO loans.

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Number of Small Business clients in 2004–2009 (in thousands, KB standalone bank)



banka offers new insurance for photovoltaic sources. KB also has experience in financing biofuel plants.

The Bank recorded strong demand, too, for the financial and advisory products of KB EU POINT for financing projects with support from EU funds. Most public sector projects were aimed at the renewal of cities and towns and at environmental protection. Private companies most often requested grants for acquiring technologies, research and development, restoring real estate, or investing in human resources development.

The economic recession has been accompanied by an increase in the importance of government and international support programmes. KB facilitates its clients to fully participate through collaboration with the European Investment Bank, ČMZRB, Export Guarantee and Insurance Corporation (EGAP), and Czech Export Bank.

Innovation in the product offer for the corporate segment affected also the trade finance area. Companies gained a new opportunity to communicate with the Bank on-line through the TF Online application, which is used to send requests for issuing, modifying, and monitoring the current processing status of bank guarantees, documentary letters of credit, and documentary collections. A new feature in financing is a revolving loan intended for pre-financing cheques submitted for collection and which addresses the timing difference between presentation of the check for collection and its encashment. KB also prepared a new type of municipal revolving credit which allows – within a single loan agreement – to pre-finance a subsidy before its drawing as well as to cover the client's share of funding of the project.

The Bank continued to organise advisory events for corporate customers, such as

a conference on use of solar energy as well as conferences and seminars for exporters held in co-operation with the agency CzechTrade. KB's presentation at the International Engineering Fair in Brno was both prominent and beneficial.

In 2010, Komerční banka will remain a strong partner for companies upon which they can rely in running their businesses. Planned improvements in the Bank's offer include to extend the functionalities of the MojeBanka/ProfiBanka application with the ability to draw a revolving loan without having to visit a branch and an improved version of electronic receivables pledging. The Bank expects continuing strong demand for financing of projects using alternative energy sources and projects supported by EU funds. The Bank will strengthen the potential of its offer by co-operating with KB subsidiaries, members of Société Générale Group, as well as governmental and multinational institutions. Selling synergies will be developed in all business segments, and particularly in the area of leasing and factoring.

Top Corporates

Even in the Top Corporates segment, KB succeeded in maintaining its prominent position in 2009 despite significant changes occurring at a number of top corporate clients.

In 2009, the Top Corporations Arm completed the launch of a new business model. With this model's contributions, the Bank achieved 6.2% year-on-year revenues growth in this segment. Compared to 2008, and in line with the trend on the entire market, the loans volume decreased by a moderate 3%. The causes were the slowing economy, decrease in clients' investments, as well as the more cautious approach on the part of the Bank. In the deposit products area, the volume of deposits decreased

substantially. This was caused in particular by the economic crisis, as clients primarily drew upon their internal resources to finance their activities and to cover the operating costs of their companies.

The priorities of the Top Corporations Arm included risk prevention in co-operation with the Risk Management Department. Several new tools were introduced during 2009 that help in timely identification of potential risks. The impacts of the crisis were of course reflected nevertheless in increased cost of risk and in deterioration in the quality of the loan portfolio.

In addition to product innovations shared with clients in the medium-sized enterprises segment, another example of innovation is in the area of cash management. It is a newly introduced service for cross-border cash pooling, which contributes to more efficient cash management for multinational companies. It allows for centralising funds of a client's foreign subsidiaries on accounts maintained by KB.

Investment Banking

Whilst the state of the real economy deteriorated during the first half of 2009, global financial markets had begun to believe in a rebound already from the end of February. Market players anticipated the announcement by central banks and governments of a number of policy measures and co-ordinated actions: continued rate cuts pushing nominal short-term interest rates to record low levels, massive purchases of government bonds, extensions of credit, and additional fiscal stimulus packages. As a result of investors' growing risk appetite, stock markets all over the world recovered sharply. The Prague Stock Exchange gained more than 75% from its lows of February 2009. The Czech National Bank cut its key 2-week repo rate to 1.00%, its lowest level ever.

These extraordinary market conditions allowed KB's treasury department to perform extremely well by taking advantage of continuously falling rates, gradually narrowing credit spreads, and growing flows in government bonds and other fixed income instruments. At the same time, the risk profile for this activity was kept at very conservative levels.

On the FX side, the Czech crown suffered from the strong depreciation of all emerging market currencies in the first quarter of 2009. Despite the following correction to more reasonable EUR/CZK exchange rate levels and the slowdown in volatility, interbank and customer volumes in FX spot, forwards and options remained low.

As the Czech economy fell into recession the steep drop in orders combined with the depreciation of previously contracted FX hedging transactions, put many export-oriented companies in difficult positions. Consequently, the lack of underlying activity as well as growing credit risk caused a sharp decrease in hedging transactions, resulting in lower fees for investment banking. Despite the stabilisation in financial markets and despite an improved outlook for GDP growth in 2010, KB expects this part of the client business to remain subdued as the recovery and pick-up in companies turn-over will be slow.

Regarding financing activities, KB's Debt Capital Market team successfully completed 16 debt facilities in 2009. Several complex and sizeable transactions were executed despite the difficult economic environment, including structuring of an acquisition financing facility for one of the largest cross-border acquisitions of 2009 by a strategic investor. KB was the sole co-ordinator and facility agent. Several transactions involved co-operation with SG in the fields of project finance, acquisition financing and capital markets. Going forward, DCM sees a good pipeline consisting of both syndicated refinancings and new financings, and especially in the structured finance area.

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There existed in 2009 a number of opportunities for M&A advisory, but only few of them materialised. In many cases, the gaps between sellers' expectations and potential buyers' valuations were too wide to allow deals to happen. The majority of completed transactions were small to medium-size cross-border deals pursued jointly with Société Générale. After an overall disappointing year, the Bank expects M&A activities to pick up in 2010 as credit spreads normalize and corporate cash flows improve.

Direct Banking

In 2009, Komerční banka continued its trend of successful innovation in direct banking services. The number of clients using at least one direct banking channel rose by 3% to 984,000 as of the end of the year, and that represents 61% of all the Bank's clients. The Expresní linka Plus service recorded the highest growth – by almost 25% – and reached 59,000 users. The number of Mobilní banka mobile telephone banking customers increased by more than 16% to a total of 29,000. The Mojebanka internet banking service welcomed its 645,000 client at the year's end, and the number of its clients rose by 20% for all of 2009.

The deepening of co-operation within KB Group and with other strategic partners continued. One example is the launch of Modrá pyramida's client telephone line, which provides advisory, including the possibility to arrange an appointment with an adviser. Co-operation with T-Mobile on a joint credit card was successful as well.

The Mojeplatba service offers KB clients a simple and secure payment method for goods and services on the internet. In 2009, the volume of transactions executed through this service was more than CZK 14 million, of which almost CZK 8 million was achieved during the last quarter. The Mojeplatba service can be used by the more than 600,000 clients who have the Mojebanka internet banking application.

Regular surveys of customers' satisfaction with direct banking services point to a good level of service. The feedback obtained from these surveys serves in planning further adjustments. In 2010, therefore, it will be possible to further strengthen co-operation within the Group, to improve efficiency, and to better satisfy customers' needs.

Payment Cards and Cash Operations

Payment cards issued by Komerční banka in 2009 included VISA, VISA Electron, MasterCard and Maestro. As of the end of the year, KB had 1,682,330 active payment cards in its portfolio. The number of transactions conducted using KB cards at merchants increased by 14% year on year. The volume of withdrawals from ATMs reached CZK 117.5 billion. With a share of 86%, debit cards constitute the dominant portion of the KB card portfolio.

There was noticeably increased interest among KB clients during 2009 for card products to be used in making payments via the internet. KB witnessed a 13% rise in the number of these cards compared to 2008. Likewise, the number of internet transactions rose by a significant 23% in comparison with 2008.

KB implemented a new type of university multifunction card in 2009 that combines EMV payment applications and the Mifare DESfire private application. As of the end of 2009, the number of these cards exceeded 91,000. In the area of payment cards security, KB launched a project for transition to a new type of chip card with the DDA (Dynamic Data Authentication) chip. KB will begin issuing this type of card in 2010.

During 2009, KB completed construction of its centralised workplace for processing cash, the so-called Cash Centre Prague, which enabled extending the period for receiving sealed packages with cash for processing and accounting on the same day. The volume of cash deposits made by clients through the Bank's cashier counter was CZK

403.8 billion (a decrease of 7.24% compared to 2008). The total amount of withdrawals was CZK 303.2 billion (down by 8.92%), and of that amount CZK 121.2 billion was paid out through KB's ATM network. The total number of cash withdrawals in 2009 reached 29.8 million, representing a year-on-year decrease of 2.1%.

Employees

The Czech labour market was influenced in 2009 by the unfavourable economic situation. Companies' economic activity weakened, and this was reflected in constraints on costs and labour utilisation. At the end of 2009, the unemployment rate in the Czech Republic exceeded 9%.

This situation resulted in a 40% increase in the number of applicants per job position at Komerční banka. At the same time, both the turnover of current employees and recruitment of new employees decreased. The Bank continued in its dynamic development, however, thanks to the ongoing implementation of employees' career development.

The economic changes did not affect Komerční banka's human resources strategy, which is established with a long-term perspective. The role of human resources continues to involve support for managers in their work with people, development of employees, an individual approach to career management, mutual and open dialogue with employees, and support of Komerční banka's image as an employer.

Efficiency of processes, co-operation with internal clients, and development of synergies within the companies of Société Générale Group operating on the Czech and Slovak markets were other areas upon which we focused in 2009.

At the end of 2009, Komerční banka's total number of employees stood at 7,848. Of

these, 3,270 (42%) worked at headquarters and 4,578 (58%) in the distribution network. The Prague region accounted for 820 staff members, while 992 were in South-west Bohemia, 932 in Hradec Králové, 804 in Ostrava and 1,030 in Brno. Compared to the previous year, the total number of employees decreased by 225 (3%). The number of employees is expected to stabilise in 2010.

As of 31 December 2009, the number of employees at Komerční banka's subsidiary companies was 859, i.e. 28 (3%) more than in the previous year. This change reflects the opening of the debt recovery centre now run by Essox for the entire KB group.

Career Development of Employees and Mobility

KB offers its employees interesting professional and career development through internal mobility, which allows us to remain a competitive employer while motivating, developing and retaining talented employees.

KB also actively participates in the international mobility of employees within Société Générale Group. In 2009, KB sent six employees abroad. The current number of such employees working abroad totals 21. Since 2005, 18 employees already have returned to Komerční banka from abroad with newly acquired experiences. As of 31 December 2009, a total of 12 employees sent from Société Générale Group were working in KB, other six were working in subsidiaries.

As an employer, KB undertakes to enable the professional development of employees who are actively involved in their own professional and personal growth.

Talented employees are key for KB's future development. The Bank is aware that it is able to offer its clients above-standard banking services thanks solely to its professional employees, to whom it therefore provides maximum support

and care along with sufficient room to further develop their skills and experience. One form this support takes is the programme for talented employees, where in 2009, 282 employees were nominated.

Training and Personal Development of Employees

The funds spent in the training area have been used substantially more effectively. We began to focus with greater intensity on finding internal solutions to developing staff knowledge and skills and transferring the know-how of specialists and experts to less experienced colleagues. Internal processes have been modified to support more efficient transmission of internal expertise.

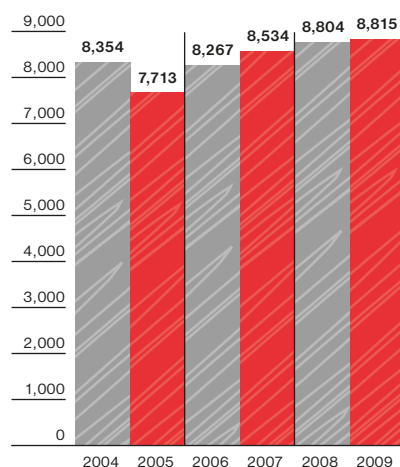
Development programmes for KB employees – Connecting, Connecting+ and Challenging – were launched in 2009 as well. Together with the programme Starting, designed for new staff members, these form a comprehensive structure for integrating development programmes. The Connecting programme is intended for all new employees (university graduates), and its main objective is to facilitate their integration into the Bank's structure. The follow-up programme, Connecting+, is a selective programme that helps graduates in the KB work environment to grow professionally and gain deeper insight into the functioning of both the Group as a whole as well as the Bank's individual departments. The development programme Challenging was established for talented managers.

Another strategic training area is represented by training events aimed at developing sales skills. Komerční banka provides sales skills training internally through the School Branches network.

A new concept for foreign language instruction affected the average number of training days per employee. In 2009, this number decreased to 4.51 days.

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Average number of KB Group employees



Recruitment and Co-operation with Universities

KB has long worked to support its image as a stable, solid and, at the same time, progressive employer. Interest in working for KB is encouraged by a continuing communication campaign and recently also by the offer of job positions on the international career website of Société Générale Group, SG Careers. In 2009, 632 new employees joined KB, with the largest single recruitment activity being the filling of positions as part of back office centralisation.

In accordance with KB's policies and corporate social responsibility, KB worked more comprehensively in employing disabled persons. As an example, KB participated at the "Jobfair without Barriers" that is designated for handicapped students and was held under the auspices of the Konto Bariéry organisation.

KB continues to collaborate with prominent universities and student organisations. In addition to financial support and lecturing activities, the Bank offers students opportunities to gain work experience already during their studies.

KB's popularity as an employer among students and graduates is demonstrated by its repeated placement in the top positions of the Employer of the Year competition in the category "Most Desired Employer for University Graduates".

Commitments to Employees

KB fulfilled its obligations to employees in basic wages development and providing employee benefits under the collective agreement and its amendments in effect for 2009. The conditions negotiated for 2010 can be considered above standard given the current macroeconomic situation. The Group's employees had the opportunity to participate in a Société Générale Global Employee Share Ownership Plan. Furthermore, KB employees elected three

new representatives to the Bank's Supervisory Board in April elections.

Risk Management

Risk management at Komerční banka is based on an integrated concept that takes into account the advanced risk management standards of the Société Générale Group together with the statutory and regulatory norms as defined and required by the Czech National Bank and other regulatory bodies. In its policies, the Bank takes into consideration developments regarding all types of risk, i.e. credit, market and liquidity risks, as well as regulatory, legal, concentration, operational and environmental risks.

Credit Risk Management

Risk management units closely co-operate with the business units in order to support the Bank's business activities and to make the credit process more efficient while closely monitoring the quality of KB Group's risk portfolio. The continuous strengthening of credit risk management takes in all its components, including policies, tools, processes and staff expertise.

In 2009, special emphasis was given to enhancing the credit risk management framework for retail banking, as well as to organisation and processes for managing credit fraud prevention. With the Chief Economist in a co-ordinating role, four sector analyses were created: automotive, construction, transportation and chemical industry.

Loan origination and credit risk monitoring

Enhanced credit risk management plays a role not just in preventing risk, but it also significantly supports the Bank's business activities, including to better utilise business synergies within the Group.

Principal activities in 2009 were focused on:

- further enhancing approval and monitoring processes,
- proactively preventing credit fraud,
- supporting KB Group synergies, and
- further integrating Basel II components and results.

Further enhancement of approval and monitoring processes

In 2009, the Bank focused mainly on optimising processes for granting loans and monitoring of clients and transactions with the aim to comprehend both current and expected development trends in the risk profile for each particular portfolio. Findings from stress test had a substantial role in this optimisation, enabling the Bank to identify the main areas for potential improvement in the existing processes and to propose corrective measures.

In the mass retail sub-segment, Komerční banka focused especially on monitoring and back-testing of all models. With the exception of the LGD (Loss Given Default) for consumer loans and credit cards to individuals, no model needed updating, as they exhibited sufficiently high levels of predicting power. The behavioural rating model for small business clients was recalibrated (in order to properly predict) the PD (Probability of Default) level. Furthermore, KB worked on developing new models to evaluate data from other KB group entities (Penzijní fond KB, Komerční pojišťovna and also IKS KB) in order to further increase the precision and potential of the behavioural approach to providing credit. These models will be implemented during 2010. Based upon results from back-testing and stress testing of rating and LGD models, the Bank adjusted credit risk margin values that are applied within credit-granting processes for each active product as a key input to its profitability assessment. As in 2008, the Bank remained focused on further improving its statistical

models for estimating expected losses for provisioning purposes.

In the corporate clients segment, KB implemented an updated rating model for municipalities, with more comprehensive assessment of all available client data, and a model used for continuously monitoring corporate clients (prediction of short-term delinquencies).

All KB scoring, rating, LGD and EAD models were back-tested quarterly, their quality was carefully monitored, and any deterioration triggered corrective measures. Special efforts were also dedicated to improving portfolio monitoring activities. Using statistical techniques for mass retail and an expert system for corporate clients, the main goal was to maintain the Bank's capacities to prevent or predict deteriorating risk characteristics.

Proactive credit fraud prevention

During 2009, KB implemented a redesigned methodology describing principles for preventing and reacting to credit frauds. In connection with this, an extensive project was conducted with the aim to develop an automated system integrating algorithms for verifying clients' application data against external registers, algorithms for signalling increased risk of credit fraud, and a centralized system for notification and reaction to suspicion of credit fraud. The new system is fully integrated into the Bank's key applications and it is planned to be used across the entire KB Group.

Support to KB Group synergies

The development of cross-selling activities among KB Group entities continued in 2009. The Bank utilised its behavioural scoring model to evaluate data about clients of Modrá pyramida provided Modrá pyramida with an application model dedicated to evaluating selected Modrá pyramida mortgage loans

and clients seeking small unsecured loans for construction purposes, thereby contributing especially to business production in the segment for KB credit cards and small unsecured loans for construction purposes.

Integration of Basel II components and results

KB Group uses two advanced approaches for calculating risks: the "Advanced Internal Rating Based" (AIRB) approach for credit risk and the "Advanced Measurement Approach" (AMA) for operational risk.

The Bank began reporting under Basel II standards in January 2008. Implementation of the new regulatory standards under Basel II improved the Bank's capital adequacy compared to Basel I standards.

Komerční banka reconfirmed its excellent and pioneering position in risk management by becoming the first bank on the Czech market, as well as the first universal bank within Société Générale Group outside of France, to apply these most advanced risk management techniques.

In 2009, KB focused on a deeper integration of Basel II components and results into its business processes – both within the Bank itself and in its subsidiaries. The Group will continue this integration in 2010, endeavouring further to optimise its capital allocation while improving the Bank's overall efficiency. Thus, ESSOX will implement AMA at the beginning of 2010. Moreover, Modrá pyramida has prepared a roll-out plan for AIRB implementation in its retail segment. KB anticipates that these improvements could further improve the Group's results under the Basel II standards.

Provisions

The Bank classifies all its assets arising from financing activities into five categories according to Czech National Bank Decree

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Constant strengthening of risk management tools in all its components, including policies, tools, processes and staff expertise.

No. 123/2007, taking into account both quantitative criteria (payment discipline and financial statements) and qualitative criteria (in-depth client knowledge, as well as the client's behaviour and history). Since 2008, and in compliance with Basel II rules, the contagion principle has been implemented in classifying co-applicants and guarantors in relation to defaulted receivables.

All significant impaired exposures are assessed individually, and at least every quarter, by three levels of provisioning committees or, whenever required, by recovery specialists. Provisions are established based upon the present value of estimated future cash flows to the Bank and after considering all available information, including the estimated value of collateral and the expected duration of the recovery process. The remaining receivables (especially mass retail) are provisioned based on the EL (Expected Loss) and ELBE (Expected Loss Best Estimation) statistical models that reflect the specifics of the given receivables (client segment, product type, risk classification). These models were developed based on the Basel II requirements and were implemented in August 2007. In November 2009, the provisioning models were updated with

respect to updated EL and ELBE values based on the latest loss observations and new risk drivers while reflecting the phase of the economic cycle.

Real estate valuation

In compliance with Czech and Basel II rules and regulations, the valuation and monitoring of real estate collateral accepted by the Bank as security for corporate and retail loan exposures is delegated to a dedicated team. This team of internal specialists is part of the Bank's risk division and co-operates with a broad group of external valuation experts.

In addition to its main valuation activities, the Bank focused during 2009 on continuously monitoring the real estate market in order to duly identify negative developments and implement adequate measures. The Bank monitors both residential and commercial real estate segments. An integral part of that monitoring activity is the revaluation of commercial real estate in accordance with Basel II rules.

Recovery activities

As a result of the recession, the Bank is continuously reacting to changing market conditions and adjusting its recovery strategy accordingly. In view of the increasing size of

Capital adequacy (as of 31.12.2009 in billions CZK)	Capital Ratio	Total Capital Requirement	Credit Risk Capital Requirement	Market Risk Capital Requirement	Operational Risk Capital Requirement
KB group under Basel II	14.08%	27.2	23.3	0.7	3.3
KB solo under Basel II	15.69%	24.2	20.7	0.7	2.8
KB group under Basel I	11.70%	33.3	31.9	1.4	N/A*
KB solo under Basel I	12.17%	31.8	30.4	1.4	N/A*

Note: * Operational risk is not calculated within Basel I

its retail portfolio, the Bank focused on further improving the efficiency of its recovery and in particular by improving the organisation of collection activities, including their processes and methods. The Bank strengthened its external recovery capacities, which now cover approximately 21% of its portfolio volume in recovery status. In January 2009, the Bank commenced regular monthly sales of small unsecured retail receivables to selected investors. Each proposed package was sold at the highest achievable recovery rate based on a strict evaluation of investors' offers.

The Bank rigorously applied provisions of the new Insolvency Act in its recovery process. The Insolvency Act considerably impacts upon recovery activities in both the corporate and retail client segments. KB is focused on maximising the use of the positive tools under the new legal framework, and especially that for reorganisation.

Credit Risk Control

To ensure independent supervision over the quality of the credit portfolio in compliance with Basel II requirements, the Credit Risk Control Department is conducting transversal and periodic control missions with a focus on credit granting and monitoring processes. In 2009, the department conducted reviews focused on credit portfolio quality and control activity within the distribution network, including the portfolio of KB Bratislava. Particular emphasis was given to impacts of the economic slowdown. The procedure for follow-up of issued recommendations was further strengthened.

In 2010, Credit Risk Control will continue its control activities within KB Group in close co-operation with other audit departments. The department's control activities will be directed to the credit portfolio within

the distribution network as well as to investment banking. Moreover, missions will be examining the management of impacts from the economic slowdown (e.g. loans restructuring).

Capital Markets Risk Management

The Capital Markets Risks Department is responsible for managing market risk and counterparty risk in KB Group's capital markets activities. In order to ensure proper segregation and independence of its activities, this department reports directly to the Bank's Chief Risk Officer as well as to the Head of Société Générale Group's Market Risk Division. Market risks within Komerční banka are managed in accordance with the following principles, which are regularly reviewed by the Board of Directors:

- All risks are systematically and regularly monitored, and they are reported independently from business units.
- Methods for measuring risks and control procedures are defined and approved by Komerční banka's management and Société Générale Group's Market Risk Division.
- Limit applications are processed based on requests from business units and within the global limits established by the Board of Directors.
- All regulatory requirements are meticulously controlled.

Prior to their launch, new capital market products are comprehensively analysed by all relevant units of the Bank, the objective being to identify all associated risks. Following this analysis phase, and provided that all risks are deemed acceptable, formal approval is granted by the New Product Committee. This committee's mandate is to ensure proper preparation, as well as internal co ordination and controls, prior to offering new products to the Bank's clients.

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Counterparty risk on capital markets activities

In the field of counterparty risk from capital markets activities, the principle of pre-authorisation (ensuring there is authorisation prior to executing any trade with a counterparty) is systematically applied for all capital markets transactions. Daily monitoring of limits encompass all KB subsidiaries participating in capital market activities, including Modrá pyramida and KB Bratislava. Front office dealers are provided daily with available limits for clients. Any breach of limit is immediately reported to the relevant level of management within the Bank. The Board of Directors is regularly informed of all limit breaches on a monthly basis.

As a consequence of persisting instability in the financial sector, Komerční banka is applying a more rigorous and restrictive approach in setting counterparty limits for banks and financial institutions.

The measurement of counterparty risk arising from derivative products sold to the Bank's clients is based on the Credit Value at Risk (CVaR) indicator. CVaR simulates the potential replacement costs associated with a client of the Bank in case of the client's possible future default under the given market conditions and taking into consideration

such specific parameters as the type of derivative product, time to maturity, nominal amount of the transaction, and volatility of the underlying asset. With a confidence level of 99%, CVaR measures the Bank's maximum risk arising from its derivative deals concluded with a specific client. It thereby quantifies counterparty risk in cases of adverse market scenarios.

Methods for measuring market risk and defining limits

Assessment of market risks is based on three main types of indicators that are used to quantify limits and measure corresponding exposures:

- The Value-at-Risk (VaR) historical simulation method (see below for details), calculated with a 99% confidence level and a one-day time horizon, allows the Bank to consolidate its own market risks into Société Générale Financial Group's indicator for Value-at-Risk. All open positions of trading portfolios (including those of Komerční banka Bratislava) are subject to VaR computation.
- Measurement using crisis scenarios (stress testing) takes into account low-probability events not covered by VaR. The Bank performs several types of stress tests for underlying assets and exposures in the foreign exchange, interest rates and equity

areas. Shock scenarios simulate very significant movements in parameters of such underlying assets. These scenarios are calibrated based on historical studies or hypothetical analysis and are regularly updated.

- Additional limits are used in order to reflect interest rate sensitivities, FX positions, and credit spread sensitivities, therefore providing the Bank's staff and management a comprehensive picture of market risks and strategies.

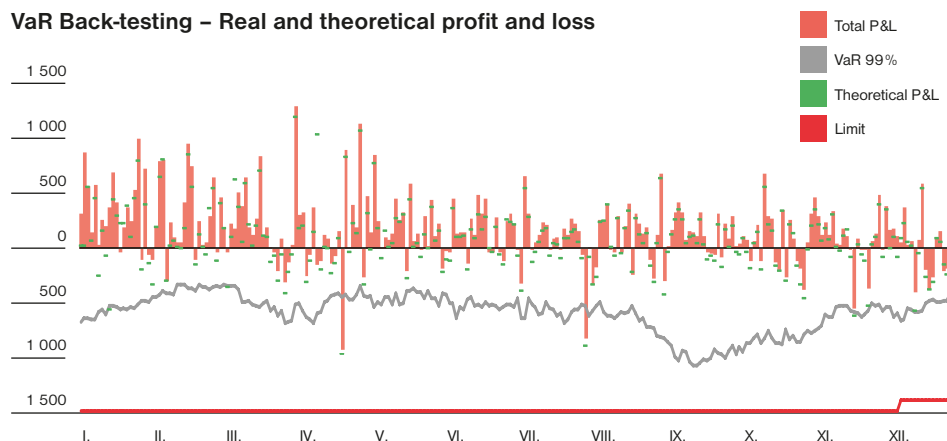
Value-at-Risk method

Komerční banka has been using the VaR historical simulation method since 2003. The method uses scenarios simulating one day variations of relevant market parameters over a period taking in the last 250 trading days. The method is based on historical scenarios and takes into account the correlations between various financial markets and underlying instruments. The resulting 99% VaR indicator captures the loss that would be incurred after eliminating the top 1% most unfavourable scenarios. This loss is calculated as the average of the second and third largest possible losses from the 250 scenarios considered.

Back-testing

The accuracy of the VaR model is regularly monitored. This back-testing consists of comparing trading results (both on reported and hypothetical bases, i.e. excluding intraday profit and loss) with the VaR results in order to report the number of exceedances, which ought not be greater than 1% of days over a given time period. In 2009, daily losses (real or hypothetical) exceeding the 99% VaR occurred in 1% of the days over the full year.

VaR Back-testing – Real and theoretical profit and loss



Asset and Liability Management (financial risk and liquidity)

ALM and ALCO in KB Group

Komerční banka's Asset and Liability Management department (ALM) designs measurement methods and manages the Bank's interest rate, liquidity and foreign exchange risks and, as an intermediary, also those of the Group. This is because KB ALM methodically oversees the processes and procedures of asset and liability management within the individual entities of KB Group, as well. ALM aims to achieve stability in the financial results by minimising the impacts from changes in interest and exchange rates while ensuring at all times the sufficient availability of liquid funds. ALM provides this optimisation of KB Group's financial performance by means of transactions approved by the Assets and Liabilities Committee (ALCO).

The ALCO, whose members are, among others, members of the Bank's senior management and, as observers, SG Group representatives, approves rules and methods used in managing the aforementioned risks. The ALCO oversees the level of risk taken on and the proposed hedging transactions that the Bank executes in order to reduce risk.

All ALM activities fully comply with rules of the Czech regulatory authorities and with relevant international banking regulations.

Funding of KB Group

Client deposits comprise a crucial part (approximately 80%) of the Group's total liabilities and shareholders' equity, and these include current and savings accounts, term deposits, and deposits of pension scheme subscribers. This figure remained stable throughout 2009. Within the Group, Komerční banka itself holds – at around 80% – the largest proportion of these accounts (of which around 55% is current accounts), followed by Modrá pyramida with more than 10% (building savings)

and Penzijní fond KB with approximately 5% (deposits of pension scheme subscribers).

In addition to the broad and stable base of client deposits, KB Group has other possible funding sources, including debt securities issues (presently comprising around 3% of the balance sheet) and loans taken.

Komerční banka continued to issue debt securities during 2009, which totalled CZK 3.1 billion in nominal value. As of the end of 2009, the total nominal amount of mortgage bonds and other debt securities placed reached CZK 29.4 billion, of which CZK 17.3 billion is placed outside KB Group.

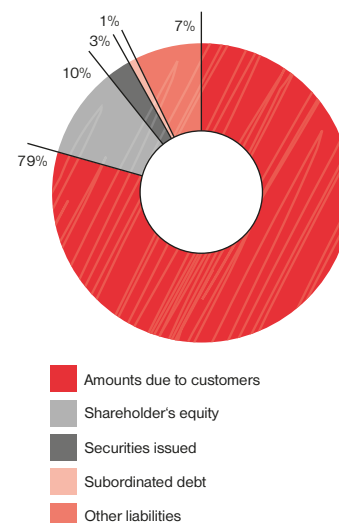
The Bank's liquidity and capital adequacy continued to be positively influenced by a subordinated loan in the amount of CZK 6 billion with an interest rate tied to 1M PRIBOR. This subordinated loan was taken at the end of 2006 in order to strengthen KB's capital and, thereby, to support its long-term growth potential while optimising its capital structure.

KB Group's liquidity – monitoring and management

Liquidity risk management is primarily designed to ensure that KB and the entire Group can meet their payment obligations at all times. This includes maintaining adequate volumes of cash as well as balances on nostro accounts and the mandatory minimum reserves account while not unnecessarily increasing the Bank's costs or restraining its business activities. Liquidity is maintained by rigorous cash flow management, which minimises the occurrence of unforeseen payment demands during a given period. This primary objective is achieved by way of managed coverage of the Bank's maximum anticipated cash-out with a very high confidence level of 99% over a sufficiently long future period (one year).

A liquidity snapshot broken down by currency – CZK, USD, EUR and others – is monitored

Structure of KB Group's liabilities and shareholders' equity



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on two levels of market behaviour: normal and stressed scenarios. Sufficient liquidity is controlled using a system of limits. To achieve these, KB uses on balance sheet instruments (e.g. bond issues, loans taken) and off balance sheet instruments (cross currency swaps, foreign exchange swaps). Both normal and stressed liquidity scenario methodologies are updated as needed in order to achieve more precise liquidity measurement with the goal of maximising correspondence – and especially in the key deposits area – between the modelled estimated product maturities and actual payments.

The Group continually records high liquidity. During 2009, it covered all its liabilities from its internal resources without great problems, and thus it had no need to obtain secondary funding in financial markets (e.g. by issuing securities). The ratio of client loans to client deposits came to just short of 68% at the end of 2009. This level of liquidity reflects, among other facts, a preference for assets with shorter maturities when reinvesting client deposits. By using interest rate derivatives, the Bank achieves greater independence between liquidity management and managing interest income (interest rate risk) even as it achieves a stable interest margin while holding bonds with short maturities. The level of liquidity is clearly demonstrated by the Bank's ability to cover a ca 30% outflow of all client liabilities during the course of one year without great problems. CNB adopted a new provision at the end of 2009 that the Bank perceives as strengthening the banking sector's liquidity. The central bank implemented delivery repo operations through which it lends cash to banks against a pledge of specifically enumerated securities.

Structural interest rate risk of KB Group – monitoring and management

KB Group has divided its business activities according to their nature into the Structural Book and Market Book. Transactions

executed with clients through the branch network typically fall within the Structural Book while operations on the interbank market belong in the Market Book. Interest rate risk is measured and managed separately for the Structural Book and Market Book.

Structural interest rate risk is defined as the risk to the Group of potential loss due to changes in market rates.

With regard to structural interest rate risk, Modrá pyramida and KB are the most significant members of the Group. The Group manages its structural interest rate risk using standard methods (gap analysis, interest rate sensitivity analysis) and a more sophisticated method called Earnings at Risk, which is based on a stochastic evaluation of the volatility of future interest income. KB also has implemented an asset and liability management system supplied by SUNGARD, which has been used since 2008 in Modrá pyramida as well. The aim of the Group is to minimise structural risk and not at all to speculate on interest rate changes. To this end, the Group has established limits close to zero, which must not be exceeded. The reasons for limits close to zero are only technologically related, and ensue, for example, from the time needed for processing large volumes of data. The Group in 2009 did not exceed this limit, and thus it can be considered that structural interest rate risk was fully secured.

The Bank uses such standard market instruments for hedging against interest rate risk as interest rate swaps (IRS) and forward rate agreements (FRA), as well as investing in securities. All deals are immediately entered into the front office system, where they are recorded and priced.

Securities are for the most part held by the Group in the available-for-sale (AFS) portfolio, even though the Group does not

acquire them with the intention to sell them before maturity. The reason for this choice of portfolio lies in the fact that the held-to-maturity (HTM) portfolio, which would be more appropriate in terms of accounting (as a bond is maintained at amortised cost, and mark to market valuation does not occur), has strong restrictions with potential negative impacts of a fundamental nature and therefore it is the strategy of the SG Group overall to minimise use of the HTM portfolio. The amendment to the law on pension schemes effective in 2009 allows the use of HTM securities portfolios in pension funds. As a result, the Group has taken advantage of this opportunity and introduced the HTM portfolio treatment also in Penzijní fond KB, because, in the Group's opinion, the use of HTM and related accounting better reflects the corresponding long-term nature of investing the pension participants' funds.

As the overall aim of ALM is to ensure stable interest income into the future, these hedging transactions are acquired mainly against liabilities with stable interest rates. We purposely use the term "stable" rather than "fixed" interest rates, because the rates of some deposit products are neither floating nor fixed in the true sense of the word, but they do correlate with market rates in some way, and the Bank's aim, moreover, is to put together assets so that they correlate with market rates in a similar manner.

From an accounting viewpoint, bonds in the AFS portfolio and the majority of hedging derivatives are revalued by marking to market only in the balance sheet (directly to equity accounts) and thus without impact on the profit and loss statement. Only in the case of a sale, or the termination of a hedging relationship (for derivatives), of these instruments would such an impact occur. As a result of the accounting treatment for bonds in the AFS portfolio and of hedging derivatives, the equity account will be

affected by the impact of revaluation of both types of instruments to market value. The special nature of the equity account for the revaluation of these instruments, however, is such that it does not represent relevant information about the influence on the value of the Bank, as only selected types of instruments are revalued and not all of them as a whole. That is given by the fact that only a selected group of instruments (a group of instruments for which there exists general agreement on how to measure their market values) is represented in this account and an outright majority of the balance sheet is exempt from revaluation on the mark to market principle and continues to be recorded according to the accrual principle.

Because only a single side of the interest rate position is revalued and the other remains based on the accrual principle, with increasing rates in the market the value of this capital account will decline and may even acquire negative values. As can be seen from the regulators' approach, they consider the revaluation of derivatives and bonds in the AFS portfolio to the capital accounts solely as a bookkeeping operation, as do the banks themselves, and they do not include these values in the calculation of regulatory capital.

Interest rate derivatives (derivatives for hedging risk in the Structural Book) are accounted for in accordance with the valid accounting regulations (including IAS 39) in order to achieve the most accurate accounting presentation. KB has worked out a detailed strategy of interest rate risk management that includes descriptions of which derivatives are allowed, how these may be used, and the procedures for their accounting valuations.

Structural foreign exchange risk of KB Group – monitoring and management

Structural foreign exchange risk is defined as the risk of potential loss to the Group

due to fluctuations in currency exchange rates. The Group's foreign exchange risk is measured and managed on a daily basis. The Group's position is controlled by a system of limits. The strategy is to minimise the impact of foreign exchange risk in the structural book, which means essentially to achieve neutral foreign exchange positions. For the purposes of hedging these, the Bank uses such standard instruments as FX spot and FX forward operations. Within the Group, foreign exchange risk is concentrated especially in KB itself. The maximum open foreign exchange position of the Structural Book in 2009 was less than 0.1% of the Bank's capital and thus essentially negligible.

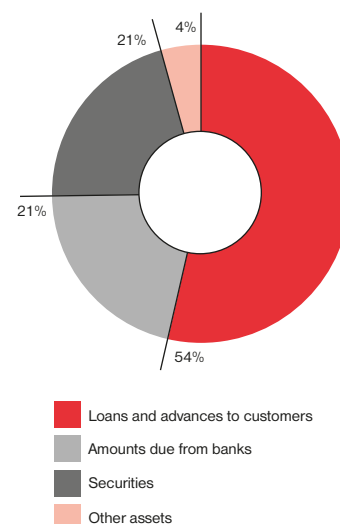
Price setting

Client interest rates, and the methodology for setting them in accordance with external conditions, are established by the Commercial Committee, in which members of the company's senior management are represented. ALM provides for issuing KB's foreign exchange rate list, sets or proposes the external interest rates used for deposit products, and determines the Bank's base lending rates from which loan rates are derived.

By means of a special intranet application, ALM also supports the distribution network in carrying out KB's internal loan-pricing. This application provides the Bank's relationship managers with a direct connection to ALM experts who provide them with exact pricing for individual loan transactions.

The price-setting strategy is to offer clients products bearing competitive interest rates while always still taking into account costs connected with the price of liquidity and hedging against interest rate risk and so that the margins and financial stability are preserved even despite possible changes in market conditions.

Structure of KB Group's assets



Influence of the financial crisis and recession on KB Group's market risk and the outlook for the future

KB Group is governed by a conservative investment policy, thanks to which it did not invest funds into so-called "toxic assets". Consequently, it was unaffected by the immediate impacts arising from the first phase of the financial crisis. Nevertheless, it must, like all other economic entities, face up to the secondary impacts ensuing from the substantial decline in GDP dynamics, which was followed by paralysis of the interbank market wherein only short-term trading and the derivatives market continued to function.

From the viewpoint of market risk, KB Group is generally overcoming these impacts without substantial problems, and neither does it expect future problems in this area. KB's liquidity is at a very good level, which is manifestly documented by its ratio of client loans to client deposits that is less than 66%. For the near future one can expect there will be a limiting of the supply of liquidity provided in the world's large economies. In view of the extensive interconnectivity of financial markets, these steps will not only affect markets where there has been quantitative easing but it can be expected to overflow into all open economies. The Bank, however, remains independent of secondary financial resources and therefore expects no negative impacts in relation to the aforementioned steps.

Compliance Risk

Ensuring compliance with legal regulations as well as ethical and professional standards is a concern of all the Bank's managers and employees. With respect to the complexity of regulatory requirements and the goal of increasing the coherence and effectiveness of managing compliance risks, responsibility for managing the compliance system has been assigned to Komerční banka's Corporate Secretary unit, and in particular to the Compliance Department.

Among the Compliance Department's important tasks are to define the principles and procedures for the compliance function and for preventing money laundering and the financing of terrorism, as well as to ensure that these are implemented. The department also is tasked to make certain that financial market regulations, banking laws, consumer protection laws (including the protection of clients' personal data), and the anti-monopoly rules are upheld. Moreover, the Compliance Department is responsible to formulate rules for KB employees' ethical behaviour. Clear rules and responsibilities have likewise been defined for KB's subsidiaries.

KB's banking and financial market activities, as well as its anti-money laundering measures, are subject to regulation by the Czech National Bank. Stock exchange operations are overseen by the Prague Stock Exchange. Komerční banka also has memberships in several professional organisations that commit it to uphold specific professional or ethical standards.

Among the main compliance tasks for 2010 are to address issues regarding the new regulations on capital adequacy and large exposures, to continue the project of implementing new regulations for consumer loans, and to improve the approval process for new products.

Operational Risk

In view of the economic downturn, effective management of operational risk is becoming one of the key pillars of risk management in the Bank.

Since 2008, Komerční banka has been using the most advanced method, known as AMA (Advanced Measurement Approach), for calculating the capital requirement for operational risk. This method facilitates optimal allocation of capital for covering potential losses related to operational risk in the extent

of the defined tools and instruments, which are: Loss Data Collection, Risk Control Self Assessment, Scenario Analysis, and Key Risk Indicators. Vigorous risk management is ensured by means of the Operational Risks Committee, which determines the Bank's overall strategy in the area of operational risk and its mitigation via insurance or taking appropriate steps and action plans where the regular monitoring process detects an increase of operational risk.

During 2009, there were recorded 464 operational risk losses in a total gross amount of EUR 6.4 million. Based upon year-on-year data for gross losses, the Bank recorded an increase of 30%. The Operational Risks Department also actively supports KB's subsidiaries in all of their activities (e.g., business continuity planning, insurance, ongoing control) with a goal of strengthening the management of operational risks. In 2009, the KB subsidiary ESSOX cleared the Czech National Bank AMA validation process and finished with a positive statement regarding the possibility of using AMA from 1 January 2010.

In the operational risk area, the Bank strengthened its internal control system by implementing elements of formalised supervision into the first level of the control system.

A formalised supervision system has been operational in KB and its subsidiaries since 2008. The system of established controls must be continuously re-valuated in order to cover risky activities that are identified.

An important part of operational risk management, business continuity management is a comprehensive approach that includes a methodology and processes ensuring the continuation or timely recovery of designated business or support activities in case of their disruption. Its objective

is to minimise operational, financial, legal, reputation and other substantial consequences of such a disruption.

Business continuity management comprises the analysis of business cases, a recovery strategy and a business continuity plan, as well as testing, training and crisis communication. All main business and supporting activities are covered by an appropriate business continuity plan, which are continually tested. In 2009, KB finished its pandemic plan.

Legal Risk

The Legal Department provides support to KB's individual units in concluding and executing transactions; evaluates contracts, products and the Bank's procedures with respect to the law; participates in formulating contract documentation for new products; and creates new documentation templates while making sure these comply with the respective regulations.

The Legal Department provides information about presently valid law, draft or pending legislation, and significant court decisions affecting Komerční banka. It represents KB before the courts, the financial arbiter, and the police apparatus. Moreover, this department manages co-operation with external legal offices and collaborates with KB's subsidiaries in the field of legal services.

In 2009, the Legal Department's activities were impacted most by implementation of the new Payment Services Directive (PSD) and the law on data boxes. During 2010, the Legal Department will adjust the documentation mainly due to the implementation of new legislation related to consumer protection (the Consumer Credit Directive, or CCD). Moreover, the Legal Department will actively co-operate with the Czech Banking Association in the comment proceedings for new legislation.

Internal Audit

Internal Audit worked with a stabilised team of auditors, both from the viewpoint of professional knowledge and experience and from that of capacity.

At the beginning of the year, a new flexible organisational structure was implemented in which the auditors are integrated into a single team without a rigid organisational segmenting into smaller units. Fixed relationships have been established only in regard to continuous evaluation and personal development of auditors from junior to senior auditors. Operative management is then the responsibility of individual engagement leaders. This structure enables Internal Audit to flexibly use the capacity and professional knowledge of its auditors and facilitates their continual development. A uniform system of continuous performance and work quality evaluation for auditors and for Internal Audit as a whole was also implemented in the form of quality indicators assessed on a quarterly basis.

The activity plan for 2009 was prepared according to the principles of covering the Bank's major risks and main activities, but also in view of the current economic situation. Overall, 93 audits were completed (including 33 special investigations). The audits covered both the distribution network and the head office units, and they were directed also to certain companies providing KB with outsourcing services.

The quality of Internal Audit work was twice confirmed: first by an independent quality assessment review (QAR) carried out by KPMG, which confirmed that KB Internal Audit works in compliance with the International Standards of Internal Audit and uses procedures corresponding with best practice; and, secondly, internally by so-called homologation on the part of Société Générale Inspection attesting to the high quality of

the activities performed and that they were in accordance with the standards expected within SG Group.

Komerční banka Financial Group

As of 31 December 2009, KB Financial Group comprised nine companies. Of these, the Bank held majority interests in eight companies and a 49% share in Komerční pojišťovna, a.s.

In addition to its ownership interests in the Group, KB has maintained strategic interests where it has ownership of 20% or less, including in Czech Banking Credit Bureau, a.s. (20%) and Českomoravská záruční a rozvojová banka, a.s. (13%).

During 2008, KB Financial Group continued to co-operate closely with other companies of the Société Générale Group that operate on the Czech market, especially in product development and sales through the distribution networks of KB and other companies within the Group. Particular emphasis is given to utilising the well-established know-how and market position. The result of such co-operation is a comprehensive offer of products for both private and business clientele.

Changes in Ownership Interests in 2008

In June 2009, the equity of the company Bastion European Investments S.A. was decreased by EUR 1.8 million (CZK 51 million), as planned in the company's long-term strategy. Only KB, as the majority shareholder of Bastion, participated in this decrease.

In October 2009, the Bank, as the sole shareholder, increased the share capital of Komerční banka Bratislava, a.s. by EUR 15 million (CZK 382 million). The share capital of Komerční banka Bratislava was

increased especially in order to strengthen the company's financial position.

In December 2009, there was created a provision to the investment in ALL IN REAL ESTATE LEASING, a.s., in liquidation in the amount of CZK 2 million. The net book value recorded as of 31 December 2009 represents the estimated liquidation value of the company.

Business Co-operation within KB Financial Group

The co-operation in distribution was further broadened with other members of KB Financial Group, and in particular by integrating the products of those companies into Komerční banka's offering, using KB's extensive distribution network, integrating the products of KB and other companies (e.g. Essox) into KB Group's offering, and mutually using one another's distribution networks (of Modrá pyramida in particular).

During 2009, co-operation also was continued with other Société Générale Group companies active in the Czech market, including, for example, in the areas of asset management and leasing.

Expected Development in 2010

In 2009, KB continued in a project of integrating KB Bratislava into the parent company structure as a foreign bank branch. This change will strengthen business capacities for activities in Slovakia and optimise activities of the newly established branch.

Subsidiaries and associate companies in the KB Financial Group

Company	Share capital	KB participation in the share capital – nominal	KB participation in the share capital – relative	Net book value	Nominal value per share	Consolidation method
	CZK thousand	CZK thousand	%	CZK thousand	CZK thousand	
Domestic participation						
Modrá pyramida stavební spořitelna, a.s.	500,000	500,000	100	4,322,282	100	Full
Penzijní fond Komerční banky, a.s.	200,000	200,000	100	530,000	100	Full
Factoring KB, a.s.	1,184,000	1,184,000	100	1,190,000	1,000,100 and 10	Full
ALL IN REAL ESTATE Leasing, a.s. in liquidation	2,000	2,000	100	2,415	100	None
Protos, uzavřený investiční fond, a.s.	5,000,000	4,482,000	89.64	11,705,000	1,000	Full
ESSOX s.r.o.	2,288,086	1,165,387	50.93	1,165,387	—	Full
Komerční pojišťovna, a.s.	602,768	295,341	48.998	482,140	74.6 and 37.3	Equity
Total	—	7,828,728	—	19,397,224	—	—
Foreign participation						
Komerční banka Bratislava, a.s. *	836,214	836,214	100	847,649	3.3194, 1,000	Full
Bastion European Investment, S.A. *	14,873	14,870	99.9975	3,660,469	1	Full
Total	—	851,084	—	4,508,118	—	—
Total	—	8,679,812	—	23,905,342	—	—

* CZK/EUR exchange rate 26.465 as of 31 December 2009 (CNB)

Structure of Komerční banka and Soci t  G n rale Financial Groups in the Czech Republic

* IKS in 2009: from 01/01/09 to 09/07/2009 was a part of SG Group (100% in IKS); after this term SG becomes a minority shareholder (25% of IKS).

SGAM	ALD / SGEF	ECS	SOGEPROM
Asset Management	Business Finance	IT Operational Leasing	Development
Investiční kapitálová společnost KB, a.s. *	ALD Automotive, s.r.o. (SK: ALD Automotive s.r.o., org. složka) SG Equipment Finance CR, s.r.o. (SGEF Slovakia branch)	ECS International Czech republic, s.r.o.	SOGEPROM Česká republika, s.r.o.

Report of the Board of Directors on the Bank's and Group's business activities and state of assets

Modrá pyramida stavební spořitelna, a.s.

Shareholder structure

Komerční banka 100%

Core business

Building savings deposits and loans

Market position

Third position on building savings market (market share 17.0% as measured by loans to clients)

Main products

- State-subsidised savings accounts
- Bridging loans
- Building savings loans

Contact

Modrá pyramida stavební spořitelna, a.s.
Bělehradská 222/128
P.O. Box 40
120 21 Prague 2
ID: 60192852
Phone: +420 222 824 111
Fax: +420 222 824 113
E-mail: info@mpss.cz
Internet: www.mpss.cz
www.modrapyramida.cz

Penzijní fond Komerční banky, a.s.

Shareholder structure

Komerční banka 100%

Core business

Pension fund

Market position

Penzijní fond Komerční banky, a.s. kept its position on the pension fund market in 2009. Market share by number of participants is 11.1% and as measured by volume of assets under management is 13.6%.

Rating

Aa1.cz according to Moody's Central Europe (the highest rating among Czech pension funds)

Main products

- State-subsidised pension insurance

Contact

Penzijní fond Komerční banky, a.s.
Lucemburská 7/1170
130 11 Prague 3
ID: 61860018
Phone: +420 272 173 111,
+420 272 173 173-5
Fax: +420 272 173 171
E-mail: pf-kb@pf-kb.cz
Internet: www.pfkb.cz

Financial Summary (CAS, CZK thousand)

	31 December 2009	31 December 2008
Total assets	76,062,079	70,705,038
Total loans	44,971,122	38,811,631
Shareholder's equity	4,213,774	3,183,038
Share capital	500,000	500,000
Net banking income	1,567,909	1,426,189
Profit before tax	797,110	625,161
Net profit	739,668	580,255

Financial Summary (CAS, CZK thousand)

	31 December 2009	31 December 2008
Total assets	28,610,680	26,276,583
Total volume on client accounts	27,178,729	25,735,997
Shareholder's equity	1,331,413	437,956
Share capital	200,000	200,000
Net operational income	226,876	317,506
Profit before tax	77,633	162,588
Net profit	74,606	165,158

Factoring KB, a.s.

Shareholder structure

Komerční banka 100%

Core business

Factoring

Market position

Fourth place on the factoring market, managing 12.3% of the factoring portfolio on the Czech market.

Main products

- Domestic factoring
- Foreign factoring
- Reverse factoring

Contact

Factoring KB, a.s.
Lucemburská 7/1170
130 11 Prague 3
ID: 25148290
Phone: +420 222 825 111
Fax: +420 224 814 628
E-mail: info@factoringkb.cz
Internet: www.factoringkb.cz

Komerční banka Bratislava, a.s.

Shareholder structure

Komerční banka 100%

Core business

Complete banking services for corporate clients

Trade finance and settlement between the Czech and Slovak republics

Market position

Niche position on the Slovak market (almost 1% of that market), restructuring of client portfolios, focus on medium and large corporate clients with activities on both the Czech and Slovak markets.

Main products

- Short-term and investment loans, guarantees

- International payments
- Foreign exchange instruments (spot, forward)
- Derivatives
- Interest rate instruments (forward rate agreements, swaps)
- Money market deposits and loans
- E-banking

Contact

Komerční banka Bratislava, a.s.
Hodžovo námestie 1A,
P.O. BOX 137
810 00 Bratislava
Slovak Republic
ID: 31395074
Phone: +421 2 5927 7328
Fax: +421 2 5296 1959
E-mail: koba@koba.sk
Internet: www.koba.sk

Financial Summary (CAS, CZK thousand)

	31 December 2009	31 December 2008
Total assets	5,156,690	7,009,786
Factoring portfolio	3,674,558	5,544,416
Shareholder's equity	1,505,428	1,511,686
Share capital	1,184,000	1,184,000
Net operational income	164,571	161,453
Profit before tax	25,319	60,060
Net profit	28,282	51,869

Financial Summary (IFRS, CZK thousand)

	31 December 2009	31 December 2008
Total assets	6,596,833	9,640,119
Loans to customers	4,781,695	5,821,222
Deposits from customers	2,823,950	3,023,891
Shareholder's equity	847,277	798,553
Share capital	805,240	446,675
Net banking income	204,262	298,512
Net profit	-337,159	7,939

CZK/EUR exchange rate 26.930 as of 31 December 2008 (CNB)

CZK/EUR exchange rate 26.465 as of 31 December 2009 (CNB)

Report of the Board of Directors on the Bank's and Group's business activities and state of assets

ESSOX, s.r.o.

Shareholder structure

Komerční banka 51%
SG Consumer Finance 49%

Core business

Providing consumer goods and car financing, credit cards and personal loans

Market position

ESSOX strengthened its market share on the non-banking consumer financing market in 2009 to almost 16%.

Main products

- Consumer loan
- Revolving loan
- Car leasing

Contact

ESSOX, s.r.o.
Senovážné nám. 231/7
370 01 České Budějovice
ID: 267 64 652
Phone: +420 389 010 111
Fax: +420 389 010 270
E-mail: essox@essox.cz
Internet: www.essox.cz

Komerční pojišťovna a.s.

Shareholder structure

Sogecap 51%
Komerční banka 49%

Core business

Life insurance

Market position

7.7% share on life insurance market (measured by premiums written)

Main products

- Saving life insurance
- Risk life insurance
- Capital life insurance
- Investment life insurance
- Accident insurance
- Payment card insurance
- Travel insurance

Products sold as a benefit of other products

- Travel insurance for payment cards
- Risk life insurance for credit cards
- Risk life insurance for consumer loans

Contact

Komerční pojišťovna, a.s.
Karolinská 1/650
186 00 Prague 8
ID: 63998017
Phone: +420 222 095 111
Fax: +420 224 236 696
E-mail: servis@komercpoj.cz
Internet: www.komercpoj.cz

Financial Summary (CAS, CZK thousand)

	31 December 2009	31 December 2008
Total assets	10,687,687	9,208,441
Shareholders' equity	2,435,776	2,261,421
Share capital	2,288,086	2,288,086
Loans to clients	8,205,051	6,641,173
Net operational income	1,158,760	878,264
Net profit/loss	174,355	144,810
Hospodářský výsledek	177 447	146 343

Financial Summary (CAS, CZK thousand)

	31 December 2009	31 December 2008
Total assets	14,498,778	11,896,045
Technical reserves	12,832,562	10,512,114
Shareholders' equity	1,225,247	1,047,543
Share capital	602,768	602,768
Gross premiums written	4,824,610	2,030,264
Net profit/loss	71,736	-65,735

Protos, uzavřený investiční fond, a.s.

Shareholder structure

Komerční banka 89.64%
Factoring Komerční
banky 10.36%

Core business

Investment fund

Main products

■ Mutual fund management

Contact

Protos, uzavřený investiční
fond, a.s.
Dlouhá 34/713
110 15 Prague 1
ID: 27919871
Phone: +420 224 008 888
Fax: +420 222 322 161
E-mail: info@iks.kb.cz
Internet: www.iks-kb.cz

Bastion European Investments S.A.

Shareholder structure

Komerční banka 99.98%
Société Générale 0.02%

Core business

Project finance

Main products

■ Special purpose Belgian
company for a single
long-term project finance
transaction

Contact

Bastion European
Investments S.A.
Place du Champ de Mars 5,
Ixelles
1050 Brussels
ID: BE 0877.881.474
Phone: +32 2 205 65 36
Fax: +32 2 205 65 36

Financial Summary (IFRS, CZK thousand)

	31 December 2009*	31 December 2008
Total assets	14,127,621	13,975,060
Shareholders' equity	14,069,984	13,930,444
Share capital	5,000,000	5,000,000
Net interest income	584,925	564,696
Profit before tax	569,547	549,358
Net profit	541,070	521,890

* non-audited

Financial Summary (IFRS, CZK thousand)

	31 December 2009*	31 December 2008
Total assets	7,074,521	7,296,797
Shareholders' equity	3,558,480	3,669,523
Share capital	16,029	16,029
Net interest income	153,226	144,153
Profit before tax	152,829	143,819
Net profit	151,837	143,249

* non-audited

CZK/EUR exchange rate 26.930 as of 31 December 2008 (CNB)

CZK/EUR exchange rate 26.465 as of 31 December 2009 (CNB)