2009

Long-term relationships with clients and other stakeholders stand among the main pillars of Komerční banka's strategy.

Annual Report 2009
Komerční banka, a.s.

The number of customers of the entire KB Group exceeded 2.7 million.


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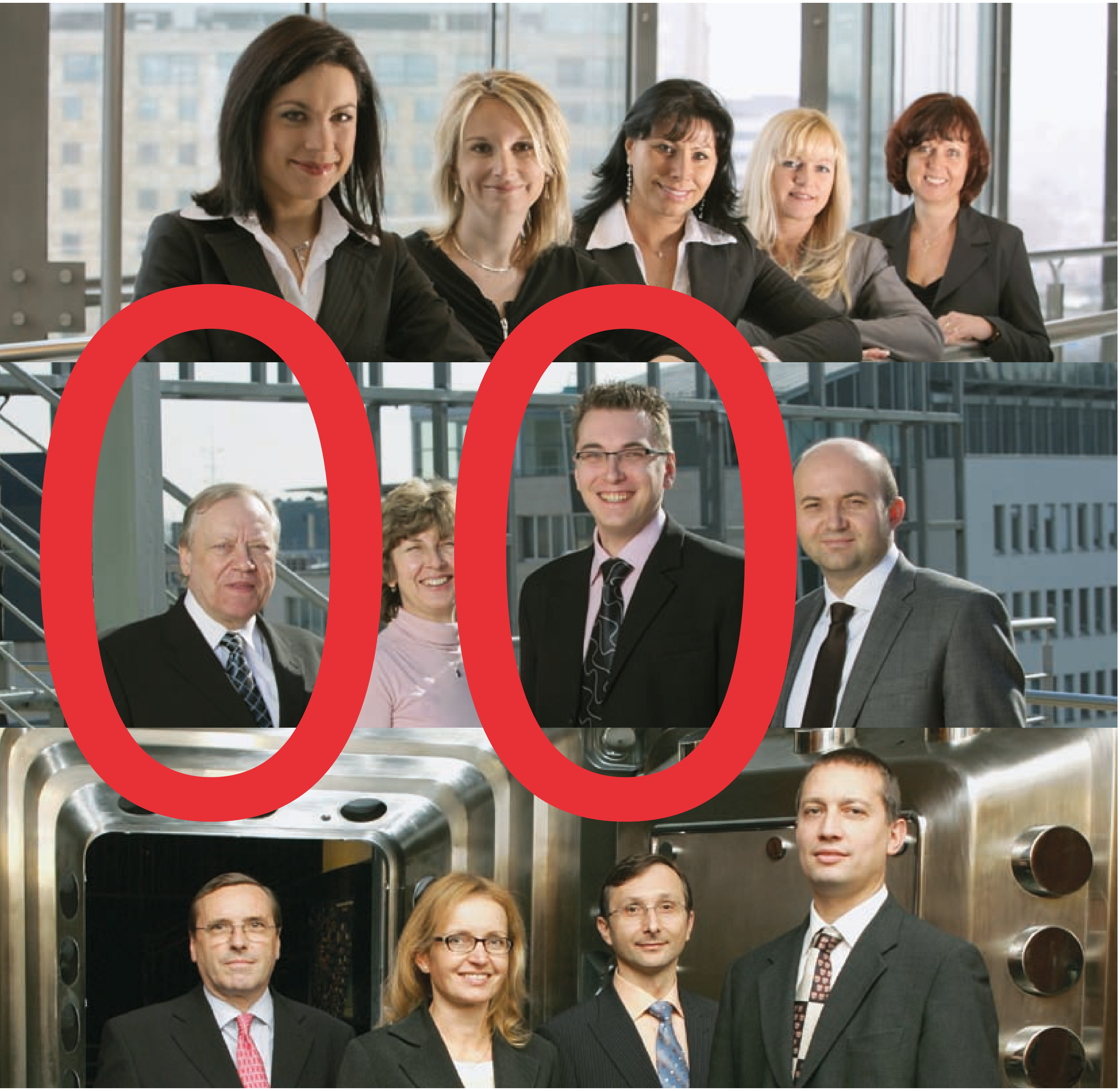
Some 8,800 employees of KB Group attended to the clients.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Komerční banka has been operating
on the Czech market for 20 years.

Contents

Profile of Komerční banka

Komerční banka, a.s. (hereinafter also "KB" or the "Bank") is the parent company of KB Group (hereinafter also the "Group"), which consists of nine companies. KB is also a member of the Société Générale Group and ranks among the leading banking institutions in the Czech Republic and Central and Eastern Europe. KB is a universal bank providing a wide range of services in retail, corporate and investment banking. Member companies of Komerční banka Group provide additional specialised financial services – such as pension fund and building society schemes, factoring, consumer lending and insurance – accessible through KB's branch network, its direct banking channels, and the subsidiaries' own sales networks.

Komerční banka and KB Group in 2009

The Bank's almost 1.62 million clients can access its banking services through 398 branches and using 685 ATMs across the Czech Republic, as well as via internet, telephone and mobile phone banking channels. The Bank's branch network includes 20 specialised business centres designed for medium enterprises and municipalities, as well as 4 centres dedicated to large corporations.

Modrá pyramida stavební spořitelna, a.s. (hereinafter "Modrá pyramida") served almost 720,000 clients, while Penzijní fond KB had more than 498,000 participants registered in its pension schemes. The number of active clients at the consumer finance company ESSOX rose to 312,000. Through Komerční banka Bratislava, the Group is also active on the Slovak banking market.

The average number of employees in KB Group was 8,815 in 2009.

Komerční banka's credit rating reflects the Bank's capital strength, excellent liquidity and healthy management. As of the end of 2009, KB's long-term ratings stood at A1 in both foreign and domestic currency terms from Moody's Investors Service, A from Standard & Poor's, and A from Fitch Ratings. Penzijní fond KB held a national-scale rating of Aa1.cz from Moody's Investors Service, which is the highest possible rating for a pension fund in the Czech Republic.

History

Komerční banka was established in 1990 as a state institution, and in 1992 it was transformed into a joint-stock company. KB's shares have been listed on the Prague Stock Exchange, as well as in the RM-System, since its inception. Global depository receipts (GDRs) representing KB shares have been traded on the London Stock Exchange since 1995. In 2001, the state's 60% holding in Komerční banka was purchased by Société Générale. Following privatisation, KB began to develop its activities for individual customers and entrepreneurs significantly, in addition to building on its traditionally strong position in the enterprises and municipalities market. Part of the development of retail activities was its purchase of the remaining 60% of shares in Modrá pyramida in 2006. Thereby, Komerční banka attained full control over the Czech Republic's third largest building society.

Société Générale Group

Komerční banka has been a part of Société Générale Group since October 2001. Société Générale Group is one of the largest financial services groups in the euro zone. The Group employs 157,000 people worldwide in three key businesses:

- Retail Banking, Specialised Financing & Insurance: Société Générale serves more than 32 million individual customers worldwide.
- Private Banking, Global Investment Management & Services: As of December 2009, Société Générale was one of the largest banks in the euro zone as measured by assets in custody (EUR 3,073 billion) and under management (EUR 344 billion).
- Corporate & Investment Banking: Société Générale tailors solutions for its clients across sectors by capitalising on its worldwide expertise in investment banking, global finance and global markets.

Société Générale is included in the socially responsible investment indices FTSE4Good and ASPI. Komerční banka represents an important part of Société Générale Group's retail banking business.

Financial Highlights

Consolidated data (CZK million)

	IFRS[1] 2009	IFRS[1] 2008	IFRS[1] 2007
Financial results			
Net banking income	33,041	33,714	29,670
of which Net interest income	22,088	21,261	18,790
of which Net fees and commissions	7,745	8,050	7,756
Total operating costs	(14,028)	(14,507)	(13,629)
Net profit attributable to equity holders	11,007	13,161	11,188
Balance sheet			
Total assets	695,036	699,044	661,819
Loans to customers, net	372,303	364,040	304,938
Amounts due to customers	551,809	554,570	540,229
Total shareholders' equity	**68,753**	**62,974**	**50,654**

Consolidated data (%)

	IFRS[1] 2009	IFRS[1] 2008	IFRS[1] 2007
Ratios			
Return on average equity, ROAE	17.0	23.6	22.5
Return on average assets, ROAA	1.6	1.9	1.8
Capital adequacy – CNB[2]	14.1	12.1	10.1
Net interest margin	3.5	3.4	3.2
Cost/income ratio	42.5	43.0	45.9

Unconsolidated data

	IFRS[1] 2009	IFRS[1] 2008	IFRS[1] 2007
Other data			
Number of employees, average	7,958	7,981	7,764
Number of points of sale	398	394	386
Number of clients (thousands)	1,620	1,629	1,577
Number of ATMs	685	673	661

Credit ratings	Short-term[3]	Long-term[3]
Fitch	F1	A
Moody's	Prime-1	A1
Standard & Poor's	A-1	A

1) IFRS – International Financial Reporting Standards
2) In 2007 according to Basel I, from 2008 according to Basel II
3) As of end of March 2010

Statement of the Chairman of the Board of Directors

Henri Bonnet
Chairman of the Board of Directors

Dear Shareholders, Ladies and Gentlemen

The year 2009 was one in which we had to supply an unsettled market with many pieces of evidence as to our strength and stability. We needed to prove that our strategy, based on long-term relationships with clients and on prudent risk management and cost control, is correct. We had to show that even at this difficult time we were able to stay the course with our clients, support their plans, and help them to pursue their objectives and visions. I would like to summarise this evidence as follows:

Despite the unfavourable macroeconomic development in 2009, Komerční banka generated a profit of CZK 11 billion. That was 16.4% lower compared to the excellent year of 2008, when revenues were underpinned by, among other things, one-off income from the sale of our stake in the Prague Stock Exchange.

During 2009 Komerční banka confirmed its strength and stability, which is also reflected in its capital adequacy of 14.1%. Thanks to strong efforts on the risk management side, we succeeded in keeping the yearly average cost of risk under 100 bps, more precisely at 94 bps. Although we faced slowing demand for financing, our lending expanded by 3.4% year on year to CZK 386.6 billion. I have to stress that we also maintained excellent liquidity, with a loans-to-deposits ratio at the level of 67.5%.

For the first time in its history as a fully private bank, Komerční banka faced an economic downturn. Its ability to withstand an economic crisis is based on its well-designed business model and the strategy set out following privatisation. In this tough period, that model proved its effectiveness.

In 2009, Komerční banka also continued to develop its service offering. For example, the Bank entered into a new strategic partnership with Česká pojišťovna. Thanks to this co-operation with the number one insurance company on the Czech market, Komerční banka is now able to offer to its clients a broad range of non-life insurance products, as well as insurance to cover financial and farming risks, at all of its points of sale. Together with the new co-operation agreement, Komerční banka and Česká pojišťovna also presented a new joint product: photovoltaic plant insurance. At the same time, Česká pojišťovna is becoming an active partner for the referral of KB products.

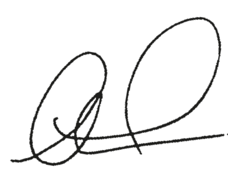
Komerční banka also provides significant assistance to both businesses and municipalities in obtaining and using support provided from EU structural funds. In the 2007–2013 programming period we have thus granted more than 900 loans to grant applicants.

New legislation, and more specifically the new Payment System Act that entered into force in November 2009, has also brought a major change to the system of banking services. We have applied our key principle that the client always comes first when adjusting our products' terms and conditions to comply with the new law. We have decided to protect client's interests over and above the requirements of the law. Responsibility is also one of the key principles we rely on in our work – responsibility to our clients and shareholders, and also to society and the environment.

Consequently, we again supported a number of cultural, sport and charitable projects in 2009. We were also active in supporting many municipalities that were affected by the floods in 2009. Komerční banka's employees also gave blood on a regular basis, and they also supported the food bank last year. I am pleased that, as proven by these activities, Komerční banka is not a closed financial fortress. Rather, it behaves as a philanthropist, showing that it can lend a helping hand where needed and that it has a very real human dimension. It is only people, after all, who share their trust with us, and that is something without which no bank can operate. In turn, at KB there are caring people who handle and foster this most precious commodity.

You gave us your confidence in the rather difficult year of 2009, and I would like to thank you for that. I would also like to thank the Bank's employees, because it was to them that your confidence was entrusted and it is upon their commitment that the Bank's results depend.

We are aware that 2010 will again not be a year to expect major macroeconomic improvement across the world and in the Czech Republic. But I firmly believe that we can rely upon Komerční banka's strength and stability and that 2010 will see all of us realise very genuine achievements.



Henri Bonnet
Chairman of the Board of Directors

Despite the unfavourable macroeconomic development in 2009, Komerční banka generated a net profit of CZK 11 billion.

Major Events in 2009

January

On 1 January 2009, Komerční banka Bratislava migrated successfully to the single European currency (EUR). The domestic accounts of Komerční banka's clients maintained in Slovak crowns were automatically converted to euro.

KB introduced the Guaranteed Deposit offering competitive interest rates guaranteed for the full duration of those deposits.

February

Komerční banka won the prestigious "Best Deal of 2008" award from Global Trade Review for an export buyer's credit financing the delivery and installation of health care equipment for a clinic in Almaty, Kazakhstan.

KB further improved the travel insurance features for its payment cards. The insurance coverage limits were increased, the range of insured risks was expanded, and henceforth the travel insurance covers family members.

March

The Platinum payment card was designed for the most demanding clients. The card offers its holders an exceptional range of advantages, including assistance services and superior travel insurance that also protects against risks of theft or damage for such items commonly taken on business trip as notebook computers, PDAs, mobile handsets or commercial samples, as well as golf and skiing equipment.

Komerční banka created the EU Point Index in order to promptly inform professionals, the media and the general public about the developments in drawing EU funds. EU Point Index complements the consultation services provided at KB EU Points as to EU co-financing possibilities.

April

The Annual General Meeting, held on 29 April 2009, approved a dividend payment of CZK 6,842 million, which is CZK 180 per share and represents a payout ratio of 52% from the 2008 consolidated net profit. The General Meeting re-elected Didier Alix, Séverin Cabannes, Petr Laube, Jean-Louis Mattei and Christian Achille Frederic Poirier as members of the Supervisory Board with effect from 30 April 2009. Shareholders also approved the Board of Directors Report for 2008, the annual financial statements, as well as the proposals for 2008 profit distribution and the discretionary part of remuneration for Board of Directors members. Furthermore, the General Meeting made amendments to the Articles of Association, the most important of which was the establishment of the Audit Committee. The AGM elected Séverin Cabannes, Petr Laube and Christian Achille Frederic Poirier as members of the Audit Committee.

A new range of ECO loans was launched. These loans focus on co-financing projects for improving residential buildings' energy efficiency and utilising renewable energy sources, as well as subsidies from the Green Savings government programme.

May

KB Group employees in the Czech Republic and Slovakia donated blood during an event hosted by KB. Almost 60% of the participants were first-time donors.

Komerční banka, in co-operation with Komerční pojišťovna, introduced insurance against the inability to pay also for its Profi Loan FIX business loans, which are specifically designed for small businesses and medium-sized enterprises.

June

Based on a vote by the CFOs of the 100 leading companies in the Czech Republic, Komerční banka was once again awarded the title Corporate Bank of the Year 2009 in the competition sponsored by Czech Top 100 and MasterCard Europe.

July

KB Group employees donated more than 3.5 tonnes of non-perishable food to the charity collection organised by the Czech Federation of Food Banks (CSFB). The collected food went to children from socially disadvantaged families on summer camps organised by various non-profit organisations. Komerční banka also provided financial support to CSFB.

Komerční banka and Komerční pojišťovna introduced the new Brouček insurance scheme tailored for children and offering both life and accident insurance as well as a savings option.

August

The number of Mojebanka internet banking users exceeded 600,000.

September

Komerční banka's Supervisory Board elected Henri Bonnet to the Board of Directors with effect from 10 September 2009. Subsequently, the Board of Directors elected Mr. Bonnet as Chairman of the Board of Directors and appointed him as Chief Executive Officer with effect from the same day.

Komerční banka concluded strategic co-operation with Česká pojišťovna on mutual distribution of their products. At the same time, Komerční banka and Česká pojišťovna unveiled a new joint product providing insurance coverage for photovoltaic equipment that is available both for large operators and small household units.

October

Komerční banka nominated Jan Pokorný for the position of Chairman of the Board of Directors and CEO of Modrá pyramida effective from 1 January 2010.

Modrá pyramida won the title Building Society of the Year 2009 for the fifth time in Fincentrum's prestigious Bank of the Year 2009 competition.

KB launched the Trade Finance OnLine platform, a secure internet service for processing corporate customers' bank guarantees and documentary payments in domestic and international trade.

November

On 23 November, Komerční banka received with deep regrets news of the death of Professor Vojtěch Cepl, Komerční banka's first-ever ombudsman, who had contributed greatly to developing the quality of Komerční banka's services for its broad customer base. Professor Vojtěch Cepl had become a recognised legal, moral and professional authority for his expertise, sense of justice, and deep-rooted legal and ethical awareness.

Komerční banka was one of the first banks on the Czech market to accede to the Czech Banking Association's Standard No. 22: Mobility of Clients – Procedure for Changing Banks, effective from 1 November 2009, which makes it easier for clients to switch from one bank to another.

December

The KB Board of Directors appointed Dr. Joseph Franciscus Vedlich as the new ombudsman for KB's clients. The new ombudsman will continue to tackle any contentious issues between Komerční banka and its clients in the individuals segment.

KB launched an offer for an advantageous complementary savings account for G2 student accounts as well as for the Beruška children's account.

Komerční banka Share Price

Trading in Komerční banka Shares

Komerční banka shares trade under ISIN CZ0008019106 on exchange markets in the Czech Republic organised by the Prague Stock Exchange and the company RM-SYSTEM Czech Stock Exchange. KB shares rank among the most liquid issues listed on the Prague Stock Exchange's Main Market. Global depositary receipts (GDRs) represent shares of Komerční banka in the proportion of 3:1 and are traded on the London Stock Exchange.

Share Price Development

The development of Komerční banka's share price in 2009 was uncustomarily dynamic. The year can be divided into two periods differing in length and completely opposite in terms of price changes. While in 2008 KB shares had benefited from the Bank's perceived conservative balance sheet, strong capital situation and excellent liquidity, and, despite the clear impact of the global financial crisis, their price had fallen less than had the relevant stock indices. At the start of 2009, however, financial markets, influenced by reports from other countries, deepened their worries regarding the economic outlook for the economies of Central and East European countries, as for some time there has prevailed a perception of these countries as comprising a relatively homogeneous region. That is despite the obvious differences characterising the countries' macroeconomic situations and in the state of their leading companies. KB shares thus quickly fell to levels comparable with the previous drops in the share prices of other financial issues. Despite February's report of record results for 2008 and the announced proposal to pay dividends at the same level as for 2007, the shares lost 49% of their value from the beginning of the year through 25 February 2009, reaching a bottom for 2009 of CZK 1,545.

With the appearance of some better reports on developments in the world economy and a gradual turnaround in investors' expectations, a new trend of gradual price appreciation was noticed from the turn of February to March. The increase was rapid roughly until the beginning of May, slowed somewhat thereafter, and then continued with some fluctuations until the end of 2009. KB shares reached their annual maximum on 29 December, the penultimate trading day, at CZK 4,000.

Komerční banka shares closed out 2009 at a price of CZK 3,929, higher by 32% compared to the end of 2008. The total return on KB shares for 2009 was 38%, including a dividend yield of 6% (based on the closing price of 2008, before tax). During the same time, the PX index had increased by 30% while the Dow Jones Stoxx Eastern Europe 300 Index, of which KB is a constituent, had grown by 71%.

Development of KB share price in 2009 (% change)

Development of KB share price vs. PX Index during 2004–2009

Information on Komerční banka Shares

	2009	2008	2007	2006	2005
Number of shares issued[1]	38,009,852	38,009,852	38,009,852	38,009,852	38,009,852
Market capitalisation (CZK billion)	149.3	112.9	166.1	117.8	130.8
EPS (CZK)[2]	289.6	346.3	294.4	242.4	235.7
BVPS (CZK)[3]	1,776.8	1,627.0	1,304.8	1,307.0	1,350.4
Share price (CZK)					
maximum	4,000	4,475	4,509	3,663	3,754
minimum	1,545	2,185	3,119	2,815	2,673
closing price at end of period	3,929	2,970	4,371	3,099	3,441

1) Nominal value per share CZK 500
2) Earnings attributable to shareholders per share (IFRS consolidated)
3) Shareholders equity excl. minority equity per share (IFRS consolidated)

Dividend Payment

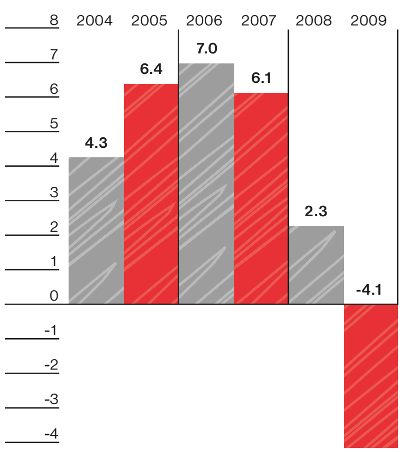
In April 2009, the Komerční banka Annual General Meeting (AGM) approved a dividend payment for 2008 of CZK 180 per share before tax, which amounted to 52% of consolidated net profit. The dividend was payable on 29 June 2009.

	2008	2007	2006	2005	2004
Dividend (CZK)[1]	180.0	180.0	150.0	250.0	100.0
Payout ratio (%)[2]	52.0	61.2	61.9	106.1	42.4

1) Dividend per share before tax. The statutory tax rate applicable in the Czech Republic is 15%.
2) Dividend / Earnings attributable to shareholders per share (IFRS consolidated)

Macroeconomic Development in 2009

Development of real GDP (%)



The year 2009 was marked by a sharp economic downturn in the Czech Republic in connection with the global recession. Over the full year, GDP fell by 4.1% as compared to the previous year. Following a dramatic slump in the first and second quarter, the next two quarters technically confirmed the end of recession in the Czech Republic. Still, the turnaround was very weak and fragile at that point. The previous quarter-on-quarter rebound, therefore, seems very fragile in light of the most recent data. During the first half of the year, domestic consumption represented a stabilisation factor amidst the turbulent economic development. This role was subsequently taken over by foreign trade in the second half of the year. Corporate investments and inventories fell considerably throughout the period but showed a certain stabilisation toward the end of the year.

The key factor behind the unfavourable development was the industrial sector. The total year-on-year drop in industrial production during 2009 reached 13.4%, despite substantial stimulus from foreign scrapping premia which largely supported the automotive industry and connected sectors. The dynamics of declining industrial production bottomed in April and May but subsequently moderated under the substantial influence of the previous year's low comparative bases. The drop in industrial production for 2009 was to a major extent caused by decline in manufacturing machinery and equipment, metal structures and fabricated metal products, and motor vehicles, trailers and semi-trailers. The only positive result was recorded in food, beverages and tobacco production.

The demand for production fell rapidly in the construction sector. Companies limited their investment outlays and household demand for new flats slumped. In 2009, real construction output dropped 1.0% year on year. Civil engineering recorded solid growth of 14.3%, while building construction output, on the other hand, declined by 7.0%.

The number of unemployed far exceeded the symbolic threshold of half a million, and the registered unemployment rate rose from 6.8% in January to 9.2% in December. On average, the unemployment rate rose to 8.1%. The number of unemployed persons per job vacancy rose to 17.4, which represented a new record high for the Czech Republic. Despite soaring unemployment, the average real salary exhibited solid growth, mainly as a result of the drop in employment among the least-qualified, low-wage workers.

Czech retail sales fell 4.3% during 2009. The key factors decreasing consumer demand were the unfavourable economic development connected with soaring unemployment, limited wage growth and a tight credit market. Uncertainty regarding the future financial situation led households to behave very cautiously. This could be seen mainly in purchases of durable goods and investment and luxury goods. Essential goods such as food and pharmaceuticals, on the other hand, maintained a relatively stable position.

The trade balance reached a record high of CZK 152.0 billion during January–December 2009. Czech foreign trade benefited greatly from foreign fiscal stimulus programmes and the reduction in the mineral fuels trade deficit resulting from low prices and weak demand. Goods exports dropped 14.1% year on year, while imports fell by 18.1%. Overall, the external economic balance remains favourable despite the turbulent economic development. The current account deficit considerably improved to 0.7% of GDP and was almost outweighed by the surplus on the financial account amounting to 0.5% of GDP. The Czech crown's exchange rate was influenced by the general sentiment towards

CEE markets. After reaching a record level of 25.09 CZK/EUR in mid-September, the Czech crown depreciated and averaged 26.4 CZK/EUR for 2009.

Inflationary pressures in the Czech economy were marginal during 2009. A prolonged drop in agricultural producer prices left little upward pressure on food prices, wage-driven inflation was minimal, foreign development together with the stronger crown did not favour imported inflation, and the domestic and global recession created a general downward pressure on prices. Consumer inflation in 2009 averaged 1.0%, which is the second lowest figure in Czech history. Industrial producer prices followed a negative trend during 2009 in comparison to the previous year. On average, industrial producer prices were 3.1% below their 2008 level. Average prices in agriculture dropped by a dramatic 24.8% year on year.

The Czech National Bank maintained its relaxed monetary policy in 2009. After being reduced seven times in succession from August 2008, the basic 2-week repo rate hit a new record minimum of 1% in December 2009, equalling the European Central Bank's refi rate. The 3M PRIBOR rate roughly traced the repo rate's dynamics. Nevertheless, banks remained cautious in providing loans (with both tighter credit conditions and higher risk premia). While interest rates on corporate loans recorded a moderate declining trend, interest rates on household loans headed in the opposite direction. Fiscal policy has been switched from the expansionary stance of 2009 to a more restrictive approach for 2010 in an attempt to put the public financial house in order. In 2009, the state budget deficit rose to a record high of CZK 192.4 billion. The state debt soared to CZK 1,178.2 billion by December 2009, representing an increase of 17.9% year on year. This development partly reflects the inevitable drop in tax revenues combined with the declining economic activity and pressures towards greater spending on social benefits. This figure also demonstrates the unsustainable structure on the state budget's expenditure side, with its high share of mandatory expenses.

Despite some stabilisation in macroeconomic figures in the second half of the year the situation remains highly vulnerable. Economic development in 2010 will be largely affected by two factors: fiscal instability magnified by political uncertainty that is weighing heavily on the economy, plus economic development in euro zone countries that potentially could represent the main growth force during the year. Domestic consumption remains very weak and, given the expected continuing deterioration of the labour market situation and the fiscal restriction in 2010, growth cannot be expected in this segment any earlier than mid-2010. Business enterprises' financial situations worsened due to falling profit margins, and neither do tight credit conditions allow for substantial growth in investment.
A promising factor is the expected gradual rebuilding of inventories, both in the Czech Republic and abroad. It is not clear whether the reviving 'organic' foreign demand will offset the lack in 2010 of fiscal stimulus measures in neighbouring countries. Sustainable recovery of foreign demand, and particularly the demand from the euro area, is still the most important factor with potential to drive the Czech economy in 2010. At the start of 2010, KB was expecting modest GDP growth of around 1.5% for the year.

The year 2009 was marked by a sharp economic downturn in the Czech Republic in connection with the global recession. Over the full year, GDP fell by 4.1% as compared to the previous year.

A full range of financial services is available to clients in the network of 398 branches in the Czech Republic.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KB
KB

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 the assumption of the 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 there is 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 service offering 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 yet expect the economy to be fully recovered from the 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, etc.

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.

The economic environment will remain challenging in 2010 and the economy will not yet be fully recovered from the impacts of the recession.

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 investing in 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.

The tight control 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 the development of business activities.

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 if the macroeconomic situation becomes 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 the 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 the 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.

A number of measures adopted in 2009 lead to a 3.3% reduction in operating costs. The cost-income ratio 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 affected 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%.

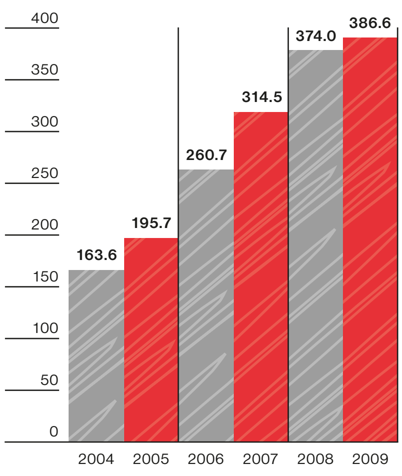
The share of watch loans in the total portfolio decreased in comparison to 2008 to 3.7%. Subsidiaries contributed 13.0% to the volume of watch loans. At the end of the year, watch loans were provisioned on average at 7.9%.

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)



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 made 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 per piece and at most CZK 3,500 per 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 thereof 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 do the principles 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

More than 400 employees of the Group from the Czech Republic and Slovakia donated blood on several occasions co-organised by KB and hospitals.

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.

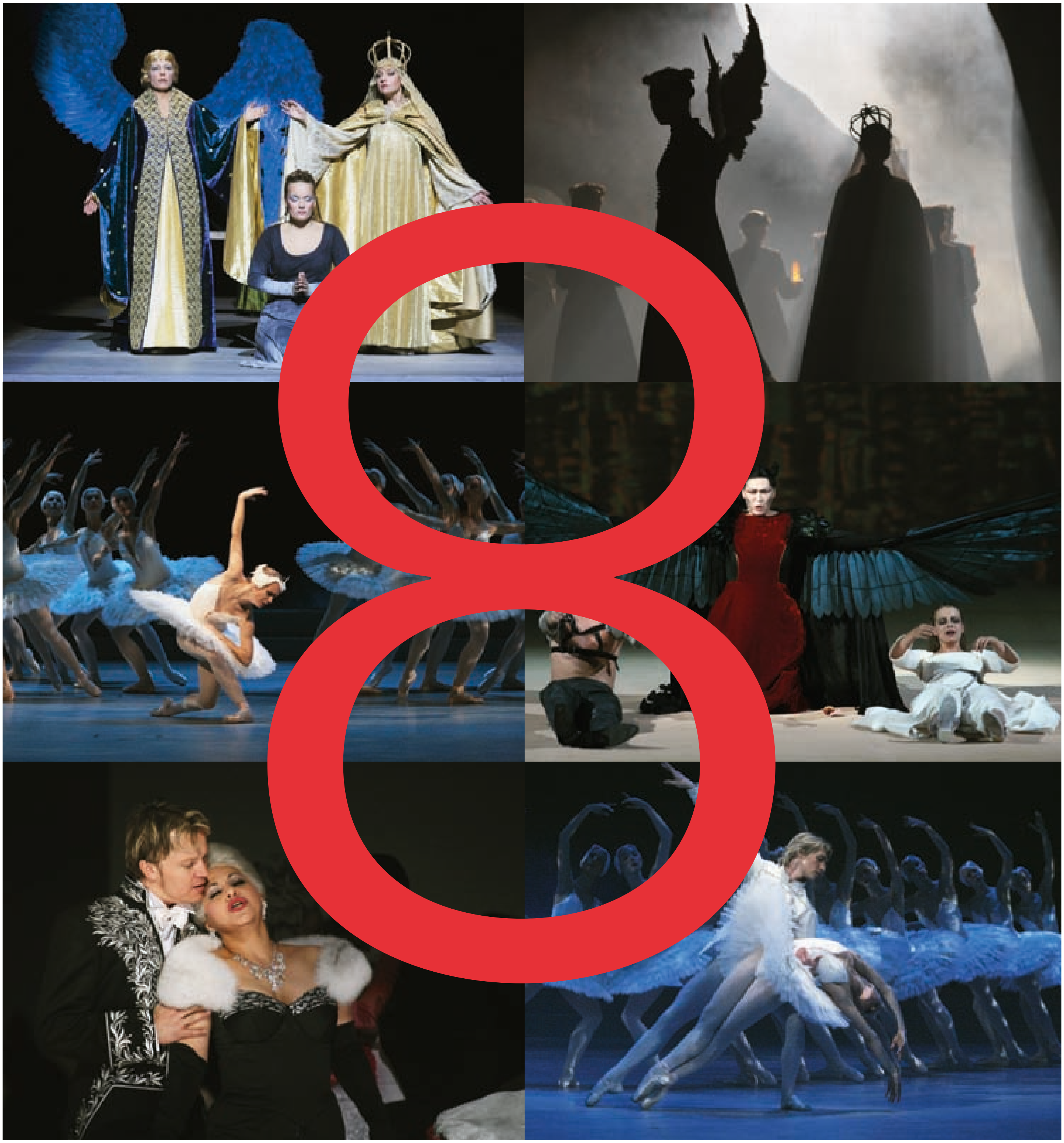
Sustainable Development

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 do the principles of transparency in relations with all its partners.

The partnership with the Prague Zoo has been in place for 5 years.



Komerční banka has been supporting
the National Theatre for 8 years.

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 Found 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 tonnes of conserved foodstuffs to CFPB, 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

Joseph Franciscus Vedlich,
ombudsman for KB's clients

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 the Directive it 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 but 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 exceeded 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.

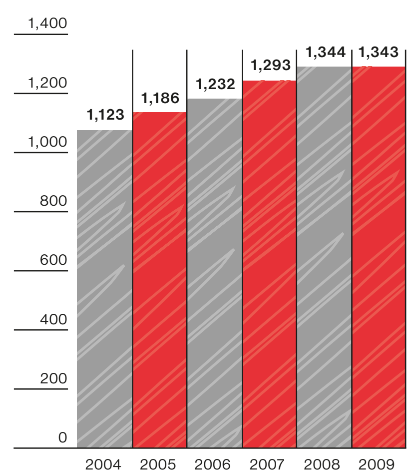
The Bank accommodated clients' increased interest in savings products by offering new deposit products – term and savings accounts – that enabled it to maintain the growth in client assets.

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 during 2004–2009 (in thousands, KB standalone)



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%

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 ECO loans. The offer includes the ECO Personal Loan with repayment of up to 6 years, ECO Real Estate Loan with maturities up to 10 years, and ECO Mortgage Loan with repayment of up to 30 years. All ECO 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 an increased number of incoming transactions, of outgoing payments and of 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.

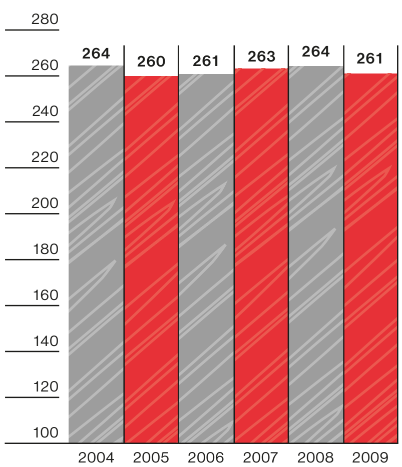
The total volume of business loans provided by Komerční banka increased year on year by 1% to CZK 89.1 billion. Deposits of enterprises and entrepreneurs decreased by 4% to CZK 121.8 billion. Compared to the decline of the overall corporate financing market in the Czech Republic, this was a relatively 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 431% 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 ECO loans.

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



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 online 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 areas 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 pickup in companies turnover 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.

KB Group continued in 2009 to finance the
provided to corporations and entrepreneurs

Czech economy. The total volume of loans exceeded CZK 200 billion.

There existed in 2009 a number of opportunities for M&A advisory, but only a 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 645,000th 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%).

As of 31 December 2009, the number of employees at Komerční banka's subsidiary companies was 860, 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 the Bank 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 while another 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 a programme for talented employees to which 282 employees were nominated in 2009.

Training and Personal Development of Employees

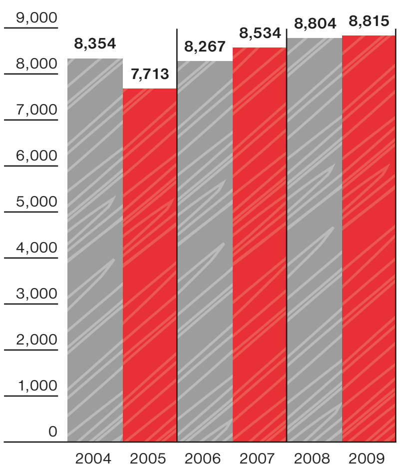
The funds spent in the training area have been used substantially more effectively. We began to focus with greater intensity on finding internal solutions to developing staff knowledge and skills and transferring the know-how of specialists and experts to less experienced colleagues. Internal processes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

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 "Job Fair 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 testing 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 centralised system for notification and reaction to credit fraud suspicion. 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 evaluating data about Modrá pyramida clients, thereby contributing especially to business production in the segment for KB credit cards and small unsecured loans for construction purposes. The Bank provided Modrá pyramida with an application model dedicated to evaluating selected Modrá pyramida construction loans and clients seeking 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

Constant strengthening of risk management tools taken 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 December 2009 in CZK billion)	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.

Komerční banka reinforced its recovery capacity in the soft collection phase.

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.

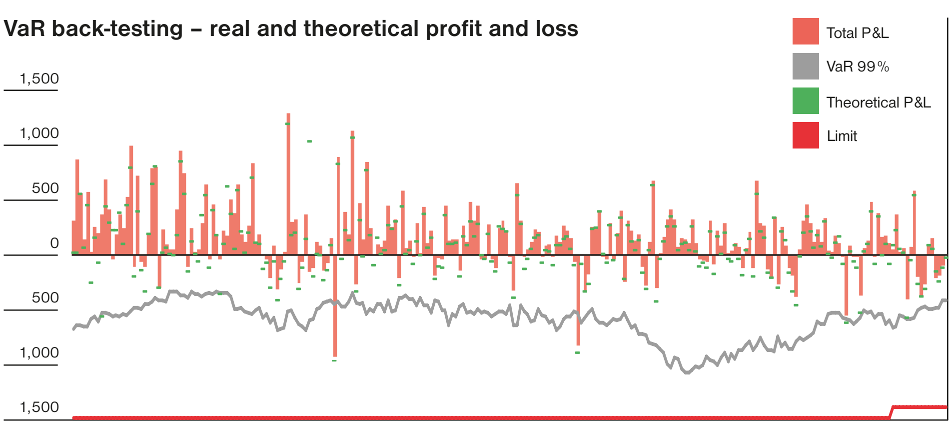
The measurement of counterparty risk arising from derivative products sold to the Bank's clients is based on the Credit Value at Risk (CVaR) indicator. CVaR simulates the potential replacement costs associated with a client of the Bank in case of the client's possible future default under the given market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

VaR back-testing – real and theoretical profit and loss



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.

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.

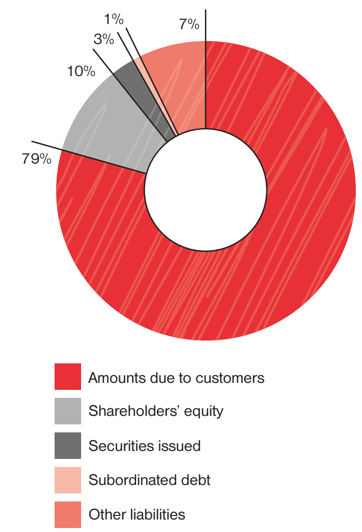
Komerční banka continued to issue debt securities during 2009, which totalled CZK 3.1 billion in nominal value. As of the end of 2009, the total nominal amount of mortgage bonds and other debt securities placed reached CZK 29.4 billion, of which CZK 17.3 billion is placed outside KB Group.

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



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). 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 an approximate 30% outflow of all client liabilities during the course of one year without great problems. CNB adopted a new provision at the end of 2008 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. KB purposely uses 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.

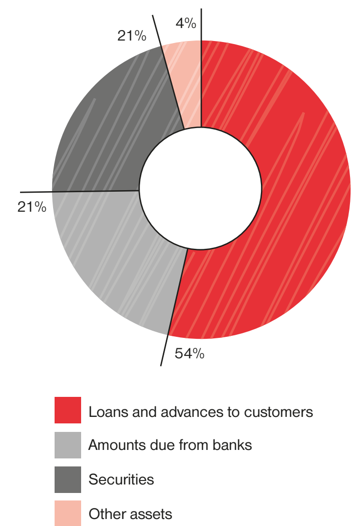
Structural foreign exchange risk of KB Group – monitoring and management
Structural foreign exchange risk is defined as the risk of potential loss to the Group due to fluctuations in currency exchange rates. The Group's foreign exchange risk is measured and managed on a daily basis. The Group's position 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 70%. 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 500 operational risk losses in a total gross amount of EUR 23.9 million. The year on year growth was caused by the one-off loss in the first quarter of 2009. 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 appropriate business continuity plans, which are continually tested. In 2009, KB completed 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 currently 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.

Pavel Čejka,
Executive Director, Strategy and Finance

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 in 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	3,319.4 EUR, 1,000,000 EUR	Full
Bastion European Investments S.A.*	14,873	14,870	99.98	3,660,469	1 EUR	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 Société Générale Financial Groups in the Czech Republic and Slovakia

Société Générale

SGCF

SOGECAP

Komerční banka

Non-strategic Ownership Interest

ALL IN REAL ESTATE Leasing, a.s. (100%), in liquidation
Bastion European Investments S.A. (99.98%)
Czech Banking Credit Bureau, a.s. (20%)
CMZRB, a.s. (13%)
Protos, uzavřený investiční fond, a.s. (KB 89.64%, FKB 10.36%)

Pension

Penzijní fond KB, a.s. (100%)

Building Society

Modrá pyramida stavební spořitelna, a.s. (100%)

Corporate Services

Factoring KB, a.s. (100%)

Komerční banka Bratislava, a.s. (Slovakia) (100%)

Consumer Credit

ESSOX s.r.o. (51%)
ESSOX SK s.r.o. (100% SGCF)

Insurance

Komerční pojišťovna, a.s. (49%)

Note: Percent shares relate to KB share in the company.

* IKS in 2009: from 01/01/2009 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. (with Slovak branch)	ECS International Czech Republic, s.r.o.	SOGEPROM Česká republika s.r.o.
	SG Equipment Finance CR s.r.o. (with Slovak branch)		

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

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

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	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 Republic and Slovakia.

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

* 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)

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

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

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	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

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

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	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)

The average number of products per current account in the Individuals segment reached 5.8.

Corporate Governance

(A separate part of the annual report pursuant to Section 118 (4) (b), (c), (e) and (j) and (5) (a)–(k) of Act No. 256/2004 Coll., on Capital Market Undertakings, as amended)

Komerční banka voluntarily upholds the corporate governance standards in compliance with the Corporate Governance Code based on the OECD principles as amended in 2004, issued by the Czech Securities Commission. The Czech wording of the Revision of the Code is available on the Czech National Bank's website at http://www.cnb.cz/export/CZ/Publikace_zpravy_a_vestnik/Publikace.page?FileId=2340.

Shareholders and the General Meeting

The share capital of KB totals CZK 19,004,926,000 and is divided into 38,009,852 ordinary listed shares, each with a nominal value of CZK 500. All the Bank's shares carry the same rights.

The General Meeting shall be the supreme body of the Bank. The Regular General Meeting is held at least once a year, however no later than four months from the last day of each accounting period.

The General Meeting shall constitute a quorum if the Attending Shareholders hold shares whose total nominal value exceeds 30% of the registered capital of the Bank, provided that voting rights are attached thereto in accordance with generally binding legal regulations. The quorum is checked at the time of convening the

Major shareholders of Komerční banka with over 5% of the share capital as of 31 December 2009
(According to the extract from the issuers' register taken from the Prague Securities Centre as of 31 December 2009)

Shareholder	Proportion of share capital (%)
Société Générale S. A.	60.35
Chase Nominees Limited	5.71
STATE STREET BANK AND TRUST COMPANY	5.08

Shareholder structure of Komerční banka
(according to the extract from the issuers' register taken from the Prague Securities Centre as of 31 December 2009)

	Number of shareholders	Proportion of number of shareholders (%)	Proportion of share capital (%)
Number of shareholders	**43,118**	**100.00**	**100.00**
of which: legal entities	445	1.03	97.66
private individuals	42,673	98.97	2.34
Corporate entities	445	100.00	97.66
of which: from the Czech Republic	105	23.60	0.79
from other countries	340	76.40	96.87
Private individuals	42,673	100.00	2.34
of which: from the Czech Republic	38,165	89.44	2.19
from other countries	4,508	10.56	0.15

General Meeting and always before each vote. The General Meeting shall pass resolutions by majority of votes of the Attending Shareholders unless legal regulations require a qualified majority of votes. The General Meeting's order of business is governed by the agenda stated in the published notice calling the General Meeting. Issues that were not included in the proposed agenda for the General Meeting are decided only with the attendance and consent of all the Bank's shareholders. The General Meeting shall be opened by a member of the Board of Directors authorised for this purpose by the Board (usually the Chairman of the Board of Directors). This member of the Board of Directors also shall run the General Meeting until the Chairman of the General Meeting is elected.

All persons registered in the list of Attending Shareholders and present at the General Meeting at the time of announcing the vote are entitled to vote, unless the law stipulates otherwise. The sequence of voting corresponds to the order on the General Meeting's agenda. The casting of votes shall be carried out by means of ballot. Each CZK 500 of the nominal share value represents one vote. Any proposal presented by the Board of Directors shall be voted on first. Should such proposal of the Board of Directors be accepted by the required majority, other proposals or counter-proposals to this point shall not be voted on. Other proposals or counter-proposals shall be voted on in the sequence in which they have been presented. Should such proposal or counter-proposal be accepted in a vote by the General Meeting, other proposals or counter-proposals shall not be voted on.
It is within the powers of the General Meeting to:

a) decide on amendments to and alterations of the Articles of Association, with the exception of alteration in consequence of an increase in the registered capital by the Board of Directors or on the basis of other legal facts determined by law;
b) decide on the increase in the registered capital, with the exception of the procedure specified under Section 31 of the Articles of Association, or on setting off a monetary claim towards the Bank against a claim to be used for payment of the issue price;
c) elect and remove members of the Supervisory Board, with the exception of the election and removal of members elected by the Bank's employees under Section 13 of the Articles of Association;
d) approve the Board of Directors' reports regarding the Bank's business activities and the Bank's assets, at least once per accounting period;
e) decide on a decrease in the registered capital provided that a prior consent of the Czech National Bank has been given, unless the decrease to cover a loss is concerned;
f) decide on a change in the class or type of the shares;
g) decide to issue bonds of the Bank if the law so requires;
h) decide to modify the rights attached to individual classes of the shares;
i) approve the Annual Financial Statements, Extraordinary Financial Statements, Consolidated Financial Statements and Interim Financial Statements when required by law;
j) decide on distribution of the profit or coverage of the loss, and to determine royalties;
k) decide on the compensation of members of the Board of Directors, Supervisory Board and Audit Committee, and approve the service contracts with the members of the Supervisory Board and of the Audit Committee;
l) decide on merger or division of the Bank or on transfer of assets to the Bank as a member in cases required by the legislation provided that a prior consent of the Czech National Bank has been given;
m) decide to wind up the Bank with the prior consent of the Czech National Bank;
n) approve proposed distribution of the liquidation balance of the Bank's assets;
o) decide to quote participation securities of the Bank in accordance with a special legal regulation and to terminate the registration thereof;
p) approve contracts serving as a basis for a transfer of the business or a part thereof, contracts for the lease of the business or a part thereof, contracts for the pledge of the business or a part thereof;
q) charge the Board of Directors to decide on an increase in the registered capital under the conditions specified in the Commercial Code and the Articles of Association (Section 31);
r) decide to acquire the Bank's own shares in accordance with the relevant provisions of the Commercial Code;
s) decide on elimination or restriction of the pre-emptive right to acquire convertible or priority bonds, elimination or restriction of the pre-emptive right to subscribe for new shares in accordance with the Commercial Code;
t) approve contracts of control, profit transfer contracts and silent partnership contracts, and alterations thereof;
u) approve the acquisition or disposal of assets, when the law so requires;
v) decide on other matters which, according to the generally binding legal regulations or the Articles of Association, are part of the powers of the General Meeting;
w) decide on appointment of the auditor to make the statutory audit or to verify other documents if such appointment is required by legal regulations;
x) decide on the appointment and removal of members of the Audit Committee;
y) decide on the approval of the rules for the provision of discretionary compensation to Audit Committee members.

Description of the rights and obligations vested in the Komerční banka shares

The shares of Komerční banka are ordinary quoted bearer shares and can be transferred freely. All shares are dematerialised. The nominal value of each share is CZK 500. The shareholders' rights are presented in the Commercial Code (especially in Section 180) and in the Articles of Association (Section 5). All the Bank's shares carry the same rights. There are no restrictions on the voting rights attached to Komerční banka's shares. A voting right can be suspended only for reasons specified by law. Komerční banka cannot exercise voting rights attached to its shares held in treasury.

Shareholders enforce their right to participate in the Bank's management particularly at the General Meeting where in particular they exercise their voting right. Each CZK 500 of nominal share value is equivalent to one vote. Any shareholder at the General Meeting also is entitled to request an explanation, either orally at the call of the Chairman of the General Meeting or in writing through the information centre. The Chairman of the General Meeting shall be obliged to ensure that all requests for explanation presented according to the Rules of Procedure and Voting Rules will be satisfied. The information contained in the explanation must be clear and must provide a sufficient picture of reality. Information may be wholly or partly omitted only in those cases stipulated by the Commercial Code (Section 180 (4)). Shareholders also can submit proposals and counter-proposals to the issues on the General Meeting's agenda. The General Meeting always is informed of these proposals and counter-proposals by its Chairman before voting on each resolution. In accordance with the Articles of Association, any proposal of the Board of Directors shall be voted on first. Shareholders also shall be entitled to request that the minutes clerk of the General Meeting include any protest concerning a resolution of the General Meeting in the minutes of the General Meeting. Shareholders are entitled to share in the Bank's profit (dividend) approved for distribution by the Annual General Meeting and, furthermore, have the right to call for the General Meeting to consider the proposed issues and review the operations of the Board of Directors as stipulated in Sections 181 and 182 of the Commercial Code and in Section 5 (8) of the Articles of Association. Pursuant to the provisions of Section 183 in relation to the provisions of Section 131 of the Commercial Code, a shareholder may request, under these circumstances, a court to find the resolution of the General Meeting to be invalid. Any shareholder shall be entitled to ask the Bank to produce a copy of the minutes of any General Meeting or a part thereof throughout the Bank's existence. The copy of the minutes or part thereof shall be made at the Bank's expense. A shareholder is entitled to request a court of justice to appoint an expert in order to examine the report on the relationships between the controlled entities and associated entities, under the terms and conditions stipulated in Section 66a (13) of the Commercial Code.

Principle resolutions of Komerční banka's General Meeting held in 2009

At the General Meeting held on 29 April 2009, 81 shareholders holding shares with a nominal value of CZK 12,270,405,500, representing 64.66% of the Bank's share capital, were present in person or through a representative. At this General Meeting, shareholders made proposals upon and requests for explanation of the proposal for profit distribution, the remuneration of the Board of Directors' members, the time at which the auditor is determined for conducting the statutory audit, and the manner of reporting voting results.

The aforementioned General Meeting approved the Board of Directors report on the Bank's business activities and the state of its property for 2008 as well as the ordinary financial statements of Komerční banka, a.s. for 2008, decided to distribute the profit for 2008 in the total amount of CZK 11,795,467,316.15, and decided to pay out dividends in the amount of CZK 180 per share. The Annual General Meeting also:

- approved the consolidated financial statements for 2008;
- re-elected members of the Supervisory Board elected by the General Meeting for the new term;
- approved the service contracts with members of the Supervisory Board;
- approved the discretionary part of the remuneration (bonus) of the members of the Board of Directors for 2008;
- consented to the acquisition of the Bank's ordinary treasury shares under specified conditions;
- decided to make amendments to the Bank's Articles of Association;
- appointed the company Deloitte Audit s.r.o. as the Bank's external auditor; and
- elected members of the Audit Committee, approved the service contracts with the members of the Audit Committee and agreed that the Audit Committee members shall not be entitled to any compensation for their service as members of the Audit Committee.

Henri Bonnet
Chairman of the Board of Directors
(since 10 September 2009)

Didier Colin
Member of the Board of Directors
(since 9 October 2004, re-elected on 10 October 2008)

Vladimír Jeřábek
Member of the Board of Directors
(since 1 June 2008)

Board of Directors

Henri Bonnet
Graduated from the University of Poitiers with a law degree. He has worked in the Société Générale Group since 1967, having first been employed in French branches of SG in Chateauroux and Limoges and later in the Internal Audit and Leasing departments. Since November 1978, he has worked temporarily as the head of the Leasing Department in the Korean-French banking group in Seoul and then from 1981 as the Executive Vice President of Banco Sogeral SA in Sao Paulo, Brazil. In July 1987, he became Head of Credit, Leasing and International Finance at SG Elsässische Bank in Frankfurt, Germany. Between 1995 and 1997, he worked as Head of Corporate Relations in SG's Investment Banking Department. From December 1997 to June 2001, he served as Regional Director for Germany and served as Director of SG Frankfurt, and from July 2001 he held the position of Deputy Head of Specialised Financial Services within SG. Mr Bonnet was elected by KB's Board of Directors as the Chairman of the Board of Directors and CEO of Komerční banka with effect from 10 September 2009. Mr Henri Bonnet is also a member of Société Générale's Group Management Committee.

Didier Colin
Graduate of the University of Paris-IX Dauphine and with a Master of Business Administration from The City University of New York. Since 1990, he has worked for Société Générale, first as a financial analyst at the SG branch in New York, then, from 1991, as a member of the team of auditors at SG's Head Office. In 1998, he returned to New York and worked as CFO of the SG US Branch, being also in charge of the budget for all of SG's activities on the American continent. In 2000, he assumed the position of Deputy CEO of the Société Générale subsidiary in Canada, and in 2001 he became its CEO. He occupied this position until 2004, when he joined Komerční banka as a member of the Board of Directors in charge of Risk Management.

Vladimír Jeřábek
Graduated from VUT Technical University in Brno, Czech Republic, and from Nottingham Trent University. He has held the positions of economic director and member of the Board of Directors in several banking institutions and in Zetor, a.s., a producer of agriculture tractors. Upon his arrival to Komerční banka in 1998, Mr Jeřábek was the regional manager responsible for the Brno region and later was in charge of Komerční bank's distribution channels. In February 2007, he was appointed the Executive Director of the Distribution Network. He is responsible for the Bank's distribution network serving the Retail and Corporate segments and also for the alternative distribution channels such as internet banking and non-banking channels. The Supervisory Board elected Mr Jeřábek as a member of the Board of Directors in charge of Distribution with effect from 1 June 2008.

Jan Juchelka
Graduate of the Business Faculty of the Silesian University in Karviná. After his studies, Mr Juchelka worked in the private sphere and

Jan Juchelka
Member of the Board of Directors
(since 1 July 2006)

Peter Palečka
Member of the Board of Directors
(since 5 October 2001, re-elected
on 7 October 2009)

Patrice Taillandier-Thomas
Member of the Board of Directors
(since 1 February 2008)

from 1995 at the National Property Fund of the Czech Republic. From 2002 to 2005, he was its Chairman. He joined Komerční banka on 1 February 2006. On 26 April 2006, the Supervisory Board elected Mr Juchelka as a member of the Board of Directors in charge of Top Corporations with effect from 1 July 2006.

Peter Palečka
Graduate of the University of Economics, Bratislava. From 1982 to 1988, Mr Palečka worked in foreign trade enterprises. Between 1989 and 1992, he worked at the Federal Ministry of Foreign Trade of the Czech and Slovak Federative Republic. From 1992 to 1994, he was the Permanent Representative of the Czech and Slovak Federative Republic and then of the Czech Republic to GATT, and from 1995 to 1998 he was the Permanent Representative of the Czech Republic to the World Trade Organization. He joined Komerční banka in 1998 as the Director for Strategy. In October 1999, he was elected a Member and in April 2000 Vice-Chairman of Komerční banka's Board of Directors. On 5 October 2001, he was re-elected as a Member and Vice-Chairman of the Board of Directors. At present, he is a Member of the Board of Directors and Corporate Secretary.

Patrice Taillandier-Thomas
Graduated from the Institut d'Études Politiques, Mr Taillandier-Thomas holds also a postgraduate degree in law and another in economics. Since 1983, he has held various positions in Société Générale, first at the General Inspection and then mainly in the area of payments. Since 2000, he has been deputy manager of the Card Activity Department and manager of the E-business Division. In his previous position, he managed the Basel II project for SG retail banking. Effective from 1 February 2008, Komerční banka's Supervisory Board elected Mr Taillandier-Thomas as a member of the Board of Directors and Chief Administrative Officer.

Personnel changes in the Board of Directors in 2009:

Laurent Goutard, Chairman of the Board of Directors and Chief Executive Officer (until 9 September 2009)

The Board of Directors is an authorised body which manages the Bank's activities and acts in its name. The Board of Directors shall ensure business management, including proper maintenance of the accounting records of the Bank. The Board of Directors shall further ensure the creation and evaluation of the management and control system, be responsible for its continuous functioning and effectiveness, and create conditions for the independent and objective performance of compliance-related operations and of internal audit.

The Board of Directors shall decide on all matters concerning the Bank, unless assigned to the competence of the General Meeting, the Supervisory Board or the Audit Committee by law or by the Articles of Association.

The Board of Directors consists of six members, natural persons, who meet the conditions provided in legal regulations for becoming a member of the Bank's Board of Directors and who are elected by an absolute majority of all Supervisory Board members at the recommendation of the Remuneration and Personnel Committee for a four-year term. The professional qualifications, credibility and experience of the members of the Bank's Board of Directors are assessed by the Czech National Bank.

Activity Report of the Board of Directors

The Board of Directors shall meet at its regular, periodic meetings, usually once every two weeks. Meetings shall be convened and presided over by the Chairman of the Board of Directors or, in his or her absence, by a member of the Board of Directors authorised to do so by the Board of Directors. Should it not be possible to hold a Board of Directors' meeting, a decision may be adopted by voting remotely in accordance with the Articles of Association.

The Board of Directors met at 21 regular and 7 extraordinary (unscheduled) meetings in 2009 and held one remote vote in accordance with the Bank's Articles of Association. The average meeting length was 2 hours and 30 minutes and with an average participation of 95%.

The Board of Directors shall constitute a quorum if an absolute majority of the Board members is present. Resolutions of the Board of Directors shall be adopted by an absolute majority of members of the Board of Directors present, except for the election of the Chairman of the Board of Directors, who shall be elected by an absolute majority of all members of the Board of Directors. If the votes are equal, the chairperson shall cast the deciding vote.

In 2009, the Board of Directors discussed the annual financial results of KB Financial Group ("KB FG") for the year 2008, as well as KB's consolidated financial statements, non-consolidated financial statements, and their footnotes as of 31 December 2008 and prepared under International Financial Reporting Standards (IFRS). The Board of Directors submitted these statements to the Supervisory Board for review and then to the General Meeting for approval. At the same time, it submitted to the Supervisory Board for review the proposed profit distribution for 2008, which was subsequently approved by the General Meeting.

The Board of Directors also discussed additional proposals for the General Meeting, in particular the Report of the Board of Directors on the Bank's Business Activities, the Report on Relations among Related Entities, draft amendments to the Articles of Association, the conditions for acquiring the Bank's own shares and other matters falling within the competence of the General Meeting. It approved the Bank's Annual Report for 2008 as well.

The Board of Directors regularly reviewed the quarterly financial results of KB FG and approved the Group's budget for 2010. It continuously evaluated the Bank's capital adequacy and also approved the Internal Capital Adequacy Assessment Process (ICAAP) submitted to the Czech National Bank on the basis of Decree No. 123/2007 Coll. stipulating the prudential rules for banks. It also discussed reports on the financial results of the competition.

As part of its activities, the Board of Directors also regularly assessed the Bank's risks. In the field of risk management, it discussed the reports on the development of market and capital risks and the development of lending on capital markets on a monthly basis. At the same time, it monitored sector analyses and dealt with the reports on monitoring of so-called sensitive clients in the retail and corporate banking segments. Within its competence, it approved loans to economically connected groups above a specified limit and limits of market risks. It also approved the strategy for dealing with clients assigned to the administration of the Asset Valuation and Recovery Department.

As regards operational risks, the Board of Directors discussed the 2008 annual evaluation report for this area and the regular reports submitted on a quarterly basis. Furthermore, based on the Basel II measures it implemented the Advanced Measurement Approach (AMA) throughout KB Group, addressed the development of capital valued on the basis of AMA, and the like. In the context of operational risk, reports on the results of the first level controls were discussed and a pandemic plan was approved.

Compliance risks have been evaluated both in the Annual Report for 2008 and the quarterly reports on the development of these risks. At the same time, the Board of Directors approved the 2008 annual evaluation report on KB's anti-money laundering and terrorism financing system. Furthermore, it addressed measures adopted by KB related to compliance matters and in accordance with the Czech Banking Association's Standard No. 22 – Mobility of Clients and the EU Payment Services Directive. The Board of Directors also approved KB's entering into a partnership with KB's Advisory for financial distress.

Regarding Internal Audit, the Board of Directors discussed a number of documents. It approved a report on the status of corrective measures as of 31 March and 30 September 2009 and was informed of all actions carried out by Internal Audit in each quarter of last year. At the same time, it evaluated the summary of these actions and their results for 2008. The Board of Directors also addressed the results of risk mapping, and based on its evaluation the annual internal audit plan for 2010 and the strategic plan for 2010–2013 were drawn up and approved. It also approved the corrective measures taken based on the Constructive Service Letter, which had been prepared and presented to the Board of Directors by the external auditor Deloitte Audit, s.r.o. The Board of Directors also evaluated the external auditor's activities. As regards Internal Audit, a qualitative assessment of the department's performance prepared by KPMG was submitted to the Board of Directors.

The Board of Directors evaluated the overall functioning and efficiency of the Bank's management and control system. This system covers all the Bank's key risks and leads to their mitigation, although there is still room for improvement. Furthermore, the Board of Directors addressed reports on the handling of complaints and claims (including complaints sent to the Bank's Ombudsman), which are processed on a quarterly basis and in a full-year summary.

The Board of Directors also discussed all issues falling within its competence as the sole shareholder in performing duties of the General Meeting in KB FG's subsidiaries, such as approval of financial statements, election and remuneration of members, including the newly established audit committees, amendments to the Articles of the Association, appointment of auditors and other matters. In 2009, it discussed the details of the procedure and the adoption of particular decisions on the transformation of Komerční banka Bratislava from a subsidiary to a foreign branch of the Bank.

As part of its activities, the Board of Directors decided on many other issues related to organisational structure, approving directives within various arms of the Bank, or granting powers of attorney. It dealt with the sale of land and buildings and strategies for future deployment of the Bank's headquarters.

Great attention was devoted to Corporate Governance issues with regard to the new developments in Czech legislation and also in the context adopted by the parent company Société Générale. The Board of Directors also dealt with prioritising several individual projects for the near future.

The Board of Directors establishes specialised committees to which it delegates the authority for making decisions in various areas of activity assigned to them. The Board of Directors approves the statutes of these committees, while their members are appointed by the CEO. These committees include the following:

Directors' Committee (DIRCOM)
The Directors' Committee is a body for communication and exchange of views regarding strategies and issues of KB's general interest. The Directors' Committee has two forms: the Directors' Committee and the Enlarged Directors' Committee in which representatives of Komerční banka's subsidiaries and affiliates are also present.

Project Management Committee (PMC)
The Project Management Committee makes and proposes decisions regarding KB's development activities and their prioritisation (KB's Project Plan), initiation/changes/termination of important projects, and measuring and evaluating projects' contributions. It considers both the material content of important projects and their links as well as the viewpoint regarding financial and non-financial resources.

Provisions Committee (PC)
The Provisions Committee makes and proposes decisions regarding provisions.

Assets and Liabilities Committee (ALCO)
The Assets and Liabilities Committee makes and proposes decisions regarding assets and liabilities management in KB.

Communication Committee (COCOM)
The Communication Committee makes and proposes decisions regarding internal and external communication.

Commercial Committee (CC)
The Commercial Committee makes and proposes decisions in the area of business offers, business strategy and tactics, rates, prices and conditions. It also provides its opinions on selected new products in accordance with its statutes.

Credit Risk Management Committee (CRMC)
The Credit Risk Management Committee makes and proposes decisions regarding credit risk management principles and their implementation.

Investment Banking New Product Committee (IB NPC)
The Investment Banking New Product Committee makes and proposes decisions on new investment banking products in accordance with its statutes. Its activities include assessing the risks related to these products (new or significantly altered), establishing the conditions for launching products, and monitoring that these conditions are met.

Corporate and Retail Banking New Product Committee (CRB NPC)
The Corporate and Retail Banking New Product Committee makes and proposes decisions on new products other than investment banking products in accordance with its statutes. Its activities include assessing the risks related to these products (new or significantly altered), establishing the conditions for launching products, and monitoring that these conditions are met.

Operational Risk Committee (ORC)
The Operational Risk Committee makes and proposes decisions regarding operational risks and safety.

Compliance Committee (COC)
The Compliance Committee provides consultancy in the area of compliance risk management and it is a platform for exchange of views regarding the risk compliance management, development of regulations, investigation of regulatory institutions, and serious compliance failures.

Internal Control Co-ordination Committee (ICCC)
The Internal Control Co-ordination Committee co-ordinates all tasks carried out by the various formations of internal control.

Card Activities Committee (CACO)
The CACO co-ordinates card activities in KB and within KB Group.

Information about special rules for the election and recall of Members of the Board of Directors

Members of the Board of Directors of Komerční banka are elected by the Supervisory Board upon nomination by its Remuneration and Personnel Committee. A nominee must obtain an absolute majority of votes of all Supervisory Board members. Members of the Board of Directors are elected to a term of four years. Only persons fulfilling the conditions for serving as a Board of Directors member specified by the commercial Code and by the Banking Act can become a member of the Board of Directors. The professional qualifications, trustworthiness and experience of the members of the Board of Directors are assessed by the Czech National Bank.

The Supervisory Board has a right to decide at any time to recall a member of the Board of Directors. The decision is carried if approved by an absolute majority of the Supervisory Board. The Supervisory Board's decision is based on a proposal of the Supervisory Board's Remuneration and Personnel Committee.

Information about special powers of the Members of the Board of Directors, especially about authorisations under sections 161a and 210 of the Commercial Code

a) convene the General Meeting and implement its resolutions;
b) submit to the General Meeting for its approval the ordinary, extraordinary and consolidated financial statements and the interim financial statements along with a proposal for distribution of the profit (the same must be available to the shareholders for inspection at least 30 days prior to the date of the General Meeting) or a proposal for covering of losses;
c) submit to the General Meeting proposals for amendments and changes to the Articles of Association as well as proposals for increasing or decreasing the Bank's registered capital;
d) submit to the General Meeting a report on the Bank's business activities and the state of the Bank's property and to do so at least once for each accounting period;
e) decide to confer and revoke power of procuration;
f) decide on the appointment, removal and remuneration of selected managers of the Bank;
g) approve acts in connection with the realisation of security instruments for claims of the Bank whose value exceeded CZK 100,000,000 as of the date of the claim's origin and whose presumed realisation value is lower than 50% of the value of the securitising instrument as ascertained upon the conclusion of the loan agreement;
h) submit to the Supervisory Board for information quarterly and half-yearly financial statements;
i) decide on acts which are outside the scope of the Bank's usual business relations;
j) define and regularly evaluate the Bank's overall strategy, including to establish the principles and targets for its fulfilment and to ensure the continuous and effective operation of the internal control system;
k) approve the Bank's annual plans and budgets as well as the strategic and annual plans of legal entities controlled by the Bank under the Banking Act;
l) conclude the contract with the auditor for performance of the statutory audit or, as the case may be, for provision of other services;
m) inform the Supervisory Board as to the day of the General Meeting no later than within the period specified by the Commercial Code for the convening of the General Meeting;
n) decide on issuance of the Bank's bonds, with the exception of decisions on the issue of bonds for which the decision of the General Meeting is required by law;
o) decide on an increase in the share capital if so authorised by the General Meeting;
p) enter into a collective agreement;
q) decide on providing loans or guarantees to persons with a special relationship to the Bank pursuant to the Banking Act;
r) approve the rules and the strategic and periodic plans for the activities of the Internal Audit;
s) approve the annual reports of the Bank;
t) approve and regularly evaluate the security principles of the Bank, including the security principles for information systems;
u) decide on establishing other funds (in the balance sheet) and on the rules governing their creation and usage;
v) approve the Report on Relations among Related Entities in accordance with the Commercial Code;
w) approve and regularly evaluate the Bank's organisational structure;
x) approve the principles of the personnel and remuneration policy;
y) evaluate the overall functioning and effectiveness of the management and control system at least yearly;
z) approve and regularly evaluate the risk management strategy, the strategy relating to the capital and to capital adequacy, and the information systems development strategy;
za) approve and regularly evaluate the principles of the internal control system, including the principles aiming to prevent any possible conflict of interests, and the compliance principles;
zb) discuss the audit report with the auditor.

In addition to the aforementioned, the Board of Directors shall in particular:

a) manage the activities of the Bank and conduct its business affairs;
b) ensure the proper maintenance of the Bank's accounting, including the proper administrative and accounting processes;
c) exercise employer's rights;
d) exercise rights in respect of the Bank's property interests arising from the Bank's ownership holdings;
e) approve the acquisition or disposal of the Bank's fixed assets exceeding CZK 30,000,000 as a single case or as a total for related cases;
f) approve the business continuity plan and the fire protection plan.

The General Meeting did not authorise the Board of Directors to make a decision on increasing the registered capital. Based on the consent of the General Meeting held on 29 April 2009, Komerční banka was authorised to acquire its ordinary shares into treasury. The conditions and information on the acquisition of its own shares are provided in the Report of the Board of Directors on the Bank's Business Activities and the State of Its Property, which is part of this annual report.

Supervisory Board

The Supervisory Board is the supervisory authority of the Bank. It supervises the exercise of the Board of Directors' powers, the conduct of the Bank's business activities, and the effectiveness and efficiency of the Bank's management and control system as a whole.

The Supervisory Board consists of nine members, individuals, who meet the statutory requirements for becoming a member of the Bank's Supervisory Board. Two thirds of them are elected by the General Meeting and one third by the Bank's employees to a term of four years.

Composition of the Supervisory Board

Didier Alix,
Chairman of the Supervisory Board (since 8 October 2001, re-elected on 29 April 2005 and 30 April 2009)
Jean-Louis Mattei,
Vice-Chairman of the Supervisory Board (since 8 October 2001, re-elected on 29 April 2005 and 30 April 2009)
Séverin Cabannes,
Member of the Supervisory Board (since 8 October 2001, re-elected on 29 April 2005 and 30 April 2009)
Bořivoj Kačena,
Independent Member of the Supervisory Board (since 29 April 2008)
Pavel Krejčí *,
Member of the Supervisory Board (since 27 May 2001, re-elected by KB's employees on 28 May 2005 and 29 May 2009)
Petr Laube,
Independent Member of the Supervisory Board (since 8 October 2001, re-elected on 29 April 2005 and 30 April 2009)
Dana Neubauerová *,
Member of the Supervisory Board (elected by KB's employees on 29 May 2009)
Christian Achille Frederic Poirier,
Member of the Supervisory Board (since 8 October 2001, re-elected on 29 April 2005 and 30 April 2009)
Karel Přibil *,
Member of the Supervisory Board (elected by KB's employees on 29 May 2009)

* Elected by KB's employees.

Didier Alix
Graduate in three year studies of economics, and graduate of the Paris Institute of Political Studies. In 1971, he started to work for Société Générale, where he has held a number of positions. From 1972 to 1979, he worked at the Group General Inspection. In 1980, he started to work at the General Directorate as head of Central Risk Control. In 1984, he was appointed director of the Levallois Branch and in 1987 as director of the Paris Opera Branch. From 1991 to 1993, he worked as chief executive officer of the SG subsidiary FRANFINANCE, appointed within the activities of a specialised financial division. From 1993, he worked as deputy director and later as director of the French business network within the Retail Banking Division. In 1998, he was appointed chief executive officer of Retail Banking. In 2006, he became one of the SG chief executive officers. Since 2001, he has been a Member and Chairman of the Supervisory Board of Komerční banka.

Jean-Louis Mattei
Graduate in three year studies and in advanced studies of private law, and graduate of the Institute of Political Studies and of the Centre of Advanced Banking Studies. In 1973, he started to work for Société Générale, where he has held a number of positions. He has worked, inter alia, at SG's branch in Bordeaux, at the Human Resources Management Department, and later as the head of cost analyses and as the head of the audit of the management of the Organisation and of the Information Technologies departments. Subsequently, he worked as head of the Organisation Unit. In 1988, he became a member of the board of directors and chief executive officer of SG de Banques in Cote d'Ivoire. Between 1992 and 1998, he was deputy director and later director for the zone of Africa Overseas and for the zone of Africa, Near and Middle East, Overseas. Since 1998, he has been head of International Retail Banking. Since 2001, he has been a Member and Vice-Chairman of the Supervisory Board of Komerční banka.

Séverin Cabannes
Graduate of the Polytechnic School and of the Paris Mining School. From 1983 to 1985, he worked in Credit National. From 1986 to 1997, he worked in various strategic positions at Elf Atochem, the most important being Economic and Strategic Planning Director. Between 1997 and 2001, he worked at the La Poste Group as a member of the executive committee and, subsequently, as deputy chief executive officer in charge of the strategy, development and financial audit of the Group. In 2001, he joined Société Générale as financial director and as a member of the General Management Committee in charge of the Group financial management, management control, assets and liabilities management, and investor relations. In 2002, he became deputy chief executive officer and financial director of STERIA Group, and in 2003 he became the company's chief executive officer. Since 1 January 2007, he has been working for Société Générale as Chief Administrative Officer and at the same time became a member of the Group Executive Committee. Since May 2008, he has been Deputy Chief Executive Officer, SG Group. Since 2001, he has been a Member of the Supervisory Board of Komerční banka.

Bořivoj Kačena
Graduate of the Czech Technical University in Prague (Faculty of Civil Engineering). In 1966, he started to work for Stavby silnic a železnic, n. p. (SSŽ), where he held various positions.

From 1978, he worked in SSŽ as director of its branch office 4, and from 1983 as director of the organisation "Investor of Transport Construction" for metro and urban road construction within the Prague Public Transit Company. He became director of the state enterprise SSŽ in November 1988 and its chief executive officer and Chairman of the Board of Directors in 1992. From 2007 to April 2008, he was the Chairman of the Board of Directors of SSŽ. Since 2008, he has been a Member of the Supervisory Board of Komerční banka.

Pavel Krejčí
Graduate of the Brno University of Technology, Faculty of Electrical Engineering, and of the Palacký University Olomouc, Philosophical Faculty. In 1987, he started to work at the Czechoslovak National Bank. In 1990, he joined Komerční banka. From 1992 to 2005, he was an elected chairman of KB's Trade Union Committee. Since 1997, he has served as vice-chairman of the Federation of Trade Unions of Employees of Financial and Insurance Companies of the Czech Republic. In Komerční banka, he currently works in the Information Technologies Department as an IT analyst and is also the vice-chairman of KB's Trade Union Committee and a member of the team for collective bargaining and social dialogue. Since 2001, he has been a Member of the Supervisory Board of Komerční banka, elected by KB's employees, and since 2004 he has been a member of the European Council of Employees of Société Générale Financial Group in Paris.

Petr Laube
Graduate of the University of Economics, Prague, specialised in foreign trade. From 1974 to 1991, he worked in Polytechna, a foreign trade company for technical co-operation. From 1991 to 1992, he was at Deutsche Bank, A.G. in Nuremberg. Between 1992 and 1993, he worked for Lafarge Coppée, Paris, and since 1993 he has been chief executive officer and chairman of the Board of Directors of Lafarge Cement, a.s., Prague. From 2005, he served as director of the segment of electricity, gas, liquid fuels and SG&A at Lafarge, s.a., Paris. From January 2007, he was chief executive officer of Lafarge Cement, a.s., in Ukraine. He has been retired since December 2009. Since 2001, he has been a Member of the Supervisory Board of Komerční banka.

Dana Neubauerová
Graduate of the Secondary School of Economics in Havlíčkuv Brod. She has been working in Komerční banka (formerly State Bank of Czechoslovakia) since 1984. She gradually passed through a number of positions from data acquisition to liquidation worker, and then from 1991 to 1998 she worked as head of the Services Department. From June 1998 to 2002, she worked in a position relating to transactions with entrepreneurs and until 2006 as the bank advisers team leader. From 1 March 2006, she was appointed Director of the Havlíčkuv Brod branch, and then was Director of the Level 2 Havlíčkův Brod branch from 1 October 2008. She has been the Director of the Level 2 Jihlava branch since 1 July 2009. She has been a union member since joining Komerční banka, and she served as chairwoman of the Trade Union in Havlíčkuv Brod from 1990 to June 2008. Since May 2009, she has been a Member of the Supervisory Board of Komerční banka.

Christian Achille Frederic Poirier
Graduate of the National School of Administration, postgraduate studies of history. Between 1980 and 1987, he served in leading positions in the national administration. Since 1987, he has worked in Société Générale: from 1987 to 1991 as head of the department of public and governmental organisations, from 1991 to 1995 as director of the Japanese corporate department. Between 1995 and 1997, he worked as director of subsidiaries specialised in consumer credit, leasing and factoring. Between 1997 and 2001, he was deputy head of the Strategy and Marketing Division. Between 2001 and 2006, he was the head of Strategy and Marketing. From January 2007, he was Senior Advisor to the Chairman and Chief Executive Officer of Société Générale. He has been retired since December 2009. Since 2001, he has been a Member of the Supervisory Board of Komerční banka.

Karel Přibil
Graduated from the Faculty of Education at Charles University in Prague, where in 1986 he defended his thesis. Since joining Komerční banka in 1993, he has worked in various positions at headquarters – first as a specialist officer, then in 1995 in internal services, and from 2003 as an asset management specialist. From 1 March 2006 to date, he has held the office of Chairman of the Trade Union Committee and been a member of other union bodies. He has been a union member since joining Komerční banka and Chairman of the CKB Trade Union and a member of KB's Trade Union Committee since the mid-1990s. He also participates in collective bargaining. Since May 2009, he has been a Member of the Supervisory Board of Komerční banka.

Personnel changes in the Supervisory Board during 2009

Jan Kučera (elected by KB's employees, served until 28 May 2009)
Nina Trlicová (elected by KB's employees, served until 28 May 2009)
Dana Neubauerová (elected by KB's employees on 29 May 2009)
Karel Přibil (elected by KB's employees on 29 May 2009)

Activity Report of the Supervisory Board

Regular meetings of the Supervisory Board shall be held once per calendar quarter with the possibility of remote voting. The Supervisory Board shall constitute a quorum if at least five members of the Supervisory Board are present at the meeting. Resolutions of the Supervisory Board are adopted by an absolute majority of all members of the Supervisory Board.

In 2009, the Supervisory Board held four regular meetings. The average meeting length was 1 hour and 30 minutes.

The Supervisory Board reviewed the Bank's ordinary and consolidated financial statements as of 31 December 2008 and prepared under International Financial Reporting Standards (IFRS). The report of the external auditor, Deloitte Audit, s.r.o., was unqualified, and the Supervisory Board recommended that the General Meeting approve both financial statements as proposed by the Bank's Board of Directors.

The Supervisory Board also examined the Board of Directors' proposal for distribution of net profit for the 2008 accounting period and recommended that the General Meeting approve this proposal. Furthermore, it reviewed the Report on Relations among Related Entities in 2008 drawn up pursuant to Section 66a (9) of the Commercial Code and stated that based on the presented documents Komerční banka did not incur during the accounting period from 1 January 2008 to 31 December 2008 any damages resulting from the contracts and agreements made with related entities.

The Supervisory Board was continuously informed of the Bank's activities and was regularly presented reports and analyses in 2009. The Supervisory Board assessed, in particular, the functionality and efficiency of the Bank's management and control systems and concluded that the management and control systems are functional, although there is still room for their further improvement. Moreover, it examined the 2008 annual assessment report on KB's anti-money laundering system and the annual compliance risk management report. It discussed the developments in the areas of employee turnover, sickness rate and overtime as well as the annual analysis of the handling of all complaints sent to KB and its Ombudsman. Within its powers, the Supervisory Board discussed the election of the members of the Bank's Board of Directors, the service contracts concluded with those members, and the remuneration of KB managers who are also the members of the Board of Directors.

The Supervisory Board regularly discussed the Bank's quarterly financial results and its position on the market with regard to the development of the macroeconomic environment. It addressed KB FG's proposed budget for 2010. Furthermore, it discussed the proceedings of the Internal Audit and their results in individual quarters of the year and at the same time expressed its consent to the annual internal audit plan for 2010 and the strategic plan for 2010–2013. The Supervisory Board was informed of changes in the Bank's property holdings. It duly investigated two complaints addressed to it and concurred in the conclusions drawn and measures taken by the Bank's Board of Directors.

In the course of its activities, the Supervisory Board continued to rely on the opinion of its Remuneration and Personnel Committee and was informed of the issues discussed by the Audit Committee.

The Supervisory Board's Remuneration and Personnel Committee

The Remuneration and Personnel Committee is an advisory and recommending body of the Supervisory Board and has three members. The Committee usually meets once per quarter and constitutes a quorum if a simple majority of all members of the Committee is present at the meeting. Resolutions shall be adopted by an absolute majority of all its members.

The Committee held three regular meetings in 2009. The average length of the sessions was 2 hours.

The Committee discussed issues of the Bank's personnel policy and remuneration of its employees and provided recommendations to the Supervisory Board within the scope of its powers. Moreover, it discussed and provided its recommendations on the wording of the service contracts for the members of the Board of Directors and on the remuneration of KB managers who are also members of the Board of Directors.

The Supervisory Board's Audit Committee

The Supervisory Board's Audit Committee, which was the advisory and initiative body of the Supervisory Board in the functioning of the Internal Audit, the management and control systems, and co-operation with the external auditor, was in operation until 29 April 2009.

The Audit Committee held three regular meetings in 2009. The average length of the sessions was 2 hours and 15 minutes.

The Committee performed an important role in the Supervisory Board's supervisory activities and worked closely within the Bank with the Internal Audit, Strategy and Finance, Risk Management and Compliance departments in particular, but also with the external auditor that kept it informed of the ongoing audit in the Bank. The Committee discussed KB FG's annual financial results for 2008 as well as KB's consolidated and unconsolidated financial statements and notes thereto as of 31 December 2008 prepared under IFRS and recommended that the Supervisory Board give consent to its approval by the Bank's Board of Directors. The same recommendation was delivered to the proposal for profit distribution for 2008. The Committee also discussed the internal audit report on the status of corrective measures as of 31 March 2009 and was continuously informed on all the Internal Audit's proceedings carried out in individual quarters. Moreover, it evaluated the summary of these actions and their results for 2008. Furthermore, it discussed the overall functionality and efficiency of the Bank's management and control systems in 2008, stating that this system covers all key risks of the Bank although there is still space for its improvement. The Committee addressed the assessment of the compliance risk in the 2008 annual report and also discussed the 2008 annual assessment report on KB's anti-money laundering and terrorism financing system. Another issue discussed was the current state of KB's information technologies and their further development. The Audit Committee analysed in detail the Bank's management of market and credit risks resulting from both retail activities and the trades provided to medium-sized and large corporations.

Audit Committee

The Audit Committee is a body of the Bank established by the General Meeting in accordance with Act No. 93/2009 Coll., on Auditors, from 29 April 2009, and its powers are stipulated by that Act and the Bank's Articles of Association.

The Audit Committee consists of three members, individuals, who meet the requirements for the performance of duties of a member of the Audit Committee set forth by legal regulations and by the Articles of Association. Audit Committee members shall be appointed by the General Meeting from the members of the Supervisory Board for the term of four years. One Audit Committee member shall be an independent member.

Séverin Cabannes, Chairman of the Audit Committee (since 29 April 2009)

Petr Laube, independent member of the Audit Committee (since 29 April 2009)

Christian Poirier, member of the Audit Committee (since 29 April 2009) and Vice-Chairman of the Audit Committee (since 9 September 2009)

The Audit Committee meets as a rule once per quarter, but at least four times in a calendar year. The Audit Committee shall constitute a quorum if a simple majority of all Audit Committee members attend the meeting. Decisions on all matters discussed by the Audit Committee must receive an absolute majority of votes to be carried. If the votes are equal, the chairperson shall cast the deciding vote. The person in question shall not vote in the proceedings with respect to the election and removal of Chairman and Vice-Chairman of the Audit Committee.

The Audit Committee held seven regular meetings in 2009. The average meeting length was 2 hours.

The Audit Committee continued the activities of the Supervisory Board's Audit Committee. It discussed the report on the status of corrective measures as of 30 September 2009 and continued to be informed about all actions of the Internal Audit. With regard to the Internal Audit Department, the KPMG report dealing with the qualitative assessment of this department's activities was presented to the Audit Committee. The Committee also considered the Constructive Service Letter prepared by the external auditor Deloitte Audit, s.r.o. Furthermore, the Committee examined in detail the annual internal audit plan for 2010 and strategic plan for 2010–2013. The Audit Committee continuously discussed at its meetings the Group's financial results for each quarter and the budget for 2010. Competition reports and information on the pandemic plan also were submitted to the Audit Committee. At the same time, the Committee was informed on the transformation of Komerční banka Bratislava to a foreign branch. At all its meetings, the Audit Committee discussed issues of market and credit risk management and their current development with regard to the macroeconomic environment. Additional reports and information requested during the year were continuously presented to the Committee.

The Audit Committee continued as well to perform the activities of the Audit Committee of Komerční banka Bratislava, a.s. in accordance with Act No. 198/2007 Coll., on Accounting, in 2009.

Emoluments and Benefits to the Board of Directors and Supervisory Board

Principles of Remuneration for Members of Komerční banka's Board of Directors and Supervisory Board

Board of Directors
The remuneration of the members of the Board of Directors consists of fixed and variable parts.

The fixed remuneration is paid monthly and is the same for all members of the Board of Directors, except for the Chairman.

The variable part of the remuneration (annual bonus) has the same limit for all members of the Board of Directors, with the exception of the Chairman. This maximum amount is determined by the General Meeting. The actual amount of the bonus paid to individual members of the Board of Directors is approved by the General Meeting on the basis of the proposal of the Supervisory Board and its Remuneration and Personnel Committee in the range from zero to the limit.

The amount of the remuneration for members of the Board of Directors is closely linked with the results of the Bank. The aforementioned bodies decide on the remuneration amount in consideration of all relevant financial and business indicators, including development of net profit, net banking income, costs and market shares.

In accordance with the Banking Act, the members of the Board of Directors also act as executive directors in charge of specific arms of the Bank on the basis of a management contract in accordance with the Labour Code. This contract entitles them to a basic salary and other compensation in lieu of salary. No additional remuneration is provided under the management contract. The aforementioned compensation of the members of the Board of Directors for execution of managerial responsibilities is subject to approval by the Supervisory Board.

Members of the Board of Directors that fulfil the established terms and conditions are entitled:
- under the management contract, and under the same conditions as other KB employees, with the exception of KB employees temporarily delegated to the Czech Republic, to contributions from the employer to: retirement pension insurance, capital life insurance, cultural and sporting activities ("cafeteria" plan), work-time meals, and purchase of shares under the SG Global Employee Share Ownership Plan;
- based upon the management function at KB, and under the same conditions

as other KB managers, including KB employees temporarily delegated to the Czech Republic, to the following additional benefits: company car (including for private use) and a contribution to fuel costs for private use of the car; and

- based upon temporary delegation to the Czech Republic from other companies of the Société Générale Group, under standard and global conditions for foreign delegation of the SG Group, to additional benefits relating to long-term stay abroad.

Information on all monetary and in-kind income to the members of the Board of Directors is given in the following section.

Supervisory Board

The remuneration to the members of the Supervisory Board consists of a fixed monthly part and a part dependent on the members' attendance at meetings. The amount of remuneration is set by decision of the General Meeting. In accordance with a resolution of the annual General Meeting held on 17 June 2004, remuneration for the members' attendance at Supervisory Board meetings is limited to the maximum of six meetings per year.

Moreover, members of the Supervisory Board elected by employees are entitled to a basic monthly salary and other compensation in lieu of salary according to their employment contract in accordance with the Labour Code as employees of the Bank.

Members of the Supervisory Board that fulfil the established terms and conditions are entitled:

- under the contract for employment, and under the same conditions as other KB employees, with the exception of members who are KB employees temporarily delegated to the Czech Republic or members without employment in KB, to contributions from the employer to: retirement pension insurance, capital life insurance, cultural and sporting activities ("cafeteria" plan), work-time meals, and purchase of shares under the SG Global Employee Share Ownership Plan.

Information on all monetary and in-kind income to the members of the Supervisory Board is given in the following section.

Information on monetary and in-kind income to members of the Board of Directors and Supervisory Board

In accordance with Act No. 256/2004 Coll., on Capital Market Undertakings, and in conformity with the European Commission Recommendation of 14 December 2004 (2004/913/EC), Komerční banka releases information on all monetary and in-kind income received during the 2009 financial reporting period by members of the Board of Directors and Supervisory Board from the issuer and entities controlled by the issuer. This information is specified for each director and member individually.

The data are published in the structure described in Section III, point 5.3 of the Commission Recommendation:

(A) the total amount of remuneration paid or due to be paid for the services performed in the relevant financial year, including where appropriate the attendance fees fixed by the annual general shareholders meeting;

(B) remuneration and benefits received from any undertaking belonging to the same Group (Note: KB Financial Group);

(C) remuneration paid in the form of profit sharing and/or bonus payments for 2009;

(D) any significant remuneration paid for special services outside the scope of the usual functions (Note: This item covers salary and compensation paid for job performance under the management contract, as described above.);

(E) compensation paid to former members of the Board of Directors or Supervisory Board in connection with the termination of their activities during that financial year; and

(F) the total estimated value of in-kind incomes considered as remuneration not included in the items covered in points (A) to (E).

In the following tables, all the emoluments paid to members of Komerční banka's Board of Directors and Supervisory Board in the structure described above are presented. If no value is shown under a category, that means that no such payment was made to such member by Komerční banka or by entities controlled by it.

Information on shares and share options held by members of the Board of Directors and Supervisory Board and by related persons

The following table provides information on the number of shares issued by Komerční banka and held by members of the Board of Directors and Supervisory Board, or persons related to

Board of Directors (CZK)	(A)	(B)	(D)	(F)	Total
Henri Bonnet, Chairman	1,104,545	10,710	1,397,422	515,386	3,028,063
Laurent Goutard, Chairman	7,237,643	14,790	1,636,843	785,386	9,674,662
Didier Colin	4,584,454	21,335	1,574,971	1,008,513	7,189,273
Vladimír Jeřábek	5,760,000	308,451	1,446,173	207,093	7,721,717
Jan Juchelka	4,460,000	241,286	899,477	253,425	5,854,188
Peter Palečka	5,160,000	303,766	2,037,224	253,273	7,754,263
Patrice Taillandier-Thomas	3,503,361	1,785	1,577,035	2,884,607	7,966,788

them, as well as information on options and similar contracts whose underlying assets are equity securities issued by KB and which were concluded by or on behalf of the listed persons.

No members of the Board of Directors, members of the Supervisory Board or their relatives were contractual parties, directly or indirectly, for any option or similar contract whose underlying assets were equity securities issued by KB.

Supervisory Board (CZK)	(A)	(B)	(D)	(F)	Total
Didier Alix, Chairman	825,000	0	0	0	825,000
Jean-Louis Mattei, Vice-Chairman	330,000	0	0	0	330,000
Séverin Cabannes	297,000	0	0	0	297,000
Bořivoj Kačena	333,500	0	0	0	333,500
Pavel Krejčí*	330,000	65,079	338,430	0	733,509
Jan Kučera*	140,870	42,369	173,639	0	356,878
Petr Laube	330,000	0	0	0	330,000
Dana Neubauerová*	209,000	33,399	387,347	18,962	648,708
Christian Poirier	330,000	0	0	0	330,000
Karel Přibil*	209,000	27,220	210,000	0	446,220
Nina Trlicová*	140,870	22,718	242,371	0	405,959

* Elected by KB employees, total emoluments include regular salaries. Emolument paid to these persons are given for the period in which the function was held.

Additional information in accordance with Section 118 (5) (f), (i), (j) and (k) of the Act on Capital Market Undertakings

Komerční banka is aware of no contracts made between its shareholders as a result of which the transferability of the shares or of voting rights would become more complicated. Komerční banka has entered into no significant contracts which take effect, are altered or terminate if the person or entity in control of Komerční banka changes as a consequence of a takeover bid. Komerční banka has entered into no contract with a member of its Board of Directors or any employee stipulating an obligation for Komerční banka to perform in the event that such person would cease to serve as a member of the Board of Directors or cease to be employed in connection with a takeover bid. Komerční banka has established no programmes enabling the members of the Board of Directors and employees of the Bank to acquire the Bank's securities, options on these securities or other rights under preferential conditions.

Information about special rules on the revision of the Bank's Articles of Association

If a revision of the Articles of Association of Komerční banka is to be on the agenda of the General Meeting, then the notice calling the General Meeting must at least generally describe the proposed changes and these proposed changes to the Articles of Association must be available for shareholders' inspection at the Bank's headquarters and on its website for the period established for convening of a General Meeting. Shareholders have a right to request a copy of the proposed Articles of Association at their own cost and risk. These rights are notified to the shareholders in the notice calling the General Meeting.

If a shareholder wishes to raise counterproposals to the proposed changes to the Articles of Association at the General Meeting, the shareholder is obligated to deliver the written wording of such proposal or counterproposal to the Bank no later than five business days prior to the General Meeting. The Board of Directors is obligated to publish the proposal so delivered along with its viewpoint with regard to it in the way specified for the convening of the General Meeting, if possible, at least three days prior to the announced date of the General Meeting.

Decisions on changes to the Articles of Association are made by the General Meeting and carried by two thirds of those votes of the attending shareholders upon a proposal of the Board of Directors, of the Supervisory Board, or of one or more shareholders in accordance with the Commercial Code and with the Articles of Association. Decisions on changes to the Articles of Association must be recorded by means of a notarial deed. Komerční banka is obligated to report to the Czech National Bank its intention to make changes to the Articles of Association relating to the facts that must be stated in the Articles of Association based on a requirement set forth by the Commercial Code or by the Banking Act.

Information on internal control and approach to risks in the accounting reporting process

To ensure true and accurate presentation of the facts in accounting and proper compilation of the financial statements, the Bank uses a number of tools in several areas, beginning with tools used for proper recording of individual transactions through controls and finally in the area of preparing the statements and their control.

The tools used for proper recording of transactions, events, trades, and the like in accounting include in particular the selection of appropriate systems (applications) for their recording and processing, thorough testing during their implementation, maximum automation of all repetitive processes, as well as setting and maintaining access rights to individual systems. Setting up systems, processes and controls is always formally governed by the Bank's internal regulations.

Compliance of the accounting methods used with IFRS in particular is ensured by an independent department that regularly monitors development in these standards and other regulatory rules, analyses effects ensuing therefrom, and implements them in co-operation with the relevant departments. For more information on the rules used, see the Notes to the Financial Statements, note 3 "Principal accounting policies" and note 44 "Risk management and financial instruments".

The Bank utilises a system of defining responsibilities for individual ledger accounts, the so-called control system, under which a particular employee authorised to dispose with and an employee responsible for account analysis is assigned to each account of the general ledger. The control over account analysis includes in particular the duty to specify at any time the account balance, monitor its balance and movements, as well as responsibility for attending to the related documents. The control over account analysis also involves reconciliation of data in supporting systems relating to the data in the general ledger at specified regular intervals.

The area of tools in the area of controls may be divided into two parts: control of accuracy of input data and follow-up control over the consistency and integrity of the functioning and accounting of the individual systems.

Input data accuracy control is done especially in the Distribution and Operations sections within the first level of the control system that constitutes the basis of the Bank's internal control system. The first level of the control system establishes the control activities of the management employees so that there occurs oversight over operational risks arising from the activities of the relevant departments; monitoring of the quality, effectiveness and reliability of the established work procedures; verification of the employees' compliance with the applicable regulations and procedures; and determination of corrective measures in cases when deficiencies are identified.

Follow-up control is carried out particularly by the independent department of the Accounting and Reporting Division that in particular checks the data in the accounting using analytical procedures. The main analytical procedures may be classified as control in accordance with data consistency as of the current date with the development in the past, consistency between financial and non-financial data (numbers of transactions, trades, etc.), and consistency between the changes in the balance sheet and income statement. The changes in the development of individual items of the financial statements or directly in the general ledger accounts are regularly analysed and these changes are subsequently reconciled to the changes in trades, prices for services provided, and market data, or that are attributable to one-off items.

An automated system is used to process most financial statements and in most cases detailed data from source systems is used for their creation and this data is reconciled to the general ledger while at the same time the accuracy of the data in the general ledger is checked.

The effectiveness of internal controls is regularly evaluated by both internal and external audits.

31 December 2009	Shares	Options
Board of Directors		
Henri Bonnet, Chairman	0	0
Didier Colin	0	0
Vladimír Jeřábek	0	0
Jan Juchelka	0	0
Peter Palečka	4,700	0
Patrice Taillandier-Thomas	0	0
Supervisory Board		
Didier Alix, Chairman	0	0
Jean-Louis Mattei, Vice-Chairman	0	0
Séverin Cabannes	0	0
Bořivoj Kačena	0	0
Pavel Krejčí	0	0
Petr Laube	4,890	0
Dana Neubauerová	0	0
Christian Poirier	0	0
Karel Přibil	0	0
Close persons (total)	0	0

The volume of loans granted to businesses in agriculture and the food industry reached CZK 15.3 billion.


3

Report by the Supervisory Board

Throughout 2009, the Supervisory Board carried out the tasks as defined by law and by the Articles of Association. It supervised the exercise of powers by the Board of Directors, checked the accounts and other financial documents of Komerční banka, a.s., ascertained the effectiveness of the management and control system and made its regular assessments.

Having checked the Bank's regular and consolidated financial statements for the period from 1 January 2009 to 31 December 2009, and on the basis of the report of the external auditor, the Supervisory Board reports that the accounts were maintained in a transparent manner and in accordance with generally binding regulations providing for banks book-keeping. The accounts show all important aspects of the financial situation of Komerční banka, a.s., and the financial statements worked out on their basis present a full and accurate picture of the Bank's accounting and financial situation.

The Bank's auditor, company Deloitte Audit s.r.o., performed an audit of the Bank's consolidated and unconsolidated financial statements worked out under the International Financial Reporting Standards (IFRS). The report was unqualified.

The Supervisory Board recommends that the general meeting approve the regular and consolidated financial statements and the distribution of profit for the year 2009 as proposed by the Board of Directors of the Bank.

The Supervisory Board checked the Report on relations among related entities in 2009 drawn up under S. 66a (9) of the Commercial Code, and states on the basis of the presented documents that, during the accounting period from 1 January 2009 to 31 December 2009, Komerční banka, a.s., did not suffer any harm resulting from the contracts and agreements made with the related entities.

Prague, 24 March 2010

On behalf of the Supervisory Board of Komerční banka, a.s.:

Didier Alix
Chairman

Sworn Statement

Komerční banka, a.s., hereby declares that all information and data contained in this annual report are accurate and correct. It further confirms that this document contains all facts that may be important for decisions taken by investors.

Komerční banka, a.s., also declares that as at the date on which the annual report was compiled no negative changes had occurred in the financial situation, nor there were any other changes which might have affected the accurate and correct assessment of the Bank's financial situation.

Prague, 6 April 2010

Signed on behalf of the Board of Directors:

Henri Bonnet
Chairman of the Board of Directors and CEO

Peter Palečka
Member of the Board of Directors and Senior Executive Director

Independent Auditor's Report to the Shareholders of Komerční banka, a.s.

Having its registered office at: Praha 1, Na Příkopě 33, čp. 969, PSČ 114 07
Identification number: 453 17 054

Report on the Consolidated Financial Statements

Based upon our audit, we issued the following audit report dated 26 February 2010 on the consolidated financial statements which are included in this annual report on pages 82 to 136:

"We have audited the accompanying consolidated financial statements of Komerční Banka, a.s. and subsidiaries, which comprise the statement of financial position as of 31 December 2009, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Komerční banka, a.s. and subsidiaries as of 31 December 2009, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU."

Report on the Unconsolidated Financial Statements

Based upon our audit, we issued the following audit report dated 26 February 2010 on the unconsolidated financial statements which are included in this annual report on pages 137 to 190:

"We have audited the accompanying financial statements of Komerční Banka, a.s., which comprise the statement of financial position as of 31 December 2009, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of Komerční Banka, a.s. as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU."

Report on the Related Party Transactions Report

We have also reviewed the factual accuracy of the information included in the related party transactions report of Komerční Banka, a.s. for the year ended 31 December 2009 which is included in this annual report on pages 200 to 208. This related party transactions report is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the related party transactions report is free of material factual misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the related party transactions report and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information contained in the related party transactions report of Komerční Banka, a.s. for the year ended 31 December 2009 contains material factual misstatements.

The Company has decided not to disclose amounts under related party contracts citing business secrecy restrictions.

Report on the Annual Report

We have also audited the annual report for consistency with the financial statements referred to above. This annual report is the responsibility of the Company's Statutory Body. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the information included in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the information included in the annual report is consistent, in all material respects, with the financial statements referred to above.

In Prague on 6 April 2010

Audit firm:

Deloitte Audit s.r.o.
Certificate no. 79

Statutory auditor:

Diana Rádl Rogerová
certificate no. 2045

Financial Section

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Consolidated Financial Statements in Accordance with IFRS and Independent Auditor's Report as of 31 December 2009

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Komerční banka, a.s.

Having its registered office at: Praha 1, Na Příkopě 33, čp. 969, PSČ 114 07
Identification number: 45317054

We have audited the accompanying consolidated financial statements of Komerční banka, a.s. and subsidiaries, which comprise the statement of financial position as of 31 December 2009, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Komerční banka, a.s. and subsidiaries as of 31 December 2009, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

In Prague on 26 February 2010

Audit firm:	Statutory auditor:
Deloitte Audit s.r.o. certificate no. 79	Diana Rádl Rogerová certificate no. 2045

Consolidated Income Statement and Statement of Comprehensive Income for the year ended 31 December 2009

Consolidated income statement for the year ended 31 December 2009

CZK million	Note	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Interest income and similar income	5	37,682	42,432
Interest expense and similar expense	5	(15,679)	(21,410)
Income from dividends	5	85	239
Net interest income and similar income		**22,088**	**21,261**
Net fee and commission income	6	7,745	8,050
Net profit on financial operations	7	3,024	4,223
Other income	8	184	180
Net operating income		**33,041**	**33,714**
Personnel expenses	9	(6,434)	(6,320)
General administrative expenses	10	(6,126)	(6,606)
Depreciation, impairment and disposal of fixed assets	11	(1,468)	(1,581)
Total operating expenses		**(14,028)**	**(14,507)**
Profit before provision for loan and investment losses, other risk and income taxes		**19,013**	**19,207**
Provision for loan losses	12	(5,344)	(2,815)
Provisions for impairment of securities	12	6	(152)
Provisions for other risk expenses	12	(85)	(3)
Cost of risk		**(5,423)**	**(2,970)**
Income from share of associated companies	13	24	12
Profit attributable to exclusion of companies from consolidation	13	0	150
Share of profit of pension scheme beneficiaries	13	(65)	(142)
Profit before income taxes		**13,549**	**16,257**
Income taxes	14	(2,455)	(3,024)
Net profit		**11,094**	**13,233**
Profit attributable to the Bank's equity holders		11,007	13,161
Minority profit		87	72
Earnings per share (in CZK)	**16**	**292.30**	**348.70**

Consolidated statement of comprehensive income for the year ended 31 December 2009

CZK million	Note	2009	2008
Net profit		11,094	13,233
Hedging of cash flows			
– Net fair value gain (loss), net of tax		(246)	4,733
– Transfer to net profit, net of tax		(924)	(390)
Foreign exchange rate differences from the remeasurement of net assets from foreign investments		(6)	35
Net value gain on financial assets available for sale, net of tax		2,645	1,493
Net value gain on financial assets available for sale, net of tax (associated companies)		34	46
Other comprehensive income for the period, net of tax		**1,503**	**5,917**
COMPREHENSIVE INCOME FOR THE PERIOD		**12,597**	**19,150**
Comprehensive income attributable to:			
Bank's equity holders		12,510	19,078
Minority owners		87	72

The accompanying notes are an integral part of this consolidated income statement and statement of comprehensive income.

Consolidated Statement of Financial Position as of 31 December 2009

Assets

CZK million	Note	31 Dec 2009	31 Dec 2008
Cash and current balances with central banks	17	16,271	13,961
Financial assets at fair value through profit or loss	18	24,442	43,993
Positive fair value of hedging financial derivative transactions	44	9,590	9,146
Financial assets available for sale	19	114,067	98,164
Assets held for sale	20	245	429
Amounts due from banks	21	131,271	146,098
Loans and advances to customers	22	372,303	364,040
Investments held to maturity	23	6,785	1,435
Income taxes receivable	14	32	6
Prepayments, accrued income and other assets	24	4,422	6,167
Investments in associates and unconsolidated subsidiaries	25	605	550
Intangible fixed assets	26	3,723	3,504
Tangible fixed assets	27	7,729	8,000
Goodwill	28	3,551	3,551
Total assets		**695,036**	**699,044**

Liabilities

Amounts due to central banks		2	1
Financial liabilities at fair value through profit or loss	29	12,273	20,155
Negative fair value of hedging financial derivative transactions	44	6,539	5,244
Amounts due to banks	30	18,739	11,114
Amounts due to customers	31	551,809	554,570
Securities issued	32	18,172	24,128
Income taxes payable	14	104	186
Deferred tax liability	35	756	575
Accruals and other liabilities	33	9,890	12,075
Provisions	34	1,998	2,019
Subordinated debt	36	6,001	6,003
Total liabilities		**626,283**	**636,070**
Shareholders' equity			
Share capital	37	19,005	19,005
Share premium and reserves		48,529	42,837
Minority equity		1,219	1,132
Total shareholders' equity		**68,753**	**62,974**
Total liabilities and shareholders' equity		**695,036**	**699,044**

The accompanying notes are an integral part of this consolidated statement of financial position.

These financial statements were approved by the Board of Directors on 26 February 2010.

Signed on behalf of the Board of Directors:

Henri Bonnet
Chairman of the Board of Directors
and CEO

Peter Palečka
Member of the Board
and Deputy CEO

Consolidated Statement of Changes in Shareholders' Equity for the year ended 31 December 2009

CZK million	Share capital	Capital and reserve funds and undistributed profit*	Hedging instruments	Revaluation gains or losses	Revaluation of available-for-sale financial assets	Total	Minority interest	Total, including minority interest
Balance at 1 January 2008	**19,005**	**32,137**	**(791)**	**(31)**	**(726)**	**49,594**	**1,060**	**50,654**
Treasury shares, other	0	2	0	0	0	2	0	2
Payment of dividends	0	(6,832)	0	0	0	(6,832)	0	(6,832)
Transactions with owners	**0**	**(6,830)**	**0**	**0**	**0**	**(6,830)**	**0**	**(6,830)**
Profit for the period	0	13,161	0	0	0	13,161	72	13,233
Other comprehensive income for the period, net of tax	0	46	4,343	35	1,493	5,917	0	5,917
Comprehensive income for the period	**0**	**13,207**	**4,343**	**35**	**1,493**	**19,078**	**72**	**19,150**
Balance at 31 December 2008	**19,005**	**38,514**	**3,552**	**4**	**767**	**61,842**	**1,132**	**62,974**
Treasury shares, other	0	14	0	0	0	14	0	14
Payment of dividends	0	(6,832)	0	0	0	(6,832)	0	(6,832)
Transactions with owners	**0**	**(6,818)**	**0**	**0**	**0**	**(6,818)**	**0**	**(6,818)**
Profit for the period	0	11,007	0	0	0	11,007	87	11,094
Other comprehensive income for the period, net of tax	0	34**	(1,170)	(6)	2,645	1,503	0	1,503
Comprehensive income for the period	**0**	**11,041**	**(1,170)**	**(6)**	**2,645**	**12,510**	**87**	**12,597**
Balance at 31 December 2009	**19,005**	**42,737**	**2,382**	**(2)**	**3,412**	**67,534**	**1,219**	**68,753**

Note: *) Capital and reserve funds and undistributed profit consist of statutory reserve funds, other funds created from profit, share premium, purchased treasury shares, undistributed net profit from the period and retained earnings. Retained earnings amount to CZK 26,853 million.

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

The accompanying notes are an integral part of this statement of changes in shareholders' equity.

Consolidated Cash Flow Statement for the year ended 31 December 2009

CZK million	Year ended 31 Dec 2009		Year ended 31 Dec 2008	
Cash flows from operating activities				
Interest receipts	34,457		39,556	
Interest payments	(15,066)		(21,116)	
Commission and fee receipts	9,581		9,739	
Commission and fee payments	(1,798)		(1,701)	
Net income from financial transactions	3,060		4,547	
Other income receipts	203		336	
Cash payments to employees and suppliers, and other payments	(12,933)		(12,689)	
Operating cash flow before changes in operating assets and operating liabilities	**17,504**		**18,672**	
Due from banks	14,911		55,502	
Financial assets at fair value through profit or loss	19,517		(9,884)	
Loans and advances to customers	(14,056)		(60,692)	
Other assets	1,749		(4)	
Total (increase)/decrease in operating assets	**22,121**		**(15,078)**	
Amounts due to banks	10,845		(3,424)	
Financial liabilities at fair value through profit or loss	(7,827)		12,450	
Amounts due to customers	(2,612)		13,934	
Other liabilities	(1,948)		173	
Total increase/(decrease) in operating liabilities	**(1,542)**		**23,133**	
Net cash flow from operating activities before taxes	38,083		26,727	
Income taxes paid	(2,437)		(2,848)	
Net cash flows from operating activities		**35,646**		**23,879**
Cash flows from investing activities				
Dividends received	85		185	
Purchase of investments held to maturity	(1,609)		0	
Maturity of investments held to maturity*	388		1,634	
Purchase of financial assets available for sale	(24,665)		(22,274)	
Sale and maturity of financial assets available for sale*	11,270		8,639	
Purchase of tangible and intangible fixed assets	(1,594)		(2,225)	
Sale of tangible and intangible fixed assets	389		444	
Net cash flow from investing activities		**(15,736)**		**(13,597)**
Cash flows from financing activities				
Paid dividends	(6,786)		(6,814)	
Securities issued	3,224		301	
Securities redeemed*	(10,448)		(5,236)	
Net cash flow from financing activities		**(14,010)**		**(11,749)**
Net increase/(decrease) in cash and cash equivalents	**5,900**		**(1,467)**	
Cash and cash equivalents at beginning of year	**10,415**		**11,882**	
Cash and cash equivalents at end of year (see Note 38)		**16,315**		**10,415**

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

The accompanying notes are an integral part of this unconsolidated cash flow statement.

1. Principal activities

The Financial Group of Komerční banka, a.s. (the 'Group') consists of Komerční banka, a.s. (the 'Bank') and 10 subsidiaries and associated undertakings. The parent company of the Group is the Bank which is incorporated in the Czech Republic as a joint stock company. The principal activities of the Bank are as follows:

I. Providing loans, advances and guarantees in Czech crowns and foreign currencies;
II. Acceptance and placement of deposits in Czech crowns and foreign currencies;
III. Providing current and term deposit accounts in Czech crowns and foreign currencies;
IV. Providing banking services through an extensive branch network in the Czech Republic;
V. Treasury operations in the interbank market;
VI. Servicing foreign trade transactions; and
VII. Investment banking.

The Bank generates a substantial proportion of the Group's income and represents substantially all of the assets and liabilities of the Group.

The registered office address of the Bank is Na Příkopě 33/969, 114 07 Prague 1.

In addition to its operations in the Czech Republic, the Group has operations in Slovakia through its subsidiary Komerční banka Bratislava, a.s. and in Belgium through its subsidiary Bastion European Investments S.A.

The Bank's ordinary shares are publicly traded on the Prague Stock Exchange. Société Générale is the Bank's majority shareholder, holding 60.35 percent (2008: 60.35 percent) of the Bank's issued share capital.

The main activities of subsidiary companies of the Bank as of 31 December 2009

Company's name	Direct holding %	Group holding %	Principal activity	Registered office
Penzijní fond Komerční banky, a.s.	100.0	100.0	Pension fund	Prague
Komerční banka Bratislava, a.s.	100.0	100.0	Banking services	Bratislava
Modrá pyramida stavební spořitelna, a.s.	100.0	100.0	Building society	Prague
Protos, uzavřený investiční fond, a.s.	89.64	100.0	Investments	Prague
Factoring KB, a.s.	100.0	100.0	Factoring	Prague
ALL IN REAL ESTATE LEASING, a.s.	100.0	100.0	Support banking services	Prague
Bastion European Investments S.A.	99.98	99.98	Financial services	Brussels
ESSOX s. r. o.	50.9	50.9	Consumer loans, leases	České Budějovice

The main activities of associated companies of the Bank as of 31 December 2009

Company's name	Direct holding %	Group holding %	Principal activity	Registered office
Komerční pojišťovna, a.s.	49.0	49.0	Insurance	Prague
CBCB - Czech Banking Credit Bureau, a.s.	20.0	20.0	Data collection for credit risk assessments	Prague

2. Events for the year ended 31 December 2009

Change in the Chief Executive Officer and Chairman of the Board of Directors of the Bank

Laurent Goutard, the CEO and Chairman of the Board of Directors discontinued his activities in the Bank as of 9 September 2009. He has assumed the role of Deputy Director for Retail Banking and Director of the French distribution network in Société Générale in Paris with effect from 1 November 2009.
The Supervisory Board of the Bank elected Henri Bonnet a member of the Board of Directors with effect from 10 September 2009. The Board of Directors of the Bank subsequently elected Henri Bonnet Chairman of the Board of Directors and appointed him the Chief Executive Officer with effect from the same date. Henri Bonnet replaced Laurent Goutard as Chairman of the Supervisory Board of Modrá pyramida stavební spořitelna, a.s. with effect from 11 September 2009. The Czech National Bank assessed qualifications, credibility and experience of Henri Bonnet and agreed that he work as a member of the Board of Directors of the Bank.

Dividends declared in respect of the year ended 31 December 2008

At the General Meeting held on 29 April 2009, the shareholders approved a dividend for the year ended 31 December 2008 of CZK 180 per share before tax. The dividend was declared in the aggregate amount of CZK 6,832 million. An amount of CZK 310 million was allocated to the reserve fund and CZK 4,653 million was allocated to retained earnings.

Changes in the Bank's Financial Group

In June 2009, the Bank decreased the equity of Bastion European Investments S.A. by EUR 1.8 million (CZK 51 million). In October 2009, the Bank increased the share capital in Komerční banka Bratislava, a.s. by EUR 15 million (CZK 382 million). In December 2009, the Company recognised a provision against the equity investment in ALL IN REAL ESTATE LEASING, a.s. in the amount of CZK 2 million. For additional details about the changes in the Bank's Financial Group, refer to Note 25.

In October 2009, the Board of Directors of the Bank approved the project for the change in the legal status of Komerční banka Bratislava a.s. into an organisational branch through a cross-border merger. The Bank determined that the effective date of the merger would be 1 January 2010. The Bank anticipates that the change will be recorded in the Register of Companies before 31 December 2010.

Uncertainty about the impact of the global financial crisis

In the year ended 31 December 2009, the global financial and economic crisis predominantly impacted the cost of risk. The presented consolidated financial statements for the year ended 31 December 2009 are based on the current best estimates and management of the Group believes that they present the truest and fairest view of the Group's financial results and financial position using all relevant and available information at the financial statements date.

The Group might be influenced by the global financial and economic crisis going forward. The Group might be exposed to increased risk mainly due to the high volatility and uncertainty regarding the valuation, possible impairment of assets, contingent liabilities and future development of the markets. Those potential risks may have an impact on the Group's financial statements in the future.

3. Principal accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

(a) Basis of accounting

The consolidated statutory financial statements are prepared in accordance with and comply with International Financial Reporting Standards ('IFRS') as adopted by the European Union, applicable for consolidated financial statements effective for the year ended 31 December 2009. As of the date of issuance of these consolidated financial statements, IFRS as adopted by the European Union do not differ from IFRS, except for fair value hedge accounting under IAS 39 applied to interest rate hedging on a portfolio basis for banking deposits which has not been approved by the EU. In addition, the European Commission has not approved the following effective standards and interpretations, and/or their amendments:

- 2009 Annual Improvements;
- IAS 24 (revised) Related Party Disclosures;
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – additional exceptions;
- Amendment to IFRS 2 Share-Based Payments – group cash-settled share-based payment transactions;
- IFRS 9 Financial Instruments;
- Amendment to IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement; and
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

The consolidated financial statements are prepared on the accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur and are reported in the financial statements of the periods to which they relate, and on the going concern assumption. The consolidated financial statements include a statement of financial position, a statement of comprehensive income, a statement of changes in shareholders' equity, a cash flow statement and notes to the financial statements containing accounting policies and explanatory disclosures.

The consolidated financial statements are largely prepared under the historical cost convention, as modified by the fair value remeasurement of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss and all derivative contracts at the balance sheet date. Available-for-sale non-financial assets are stated at the lower of the amount before classification in this category and the estimated selling price less costs to sell. Assets that are not remeasured to fair value and suffered impairment are stated at the higher of net recoverable amount and value in use.

Assets and liabilities are not offset unless expressly permitted by IFRS.

The Bank maintains its books of account and regularly prepares the required statements in accordance with IFRS. The Bank also prepares consolidated financial statements under IFRS which show the consolidated results of the Group.

The reporting currency used in the consolidated financial statements is the Czech crown ('CZK') with accuracy to CZK million.

(b) Basis of consolidation

Subsidiary undertakings, which are those companies in which the Bank, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been fully consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date of disposal. All intercompany transactions have been eliminated.

Investments in unconsolidated subsidiaries are recognised in the consolidated statement of financial position at cost less any provisions.

Investments in associated undertakings are accounted for using the equity method of accounting. These are undertakings in which the Bank has between 20 percent and 50 percent of the voting rights, and over which the Bank exercises significant influence, but which it does not control. Equity accounting involves recognising in the income statement the Group's share of the associates' profit or loss for the period. The Group's interest in the associates is carried in the statement of financial position at an amount that reflects its share of net assets of the associates and includes goodwill on acquisition.

(c) Use of estimates

The presentation of consolidated financial statements in conformity with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and their reported amounts of revenues and expenses during the reporting period. These estimates, which specifically relate to the determination of fair values of financial instruments, valuation of intangible assets, impairment of assets and provisions, are based on the information available at the balance sheet date. The current global economic crisis, its acceleration and market turbulence increase the risk that the actual results and outcomes may significantly differ from these estimates. Key areas with a potential for significant differences between the actual results and the estimates principally include loan provisioning and fair values of securities. Information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are disclosed in individual notes as appropriate.

(d) Dates of recognition and derecognition of financial instruments from the Group's balance sheet

All financial assets with normal delivery terms are recognised using settlement date accounting. The settlement (collection) date is the day on which the financial instrument is delivered (cash payment). When settlement date accounting is applied, the financial asset is recognised on the day of receipt of a financial instrument (sending of cash) and derecognised on the day of its provision (collection of cash). However, in case a portfolio of financial assets measured at fair value, the acquired financial asset is measured reflecting changes in its fair value from the purchase trade date to the sale trade date according to the categorisation into an individual portfolio, accrued interest on debt financial assets is recognised from the purchase settlement date to the sale settlement date.

All loans and receivables are recognised when funds are provided to customers. Loans and receivables are derecognised when fully repaid by the borrower. Assigned receivables are derecognised when payment is collected from the assignee, and receivables which the Group decided to write off are derecognised at the write-off date.

The Group remeasures derivative instruments at fair value from the trade date to the settlement date, that is, delivery of the last related cash flow.

The Group derecognises financial liabilities from the statement of financial position exclusively at the date when the financial liability extinguishes, i.e. in circumstances where a contractually defined obligation is fulfilled, cancelled or ceases to be valid.

(e) Foreign currency translation

Transactions and balances are presented in the currency of the primary economic environment in which the Group operates (its functional currency). The Group's functional currency are Czech crown (CZK) and Euro. Transactions in currencies other than the Group's functional currencies (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions.

The presentation currency, in which the consolidated financial statements are prepared, is Czech crowns.

At each balance sheet date:

(i) cash items denominated in foreign currencies are translated into CZK at the CNB's rate ruling at the financial statements date;
(ii) non-cash items denominated in foreign currencies, which are stated at historical cost, are translated into CZK at the CNB's rate ruling at the transaction date; and
(iii) non-cash items denominated in foreign currencies, which are measured at fair value, are translated into CZK at the CNB's rate ruling at the date on which the fair value was determined.

Gains or losses arising from movements in exchange rates after the date of the transaction are recognised in 'Net profit/(loss) on financial operations.' This does not apply to foreign exchange rate differences arising from the cost of equity financial assets available for sale, foreign exchange rate differences arising from the remeasurement of financial assets available for sale and foreign exchange rate differences from foreign currency non-derivative financial liabilities (current accounts, deposits) which the Group uses to hedge against currency risk of the net investments in foreign operations and anticipated asset purchase transactions. These foreign exchange rate difference are recognised in equity (refer to (h) Securities and (r) Derivative financial instruments and hedging).

(f) Cash and cash equivalents

Cash comprises cash on hand and cash in the process of collection.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes.
In preparing its cash flow statement for the period, the Group includes in cash and cash equivalents at the beginning and end of the period cash and balances with central banks and current amounts due from and to banks.

(g) Originated loans and provisions for loan impairment

Loans originated by the Group by providing money directly to a borrower are categorised as loans originated by the Group and are stated at amortised cost in 'Loans and advances to customers'.

The Group charges penalty interest to borrowers when a portion of the loan falls overdue. Pursuant to the Group's policies, penalty interest is not covered by the collateral set aside against the loan of the borrower. Default interest is not recognised as interest income on an accruals basis but on a cash basis when collected.

If there is any objective evidence that a loan may be impaired (deterioration of a debtor's financial health, payment default, etc), the amortised cost of the loan is reduced through a provision to its present estimated recoverable value. Estimated recoverable values are arrived at depending upon the classification of the client, taking into account collateral, if any, received by the Group. The recognition, use and release of provisions is accounted for on a monthly basis always by reference to the loan balances at the month-end. The provision is reduced if objective reasons for loan impairment cease to exist. In such cases, the original amount is reversed and a required provision is recognised. Provisions are used upon a sale or a write-off of the loan and released to income when the reasons for maintaining the provision cease to exist (for example, when the loan is repaid). The provisioning policy is set out in Note 44 ('Provisioning for receivables') to these financial statements.

The Group writes off loss loans when it can be reasonably anticipated that clients will be unable to fulfil their obligations to the Group in respect of these loans. Subsequent recoveries are credited to the income statement in 'Provision for loan losses' if previously written off. If the Bank collects higher amount than that written off subsequent to the write off of the loan, the difference is reported through 'Interest income and similar income'.

(h) Securities

Securities held by the Group are categorised into portfolios in accordance with the Group's intent on the acquisition of the securities and pursuant to the Bank's security investment strategy. The Group has allocated securities to the 'At fair value through profit or loss' portfolio, the 'Available for sale' portfolio, the 'Held to maturity' portfolio and the 'Loans and receivables' portfolio.

All purchases and sales of securities held for trading that require delivery within the time frame established by regulation or market convention (purchases and sales with standard settlement terms) are recognised as spot transactions.

All purchases and sales of securities that do not meet the 'regular way' settlement criterion in the securities marketplace concerned are treated as financial derivatives.

Upon initial recognition in the statement of financial position, all securities held by the Group are carried at fair value which is the cost for spot transactions and the current fair value for derivative transactions. Except for securities included in the financial assets at fair value through profit or loss portfolio, the cost also includes direct transaction costs related the purchase of a security.

All instruments carried in the financial assets at fair value through profit or loss portfolio and the financial assets available for sale portfolio are subsequently remeasured at fair value determined according to the "Hierarchy of Fair Values" which reflects the significance of the input information used to determine the fair values of financial instruments. The Hierarchy of Fair Values has the following three levels:

- Level 1: Prices quoted for specific financial instruments on active markets (without modification);
- Level 2: Prices quoted on active markets for similar financial instruments or other valuation techniques for which all significant input information is based on data identifiable on the market; and
- Level 3: Valuation techniques for which no significant input information is based on data identifiable on the market.

The fair value is included in the Hierarchy according to the lowest classified significant input used in its determination. The significant input information is the information which has a significant impact on the total fair value of the specific instrument.

The fair value is established by reference to the price quoted on a market. The Group treats a security as quoted on an active market if the quoted market prices are readily and regularly available from the stock exchange, dealers, securities traders, industrial groups, valuation services or regulatory authorities and these prices represent current and regular market transactions under ordinary conditions. The market price is determined on the basis of information published in the Reuters and Bloomberg information systems or directly from binding quotations obtained from market participants.

In circumstances where appropriate market quotations are not readily available, do not exist, are deemed unreliable or are not immediately updated to reflect the movements in the underlying market parameters, the securities held by the Group are valued using the model of discounting future cash flows (valuation at the credit spread above the zero-risk yield curve). The parameters of the model are based on the credit spread of the relevant security and/or prices of comparable securities. The model is reassessed at regular intervals – securities are revalued at current market quotations; if an inaccuracy of the model is identified, parameters are adjusted in order to better reflect the fair value. The length of the interval for revaluation of the model is derived from the volume of the measured securities in the portfolio.

The cost of debt securities is gradually increased to reflect the accrued interest income using the effective interest rate method. Interest income which includes the accrued coupon adjusted for the accrued difference between the nominal value of the security and its cost is recognised from the purchase settlement date to the sale settlement date.

Dividend income arising from equity securities is recorded as the dividends are declared and is included as a receivable in the statement of financial position line 'Prepayments, accrued income and other assets' and in 'Income from dividends' in the income statement. Upon receipt of the dividend, the receivable is offset against the collected cash.

Transactions with treasury shares that are settled on a gross basis by the delivery of treasury shares have a direct impact on the Group's equity.

The Group assesses on a regular basis whether securities may be impaired, the only exception being securities at fair value through profit or loss. A financial asset is impaired if there is objective evidence of impairment or if its carrying amount is greater than its estimated recoverable amount. When an impairment of assets is identified, the Group recognises provisions through the income statement line 'Provision for impairment of securities' for debt instruments. The Group recognises impairment through the income statement line Net profit/(loss) on financial operations for equity instruments.

Financial assets at fair value through profit or loss

Securities designated as 'At fair value through profit or loss' are securities held for trading (equity and debt securities, treasury bills, bills of exchange and participation certificates) acquired by the Group for the purpose of generating a profit from short-term fluctuations in prices. These securities are accounted for and stated at fair value which approximates the price quoted on recognised stock exchanges or any other public securities markets.

Unrealised gains and losses arising from the fair value remeasurement of securities as well as realised gains and losses are recognised as income in the income statement line 'Net profit/(loss) on financial operations.'

Available for sale financial assets

Available for sale financial assets are those financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. This portfolio comprises equity securities and debt securities, including asset backed securities, and participation certificates. Financial assets available for sale are accounted for and stated at fair value.

Accrued interest income is recognised through the income statement line 'Interest income and similar income'. Unrealised gains or losses from the fair value remeasurement of securities are included in the 'Revaluation of available-for-sale financial assets' in equity until their sale, maturity or impairment. Fair value changes arising from changes in foreign exchange rates are presented in equity and changes in the amortised cost arising from changes in foreign exchange rates are included in the income statement.

In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value of future cash flows and the fair value of unquoted equity instruments is estimated using applicable price/earnings or price/book value ratios refined to reflect the specific circumstances of the issuer and according to the principle of prudence. If equity securities cannot be measured using the methods referred to above or on any other valuation basis they are carried at cost.

The estimated recoverable amount of financial assets available for sale is equal to the current fair value of the assets. The estimated recoverable amount of equity and debt securities, for which the fair value cannot be reliably determined, is equal to the present value of the expected future cash flows discounted at the current market interest rate for similar financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(i) assets that the Group intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the Group upon initial recognition designates as at fair value through profit or loss;
(ii) assets that the Group upon initial recognition designates as available for sale; or
(iii) assets for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

These securities are measured on the same basis as investments held to maturity and are reported in the statement of financial position together with amounts due from banks under 'Amounts due from banks' or together with amounts due from customers under 'Loans and advances to customers', as appropriate.

Investments held to maturity

Investments held to maturity are financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity. Held to maturity investments are carried at amortised cost using the effective interest rate method.

The estimated recoverable amount of investments held to maturity is equal to the present value of the expected future cash flows discounted at the financial instrument's original effective interest rate.

(i) Assets held for sale

An asset is classified as 'held for sale' under IFRS 5 if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale in its present condition, must be actively marketed for sale at a price that is reasonable in relation to its current fair value and its sale must be highly probable, that is, a plan to sell leading to the location of a buyer has been initiated. The sale of assets should be completed within one year from the date of classification of assets as 'held for sale'.

Non-current assets designated as 'Held for sale' are reported in the balance sheet line 'Assets held for sale' and are no longer depreciated.

The Group recognises an impairment loss on assets held for sale if their selling price less costs to sell is lower than their carrying amount. Any subsequent increase in the selling price less costs to sell is recognised as a gain but not in excess of the cumulative impairment loss that has been recognised either in accordance with IFRS 5 or IAS 36.

(j) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at historical cost less accumulated depreciation together with accumulated impairment losses and increased by technical improvements. Fixed assets are depreciated indirectly through the accumulated depreciation charge. Depreciation is calculated on a straight line basis to write off the cost, net of provisions, in respect of tangible and intangible fixed assets and net of the estimated residual value in respect of cars held under finance lease (recognised in assets under IFRS) over their estimated useful economic lives and is reported in the income statement line 'Depreciation, impairment and disposal of fixed assets'. The residual value of cars held under finance leases is determined on the basis of the purchase price following the expiration of the lease set out in the lease contract.

The Group specifically does not depreciate land, works of art, tangible and intangible fixed assets in the course of construction and technical improvements, unless they are brought into a condition fit for use.

The Group has applied the component approach to buildings and their technical improvements that were acquired subsequent to 1 January 2005.

During the reporting periods, the Group used the following estimated useful economic lives in years:

	2009	2008
Machinery and equipment	4	4
Information technology – notebooks, servers	4	4
Information technology – computers	6	6
Fixtures, fittings and equipment	6	6
Vehicles	5	5
ATMs and selected equipment of the Group	8	8
Energy machinery and equipment	12/15	12/15
Distribution equipment	20	20
Buildings and structures	40	40
Buildings and structures - selected components:		
– Heating, air-conditioning, windows, doors	20	20
– Lift, electro-installation	25	25
– Roof, facade	30	30
– Net book value – building or technical improvements without selected components	50	50
Technical improvements on leasehold assets, including historic buildings	According to the lease term	According to the lease term
Intangible results of development activities (assets generated internally as part of internal projects)	According to the useful life, typically 4	According to the useful life, typically 4
Right of use – software	4	4
Other rights of use	According to contract	According to contract

In accordance with IAS 38, the Group adds to the cost of intangible assets generated internally as part of internal projects external expenses and internal personnel costs incurred in developing intangible fixed assets. The Group does not capitalise expenses incurred in research.

The Group periodically tests its assets for indications of impairment, such as a change in their utilisation or worsened economic conditions. Where the indications of impairment are identified and the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount is the higher of net realisable value and value in use. Where assets are identified as being surplus to the Group's requirements, management of the Group determines a provision for asset impairment by reference to the selling price based on expert valuation reports adjusted downwards for an estimate of associated sale costs. The associated sale costs include costs of expert valuation reports, legal and economic advisory, etc. which are estimated on the basis of the Group's historical experience, and real estate transfer tax in respect of real estate.

Repairs and renewals are charged directly to the income statement when the expenditure is incurred.

Goodwill arising on the acquisition of a subsidiary is the excess of the acquisition cost for the interest acquired by the Group over the net fair value of acquired assets, liabilities and contingent liabilities at the acquisition date. Goodwill is initially recognised at the cost of acquisition and subsequently at cost net of impairment write-downs.

The Group recognises goodwill in accordance with IFRS 3 which facilitates the accounting for a business combination using provisional values in circumstances where the fair values of identifiable assets, liabilities, contingent liabilities and the cost of the combination are determined only provisionally. Any adjustments to those provisional values must be recognised within twelve months of the acquisition date.

The Group tests goodwill for impairment on an annual basis or more frequently if there are indications that the goodwill may be impaired. If the recoverable value of the tested cash-generating unit (typically the acquired enterprise taken as a whole) is lower than its carrying amount, the Group recognises an impairment of the cash-generating unit which is primarily allocated against the goodwill and subsequently against the value of other assets (against other impaired assets and/or pro-rata).

Upon the sale of a subsidiary, the appropriate goodwill balance is reflected in the profit or loss on the sale.

(k) Leases

Group as the Lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognised as 'Loans and advances to customers', assets are not recognised. The difference between the gross receivable and the present value of the receivable is recognised as deferred interest income. Lease income is recognised over the term of the lease reflecting a constant periodic rate of interest.

Group as the Lessee

Assets held under finance leases when substantially all the risks and rewards of ownership are transferred, are recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. These assets are depreciated over their useful lives.

Lease payments are apportioned between interest reported in finance charges (in 'Interest expense and similar expense') and a reduction of the outstanding lease obligation. Finance charges are allocated over the lease term so as to achieve a constant rate of interest.

Payments made under operating leases are charged to expenses on a straight line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(l) Provisions

In accordance with IFRS, the Group recognises a provision when, and only when:

- It has a present obligation (legal or constructive) as a result of a past event;
- It is probable that the settlement of the obligation will cause an outflow of resources causing a decrease of economic benefits; and
- A reliable estimate can be made of the amount of the obligation. Provisions for legal disputes are estimated on the basis of the amount sought by the plaintiff, including accrued interest and fees.

In the normal course of business, the Group enters into credit related commitments which are recorded in off balance sheet accounts and primarily include guarantees, avals, uncovered letters of credit, irrevocable commitments to extend credit, undrawn loan commitments and approved overdraft loans.

Specific provisions are made for estimated losses on these commitments on the same basis as used in provisioning (refer to Note 44).

(m) Employment benefits

The Group provides its employees with retirement benefits and disability benefits.

The employees are entitled to receive retirement or disability benefits if they are employed by the Group until their retirement age or if they are entitled to receive a disability pension but only if were employed with the Group for a minimum defined period.

Estimated benefit costs are recognised on an accruals basis through a provision over the employment term using an accounting methodology that is similar to that used in respect of defined benefit pension plans. In determining the parameters of the model, the Group refers to the most recent employee data (the length of employment with the Group, age, gender, average salary) and estimates made on the basis of monitored historical data about the Group's employees (expected reduction of the current staffing levels) and other estimates (the amount of bonuses, anticipated increase in salaries, estimated amount of social security and health insurance contributions, discount rate).

The Group additionally provides short-term benefits to its employees, such as contributions to retirement pension insurance and capital life insurance schemes. The Group recognises the costs of these contributions as incurred.

(n) Securities issued

Securities issued by the Group are stated at amortised costs using the effective interest rate method. Interest expense arising on the issue of the Group's own securities is included in the income statement line 'Interest expense and similar expense.'

In the event of the repurchase of its own debt securities, the Group derecognises these securities so as to reflect the economic substance of the transaction as a repayment of the Group's commitment and decreases its liabilities in the line 'Securities issued'. Gains and losses arising as a result of the repurchase of the Group's own debt securities are included in 'Net profit/(loss) on financial operations'.

(o) Recognition of income and expense

Interest income and expenses related to interest-bearing instruments are reported in the income statement in the period to which they relate on an accruals basis using the effective interest rate which is calculated, under IFRS, reflecting the fees paid by contractual parties, transaction costs and other discounts and premiums. Interest, fees and other expenses included in the calculation of the effective interest rate are recognised in 'Interest income and similar income'.

Other fees and commissions are recognised in the period to which they relate on an accruals basis.

Penalty interest is accounted for and included in interest income on a cash basis.

(p) Income taxation

Taxation is calculated in accordance with the provisions of the relevant legislation of the Czech Republic and other jurisdictions in which the Group operates, based on the profit recognised in the income statement net of the effects of IFRS. Income taxation is included in the income statement, or equity if it relates to an item directly taken to equity.

Deferred income tax is provided, using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values. Deferred income tax is determined using tax rates effective in the periods in which the temporary tax difference is expected to be realised. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised.

Deferred tax related to cash flow hedges where fair value changes or financial assets available for sale are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

(q) Repurchase agreements

Under repurchase transactions ('repos'), the Group only provides securities held in the 'At fair value through profit or loss' (in 2008, also 'Available for sale') portfolio as collateral. These securities are recorded as assets in the statement of financial position line 'Financial assets at fair value through profit or loss' and 'Financial assets available for sale' and the corresponding liability arising from the received loan is included in 'Amounts due to banks' or 'Amounts due to customers' as appropriate.

Securities purchased under reverse repurchase agreements ('reverse repos') are recorded off balance sheet where they are remeasured to fair value. The corresponding receivable arising from the provided loan is recognised as an asset in the statement of financial position line 'Due from banks' or 'Loans and advances to customers' as appropriate.

The Group's off balance sheet accounts also reflect securities obtained under reverse repos and provided as collateral at fair value. The corresponding liability arising from the received loan is included in 'Amounts due to banks' or 'Amounts due to customers' as appropriate.

The difference between the sale and repurchase price in respect of repo and reverse repo transactions is treated as interest and accrued evenly to expenses/income over the life of the repo agreement using the linear interest rate due to their short-term maturities.

In regard to the sale of a security acquired as collateral under a reverse repo transaction, the Group derecognises from off balance sheet account securities acquired under reverse repo transactions and recognises in the balance sheet an amount payable from a short sale which is remeasured to fair value. This payable is included in 'Financial liabilities at fair value through profit or loss'.

(r) Derivative financial instruments and hedging

In the normal course of business, the Group enters into contracts for derivative financial instruments. At the conclusion of the financial derivative contract, the Group designates derivative instruments as either trading or hedging. The Group also acts as an intermediary provider of these instruments to certain clients.

The derivative financial instruments used by the Group as trading instruments include interest rate, currency and commodity forwards, swaps, securities based derivatives, emission allowances and options. The values of these instruments change pursuant to the fluctuations in interest rates, commodity prices, exchange rates, market values of securities and similar market parameters.

Derivative financial instruments are recognised at their fair value. Changes in the fair values of derivatives held for trading are directly included in the income statement line 'Net profit/(loss) on financial operations' from the trade date to the settlement date. Fair values are obtained from quoted market prices, discounted cash flow models or options pricing models as appropriate. All derivatives are carried as assets in 'Financial assets at fair value through profit or loss' when fair value is positive and as liabilities in 'Financial liabilities at fair value through profit or loss' when fair value is negative.

Certain derivatives, such as the option for an earlier redemption of a bond, are embedded in other (host) financial instruments and are treated and accounted for as separate derivatives when: (i) they as a separate instrument meet the definition of a derivative, (ii) their risks and economic characteristics are not closely related to those of the host contract, and (iii) the host contract is not carried at fair value with fair value changes reported in the income statement.

The Group uses certain derivative financial instruments to hedge against interest rate and foreign exchange rate risks to which it is exposed as a result of its financial market transactions. The Group designates a derivative as hedging only if the criteria set out in IFRS are met at the designation date.

The criteria for a derivative instrument to be accounted for as a hedge include:

- Compliance with the Group's risk management strategy;
- At the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, defines the risk that is being hedged and the approach to assessing and documenting whether the hedge is effective;
- The hedge is expected to be highly effective at inception and throughout the period; and
- Changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Hedging derivatives are accounted for according to the type of a hedging relationship which can be either:

(i) a hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge), or
(ii) a hedge of a future cash flow attributable to a recognised asset or liability or a forecasted transaction (cash flow hedge); or
(iii) a hedge of an investment in a foreign entity.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the income statement along with the corresponding change in the fair value of the hedged asset or liability that is attributable to the specific hedged risk. The ineffective element of the hedge is charged directly to the income statement line 'Net profit/(loss) on financial operations.' On this basis, the Group hedges the selected portfolios of foreign currency assets. The effectiveness of the hedge is regularly tested on a quarterly basis through prospective and retrospective tests.

If the hedge no longer meets the criteria for hedge accounting, an adjustment to the carrying value of a hedged interest-bearing financial instrument is amortised to profit or loss over the period to the maturity of the hedged item.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to hedged risk, are recognised in the 'Hedging instruments' in shareholders' equity. Amounts deferred in equity are transferred to the income statement and classified as income or expense in the periods during which the hedged assets and liabilities affect the income statement. The ineffective element of the hedge is charged directly to the income statement line 'Net profit/(loss) on financial operations'. On this basis, the Group hedges the interest rate risk and currency risk associated with selected portfolios of assets or liabilities or individual assets or liabilities. The effectiveness of the hedge is tested through prospective and retrospective tests performed at the end of each quarter.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in Note 44.

Certain derivative transactions, while providing economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with the related fair value gains and losses reported in the income statement line 'Net profit/(loss) on financial operations'.

(s) Regulatory requirements

The Bank is subject to the regulatory requirements of the Czech National Bank and other institutions. These regulations include limits and other restrictions pertaining to minimum capital adequacy requirements, classification of loans and off balance sheet commitments and provisioning to cover credit risk associated with the banks' clients, liquidity, interest rate and foreign currency position.

Similarly, other Group companies are subject to regulatory requirements specifically in relation to insurance, retirement benefit schemes and construction savings scheme.

(t) Fiduciary activities

Assets arising thereon together with related undertakings to return such assets to customers are reported off-balance sheet.

(u) Share capital and treasury stock

Where the Group purchases its own share capital or obtains rights to purchase its share capital, the consideration paid including any attributable transaction costs is shown as a deduction from total shareholders' equity. Gains and losses on sales of own shares are recorded in equity.

(v) Contingent assets and contingent liabilities

In addition to transactions giving rise to the recognition of assets and liabilities in the balance sheet, the Group enters into transactions under which it generates contingent assets and liabilities. The Group maintains contingent assets and liabilities off balance sheet as off-balance sheet items. The Group monitors these transactions as they represent a substantial proportion of its activities and materially impact the level of risks to which the Group is exposed (they may increase or decrease other risks, for instance, by hedging assets and liabilities reported in the statement of financial position).

Under IAS 37 a contingent liability is defined as a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent liability is also a present obligation where an outflow of resources embodying economic benefits will not be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities, for example, include irrevocable loan commitments, commitments arising from bank guarantees, bank acceptances, letters of credit, and warrants.

The Group recognises issued guarantees in accordance with IAS 39. The guarantee is initially recognised at fair value and subsequently at the higher of the value determined in accordance with IAS 37 or the amount originally reported and decreased by an accumulated accrual, if any, in accordance with IAS 18.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent asset is recognised and disclosed where an inflow of economic benefits is probable.

Off-balance sheet items also consist of interest rate and foreign currency instruments, including forwards, swaps, options and futures. For further disclosure on derivatives refer to part (r).

(w) Operating segments

In the year ended 31 December 2009, the Group discloses the information on operating segments for the first time in accordance with the requirements arising from IFRS 8 Operating Segments. The comparative information for the year ended 31 December 2008 was adjusted according to IFRS 8 as required by this new standard.

Operating segments are reported in compliance with internal reports regularly prepared and presented to the Bank's Board of Directors which is considered the "chief operating decision maker", i.e. a person or a group of persons that allocates resources and assesses the performance of individual operating segments of the Group.

The Group has the following operating segments:

- Retail banking – includes the provision of products and services to individuals, i.e. predominantly current and savings accounts, term deposits, overdrafts, credit card loans, personal loans and mortgages;
- Corporate banking – includes the provision of products and services to corporate entities, i.e. current accounts, term deposits, revolving loans, business loans, mortgages, foreign currency and derivative products, syndicated and export financing, guarantee transactions;
- Investment banking – trading with financial instruments; and
- Other – head office of the Bank.

The Investment banking segment does not achieve quantitative limits for obligatory reporting. However, management of the Group believes that the information on this segment is useful for users of the financial statements and thus reports this segment separately.

As the principal activity of the Group is the provision of financial services, the Board of Directors of the Bank assesses the performance of operating segments predominantly according to net interest income. For this reason, interest income and interest expenses of individual operating segments are not reported separately, but on a net basis.

In addition, the Group monitors net fee and commission income, net profit on financial operations and other income predominantly including income from the lease of non-residential premises by segments. Other profit and loss items are not monitored by operating segments.

The Group does not monitor total assets or total liabilities by segment.

The information on the items of net operating income is provided to the Board of Directors of the Bank in the valuation identical to that stated in the Group's financial accounting records.

The Group has no client or group of related parties for which the income from transactions would account for more than 10 percent of the Group's total income.

(x) Changes of accounting policies arising from the implementation of new or revised IFRSs and IASs effective from 1 January 2009 to 31 December 2009 with an impact on the Group

Standard	Impact / Comments
IAS 1 Presentation of Financial Statements – revised standard	The revised standard has an impact on the names and structure of statements that are part of the Group's financial statements.
IFRS 7 Financial Instruments: Disclosures – amendment Improving disclosures	Pursuant to the requirements set out in the amendment, the Group extended the scope of quantitative information relating to financial instruments and classified the financial instruments carried at fair value according to the method used to determine the fair value into the Hierarchy of Fair Values – for details refer to Note (h) Securities.
IFRS 8 Operating Segments – new standard	The standard newly identifies segments based on internal reports that are regularly presented to the chief operating decision maker for the purpose of allocating sources and assessing performance. The Group has newly identified segments in accordance with the requirements of the Standard, for details refer to Note (w) Operating segments and Note 4 Segment reporting.

(y) New IFRS or amendments to IFRS taking effect in the period from 1 January to 31 December 2009 without an impact on the Group

Standard	Impact / Comments
IAS 23 Borrowing Costs – revised	The revised standard revokes the existing benchmark treatment and newly requires that entities capitalise borrowings costs relating to eligible assets. The Group did not identify any significant borrowing costs that related to the acquisition of "qualified assets" and thus did not capitalise any borrowing costs.
IAS 27 Consolidated and Separate Financial Statements – amendment 'Recognition of received dividends'	The amendment leaves out the definition of acquisition costs under which it would be possible to recognise income from dividends only with respect to the profit generated subsequent to the acquisition date. All dividends are newly reported as income. However, their payment is treated as an event that triggers the obligation to undertake impairment testing. In addition, the amendment determines the method of valuation upon inclusion of a new parent company in the consolidation group. In 2009, the Group did not record any transactions that would be subject to the amendment.
IAS 32 Financial instruments: Presentation – amendment 'Puttable financial instruments and obligations arising on liquidation'	According to the amendment, puttable financial instruments with the performance in the form of a proportionate share in net assets of an issuer and instruments giving rise to the obligation supply other party with the proportionate share in net assets upon liquidation should be recognised as capital instruments. The Group is not an issuer of any of the above instruments.
IAS 39 Financial instruments: Recognition and Measurement – amendment: 'Embedded derivatives'	The amendment forbids reclassification of a hybrid instrument from the category of financial assets at fair value through profit or loss when the embedded derivative cannot be reliably measured (and therefore separated).
IFRS 1 First-time Adoption of IFRS – amendment 'Cost of an investment in a subsidiary, jointly controlled entity or associate'	The amendment enables the use of the "deemed cost" of investments when it is not possible to retrospectively determine the cost of an investment upon the first-time adoption of IFRS. The standard applied to the Group only upon the first-time adoption of IFRS; currently it is irrelevant.
IFRS 2 Share-based Payment – amendment 'Vesting conditions and cancellations'	The amendment clearly defines vesting conditions for capital instruments (exercise of the option) and clarifies the treatment of accounting for cancellation of a contract by a counter-party which has not been previously covered by the standard. The Group does not record any share-based payments.
Annual Improvements to IFRSs 2008	Annual improvements amend 20 standards in the total of 35 points with the objective of predominantly removing unintentional inconsistencies in individual standards or redundant or confusing references and improving the wording or updating out-of-date terminology.
IFRIC 9 Reassessment of Embedded Derivatives – amendment 'Embedded derivatives'	The interpretation allows the reassessment of embedded derivatives in the event of the reclassification of a financial instrument from the category of financial assets at fair value through profit or loss.
IFRIC 13 Customer Loyalty Programmes – new interpretation	The interpretation involves the recognition and valuation of liabilities arising to the entity in the provision of customer loyalty programmes. The Group does not provide any customer loyalty programmes that would be covered by this interpretation.

Standard	Impact / Comments
IFRIC 15 Agreements for the Construction of Real Estate – new interpretation	The interpretation addresses the recognition date of income arising from agreements for the construction of real estate. The Group does not undertake any activities that would be covered by this interpretation.
IFRIC 16 Hedges of a Net Investment in a Foreign Operation – new interpretation	The interpretation covers situations in which a net investment in a foreign operation can be hedged in the accounting records. The Bank hedges the net investment in the foreign operations Bastion European Investments S.A. and Komerční banka Bratislava, a.s. which complies with the interpretation – for details refer to (r) Derivative financial instruments and hedging.
IFRIC 18 Transfers of Assets from Customers	The interpretation determines criteria for the identification of assets, their recognition and measurement upon the first-time recognition upon the transfer of assets from customers. Customers do not make any transfers of assets to the Group that would be covered by the interpretation.

(z) Changes of accounting policies arising from the implementation of new IFRSs and revised IASs effective from 1 January 2010 or thereafter

The below listed standards and interpretations or their amendments are in effect; however, they do not apply to reporting periods starting on 1 January 2009 and the Group has decided not to use the possibility to apply them earlier in the year ended 31 December 2009.

Concurrently, the Group does not anticipate that their application will significantly impact the Group's financial position and financial performance for the reporting period, with the exception of IFRS 9 Financial Instruments which supersedes part of the existing standard IAS 39 relating to the classification and measurement of financial assets.

The application of requirements of IFRS 9 will primarily mean that non-capital instruments classified in the "financial assets available for sale" portfolio will be remeasured to profits and losses rather than to other comprehensive income provided they do not comply with the conditions for measurement at amortised cost. With respect to capital instruments classified in this portfolio, the Group will have to decide upon the first-time application of the standard whether it will remeasure them to profits and losses or whether it will use the possibility to recognise changes in their fair value in other comprehensive income.

The requirements of the revised IAS 24 Related Party Disclosures will bring extended related party disclosures in the notes to the financial statements.

Standard / Effective date	Summarised content
IAS 27 Consolidated and Separate Financial Statements – amendment Effective date: 1 July 2009	The amendment specifies the accounting policy used in the event of the reduced equity investment or loss of control in a subsidiary, changes the terminology for minority equity investments – newly non-controlling interests and requires the allocation of potential loss to non-controlling interests in cases when it would result in the total negative balance of non-controlling interests.
IAS 39 Financial Instruments: Recognition and Measurement – amendment: 'Eligible hedged items' Effective date: 1 July 2009	The amendment covers hedged items and assessment of the hedge effectiveness in purchased options and inflation in the hedged financial item.
IFRS 3 Business Combinations – revised standard Effective date: 1 July 2009	The revised standard predominantly changes accounting for costs relating to the acquisition, valuation of non-controlling interests or contingent consideration and applies to business combinations initiated subsequent to its effective date; it has no impact on earlier combinations.
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – amendment: 'Assets held for distribution' Effective date: 1 July 2009	The amendment relates to IFRIC 17 – non-current assets should be classified as held for distribution at the moment when the entity is obliged to distribute assets to owners of the entity and they should be measured at the lower of their carrying amounts and fair value less costs of distribution.
IFRIC 17 Distributions of Non-cash Assets to Owners – new interpretation Effective date: 1 July 2009	The interpretation covers the accounting for and valuation of non-cash dividends in an entity paying dividends. The interpretation does not relate to the distribution of dividends in the form of non-cash assets in the group.
Annual Improvements to IFRSs 2009 – new standard Effective date: 1 July 2009, selected points on 1 January 2010	Annual improvements amend 10 standards in the total of 13 points and two interpretations with the objective of predominantly removing unintentional inconsistencies in individual standards or redundant or confusing references and improving wording or updating out-of-date terminology.
IFRS 1 First-time Adoption of IFRS – amendment: 'Additional exemptions for first-time adopters' Effective date: 1 January 2010	The amendment covers the valuation of assets relating to oil and natural gas.
IFRS 2 Share-based Payment – Group cash-settled share-based payment transactions Effective date: 1 January 2010	The amendment specifies the scope of the standard and accounting for group cash-settled share-based payment transactions in individual and separate financial statements and supersedes IFRIC 2 and IFRIC 11.

Standard / Effective date	Summarised content
IAS 32 Financial instruments: Presentation – Classification of rights issues Effective date: 1 February 2010	The amendment adds that rights issues, options and warrants for the acquisition of a fixed number of own capital instruments of the entity for a fixed amount in any currency are capital instruments provided they are offered proportionally to all current owners of the specific group of non-derivative capital instruments of the entity.
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – new interpretation Effective date: 1 July 2010	The interpretation covers accounting for and valuation of extinguishing financial instruments through an issue of capital instruments on the part of the issuer.
IAS 24 Related Party Disclosures – revised standard Effective date: 1 January 2011	The scope of the standard was extended. The revised standard newly requires disclosures on relations and commitments and specifies that the required information should be disclosed both in individual and separate financial statements. In addition, the definition of a related party was changed/extended. A definition of a state and its related parties was added and exceptions from disclosures were introduced for these related parties.
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Minimum funding requirement Effective date: 1 January 2011	The amendment specifies the recognition of benefits available through a decrease of future contributions with non-existence of minimum funding requirements and recognition of prepaid contributions with the existence of minimum funding requirements. The amendment specifies that if an entity arrives at an amount lower than zero through adjusting the recognised asset including the amount of potential paid contributions in determined minimum funding requirements, it will not disclose the liability.
IFRS 9 Financial Instruments Effective date: 1 January 2013	The standard currently covers only the classification and measurement of financial assets for which it newly introduces two portfolios – financial assets subsequently measured at amortised cost and financial assets subsequently measured at fair value. Financial assets subsequently measured at fair value are remeasured to profits and losses except for capital instruments for which the entity irrevocably opts for the possibility to recognise changes in the fair value in other comprehensive income upon the first-time recognition or first-time application. Derivatives embedded in financial assets are no longer separated according to the standard.

(aa) Changes of accounting policies arising from the implementation of new IFRSs and revised IASs effective from 1 January to 31 December 2009

The Group used the possibility to apply the amendment to IFRS 8 issued as part of the annual improvements and effective for periods starting on 1 January 2010 earlier and applied it for the reporting period starting on 1 January 2009. The amendment enables the non-reporting of information on total assets of segments if the entity does not monitor this information and does not regularly report to the chief operating decision maker.

4. Segment reporting

CZK million	Retail banking		Corporate banking		Investment banking		Other		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Net interest income and similar income	13,850	13,191	5,662	5,356	130	(427)	2,445	3,141	22,088	21,261
Net fee and commission income	5,098	5,180	2,425	2,504	73	35	149	331	7,745	8,050
Net profit on financial operations	360	641	1,105	1,377	1,330	1,480	228	725	3,024	4,223
Other income	249	224	(32)	(56)	107	159	(140)	(147)	184	180
Net operating income	**19,557**	**19,236**	**9,160**	**9,181**	**1,641**	**1,247**	**2,683**	**4,050**	**33,041**	**33,714**

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

As most of the income of segments arises from interest and, in assessing the performance of segments and deciding on allocation of resources to segments, the Board of Directors primarily refers to net interest income, the interest for segments is reported on a net basis, i.e. reduced by interest expenses.

Segment information that was presented for 2008 is adjusted according to the requirements of the new standard and is presented as comparative information to the information on segments for 2009.

5. Net interest income

Net interest income comprises:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Interest income and similar income	37,682	42,432
Interest expense and similar expense	(15,679)	(21,410)
Income from dividends on available-for-sale securities	85	239
Net interest income and similar income	**22,088**	**21,261**
Of which net interest income arising from		
– Loans and advances	23,669	27,714
– Securities held to maturity	275	62
– Securities available for sale	4,122	2,926
– Financial liabilities at amortised cost	(7,055)	(10,202)

'Interest income and similar income' includes interest on substandard, doubtful and loss loans of CZK 993 million (2008: CZK 685 million) due from customers and interest of CZK 1 million (2008: CZK 7 million) on securities that have suffered impairment.

'Interest income and similar income' also includes accrued interest income from hedging financial derivatives of CZK 10,134 million (2008: CZK 10,315 million) and 'Interest expense and similar expense' also includes accrued interest expense from hedging financial derivatives of CZK 9,142 million (2008: CZK 9,793 million). 'Net interest income and similar income' from these derivatives amounts to CZK 992 million (2008: CZK 522 million). Hedging financial derivatives are used to hedge both the fair value and future cash flows.

'Income from dividends on available-for-sale securities' includes dividends received from available-for-sale securities in the form of shares which amounted to CZK 0 million in the year ended 31 December 2009 (2008: CZK 54 million).

6. Net fee and commission income

Net fee and commission income comprises:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Fees and commission from transactions	3,809	3,977
Fees and commissions from loans and deposits	3,002	3,083
Other fees and commissions	934	990
Total net fees and commissions	**7,745**	**8,050**

7. Net profit/(loss) on financial operations

Net profit/(loss) on financial operations comprises:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Net realised gains/(losses) on securities held for trading	181	(6)
Net unrealised gains on securities held for trading	632	1,148
Net realised gains/(losses) on securities available for sale	(468)	340
Net realised and unrealised gains on security derivatives	92	110
Net realised and unrealised gains/(losses) on interest rate derivatives	(192)	(240)
Net realised and unrealised gains on trading commodity derivatives	17	33
Net realised and unrealised gains on foreign exchange financial derivatives, spot foreign exchange transactions, re-translation of foreign currency assets and liabilities and foreign exchange fees and commissions	2,762	2,838
Total net profit on financial operations	**3,024**	**4,223**

In the year ended 31 December 2009, the line 'Net realised gains/(losses) on financial assets available for sale' shows the net gain from the sale of the equity investment in MasterCard Inc. in the amount of CZK 64 million and the net loss from the sale of participation certificates in the amount of CZK 293 million. Net loss of CZK 239 million from impairment of participation certificates is reported in the same line. In the year ended 31 December 2008, the line 'Net realised gains/(losses) on financial assets available for sale' included the net gain from the sale of the equity investment in Burza cenných papírů, a.s. in the amount of CZK 485 million (refer to Note 19).

The line 'Net realised and unrealised gains/(losses) on foreign exchange financial derivatives, spot foreign exchange transactions, re-translation of foreign currency assets and liabilities and foreign exchange fees and commissions' shows the aggregate re-translation of foreign currency assets and liabilities (with the exception of securities held for trading) which represented a net loss of CZK 812 million in 2009 (2008: a net gain of CZK 1,573 million) and net fees and commissions from clean and documentary payments and cash transactions with clients of the Group, in the amount of the difference between the exchange rate relating to the purchase/sale of the foreign currency determined by the Group and the official foreign exchange rate of the Czech National Bank used for the revaluation of transactions in foreign currencies.

A loss of CZK 123 million (2008: a loss of CZK 408 million) on the fair value of interest rate swaps for foreign currency risk hedging is included in 'Net realised and unrealised gains/(losses) on interest rate derivatives'. This amount matches the loss arising from the retranslation of hedged loan receivables and financial assets available for sale reported in the same line.

A profit of CZK 17 million (2008: a profit of CZK 12 million) on the fair value of cross currency swaps for foreign currency risk hedging is included in 'Net realised and unrealised gains/(losses) on foreign exchange financial derivatives, spot foreign exchange transactions, re-translation of foreign currency assets and liabilities and foreign exchange fees and commissions'. This amount matches the loss arising from the retranslation of hedged foreign currency assets reported in the same line.

8. Other income

The Group reports Other income in the amount of CZK 184 million (2008: CZK 180 million). In the years ended 31 December 2009 and 2008, 'Other income' predominantly included income arising from the leased assets and intermediation.

9. Personnel expenses

Personnel expenses comprise:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Wages, salaries and bonuses	4,535	4,537
Social costs	1,899	1,783
Total personnel expenses	**6,434**	**6,320**
Physical number of employees at the period-end	8,708	8,905
Average recalculated number of employees during the period	8,815	8,804
Average cost per employee (CZK)	**729,903**	**717,856**

'Social costs' include costs of CZK 134 million (2008: CZK 113 million) paid by the Group to the employees' retirement pension insurance scheme and costs of CZK 61 million (2008: CZK 43 million) incurred in contributing to the employees' capital life insurance scheme.

'Personnel expenses' include expenses of CZK 10 million (2008: a charge of CZK 74 million) relating to provisioning for restructuring in relation to the project of the reorganisation and centralisation of the Bank's back office functions and a charge for the provision of CZK 16 million (2008: CZK nil) in relation to the project of transformation of the legal status of Komerční banka Bratislava, a.s. to a foreign branch of the Bank (refer to Note 34).

10. General administrative expenses

General administrative expenses comprise:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Insurance of deposits and transactions	513	489
Marketing and entertainment costs	754	882
Costs of sale and banking products	1,179	1,321
Staff costs	219	365
Property maintenance charges	1,405	1,290
IT support	839	881
Office equipment and other consumption	74	109
Telecommunications, post and other services	276	326
External advisory services	686	699
Other expenses	181	244
Total general administrative expenses	**6,126**	**6,606**

'Insurance of deposits and transactions' shown as a component of 'General administrative expenses' includes an estimated balance of payments to the Deposit Insurance Fund of CZK 419 million (2008: CZK 406 million).

'General administrative expenses' include the use of the restructuring provision in the amount of CZK 58 million (2008: CZK nil) and the charge of CZK 37 million (2008: CZK 58 million) relating to the restructuring provision in respect of the project of the reorganisation and centralisation of back office functions and the charge of CZK 25 million (2008: CZK nil) relating to the project of the change in the legal status of Komerční banka Bratislava a.s. to a foreign branch of the Bank (refer to Note 34).

11. Depreciation, impairment and disposal of fixed assets

Depreciation, impairment and disposal of fixed assets comprise:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Depreciation of tangible and intangible fixed assets	1,621	1,689
Provisions for assets and net gain on the sale of assets	(153)	(108)
Total depreciation, impairment and disposal of fixed assets	**1,468**	**1,581**

12. Cost of risk

Provisions for loans and other credit commitments

The movement in the provisions was as follows:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Balance at 1 January	(13,142)	(10,384)
Provisioning for loan losses	(5,372)	(2,815)
Reallocation to other provisions	0	0
Impact of loans written off and transferred	3,019	203
Exchange rate differences attributable to provisions	110	(146)
Balance at 31 December	**(15,385)**	**(13,142)**

The balance of provisions as of 31 December 2009 and 2008 comprises:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Provisions for loans to customers (refer to Note 22)	(14,351)	(12,026)
Provisions for other loans to customers	(1)	(1)
Provisions for loans to financial institutions	(1)	(1)
Provisions for guarantees and other credit related commitments (refer to Note 34)	(1,032)	(1,114)
Total	**(15,385)**	**(13,142)**

Provisions for securities

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Balance at 1 January	169	17
Recognition of provisions	(1)	152
Release of provisions	7	0
Exchange rate difference	(1)	0
Balance at 31 December	**174**	**169**

Provisions for unconsolidated investments

The balance of provisions for unconsolidated investments is reported in the statement of financial position line 'Investments in associates and unconsolidated subsidiaries' in the amount of CZK 37 million (2008: CZK 35 million). During the year ended 31 December 2009, the Group charged a provision of CZK 2 million (2008: CZK nil) against the equity investment in ALL IN REAL ESTATE LEASING, a.s.

Provisions for other risk expenses

The net recognition of 'Provisions for other risk expenses' of CZK 85 million (2008: a net recognition of CZK 3 million) principally consists of the charge for provisions of CZK 109 million (2008: CZK 65 million) and the release and use of provisions of CZK 32 million (2008: CZK 76 million) for legal disputes, together with the costs incurred by the Group as a result of the outcome of legal disputes of CZK 8 million (2008: CZK 12 million). Additional information about the provisions for other risk expenses is provided in Note 34.

13. Profit/(loss) attributable to exclusion of companies from consolidation, income from share of associated undertakings

The profit on subsidiaries and associates includes the following:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Gain on the sale of investments in subsidiaries and associates	2	150
Charge for provisions	(2)	0
Profit attributable to exclusion of companies from consolidation	**0**	**150**

In May 2005, the Bank and Société Générale Asset Management S.A. (France) concluded a contract for the sale of 100 percent of the shares of Investiční kapitálová společnost Komerční banky, a.s. (hereinafter „IKS"). The selling price was payable in two instalments. The first portion of the price was paid immediately as of the transaction date in cash, the second portion of the price was due after the fulfilment of pre-agreed distribution targets for IKS products sold through the Bank's distribution network in 2005 to 2008. The Bank fulfilled the distribution targets. The gain of CZK 2 million (2008: CZK 150 million) is disclosed in the line 'Profit attributable to exclusion of companies from consolidation' and represents the additional payment of the remaining part of the price. In the year ended 31 December 2009, no companies were excluded from consolidation.

14. Income taxes

The principal components of the corporate income tax expense are as follows:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Tax payable – current year, reported in profit or loss	(2,390)	(2,912)
Tax paid – prior year	8	1
Deferred tax	(88)	(93)
Hedge of a deferred tax asset against foreign currency risk	15	(20)
Total income taxes	**(2,455)**	**(3,024)**
Tax payable – current year, reported in equity	3	3
Total tax expense	**(2,452)**	**(3,021)**

The items explaining the difference between the theoretical and Group's effective tax rate are as follows:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Profit before tax	**13,549**	**14,328**
Theoretical tax calculated at a tax rate of 20% (2008: 21%)	2,710	3,414
Tax on pre-tax profit adjustments	2	(8)
Non-taxable income	(1,833)	(1,472)
Expenses not deductible for tax purposes	1,630	1,099
Use of tax losses carried forward	0	0
Tax allowance	(3)	(2)
Tax credit	(91)	(68)
Tax on a standalone tax base	0	21
Hedge of a deferred tax asset against foreign currency risk	(15)	20
Movement in deferred tax	88	93
Tax losses from consolidation	52	27
Impact of various tax rates of subsidiary undertakings	(72)	(96)
Tax effect of share of profits of associated undertakings	(5)	(3)
Income tax expense	**2,463**	**3,025**
Prior period tax expense	(8)	(1)
Total income taxes	**2,455**	**3,024**
Tax payable on securities reported in equity*	(3)	(3)
Total income tax	**2,452**	**3,021**
Effective tax rate	18.12%	18.60%

*) This amount represents the tax payable on unrealised gains from the revaluation of securities available for sale which are revalued through equity under IFRS.

Non-taxable income primarily includes dividends; gain on the sale of a subsidiary, tax exempt interest income and the release of non-tax deductible provisions and reserves. Expenses not deductible for tax purposes include the recognition of non-tax deductible reserves and provisions and non-tax deductible operating expenses. Tax on pre-tax profit adjustments primarily represents an adjustment of the IFRS result to CAS. Tax credit arises from interest income on bonds issued by EU states.

The corporate tax rate for the year ended 31 December 2009 is 20 percent (2008: 21 percent). The Group's tax liability is calculated based upon the accounting profit taking into account tax non-deductible expenses and tax exempt income or income subject to a final withholding tax rate.

Further information about deferred tax is presented in Note 35.

15. Distribution of profits/Allocation of losses

The Group generated a net profit of CZK 11,094 million for the year ended 31 December 2009. Distribution of profits for the year ended 31 December 2009 will be approved by the general meetings of the Group companies.

16. Earnings per share

Earnings per share of CZK 292.30 (2008: CZK 348.70 per share) have been calculated by dividing the net profit of CZK 11,094 million (2008: CZK 13,233 million) by the number of shares in issue, that is, 38,009,852, decreased to reflect the average number of treasury shares held by the Group during the period.

17. Cash and current balances with central banks

Cash and current balances with central banks comprise:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Cash and cash equivalents	7,613	7,791
Balances with central banks	8,658	6,170
Total cash and current balances with central banks	**16,271**	**13,961**

Balances with central banks represent obligatory minimum reserves and other deposits with central banks. The obligatory minimum reserves bear interest. The obligatory minimum reserves with the Czech National Bank bore interest at 1 percent and 2.25 percent as of 31 December 2009 and 2008, respectively. Obligatory minimum reserves with the National Bank of Slovakia bore interest at 1 percent and 1.50 percent as of 31 December 2009 and 2008, respectively.

18. Financial assets at fair value through profit or loss

As of 31 December 2009 and 2008, financial assets at fair value through profit or loss included securities and positive fair values of derivative financial instruments held for trading. Upon initial recognition, the Group has not designated any financial assets as at fair value through profit or loss.

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Securities	13,515	25,801
Derivative financial instruments	10,927	18,192
Financial assets at fair value through profit or loss	**24,442**	**43,993**

For detailed information on derivative financial instruments included in the securities held for trading portfolio, refer to Note 44.

Trading securities comprise:

CZK million		31 Dec 2009		31 Dec 2008
	Fair value	Cost	Fair value	Cost
Shares and participation certificates	**0**	**0**	**3**	**3**
Emission allowances	**0**	**0**	**212**	**213**
Fixed income debt securities	7,725	7,648	15,856	15,844
Variable yield debt securities	3,237	3,243	822	829
Bills of exchange	1,443	1,439	1,000	1,000
Treasury bills	1,110	1,109	7,908	7,904
Total debt securities	**13,515**	**13,439**	**25,586**	**25,577**
Total trading securities	**13,515**	**13,439**	**25,801**	**25,793**

*) Acquisition cost for shares, participation certificates and emission allowances, amortised acquisition cost for debt securities

The Group's portfolio of trading securities includes treasury bills issued by the Czech Finance Ministry at a fair value of CZK 1,110 million (2008: CZK 7,908 million).

As of 31 December 2009, the portfolio of trading securities includes securities at a fair value of CZK 10,962 million (2008: CZK 16,893 million) that are publicly traded on stock exchanges and securities at a fair value of CZK 2,553 million (2008: CZK 8,908 million) that are not publicly traded on stock exchanges (they are traded on the interbank market).

Trading shares and participation certificates at fair value comprise:

CZK million	31 Dec 2009	31 Dec 2008
Shares and participation certificates		
- Czech crowns	0	3
Total trading shares and participation certificates	**0**	**3**

Trading shares and participation certificates at fair value, allocated by issuer, comprise:

CZK million	31 Dec 2009	31 Dec 2008
Trading shares and participation certificates issued by:		
– Other foreign entities	0	3
Total trading shares and participation certificates	**0**	**3**

Emission allowances held for trading at fair value comprise:

CZK million	31 Dec 2009	31 Dec 2008
Emission allowances		
– Other currencies	0	212
Total emission allowances held for trading	**0**	**212**

Emission allowances held for trading at fair value, allocated by issuer, comprise:

CZK million	31 Dec 2009	31 Dec 2008
Emission allowances held for trading issued by:		
– Foreign state institutions	0	212
Total emission allowances held for trading	**0**	**212**

Debt trading securities at fair value comprise:

CZK million	31 Dec 2009	31 Dec 2008
Variable yield debt securities		
– Czech crowns	3,039	339
– Other currencies	198	483
Total variable yield debt securities	**3,237**	**822**
Fixed income debt securities (including bills of exchange and treasury bills)		
– Czech crowns	9,624	22,807
– Other currencies	654	1,957
Total fixed income debt securities	**10,278**	**24,764**
Total trading debt securities	**13,515**	**25,586**

Debt trading securities at fair value, allocated by issuer, comprise:

CZK million	31 Dec 2009	31 Dec 2008
Debt trading securities issued by:		
– State institutions in the Czech Republic	10,595	20,911
– Foreign state institutions	640	2,360
– Financial institutions in the Czech Republic	117	168
– Foreign financial institutions	111	458
– Other entities in the Czech Republic	494	1,579
– Other foreign entities	1,558	110
Total trading debt securities	**13,515**	**25,586**

Of the debt securities issued by state institutions in the Czech Republic, CZK 10,393 million (2008: CZK 20,911 million) represents securities eligible for refinancing with the Czech National Bank.

19. Financial assets available for sale

Financial assets available for sale comprise:

CZK million	31 Dec 2009		31 Dec 2008	
	Fair value	Cost	Fair value	Cost
Shares and participation certificates	**1,237**	**1,268**	**1,513**	**1,620**
Fixed income debt securities	102,034	98,023	88,570	87,413
Variable yield debt securities	10,796	10,895	8,081	7,892
Total debt securities	**112,830**	**108,918**	**96,651**	**95,305**
Total financial assets available for sale	**114,067**	**110,186**	**98,164**	**96,925**

*) Acquisition cost for shares and participation certificates, amortised acquisition cost for debt securities

As of 31 December 2009, the available-for-sale portfolio includes securities at a fair value of CZK 99,223 million (2008: CZK 83,173 million) that are publicly traded on stock exchanges and securities at a fair value of CZK 14,844 million (2008: CZK 14,991 million) that are not publicly traded.

In 2009, the Group sold the equity investment in MasterCard Inc., the net gain from the sale for the Group amounted to CZK 64 million. The Group additionally sold the participation certificates, the net loss for the Group amounted to CZK 293 million. In 2008, the Group sold the equity investment in Burza cenných papírů Praha, a.s. The net gain from the sale for the Group amounted to CZK 485 million (refer to Note 7).

Shares and participation certificates available for sale at fair value comprise:

CZK million	31 Dec 2009	31 Dec 2008
Shares and participation certificates		
- Czech crowns	700	700
- Other currencies	537	813
Total shares and participation certificates available for sale	**1,237**	**1,513**

Shares and participation certificates available for sale at fair value, allocated by issuer, comprise:

CZK million	31 Dec 2009	31 Dec 2008
Shares and participation certificates available for sale issued by:		
– Banks in the Czech Republic	700	700
– Non-banking foreign entities	537	813
Total shares and participation certificates available for sale	**1,237**	**1,513**

‘Shares and participation certificates available for sale issued by banks in the Czech Republic’ include the Group’s 13 percent shareholding in Českomoravská záruční a rozvojová banka, a.s. Based on an analysis of regularly paid dividends and an estimate of probable future cash flows, the value of the investment was determined at CZK 640 million (2008: CZK 640 million) over the acquisition cost.

Debt securities available for sale at fair value comprise:

CZK million	31 Dec 2009	31 Dec 2008
Variable yield debt securities		
- Czech crowns	9,753	7,980
- Other currencies	1,043	101
Total variable yield debt securities	**10,796**	**8,081**
Fixed income debt securities		
- Czech crowns	79,731	70,773
- Other currencies	22,303	17,797
Total fixed income debt securities	**102,034**	**88,570**
Total debt securities available for sale	**112,830**	**96,651**

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

CZK million	31 Dec 2009	31 Dec 2008
Debt securities available for sale issued by:		
– State institutions in the Czech Republic	64,813	49,512
– Foreign state institutions	25,884	24,962
– Financial institutions in the Czech Republic	16,025	15,202
– Foreign financial institutions	3,750	3,738
– Other entities in the Czech Republic	240	1,032
– Other foreign entities	2,118	2,205
Total debt securities available for sale	**112,830**	**96,651**

Of the debt securities issued by state institutions in the Czech Republic, CZK 59,879 million (2008: CZK 44,156 million) represents securities eligible for refinancing with the Czech National Bank.

Asset backed securities

The Group maintains a portfolio of asset backed securities (ABS) denominated in USD which are carried as available for sale. The Group establishes the value of these securities using a simplified model which facilitates the discounting of anticipated future cash flows by using the most recent average CDO credit spreads. The carrying value of these securities as of 31 December 2009, net of remeasurement, is CZK 13 million (2008: CZK 102 million).

In 2009, the Group's exposure to the ABS decreased primarily as a result of the decrease in the valuation of these securities of USD 3.1 million (i.e. CZK 54 million) and the redemption of the nominal values of these securities of USD 1.4 million (i.e. CZK 26 million).

Other debt securities

During the year ended 31 December 2009, the Group acquired Government bonds with a nominal value of CZK 16,462 million, EUR 255 million and USD 20 million (a total equivalent of CZK 23,578 million). During 2009, the Bank redeemed at maturity debt securities in the aggregate nominal volume of CZK 3,206 million and EUR 87 million (a total equivalent of CZK 5,516 million).

20. Assets held for sale

As of 31 December 2009, the Group reported assets held for sale at a carrying amount of CZK 245 million (2008: CZK 429 million) comprising buildings and land owned by the Group which management of the Group decided to sell as part of the plan to optimise the distribution network. These buildings are not depreciated. The difference between the amounts as of 31 December 2009 and 2008 arises from the sale of these assets and reclassification of buildings and land that do not meet the criteria for recognition as assets held for sale back to 'Tangible fixed assets', refer to Note 27. The impact on the income statement is immaterial.

21. Amounts due from banks

Balances due from banks comprise:

CZK million	31 Dec 2009	31 Dec 2008
Deposits with banks (current accounts)	659	254
Loans and advances to banks	9,812	21,082
Debt securities of banks acquired under initial offerings not designated for trading	11,708	13,827
Advances due from central banks (reverse repo transactions)	95,211	94,882
Term placements with other banks	13,882	16,054
Total	**131,272**	**146,099**
Provisions	(1)	(1)
Total amounts due from banks	**131,271**	**146,098**

Advances due from central banks and other banks under reverse repurchase transactions are collateralised by treasury bills issued by central banks and other securities with fair value:

CZK million	31 Dec 2009	31 Dec 2008
Treasury bills	94,856	93,090
Debt securities issued by state institutions	3,394	15,490
Debt securities issued by other institutions	653	629
Shares	1,452	442
Total	**100,355**	**109,651**

Securities acquired as loans and receivables

As of 31 December 2009, the Group maintains in its portfolio bonds at an amortised cost of CZK 11,708 million (2008: CZK 13,805 million) and a nominal value of CZK 11,647 million (2008: CZK 13,628 million), of which CZK 9,532 million represents bonds issued by the parent company Société Générale S.A. (2008: CZK 11,513 million) which the Group acquired under initial offerings and normal market conditions in 2002 and 2006. The bond with the nominal value of CZK 6,000 million (2008: CZK 8,000 million) is denominated in CZK, bears fixed interest at 4.27 percent and will mature in 2012. During 2009, the Group partially repaid the nominal value of the bond in the amount of CZK 2,000 million (2008: CZK 2,000 million). The bond with the nominal value of CZK 3,405 million (2008: CZK 3,513 million) is denominated in EUR, bears floating interest and will mature in 2026. During 2009, the Group partially repaid the nominal value of the bond in the amount of EUR 1.8 million (a equivalent of CZK 47 million). The Group additionally carries in this portfolio three issues of securities placed by financial institutions with an aggregate nominal value of CZK 2,115 million (2008: CZK 2,115 million).

22. Loans and advances to customers

Loans and advances to customers comprise:

CZK million	31 Dec 2009	31 Dec 2008
Loans to customers	382,405	371,421
Bills of exchange	434	748
Forfaits	3,788	1,804
Other amounts due from customers	28	2,094
Total gross loans and advances to customers	**386,655**	**376,067**
Provisions for loans to customers	(14,351)	(12,026)
Provisions for other amounts due from customers	(1)	(1)
Total loans and advances to customers, net	**372,303**	**364,040**

Loans and advances to customers include interest due of CZK 1,731 million (2008: CZK 2,049 million), of which CZK 1,124 million (2008: CZK 1,228 million) relates to overdue interest.

Loans provided to customers under reverse repurchase transactions as of 31 December 2009 amounting to CZK 959 million (2008: CZK 2,079 million) are collateralised by securities with fair values of CZK 1,618 million (2008: CZK 2,306 million).

The loan portfolio of the Group as of 31 December 2009 (excluding other amounts due from customers) comprises the following breakdown by classification:

CZK million	Gross receivable	Collateral applied	Net exposure	Provisions	Carrying value	Provisions %
Standard	346,176	159,865	186,311	0	346,176	0
Watch	14,392	5,264	9,128	(1,138)	13,254	12
Substandard	8,668	3,583	5,085	(1,567)	7,101	31
Doubtful	5,080	825	4,255	(1,988)	3,092	47
Loss	12,311	550	11,761	(9,658)	2,653	82
Total	**386,627**	**170,087**	**216,540**	**(14,351)**	**372,276**	

The loan portfolio of the Group as of 31 December 2008 (excluding other amounts due from customers) comprises the following breakdown by classification:

CZK million	Gross receivable	Collateral applied	Net exposure	Provisions	Carrying value	Provisions
						%
Standard	341,236	145,299	195,937	0	341,236	0
Watch	14,598	5,356	9,242	(1,111)	13,487	12
Substandard	5,250	1,429	3,821	(973)	4,277	25
Doubtful	1,903	441	1,462	(790)	1,113	54
Loss	10,986	455	10,531	(9,152)	1,834	87
Total	**373,973**	**152,980**	**220,993**	**12,026**	**361,947**	

Loans classified as loss in the above table include amounts of CZK 8,601 million (2008: CZK 6,291 million), on which interest is not being accrued.

Set out below is the breakdown of loans by sector (net of other amounts due from customers):

CZK million	31 Dec 2009	31 Dec 2008
Food industry and agriculture	15,277	16,397
Mining and extraction	2,614	5,167
Chemical and pharmaceutical industry	5,226	7,889
Metallurgy	9,135	9,822
Automotive industry	3,560	3,753
Manufacturing of other machinery	5,419	6,742
Manufacturing of electrical and electronic equipment	2,398	3,094
Other processing industry	8,082	9,176
Power plants, gas plants and waterworks	13,578	7,790
Construction industry	12,519	9,889
Retail	11,738	12,308
Wholesale	23,697	30,567
Accommodation and catering	1,049	1,320
Transportation, telecommunication and warehouses	10,550	9,981
Banking and insurance industry	28,230	31,303
Real estate	19,865	19,516
Public administration	22,170	11,919
Other industries	18,224	20,603
Individuals	173,296	156,737
Loans to customers	**386,627**	**373,973**

The majority of loans were provided to entities on the territory of the Czech Republic.

Set out below is an analysis of types of collateral underlying on balance sheet loans and advances to customers:

CZK million	Total client loan collateral 31 Dec 2009	Discounted client loan collateral value 31 Dec 2009	Applied client loan collateral value 31 Dec 2009	Total client loan collateral 31 Dec 2008	Discounted client loan collateral value 31 Dec 2008	Applied client loan collateral value 31 Dec 2008
Guarantees of state and governmental institutions	3,157	2,667	2,514	3,428	2,829	2,594
Bank guarantee	18,559	18,101	16,753	21,045	20,630	19,473
Guaranteed deposits	6,093	6,091	5,846	737	732	453
Issued debentures in pledge	206	206	0	204	204	0
Pledge of real estate	273,416	163,194	116,015	240,358	145,986	101,050
Pledge of movable assets	9,657	3,036	2,693	7,794	1,697	1,551
Guarantee by legal entity	25,437	15,984	12,343	21,957	12,370	9,439
Guarantee by individual (physical entity)	9,291	1,008	197	11,291	1,256	1,172
Pledge of receivables	43,509	11,317	10,782	51,598	17,068	15,020
Insurance of credit risk	3,015	2,863	2,448	2,194	2,081	1,979
Other	4,436	715	496	5,021	818	249
Total nominal value of collateral	**396,776**	**225,182**	**170,087**	**365,627**	**205,671**	**152,980**

Pledges on industrial real-estate represent 11 percent of total pledges on real estate (2008: 12 percent).

Loans and advances to customers - leasing

CZK million	31 Dec 2009	31 Dec 2008
Due less than 1 year	480	535
Due from 1 to 5 years	197	337
Due over 5 years	4	0
Total	**681**	**872**

Within the Group, ESSOX s.r.o. engages in providing lease services. Assets leased under lease arrangements primarily include used passenger and utility vehicles with an average lease instalment period of 68 months (2008: 68 months), technology with an average lease instalment period of 46 months (2008: 43 months). As of 31 December 2009, future interest (the difference between the gross and net leasing investment) on lease contracts amounts to CZK 45 million (2008: CZK 77 million) and the provisions recognised against uncollectible lease receivables amount to CZK 348 million (2008: CZK 336 million).

Trade finance losses

During 1999, the Group incurred losses relating to loans, letters of credit and guarantees provided to a foreign client of the Group. As of 31 December 2009, the statement of financial position included loans to this client in the amount of CZK 1,284 million (2008: CZK 1,352 million) that was fully provided for. The year-on-year decrease in the balance between 2009 and 2008 arises from a foreign exchange rate difference. The Group did not report any off balance sheet receivables from this client in 2009 and 2008. The Group is continuing to take action in all relevant jurisdictions to recover its funds.

23. Investments held to maturity

Investments held to maturity comprise:

CZK million	31 Dec 2009		31 Dec 2008	
	Carrying value	Cost*	Carrying value	Cost*
Fixed income debt securities	6,785	6,619	1,435	1,435
Total investments held to maturity	**6,785**	**6,619**	**1,435**	**1,435**

*) Amortised cost

As of 31 December 2009, investments held to maturity include bonds of CZK 6,785 million (2008: CZK 1,435 million) that are publicly traded on stock exchanges.

Debt securities held to maturity comprise:

CZK million	31 Dec 2009	31 Dec 2008
Fixed income debt securities		
– Czech crowns	5,495	0
– Other currencies	1,290	1,435
Total fixed income debt securities	**6,785**	**1,435**
Total debt securities held to maturity	**6,785**	**1,435**

Investments held to maturity, allocated by issuer, comprise:

CZK million	31 Dec 2009	31 Dec 2008
Debt securities held to maturity issued by:		
– State institutions in the Czech Republic	5,495	0
– Foreign state institutions	1,290	1,435
Total debt securities held to maturity	**6,785**	**1,435**

Of the debt securities issued by state institutions in the Czech Republic, CZK 5,513 million (2008: CZK nil) represents securities eligible for refinancing central banks.

In the year ended 31 December 2009, the Group purchased debt securities in the total nominal amount of CZK 1,620 million and redeemed debt securities at maturity in the total nominal amount of CZK nil (2008: CZK 1,341 million) and EUR 4 million (2008: EUR 8 million), i.e. CZK equivalent of CZK 106 million (2008: CZK 1,556 million) During the year ended 31 December 2009, the Group changed the investment intent for debt securities in the ‚Financial assets available for sale‘ in the total nominal amount of CZK 3,589 million. For this reason, the Group reclassified these debt securities to 'Financial assets held to maturity'.

24. Prepayments, accrued income and other assets

Prepayments, accrued income and other assets comprise:

CZK million	31 Dec 2009	31 Dec 2008
Prepayments and accrued income	828	788
Settlement balances	311	383
Receivables from securities trading	264	965
Other assets	3,019	4,031
Total prepayments, accrued income and other assets	**4,422**	**6,167**

In the year ended 31 December 2009, 'Other assets' included receivables of CZK 1,887 million (2008: CZK 2,086 million) from the state budget including contributions to construction savings scheme and pension insurance policy holders.

25. Investments in associates and unconsolidated subsidiaries

Investments in associates and unconsolidated subsidiaries comprise:

CZK million	31 Dec 2009	31 Dec 2008
Investments in subsidiary undertakings	2	4
Investments in associated undertakings	603	546
Total investments in subsidiaries and associates	**605**	**550**

CZK million	Group's ownership interest	31 Dec 2009		31 Dec 2008	
	%				
Subsidiaries		Cost of investment	Net book value	Cost of investment	Net book value
ALL IN REAL ESTATE LEASING, a.s.	100	39	2	39	4
Total subsidiaries		**39**	**2**	**39**	**4**

Associates		Net book value	Share of net assets	Net book value	Share of net assets
Komerční pojišťovna, a.s.	49	482	603	482	546
CBCB - Czech Banking Credit Bureau, a.s.*	20	0	0	0	0
Total associates		**482**	**603**	**482**	**546**
Investments in associates and unconsolidated subsidiaries		**521**	**605**	**521**	**550**

*) The cost and net book value of CBCB - Czech Banking Credit Bureau, a.s. is CZK 240 thousand.

Associates CZK million	2009 Assets	2009 Net operating income	2009 Profit	2008 Assets	2008 Not operating income	2008 Profit
Komerční pojišťovna, a.s.	14,968	357	52	11,931	502	25
CBCB - Czech Banking Credit Bureau, a.s.	22	109	4	26	95	5

In December 2009, the Group recognised a provision against the equity investment in ALL IN REAL ESTATE LEASING, a.s. in the amount of CZK 2 million. The net book value as of 31 December 2009 represents the estimated liquidation balance of the entity.

Additional information about the Bank's equity investments is presented in Notes 1 and 2.

26. Intangible fixed assets

The movements in intangible fixed assets during the year ended 31 December 2009 are as follows:

CZK million	Internally generated assets	Software	Other intangible assets	Acquisition of assets	Total
Cost					
31 December 2008	5,661	1,962	362	1,180	9,165
Additions	0	103	0	1,014	1,117
Disposals/Transfers	735	(7)	19	(940)	(193)
31 December 2009	**6,396**	**2,058**	**381**	**1,254**	**10,089**
Accumulated amortisation and provisions					
31 December 2008	3,975	1,340	346	0	5,661
Additions	623	210	9	0	842
Disposals	(1)	(136)	0	0	(137)
Impairment charge	0	0	0	0	0
31 December 2009	**4,597**	**1,414**	**355**	**0**	**6,366**
Net book value					
31 December 2008	1,686	622	16	1,180	3,504
31 December 2009	**1,799**	**644**	**26**	**1,254**	**3,723**

During the year ended 31 December 2009, the Group invested CZK 185 million (2008: CZK 238 million) in research and development through a charge to operating expenses.

27. Tangible fixed assets

The movements in tangible fixed assets during the year ended 31 December 2008 are as follows:

CZK million	Land	Buildings	Fixtures, fittings and equipment	Acquisition of assets	Total
Cost					
31 December 2008	311	10,955	6,130	419	17,816
Reallocation from assets held for sale	1	117	0	0	118
Additions	0	231	381	530	1,142
Disposals/Transfers	(9)	(46)	(865)	(673)	(1,593)
31 December 2009	**303**	**11,257**	**5,646**	**276**	**17,483**
Accumulated depreciation and provisions					
31 December 2008	0	4,844	4,972	0	9,816
Reallocation of accumulated depreciation of assets held for sale	0	40	0	0	40
Additions	0	379	400	0	779
Disposals	0	(29)	(849)	0	(878)
Impairment charge	0	(2)	(1)	0	(3)
31 December 2009	**0**	**5,232**	**4,522**	**0**	**9,754**
Net book value					
31 December 2008	311	6,111	1,158	419	8,000
31 December 2009	**303**	**6,025**	**1,124**	**276**	**7,729**

As of 31 December 2009, the Group recognised provisions against tangible assets of CZK 20 million (2008: CZK 23 million). These provisions primarily included provisions charged in respect of leasehold improvements.

28. Goodwill

There were no changes in goodwill during the year ended 31 December 2009, it amounted to CZK 3,551 million as of 31 December 2009 (2008: CZK 3,551 million).

29. Financial liabilities at fair value through profit or loss

As of 31 December 2009 and 2008, financial liabilities at fair value through profit or loss include only liabilities arising from sold securities and negative fair values of financial derivative instruments held for trading. The Group identified no other financial liability as at fair value through profit or loss upon initial recognition.

CZK million	31 Dec 2009	31 Dec 2008
Sold securities	1,020	947
Derivative financial instruments	11,253	19,208
Financial liabilities at fair value through profit or loss	**12,273**	**20,155**

For detailed information of financial derivative instruments included in the portfolio for trading, refer to Note 44.

30. Amounts due to banks

Amounts due to banks comprise:

CZK million	31 Dec 2009	31 Dec 2008
Current accounts	613	3,799
Other amounts due to banks	18,126	7,315
Total amounts due to banks	**18,739**	**11,114**

The fair value of securities and treasury bills used as collateral for received repo loans from banks was CZK 1,370 million (2008: CZK 419 million).

31. Amounts due to customers

Amounts due to customers, by type of deposit, comprise:

CZK million	31 Dec 2009	31 Dec 2008
Current accounts	296,698	293,997
Savings accounts	85,855	76,671
Term deposits	106,092	115,532
Depository bills of exchange	25,640	37,232
Loans received from customers	6,000	0
Other payables to customers	31,524	31,138
Total amounts due to customers	**551,809**	**554,570**

The fair value of securities and treasury bills serving as collateral for received repurchase loans from clients amounted to CZK 5,979 million.

As of 31 December 2008, the Group recorded no liabilities arising from repurchase loans from customers.

Amounts due to customers, by type of customer, comprise:

CZK million	31 Dec 2009	31 Dec 2008
Private companies	184,519	193,106
Other financial institutions, non-banking entities	16,218	11,062
Insurance companies	13,705	7,990
Public administration	2,522	3,985
Individuals	245,007	242,520
Individuals – entrepreneurs	25,405	26,064
Government agencies	49,464	55,322
Other	9,150	8,680
Non-residents	5,819	5,841
Total amounts due to customers	**551,809**	**554,570**

32. Securities issued

Securities issued comprise bonds of CZK 615 million (2008: CZK 692 million) and mortgage bonds of CZK 17,557 million (2008: CZK 23,436 million). Publicly tradable mortgage bonds are issued to fund the Group's mortgage activities.

Debt securities are repayable, according to remaining maturity, as follows:

CZK million	31 Dec 2009	31 Dec 2008
In less than one year	0	3,630
In one to two years	0	0
In two to four years	0	0
In five to ten years	14,526	16,807
Over ten years	3,646	3,691
Total debt securities	**18,172**	**24,128**

During the year ended 31 December 2009, the Group repaid mortgage bond CZ0002000268 with the nominal volume of CZK 3,530 million. In addition, the Bank purchased mortgage bonds in the aggregate nominal amount of CZK 1,979 million, refer to the following table.

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

Name	Interest rate	Currency	Issue date	Maturity date	31 Dec 2009 CZK million	31 Dec 2008 CZK million
Mortgage bonds of Komerční banka, a.s., CZ0002000268	5.5%	CZK	21 Aug 2003	21 Aug 2009	0	3,630
Mortgage bonds of Komerční banka, a.s., CZ0002000565	3M PRIBID minus the higher of 10 bps or 10% value of 3M PRIBID	CZK	2 Aug 2005	2 Aug 2015	2,892	4,895
Mortgage bonds of Komerční banka, a.s., CZ0002000664	4.4%	CZK	21 Oct 2005	21 Oct 2015	10,219	10,290
Mortgage bonds of Komerční banka, a.s., CZ0002000854	3.74%	EUR	1 Sept 2006	1Sept 2016	800	930
Bonds of Komerční banka, a.s., CZ0003701427	4.22%	CZK	18 Dec 2007	1 Dec 2017	615	692
Mortgage bonds of Komerční banka, a.s., CZ0002001753	Rate of the interest swap sale in CZK for 10 years plus 150 bps	CZK	21 Dec 2007	21 Dec 2037	3,646	3,691
Total debts					**18,172**	**24,128**

Note: Six-month PRIBOR was 182 basis points as of 31 December 2009 (2008: 375 basis points).
Three-month PRIBID was 126 basis points as of 31 December 2009 (2008: 323 basis points).
The value of the interest rate swap CZK sale average for ten years as of 31 December 2009 was 354 bps (2008: 327 bps)

33. Accruals and other liabilities

Accruals and other liabilities comprise:

CZK million	31 Dec 2009	31 Dec 2008
Settlement balances and outstanding items	28	82
Payables from securities trading and issues of securities	1,930	1,648
Payables from payment transactions	3,474	5,762
Other liabilities	3,444	3,660
Accruals and deferred income	1,014	923
Total accruals and other liabilities	**9,890**	**12,075**

'Other liabilities' largely include liabilities arising from the supplies of goods and services and employee arrangements, including estimated balances.

Deferred income fees from banking guarantees are reported in 'Accruals and deferred income' in the amount of CZK 22 million (2008: CZK 21 million).

34. Provisions

Provisions comprise:

CZK million	31 Dec 2009	31 Dec 2008
Provisions for contracted commitments	824	773
Provisions for other credit commitments	1,032	1,114
Provision for restructuring	142	132
Total provisions	**1,998**	**2,019**

In 2009, the Group adjusted the amount of the provision for restructuring in respect of the project of reorganisation and centralisation of back office functions. The change in the provisioning amount includes the use of the provision to cover the expenses in 2009 and the charge for the provision reflecting changes in the project. In addition, the Group recognised a restructuring provision for the project of the change in the legal status of Komerční banka Bratislava a.s. to the organisational branch of the Bank. The provisions were recognised as equal to the anticipated costs of severance payments, advisory services and other costs necessary to complete the restructuring according to a detailed plan of reorganisation. The charge for and use of provisions is reported in the income statement lines "Personnel costs" and "General administrative expenses".

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

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

CZK million	31 Dec 2009	31 Dec 2008
Provision for off balance sheet commitments	869	934
Provision for undrawn loan facilities	163	180
Total	**1,032**	**1,114**

Movements in the provisions for contracted commitments are as follows:

CZK million	1 January 2009	Additions	Disposals	Accrual	Foreign exchange difference	31 Dec 2009
Provisions for retirement bonuses	100	7	(15)	6	0	98
Provisions for loyalty and jubilee bonuses	2	0	0	0	0	2
Other provisions for contracted commitments	671	111	(44)	0	(14)	724
Provisions for restructuring	132	78	(68)	0	0	142
Total	**905**	**196**	**(127)**	**6**	**(14)**	**966**

35. Deferred income taxes

Deferred tax is calculated from temporary differences between the tax bases and carrying values using tax rates effective in the periods in which the temporary tax difference is expected to be realised.

Deferred income tax assets and liabilities are attributable to the following items:

CZK million	31 Dec 2009	31 Dec 2008
Banking reserves and provisions	263	282
Provisions for non-banking receivables	17	14
Provisions for assets	47	89
Non-banking reserves	123	127
Depreciation	(353)	(341)
Leases	(12)	(2)
Revaluation of hedging derivatives - equity impact	(558)	(885)
Revaluation of available-for-sale financial assets - equity impact	(437)	(45)
Adjustments of the fair values of the building and deposits of Modrá pyramida stavební spořitelna, a.s.	0	0
Other temporary differences	154	186
Net deferred tax asset/(liability)	**(756)**	**(575)**

Deferred tax recognised in the financial statements:

CZK million	31 Dec 2009	31 Dec 2008
Balance at the beginning of the period	**(575)**	**725**
Movement in net deferred tax liability - profit and loss impact	(88)	(93)
Movement in net deferred tax liability - equity impact	(93)	(1,207)
Balance at the end of the period	**(756)**	**(575)**

The changes in tax rates had no significant impact on the deferred tax in 2008.

36. Subordinated debt

As of 31 December 2009 the Group had subordinated debt of CZK 6,001 million (2008: CZK 6,003 million). The nominal value of the subordinated debt received by the Group at the end of 2006 is CZK 6,000 million. The subordinated debt was issued by the parent company of the Bank, Société Générale S.A. The subordinated debt carries a floating rate linked to one-month PRIBOR and has 10-year maturity with the Group's option for early repayment after five years and thereafter as of any interest payment date. Interest payments are made on a monthly basis.

37. Share capital

The Bank's share capital, legally registered in the Register of Companies on 11 February 2000, amounts to CZK 19,005 million and consists of 38,009,852 ordinary shares with a nominal value of CZK 500 each (ISIN: CZ0008019106).

Set out below is a summary of the entities that hold more than 3 percent of the Bank's issued share capital as of 31 December 2009:

Name of the entity	Registered office	Ownership percentage
SOCIETE GENERALE S.A.	29 Bld Haussmann, Paris	60.35
CHASE NOMINEES LIMITED	125 London Wall, London	5.71
STATE STREET BANK & TRUST COMPANY	Franklin Street 225, Boston	5.08
NORTRUST NOMINEES LIMITED	50 Bank St. Canary Wharf, London	4.20

Société Générale S.A., being the only entity with a qualified holding in the Bank, is a French joint stock company incorporated by a Deed approved through the issuance of a Decree on 4 May 1864, and is licensed as a bank. Under the legislative and regulatory provisions relating to credit institutions, notably the articles of the Monetary and Financial Code, the Company is subject to commercial laws, in particular Articles 210-1 and the following of the French Commercial Code, as well as current by-laws.

As of 31 December 2009, the Group held 54,000 treasury shares at a cost of CZK 150 million (2008: 54,000 treasury shares at a cost of CZK 150 million).

Capital Management

The Group manages its capital with the objective of maintaining a strong capital base to support its business activities and to meet capital regulatory requirements in the current period and going forward. As part of the capital planning process, the Group takes into account both internal and external factors which are reflected in the corresponding internal targets expressed in targeted Tier 1 values and the capital adequacy ratio. The Group's capital level planning process is based on a regular capital structure analysis and a forecast which takes into account future capital requirements generated by increasing business volumes and future risks as expected by the Group. This analysis principally leads to adjustments of the level of the Group's dividend pay-out, identification of future capital needs and maintenance of a balanced capital composition.

The Group's capital principally consists of the following balances: share capital, reserve funds, undistributed profit and subordinated debt.

The Czech National Bank, as the local regulatory authority, oversees the Group's compliance with the capital adequacy ratio both on a stand-alone and consolidated basis. The Group's regulatory capital is divided into Tier 1 and Tier 2. The capital components are subject to various limits; for example, subordinated debt may not exceed 50 percent of the Tier 1 capital.

The ruling banking regulation, known as Basel II, is based on the three-pillar concept. The first pillar is devoted to the description and quantification of credit, operational and market risks and was implemented under the direct supervision of the regulator. The second pillar allows banks to apply their own approach to risks, but concurrently requires coverage of all types of risks to which the Bank is exposed. The third pillar focuses on reporting requirements with the aim of providing the market with better information on the Bank.

As part of the first pillar of Basel II, the Group began to use the following approaches starting from 2008:

- Special approach to the calculation of capital requirements relating to credit risks based on internal rating (Internal Rating Based Advanced Approach); and
- Special approach to the calculation of the capital requirement to the operational risk (Advanced Measurement Approach).

Under the second pillar of Basel II which requires the creation of the system for the internal evaluation of the capital adequacy in relation to the risk profile (internally determined capital system), the Group determined and formalised this system and outlined the relating capital adequacy strategy. The system is based on the Pillar 1 Plus method when mitigation factors are determined for risks not covered by the first pillar either of qualitative nature, e.g. in the form of control processes, or quantitative nature with an impact on the future income of the Group or directly on the additional capital requirement. The risks already described in the first pillar are actually assessed in the second pillar. In addition, the Group analyses impacts of stress testing on all risks over a specific time period. For stress testing purposes, the Group developed a set of macroeconomic "Global Economic Scenarios" which facilitates the evaluation of the impacts of the scenario in a comprehensive manner across all risks to which the Group is exposed and thus mutually integrates the impact of individual risks. The Group regularly prepares the Information on the Internally Determined Capital System and submits it to the Czech National Bank.

38. Composition of cash and cash equivalents as reported in the cash flow statement

CZK million	31 Dec 2009	31 Dec 2008	Change in the year
Cash and balances with central banks	16,271	13,961	2,310
Amounts due from banks – current accounts	659	254	405
Amounts due to central banks	(2)	(1)	(1)
Amounts due to banks - current accounts	(613)	(3,799)	3,186
Total	**16,315**	**10,415**	**5,900**

39. Acquisition/disposal of subsidiary companies

In May 2005, the Group and Société Générale Asset Management S.A. (France) concluded a contract for the sale of 100 percent of shares of Investiční kapitálová společnost Komerční banky, a.s. (hereinafter „IKS"). The selling price was payable in two instalments. The first portion of the price was paid immediately as of the transaction date in cash, the second portion of the price was due after the fulfilment of pre-agreed distribution targets for IKS products sold through the Group's distribution network in 2005 to 2008. The Group fulfilled the distribution targets. The gain of CZK 2 million (2008: CZK 150 million) is disclosed in the line 'Profit/(loss) attributable to exclusion of companies from consolidation' and represents to payment of the second part of the price, refer to Note 13. No companies were excluded from consolidation in the year ended 31 December 2009.

40. Commitments and contingent liabilities

Legal disputes

The Group conducted a review of legal proceedings outstanding against it as of 31 December 2009. Pursuant to the review of significant litigation matters in terms of the risk of losses and litigated amounts, the Group has recorded a provision of CZK 202 million (2008: CZK 146 million) for these legal disputes, refer to Note 34. The Group has also recorded an accrual of CZK 360 million (2008: CZK 354 million) for costs associated with a potential payment of interest on the pursued claims.

As of 31 December 2009, the Group assessed lawsuits filed against other entities. The Group has been notified that certain parties against which it is taking legal action may file counterclaims against it. The Group will contest any such claims and, taking into consideration the opinion of its internal and external legal counsel, believes that any asserted claims made will not materially affect its financial position. No provision has been made in respect of these matters.

Commitments arising from the issuance of guarantees

Commitments from guarantees represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. These assurances carry the same credit risk as loans and therefore the Group makes provisions against these instruments on the same basis as is applicable to loans.

Capital commitments

As of 31 December 2009, the Group had capital commitments of CZK 401 million (2008: CZK 387 million) in respect of current capital investment projects.

Commitments arising from the issuance of letters of credit

Documentary letters of credit are written irrevocable undertakings by the Group on behalf of a customer (mandatory) authorising a third party (beneficiary) to draw drafts on the Group up to a stipulated amount under specific terms and conditions. The condition for opening a letter of credit is its collateralisation, that is, no uncollateralised letter of credit can be opened. The Group records provisions against these instruments on the same basis as is applicable to loans.

Commitments to extend credit, undrawn loan commitments, unutilised overdrafts and approved overdraft loans

Principal off balance sheet exposures include unutilised overdrafts under framework agreements to provide financial services, approved overdraft loans, undrawn loan commitments, issued commitments to extend credit and unutilised facilities. The primary purpose of commitments to extend credit and overdraft loans is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees. Commitments to extend credit or guarantees issued by the Group which are contingent upon customers maintaining specific credit standards (including the condition that a customer's solvency does not deteriorate) are revocable commitments. The Group does not recognise a provision for revocable commitments. Irrevocable commitments represent undrawn portions of authorised loans and approved overdraft facilities because they result from contractual terms and conditions in the credit agreements (that is, their use is not contingent upon the customers maintaining other specific credit standards). The Group recognises a provision for irrevocable commitments as and when required (according to a customer's solvency).

Financial commitments and contingencies comprise:

CZK million	31 Dec 2009	31 Dec 2008
Non-payment guarantees including commitments to issued non-payment guarantees	34,056	32,438
Payment guarantees including commitments to issued payment guarantees	10,568	9,483
Received bills of exchange/acceptances and endorsements of bills of exchange	51	68
Committed facilities and unutilised overdrafts	31,490	37,472
Undrawn credit commitments	46,635	62,271
Unutilised overdrafts and approved overdraft loans	37,547	46,028
Unutilised discount facilities	26	62
Unutilised limits under Framework agreements to provide financial services	55,101	43,755
Open customer/import letters of credit uncovered	695	1,097
Stand-by letters of credit uncovered	380	687
Confirmed supplier/export letters of credit	70	276
Open customer/import letters of credit covered	81	139
Stand-by letters of credit covered	25	0
Total contingent revocable and irrevocable commitments	**216,725**	**233,776**

The Group provides a variety of credit facilities to its largest clients. Of the Group's committed facilities and guarantees, CZK 47,304 million (2008: CZK 39,131 million) is revocable.

The risk associated with off balance sheet credit commitments and contingent liabilities is assessed similarly as for loans to customers, taking into account the financial position and activities of the entity to which the Group issued the guarantee and taking into account the collateral obtained. As of 31 December 2009, the Group recorded provisions for these risks amounting to CZK 1,032 million (2008: CZK 1,114 million) - for further information see Note 34.

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

CZK million	31 Dec 2009	31 Dec 2008
Food industry and agriculture	7,570	6,455
Mining and extraction	731	1,019
Chemical and pharmaceutical industry	6,143	5,300
Metallurgy	6,741	9,774
Automotive industry	3,059	2,391
Manufacturing of other machinery	12,575	14,117
Manufacturing of electrical and electronic equipment	2,211	4,007
Other processing industry	7,498	8,626
Power plants, gas plants and waterworks	22,585	22,620
Construction industry	43,574	43,663
Retail	5,949	6,046
Wholesale	19,001	22,585
Accommodation and catering	614	555
Transportation, telecommunication and warehouses	11,213	12,186
Banking and insurance industry	12,023	15,657
Real estate	2,111	5,140
Public administration	9,997	11,674
Other industries	23,265	18,443
Individuals	19,865	23,518
Contingent liabilities	**216,725**	**233,776**

The majority of commitments and contingencies originate on the territory of the Czech Republic.

41. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party on making financial or operational decisions. As of 31 December 2009, the Group was controlled by Société Générale which owns 60.35 percent of the Bank's issued share capital.

A number of banking transactions are entered into with related parties in the normal course of business. These specifically include loans, deposits, derivative transactions and other types of transactions. These transactions were carried out on commercial terms and at market rates.

Amounts due to and from the Group companies

As of 31 December 2009, the Group had loans outstanding of CZK nil (2008: CZK nil) and deposits of CZK 125 million (2008: 181 million) to the associate, Komerční pojišťovna, a.s. Other amounts due, amounts owed, income and expenses with the Group were immaterial in 2009 and 2008.

Amounts due to and from the Société Générale Group entities

Principal balances due from the Société Générale Group entities include:

CZK million	31 Dec 2009	31 Dec 2008
Company		
ALD Automotive s.r.o.	2,281	2,725
ESSOX SK s.r.o.	3,620	100
Investiční kapitálová společnost KB, a.s.	14	12
SG Consumer Finance d.o.o.	1,153	1,151
SG Equipment Finance Czech Republic s.r.o.	7,408	8,763
SG Express bank	1	2
SG Zurich	29	9
SG London	29	0
SG New York	0	4
SG Private Banking /Suisse/ S.A.	6	2
SG Vostok	7	53
SG Warsaw	20	0
SGA Société Générale Acceptance N.V.	0	3,636
SGBT Luxemburg	0	138
Société Générale Paris	10,934	29,022
Total	**25,502**	**45,617**

Principal balances owed to the Société Générale Group entities include:

CZK million	31 Dec 2009	31 Dec 2008
Company		
ALD Automotive s.r.o.	0	1
General Bank of Greece SA	0	1
IKS Money Market Plus Fond	0	551
Investiční kapitálová společnost KB, a.s.	170	266
Romanian Bank for Development	0	1
SG Amsterdam	0	4
SG Consumer Finance d.o.o.	12	3
SG Cyprus LTD	30	25
SG Equipment Finance Czech Republic s.r.o.	1,451	1,854
SG New York	4	7
SG Private Banking /Suisse/ S.A.	35	36
SG Zurich	5	1
SGBT Luxemburg	538	257
Société Générale Paris	20,868	18,204
SG London	1	0
SG Vostok	1	0
Société Générale Warsaw	19	3
Splitska Banka	14	1
Total	**23,148**	**21,215**

Amounts due to and from the Société Générale Group entities principally comprise balances of current and overdraft accounts, nostro and loro accounts, issued loans, interbank market loans and placements, and debt securities acquired under initial offerings not designated for trading (refer also to Note 21), issued bonds and subordinated debt (refer also to Note 36).

As of 31 December 2009, the Group also carried off balance sheet exposures to the Société Générale Group, of which off balance sheet notional assets and liabilities amounted to CZK 134,440 million (2008: CZK 162,136 million) and CZK 142,747 million (2008: CZK 172,075 million), respectively. These amounts principally relate to currency spots and forwards, interest rate forwards and swaps, options, commodity derivatives, emission allowances and guarantees for credit exposures.

As of 31 December 2009 and 2008, the Group also carried other amounts due to and from the Société Générale Group entities which are immaterial.

During the year ended 31 December 2009, the Group realised total income of CZK 14,958 million (2008: CZK 15,127 million) and total expenses of CZK 13,653 million (2008: CZK 17,021 million) with the Société Générale Group. Income includes interest income from debt securities issued by Société Générale Paris (refer also to Note 21), income from interbank deposits, fees from transactions with securities, interest income on hedging derivatives and a gain on trading derivatives. Expenses comprise expenses of interbank deposits and subordinated debt, loss from financial operations, interest expense on hedging derivatives and expenses related to the provision of management, consultancy and software services.

As of 31 December 2009 and 2008, the Group recorded no material expenses or income with other companies in the Société Générale Group.

Remuneration and amounts due from the members of the Management and Supervisory Boards and Directors' Committee

Remuneration paid to the members of the Management and Supervisory Boards during the years was as follows:

CZK million	31 Dec 2009	31 Dec 2008
Remuneration to the Management Board members*	46	58
Remuneration to the Supervisory Board members**	5	5
Remuneration to the Directors' Committee members***	65	85
Total	**116**	**148**

Note: *) Remuneration to the Management Board members includes amounts paid during the year ended 31 December 2009 to the current and former directors of the Bank under mandate and management contracts, net of bonuses for 2009 but including bonuses for 2008, figures for expatriate members of the Management Board include remuneration net of bonuses for 2009 and other compensations and benefits arising from expatriate relocation contracts. The remuneration also includes benefits arising to the Bank's employees under a collective bargaining agreement. The remuneration of expatriate members of the Management Board does not include accommodation related services.

**) Remuneration to the Supervisory Board members includes amounts paid during the year ended 31 December 2009 to the current and former members of the Supervisory Board, amounts for the Supervisory Board members elected by employees additionally include income paid to them under their employment arrangement with the Bank. The remuneration also includes benefits arising to the Bank's employees under a collective bargaining agreement.

***) Remuneration to the Directors' Committee members represents the sum of compensation and benefits paid in 2009 under management contracts or under expatriate relocation contracts in respect of expatriates. This balance does not reflect any compensation provided to the Management Board members (as it is reflected in the remuneration to the Management Board members). All the Management Board members are members of the Directors' Committee. The remuneration also includes benefits arising to the Bank's employees under a collective bargaining agreement. In the event that an employee became a member of the Directors' Committee during 2009, the total balance reflects his/her aggregate annual remuneration.

	31 Dec 2009	31 Dec 2008
Number of the Management Board members	6	6
Number of the Supervisory Board members	9	9
Number of the Directors' Committee members*	16	16

Note: *) These figures include all members of the Management Board who are also members of the Directors' Committee.

As of 31 December 2009, the Group recorded an estimated payable of CZK 13 million (2008: CZK 13 million) for Management Board bonuses.

In respect of loans and guarantees as of 31 December 2009, the Bank recorded loan receivables totalling CZK 4 million (2008: CZK 6 million) granted to the members of the Management Board, Directors' Committee and Supervisory Board. During 2009, draw-downs of CZK 1 million were made under the loans granted to the members of the Directors' Committee. Loan repayments made by the members of the Directors' Committee during 2009 amounted to CZK 1 million. The amount of loans of resigning members of the Directors' Committee amounted to CZK 2 million as of 31 December 2008.

42. Movements in the revaluation of hedging instruments in the statement of changes in shareholders' equity

In accordance with IAS 39, certain derivatives were designated as hedges. The changes in fair values of cash flow hedges are recorded in a separate category of equity in the hedging reserve.

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Cash flow hedge fair value at 1 January	4,437	(1,002)
Deferred tax asset/(liability) at 1 January	(885)	211
Balance at 1 January	**3,552**	**(791)**
Movements during the year		
Gains/losses from changes in fair value	(343)	5,933
Deferred income tax	97	(1,200)
	(246)	**4,733**
Transferred to interest income/expense	(1,154)	(494)
Deferred income tax	230	104
	(924)	**(390)**
Cash flow hedge fair value at 31 December	2,940	4,437
Deferred tax asset/(liability) at 31 December	(558)	(885)
Balance at 31 December	**2,382**	**3,552**

43. Movements in the revaluation of available-for-sale financial assets in the statement of changes in equity

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Reserve from fair-value revaluation at 1 January	862	(765)
Deferred tax asset/(liability)/income tax liability at 1 January	(95)	39
Balance at 1 January	**767**	**(726)**
Movements during the year		
Gains/(losses) from changes in fair value	2,567	1,476
Deferred tax/income tax liability	(376)	(126)
	2,191	**1,350**
(Gains)/losses from the sale	468	151
Deferred tax/income tax liability	(14)	(8)
	454	**143**
Reserve from fair-value revaluation at 31 December	3,897	862
Deferred tax asset/(liability)/income tax liability/income tax liability at 31 December	(485)	(95)
Balance at 31 December	**3,412**	**767**

44. Risk management and financial instruments

(A) Credit risk

Credit rating of borrowers

Assessment of credit risk is based on quantitative and qualitative criteria, the output of which is rating. The Group uses several types of ratings, depending on the type and profile of the counterparty, and related transactions. As a result, specific ratings are assigned to the Group's clients, and also to specific clients' transactions. In relevant cases the same rating procedure is applied to respective guarantors and sub-debtors, which provides for a better assessment of the quality of accepted guarantees and collateral.

In 2009, the Group predominantly focused on optimising the loan origination and measurement procedures with the objective of reflecting both current and anticipated trends in the development of the risk profile of individual client and product portfolios of the Group. The results of stress testing that aided in identifying principal weaknesses in the existing procedures played a significant role in this optimisation. The rating models themselves (except for certain Loss Given Default (LGD) models) were not updated – their prediction strength was maintained at a high level in 2009; however, the intensity of the analyses of the ability to predict the correct levels of the values of risk characteristics increased. In respect of the identified inconsistencies, the Group undertook remedial measures by recalibrating (linking of the results of models to the default probability values) the relevant models. Similarly as in 2008, the Group focused on further developing the statistical models for provisioning. During 2009, the Group thoroughly revised the response management processes in respect of suspected credit fraud and launched a new centralised IT application supporting and largely automating these processes.

a) Ratings for business clients and municipalities
For businessmen, corporate clients and municipalities, the Group uses the obligor rating with the aim of evaluating the probability of default of the counterparty and the Loss Given Default (LGD) rating to assess the quality of available guarantees and collateral and to evaluate the potential loss from counterparty transactions. Both these models are also used for regular updates of the Probability of Default (PD) of all client exposures reported in accordance with the Basel II requirements.

For large and medium-sized clients, the obligor rating is the combination of the financial rating based primarily on financial data and economic rating obtained through the evaluation of non-financial information relating to a particular client. In 2009, the Group predominantly focused on monitoring and back-testing these models. Concurrently, the Group implemented an updated statistical model for the monthly automated monitoring of clients (the Early Warning System).

In the businessmen and small companies segment, the obligor rating is the combination of financial, non-financial, personal data and data on client behaviour in the Group. When clients are funded using simple products, the setting of the rating is alternatively limited to the evaluation of data on client behaviour in the Group (behavioural rating). In 2009, the Group principally focused on monitoring and back-testing these models and used them to recalibrate the behavioural rating (mapping of the result of the model to the probability of default values). In addition, the Group tightened the rules that automatically trigger the monitoring of clients with the aim of promptly responding to the potentially negative development of their financial situation.

In the municipalities segment, the obligor rating is the combination of the financial rating based on data in the financial statements and economic rating acquired through the assessment of non-financial information relating to specific municipalities. In the second quarter of 2009, the Group implemented a new model with a significantly more comprehensive automated assessment of all available information.

b) Ratings for Banks and Sovereign
For banks and other financial institutions the Group uses a central economic rating model developed by Société Générale S.A. The model is based on variables in a qualitative questionnaire, including the quantitative financial criteria, and the country support questionnaire. Central models have also been developed for sovereigns (central banks and central governments) and other financial institutions (namely insurance companies, brokers and funds).

c) Ratings for individual clients
The Group uses two types of ratings with the aim of evaluating default risk for individuals: the application rating which results from the evaluation of personal data of clients, data on the behaviour in the Group and the data of clients from available external registers, and behavioural rating which is based on the evaluation of the information on the clients' behaviour in the Group. The application rating is primarily used for active applications of clients for funding, while the behavioural rating which includes the calculation of pre-approved limits for simple products with low exposure is used for active offers of funding for clients by the Group. Behavioural rating of clients is concurrently used for regular updates of the probability of default of all client exposures reported in accordance with the Basel II requirements.

In 2009, the Group primarily focused on monitoring and back-testing all of the noted models. In addition, the Group developed new models of behavioural rating, assessing the information from other subsidiaries of the Group with the objective of increasing the accuracy and potential of the simplified procedure of providing loans to clients with low risk profile. New models will be implemented during 2010.

In 2009, the Group also focused on further developing the models for the Loss Given Default (LGD) calculation, specifically for the consumer loans and credits cards segments.

Pursuant to the back testing of the rating and LGD models and the results of stress testing, the Group initiated a thorough review of the process of pricing all loan products provided to individuals with the aim of eliminating potential loss production and updated the setting of credit risk margins representing the valuation of the anticipated cost of risk.

d) Credit registers
During 2009, the evaluation of data from credit registers was one of the principal factors impacting the assessment of applications for client funding, predominantly in the retail clients sector. During the year, the Group principally focused on optimising the rules for reflecting information from credit registers in the approval process, predominantly with respect to behavioural rating and individual assessment of applications for funding (approval of the transaction denied by a rating model).

e) Credit fraud prevention
During 2009, the Group implemented new methodological regulations describing the principles of prevention and response to credit fraud. In this context, the Group ran a large project throughout the year with the aim of creating an automated system integrating algorithms for the verification of client data from applications for funding with publicly available registers, algorithms for signalling an increased risk of credit fraud and a centralised system of reporting and responding to credit fraud. The last quarter of 2009 saw the pilot launch of the new system. The launching of all of its components in the entire distribution network is anticipated for the second quarter of 2010. The system is fully integrated with the Group's main applications and it will be fully promoted in the entire Group.

Credit risk concentration
Credit concentration risk is actively managed using standard tools (e.g. analysis, assessment, setting of internal limits, reporting and mitigation of the risk as appropriate). The Group aims not to take any excessive credit concentration risk. Procedures of credit concentration risk management cover individual counterparts as well as economically connected groups, countries and industry sectors. The system of internal limits is established such that the Group complies with regulatory limits set on concentration risk.

The Group's maximum credit exposure as of 31 December 2009:

CZK million			Total exposure			Applied collateral
	Statement of financial position	Off-balance sheet*	Total credit exposure	Statement of financial position	Off-balance sheet*	Total collateral
Balances with central banks	**8,658**	**x**	**8,658**	**0**	**x**	**0**
Financial assets at fair value through profit or loss	**24,442**	**x**	**24,442**	**0**	**x**	**0**
Positive fair value of hedging financial derivative transactions	**9,590**	**x**	**9,590**	**0**	**x**	**0**
Financial assets available for sale	**114,067**	**x**	**114,067**	**0**	**x**	**0**
Amounts due from banks	**131,271**	**4,983**	**136,254**	**95,970**	**0**	**95,970**
Loans and advances to customers	**386,655**	**211,742**	**598,397**	**170,087**	**11,142**	**181,229**
Corporate clients**	214,535	191,984	406,519	61,409	10,085	71,494
Of which: top corporate clients	101,480	122,535	224,015	35,493	6,131	41,624
Individuals – non-businessmen	172,092	19,758	191,850	108,678	1,057	109,735
Of which: mortgage loans	100,040	3,485	103,525	80,984	827	81,811
consumer loans	23,376	3,429	26,805	2,781	221	3,002
construction savings scheme loans	44,406	4,571	48,977	25,264	0	25,264
Other amounts due from customers	28	x	28	0	x	0
Investments held to maturity	**6,785**	**x**	**6,785**	**0**	**x**	**0**
Total	**681,468**	**216,725**	**898,193**	**266,057**	**11,142**	**277,199**

Note: *) Undrawn amounts, commitments, guarantees, etc.
**) This item also includes loans provided to individuals – businessmen

The maximum credit exposure is presented in gross values net of the impact of provisions.

The Group's maximum credit exposure as of 31 December 2008:

CZK million			Total exposure			Applied collateral
	Statement of financial position	Off-balance sheet*	Total credit exposure	Statement of financial position	Off-balance sheet*	Total collateral
Balances with central banks	**6,170**	**x**	**6,170**	**0**	**x**	**0**
Financial assets at fair value through profit or loss	**43,993**	**x**	**43,993**	**0**	**x**	**0**
Positive fair value of hedging financial derivative transactions	**9,146**	**x**	**9,146**	**0**	**x**	**0**
Financial assets available for sale	**98,164**	**x**	**98,164**	**0**	**x**	**0**
Amounts due from banks	**146,098**	**3,810**	**149,908**	**93,020**	**99**	**93,119**
Loans and advances to customers	**376,067**	**229,966**	**606,033**	**152,980**	**15,161**	**168,141**
Corporate clients**	218,061	206,449	424,510	58,132	13,832	71,964
Of which: top corporate clients	103,862	122,644	226,506	34,462	9,143	43,605
Individuals – non-businessmen	155,912	23,517	179,429	94,848	1,329	96,177
Of which: mortgage loans	90,288	6,384	96,672	70,888	1,124	72,012
consumer loans	22,967	2,936	25,903	1,594	198	1,792
constructions savings scheme loans	39,312	0	39,312	22,384	0	22,384
Other amounts due from customers	2,094	x	2,094	0	x	0
Investments held to maturity	**1,435**	**x**	**1,435**	**0**	**x**	**0**
Total	**681,073**	**233,776**	**914,849**	**246,000**	**15,260**	**261,260**

Note: *) Undrawn amounts, commitments, guarantees, etc.
**) This item also includes loans provided to individuals – businessmen

The maximum credit exposure is presented on a gross basis net of the impact of provisions.

Classification of receivables

The Group classifies its receivables arising from financial activities into five categories according to Regulation of the Czech National Bank No. 123/2007. The classification reflects both quantitative criteria (payment discipline, financial statements) and qualitative criteria (e.g. in-depth client knowledge, behavioural scoring). Since 2008, the classification has reflected the default sharing principle for co-debtors and guarantors in respect of the default receivables in accordance with the Basel II principles.

The structure of the credit portfolio according to the classification is regularly reported to the Czech National Bank and investors.

Characteristics of receivables that are not categorised

Pursuant to the Regulation issued by the Czech National Bank, the Group does not classify other amounts due from customers. These amounts consist of non-credit receivables that principally originated from the system of payment, fraudulent withdrawals, bank cheques, receivables associated with purchases of securities on behalf of clients that have not been settled, and balances receivable that arise from business arrangements that do not represent financial activities, specifically amounts receivable arising from outstanding rental payments on non-residential premises, sale of real estate and prepayments made.

Provisioning for receivables

All significant impaired credit exposures (i.e. classified as Watch, Substandard, Doubtful or Loss according to CNB classification) are assessed individually and reviewed at least on a quarterly basis by three levels of Provisioning Committees or, whenever required, by recovery specialists. Provisions are established on the basis of the present value of estimated future cash-flows to the Group and after due consideration of all available information, including the estimated value of collateral and expected duration of the recovery process. The remaining exposures are provisioned based on statistical models. These models were developed based on the Basel II principles using the LGD (Loss Given Default) database which is established in respect of historically observed losses for clients not individually assessed. This new model was implemented in August 2007. In November 2009, the model used in the calculation of provisions was updated based on new information on incurred losses for the most recent period including the reflection of the current phase of the economic cycle.

As of 31 December 2009, the Group reported the following loans before due date and past due loans that were not provisioned:

CZK million	Loans before due date	Past due loans that were not provisioned						Total
		1 to 29 days	30 to 59 days	60 to 89 days	90 days to1 year	Over1 year	Total	
Standard	349,198	7,151	79	25	60	148	7,463	356,661
Watch	11,763	246	159	71	0	0	476	12,239
Total	**360,894**	**7,397**	**238**	**96**	**60**	**148**	**7,939**	**368,833**

As of 31 December 2008, the Group reported the following loans before due date and past due loans that were not provisioned:

CZK million	Loans before due date	Past due loans that were not provisioned						Total
		1 to 29 days	30 to 59 days	60 to 89 days	90 days to1 year	Over1 year	Total	
Standard	360,314	8,060	412	326	177	0	8,975	369,289
Watch	11,350	291	207	79	0	0	577	11,927
Total	**371,664**	**8,351**	**619**	**405**	**177**	**0**	**9,552**	**381,216**

Collateral used in respect of the past due loans that were not provisioned amounts to CZK 9,033 million (2008: CZK 5,083 million).

Loan collateral

The amount of the recognised value of collateral is set based on the Group's internal rules for collateral valuation and discounting. The methods used in defining values and discounts take into account all relevant risks, the expected cost of collateral realisation, length of realisation, the historical experience of the Group, as well as collateral eligibility according to the CNB regulation, bankruptcy/insolvency rules and other regulations. Specifically for all real estate collateral, which represents the most frequent type of collateral, the Group uses independent valuations performed or supervised by a dedicated specialised department.

In 2007, the Group fully implemented in its internal system the new rules for assessment of collateral eligibility according to CNB Regulation No.123/2007. The Group's compliance with the new rules was validated by the CNB as part of the validation of the IRBA Basel II approach in September 2007.

In 2009, the Group finalised the online connection to the state-run Real Estate Register for reviewing and acquiring data on pledged real estate in approving mortgages and in the process of regular monitoring of selected events that may put at risk the pledge of the Group on the real estate.

Real estate collateral valuation

Activities relating to the valuation of real estate obtained as collateral for commercial and retail loans are independent from the Group's business processes. The valuation process is managed and controlled by the internal specialised Risk Management Department which cooperates with a selection of external valuation experts.

In 2009, together with the principal activity involving real estate valuation, the Group focused on the ongoing monitoring of the real estate market with the aim of promptly identifying a negative development and taking appropriate measures as required. The Group monitors both the residential real estate market and the commercial real estate market. The integral part of the monitoring is the revaluation of selected real estate depending on the Basel II requirements.

Recovery of amounts due from borrowers
As a result of the negative economic development, the Group continuously responded to changing market conditions that primarily result in an extended period of recovery and its complexity. Given the growing volume of the retail loans portfolio, the Group continues improving the efficiency and effectiveness of the recovery through the improvement in the organisation of debt recovery and improvement in recovery processes and techniques. These efforts also involve the intensified and enhanced use of external recovery capacities which cover approximately 21 percent of the total portfolio of exposures in recovery. In January 2009, the Group started regular monthly sales of groups of uncollateralised retail receivables to selected investors. Following the assessment of bids made by the investors, each offered group of receivables was sold at the maximum achievable recovery rate.

The Group gave increased attention to the application of the new Insolvency Act and its reflection in the process of collecting the Group's receivables. The new Insolvency Act has a significant impact on the procedures of recovering the Group's credit receivables from both corporate and retail clients and the Group is seeking to maximise the benefit arising from the positive impacts of the new regulation, predominantly reorganisation.

Credit risk hedging instruments
The Group has not entered into any credit derivative transactions to hedge or reallocate its credit exposures.

Revocable contractual commitments
The Group monitors revocable contractual commitments on the same basis as irrevocable commitments. The risk is identified on a client basis and is monitored monthly, but no provisions or reserves are created. As of 31 December 2009, the revocable commitments account for 22 percent (2008: 17 percent) of all the Group's revocable and irrevocable commitments.

Credit risk of financial derivatives
The daily calculation of counterparty risk associated with financial derivatives is based on the Credit Value at Risk (CVaR) indicator. This indicator estimates the potential future development of the price of a derivative and the potential loss that the Group may incur if the counterparty fails to comply with its obligations. The maximum potential exposure is calculated at the confidence level of 99 percent and depends on the current market value and type of the derivative product, the remaining period to the maturity of the derivative transaction and the nominal value and volatility of the underlying assets.

As of 31 December 2009, the Group posted a credit exposure of CZK 15,802 million (2008: CZK 31,021 million) on financial derivative instruments (expressed in CVaR). This amount represents the gross replacement costs at market rates as of 31 December 2009 of all outstanding agreements. The netting agreement is taken into account where applicable.

(B) Market risk

Segmentation of the Group's financial operations
For market risk management purposes, the Group has internally split its activities into two books: the Market Book and the Structural Book. The Market Book includes capital market transactions entered into by the Group's dealers for trading purposes or for accommodating customer needs. The Structural Book principally consists of business transactions (lending, acceptance of deposits, amounts due to and from customers), hedging transactions within the Structural Book and other transactions not included in the Market Book.

In order to measure market risks, the Group operates a system of limits that monitors its market positions.

Products traded by the Group
Products that are traded by the Group and can bear market risks include interbank loans and deposits, currency transactions (spots, swaps, forwards, options), interest rate instruments (interest rate swaps, FRAs, interest rate futures, interest rate options), corporate and governmental bonds, emission allowances as well as other specific products (e.g. bond futures, bills of exchange programmes, cash management for selected clients, etc.). Transactions with these products are concluded either for proprietary purposes, for accommodating the clients' requests or for hedging the Group's positions (e.g. interest rate swaps, FRAs and currency swaps). Certain structured derivative transactions for the clients have been designed to meet the clients' hedging needs. Related market risks are eliminated by the Group via back-to-back transactions concluded with the market.

Market risk in the Market Book
In order to measure market risks inherent in the activities of the Market Book, the Group uses the Value-at-Risk concept as an aggregate metric.

Value-at-Risk is calculated using historical scenarios. This method reflects correlations between various financial markets and underlying instruments on an non-parametric basis, as it uses scenarios simulating one-day variations of relevant market parameters over a period of time limited to the last 250 business days. The resulting 99 percent VaR indicator captures the loss that would be incurred after eliminating the top 1 percent most unfavourable occurrences. This loss is calculated as the average of the second and third largest potential losses, out of the 250 considered scenarios.

The validity of the Value-at-Risk is verified through a back-testing process which compares the Value-at-Risk results with actual trading results and hypothetical overnight results. Any excesses are analysed to ensure the 99 percent confidence level. The Value-at-Risk calculations and results are monitored by the Group's management.

The Global Value-at-Risks for a one-day holding period with a confidence level of 99 percent were EUR (419,000) and EUR (701,000) as of 31 December 2009 and 2008, respectively. The average Global Value-at-Risks were EUR (605,000) and EUR (960,000) for the years ended 31 December 2009 and 2008, respectively.

In addition, the Group also performs stress tests that capture the events with a lower probability of occurrence than Value-at-Risk scenarios, and that measure potential losses relevant to all open positions generated by larger shocks on a daily basis. Several types of stress tests for foreign exchange, interest rate and equity exposures are used. They are developed either based on actual large shock events in the past (such as the bond crisis of 1998) or from a hypothetical crisis that could harm the positions.

Various specific metrics such as sensitivities, positions and holding periods are used to obtain a detailed picture of risks and strategies.

Market risk in the Structural Book

The Group manages foreign exchange risk so as to achieve minimum risk exposures. In order to achieve this, the foreign exchange position of the Structural Book is measured on a daily basis and subsequently hedged under established rules. For the purpose of hedging foreign exchange positions within the Structural Book, the Group uses standard currency instruments in the interbank market, such as currency spots and forwards.

Interest rate risk within the Structural Book is monitored and measured using a static gap analysis, sensitivity of interest income to a parallel shift of the yield curve, and Earnings at Risk ('EaR') for net interest income. The indicators are monitored separately for CZK, USD and EUR, and the sum of other foreign currencies. The EaR indicator shows the maximum departure of the planned net interest income over a one-year period attributable to the movements in interest rates with a 99 percent confidence level from the initial value. EaR is set using stochastic simulations of random scenarios of interest rate developments and a change in interest income relative to the initial value is established for each scenario. The calculation of EaR for net interest income involves a stress-testing approach to the interest rate risk within the Structural Book.

The indicator of sensitivity to a change in market interest rates shows a change in the Group's market value upon an instant, one-off and adverse parallel shift of the market yield curve of 1 percent p.a. It is determined as the present value of the costs of closing out the Group's open interest rate position after the adverse change of interest rates occurred. As of 31 December 2009, the interest rate risk sensitivity was CZK (456) million (2008: CZK (460) million). The Group is limited by this indicator and the level of the limit is determined to be approximately 2 percent of capital.

In order to hedge against interest rate risk within the Structural Book, the Group uses both standard derivative instruments available in the interbank market (such as FRAs and interest rate swaps) and appropriate investments in securities or a selection of interest rate parameters of other assets and liabilities.

(C) Financial derivatives

The Group operates a system of market risk and counterparty limits which are designed to restrict inadequate exposures due to movements in market prices and counterparty concentrations. The Group also monitors adherence to all limits on a daily basis and follows up on any breaches of these limits and takes corrective action to reduce the risk exposure.

The following tables set out notional and fair values of financial derivative instruments categorised as held for trading and hedging.

Financial derivative instruments designated as held for trading:

CZK million	Notional value		Notional value		Fair value		Fair value	
	2009 Assets	2009 Liabilities	2008 Assets	2008 Liabilities	2009 positive	2009 negative	2008 positive	2008 negative
Interest rate instruments								
Interest rate swaps	266,226	266,226	331,111	331,111	4,538	5,011	5,657	6,295
Interest rate forwards and futures*	204,296	204,296	474,815	474,815	374	335	998	969
Interest rate options	617	617	1,772	1,772	0	0	5	5
Total interest rate instruments	**471,139**	**471,139**	**807,698**	**807, 698**	**4,912**	**5,346**	**6,660**	**7,269**
Foreign currency instruments								
Currency swaps	75,848	76,016	119,498	120,595	843	1,016	2,700	3,793
Cross currency swaps	17,025	17,151	29,917	29,981	336	410	1,023	1,107
Currency forwards	38,356	38,202	32,731	32,163	784	565	1,090	590
Purchased options	31,018	30,630	52,455	51,535	1,635	0	3,661	0
Sold options	30,630	31,018	51,535	52,455	0	1,633	0	3,664
Total currency instruments	**192,877**	**193,017**	**286,136**	**286,729**	**3,598**	**3,624**	**8,474**	**9,154**
Other instruments								
Futures on debt securities*	1,218	1,218	364	364	0	0	0	0
Forwards on shares	0	0	1	1	0	0	0	0
Forwards on debt securities	155	155	0	0	1	1	0	0
Forwards on emission allowances	10,667	10,610	13,510	13,494	2,189	2,062	1,921	1,656
Commodity forwards	1,297	1,297	298	298	81	76	49	48
Commodity swaps	1,228	1,228	4,616	4,616	48	46	1,049	1,042
Purchased commodity options	1,320	1,320	564	564	98	0	39	0
Sold commodity options	1,320	1,320	564	564	0	98	0	39
Total other instruments	**17,205**	**17,148**	**19,917**	**19,901**	**2,417**	**2,283**	**3,058**	**2,785**
Total	**681,221**	**681,304**	**1,113,751**	**1,114,328**	**10,927**	**11,253**	**18,192**	**19,208**

Note.: *) Fair values include only forwards, with regard to futures the Group places funds on a margin account which is used on a daily basis to settle fair value changes and receivables arising from these margin accounts are reported within other assets.

Financial derivative instruments designated as held for trading at nominal values per remaining maturity:

CZK million	Up to 1 year	1 to 5 years	Over 5 years	Total
Interest rate instruments				
Interest rate swaps	103,379	123,378	39,469	266,226
Interest rate forwards and futures*	190,878	13,418	0	204,296
Interest rate options	197	420	0	617
Total interest rate instruments	**294,454**	**137,216**	**39,469**	**471,139**
Foreign currency instruments				
Currency swaps	73,542	1,901	405	75,848
Cross currency swaps	4,022	9,212	3,791	17,025
Currency forwards	28,173	9,724	459	38,356
Purchased options	19,475	11,543	0	31,018
Sold options	19,271	11,359	0	30,630
Total currency instruments	**144,483**	**43,739**	**4,655**	**192,877**
Other instruments				
Futures on debt securities	1,218	0	0	1,218
Forwards on debt securities	155	0	0	155
Forwards on emission allowances	3,236	7,431	0	10,667
Commodity forwards	1,297	0	0	1,297
Commodity swaps	1,085	143	0	1,228
Purchased commodity options	1,088	232	0	1,320
Sold commodity options	1,088	232	0	1,320
Total other instruments	**9,167**	**8,038**	**0**	**17,205**
Total	**448,104**	**188,993**	**44,124**	**681,221**

Note: The remaining maturity of forward rate agreements (FRA) and futures covers the period to the fixing date when off balance sheet exposures are reversed.

Financial derivative instruments designated as hedging:

CZK million	Notional value		Notional value		Fair value		Fair value	
	2009 Assets	2009 Liabilities	2008 Assets	2008 Liabilities	2009 positive	2009 negative	2008 positive	2008 negative
Cross currency swaps for cash flows hedging	27,734	24,258	0	0	1,053	378	0	0
Cross currency swaps for fair value hedging	349	3,146	0	0	0	30	0	0
Currency swaps for fair value hedging	665	677	619	661	0	14	0	43
Interest rate swaps for cash flow hedging	285,038	285,038	263,035	263,035	8,537	5,734	9,146	4,990
Interest rate swaps for fair value hedging	6,807	6,807	3,737	3,737	0	383	0	212
Total	**320,593**	**319,926**	**267,391**	**267,433**	**9,590**	**6,539**	**9,146**	**5,245**

Remaining maturity of derivatives designated as hedging:

CZK million	Up to 1 year	1 to 5 years	Over 5 years	Total
Cross currency swaps for cash flow hedging	6,000	21,734	0	27,734
Cross currency swaps for fair value hedging	0	0	349	349
Currency swaps for fair value hedging	665	0	0	665
Interest rate swaps for cash flow hedging	38,380	149,678	96,980	285,038
Interest rate swaps for fair value hedging	0	202	6,605	6,807
Total	**45,045**	**171,614**	**103,934**	**320,593**

The Group treats as hedges only those contracts where it has the ability to demonstrate that all criteria for recognising the transactions as hedges set out in IAS 39 have been met.

At the beginning of 2009, the Group started a new hedging relationship for hedging interest rate risk (both the hedge of fair value and future cash flows) where the cross currency swaps are used as hedging instruments.

During 2009, the Group recorded the following hedges:

(i) Interest rate risk hedge:
   a. The fair value of provided long-term loans/investments in long-term governmental securities is hedged by an interest rate swap and cross currency swap, respectively;
   b. Future cash flows of a portfolio of current assets traded on the interbank market are hedged by a portfolio of interest rate swaps or cross currency swaps (cash flows will materialise on an ongoing basis and will also affect the Group's income statement on an ongoing basis); and
   c. Future cash flows of a portfolio of short-term liabilities traded on the interbank market and short-term client liabilities are hedged by a portfolio of interest rate swaps (cash flows will materialise on an ongoing basis and will also affect the Group's income statement on an ongoing basis).

(ii) Foreign exchange risk hedge:
   a. In selected material cases, the Group hedges future cash flows of firm commitments arising from the Group's contractual obligations (e.g., contractual payments to third parties in a foreign currency) or receivables of the Group, the hedging instrument includes foreign currency assets (e.g., securities) or foreign currency liabilities (client deposits), respectively; and
   b. The Group hedges the fair value of a deferred tax asset, the amount of which is derived from a foreign currency asset and is therefore dependent upon foreign exchange rate developments, by selected foreign currency liabilities (e.g., short-term liabilities traded on the interbank market).

(iii) Hedge of an investment in a foreign subsidiary:
   a. The foreign exchange risk associated with investments in subsidiaries is hedged by selected foreign currency liabilities (e.g., short-term liabilities traded on the interbank market and short-term client liabilities).

The Group does not report any instance of hedge accounting being applied to a highly probably forecasted transaction that is not longer anticipated to be effected.

Further information on hedges is provided in Notes 3, 5 and 7 to these financial statements.

(D) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk.

The Group uses internal models for managing interest rate risk. The objective of these models is to describe the estimated economic behaviour of the Group's clients when market interest rates fluctuate. It is the policy of the Group's management to manage the exposure to fluctuations in net interest income arising from changes in interest rates through gap analysis of assets and liabilities in individual groups. Further information about interest rate risk management is provided in Section B of this note.

The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that reprice to a market rate of interest before maturity, the next repricing date. Those assets and liabilities that do not have contractual maturity or a repricing date were grouped in the 'undefined' category.

CZK million	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined	Total
Assets						
Cash and current balances with central banks	6,170	0	0	0	10,101	16,271
Financial assets at fair value through profit or loss	2,760	7,506	2,741	508	10,927	24,442
Positive fair values of hedging financial derivative transactions	0	0	0	0	9,590	9,590
Financial assets available for sale	1,584	15,876	46,220	49,150	1,237	114,067
Assets held for sale	0	0	0	0	245	245
Amounts due from banks	116,461	8,389	4,456	1,965	0	131,271
Loans and advances to customers	150,531	59,499	117,738	44,533	2	372,303
Investments held to maturity	283	24	798	5,680	0	6,785
Income taxes receivable	0	0	0	0	32	32
Prepayments, accrued income and other assets	0	1,719	0	0	2,703	4,422
Investments in subsidiaries and associates	0	0	0	0	605	605
Intangible fixed assets	0	0	0	0	3,723	3,723
Tangible fixed assets	0	0	0	0	7,729	7,729
Goodwill	0	0	0	0	3,551	3,551
Total assets	**277,789**	**93,013**	**171,953**	**101,836**	**50,445**	**695,036**
Amounts due to central banks	2	0	0	0	0	2
Financial liabilities through profit or loss	1,020	0	0	0	11,253	12,273
Negative fair values of hedging financial derivative transactions	0	0	0	0	6,539	6,539
Amounts due to banks	18,534	205	0	0	0	18,739
Amounts due to customers	166,593	16,335	16,441	5,745	346,695	551,809
Securities issued	2,600	0	0	15,572	0	18,172
Income tax	0	28	0	0	76	104
Deferred tax liability	0	0	0	0	756	756
Accruals and other liabilities	772	0	0	0	9,118	9,890
Provisions	0	0	0	0	1,998	1,998
Subordinated debt	6,001	0	0	0	0	6,001
Total liabilities	**195,522**	**16,568**	**16,441**	**21,317**	**376,435**	**626,283**
On balance sheet interest rate sensitivity gap at 31 December 2009	**82,267**	**76,445**	**155,512**	**80,519**	**(325,990)**	**68,753**
Derivatives*	302,085	262,664	138,193	105,150	0	808,092
Total off balance sheet assets	**302,085**	**262,664**	**138,193**	**105,150**	**0**	**808,092**
Derivatives*	330,045	262,733	182,232	32,529	0	807,539
Undrawn portion of loans**	(3,337)	(1,114)	3,587	864	0	0
Undrawn portion of revolving loans**	(327)	(1,678)	1,280	725	0	0
Total off balance sheet liabilities	**326,381**	**259,941**	**187,099**	**34,118**	**0**	**807,539**
Net off balance sheet interest rate sensitivity gap at 31 December 2009	**(24,296)**	**2,723**	**(48,906)**	**71,032**	**0**	**553**
Cumulative interest rate sensitivity gap at 31 December 2009	**57,971**	**137,139**	**243,745**	**395,296**	**69,306**	**x**
Total assets at 31 December 2008	304,526	86,361	165,471	83,155	59,531	699,044
Total liabilities at 31 December 2008	220,498	19,775	4,171	16,773	374,853	636,070
Net on balance sheet interest rate sensitivity gap at 31 December 2008	84,028	66,586	161,300	66,382	(315,322)	62,974
Net off balance sheet interest rate sensitivity gap at 31 December 2008	(24,463)	19,859	(68,534)	69,581	0	(3,557)
Cumulative interest rate sensitivity gap at 31 December 2008	59,565	146,010	238,776	374,739	59,417	x

Note: *) Assets and liabilities arising from derivatives include interest rate swaps, interest rate forwards, interest rate options, interest rate futures and cross currency swaps.
**) Undrawn loans and revolving loans are reported on a net basis, that is, the Group reports both the expected drawings and repayments within one line. This line does not reflect commitments to extend loans with a fixed repayment schedule or commitments to provide a revolving loan since the interest rate has not been determined for such commitments.

Average interest rates as of 31 December 2009 and 2008:

	2009			2008		
	CZK	USD	EUR	CZK	USD	EUR
Assets						
Cash and balances with central banks	0.33%	x	x	0.42%	x	x
Treasury bills	1.86%	x	x	3.87%	x	x
Amounts due from banks	1.32%	0.49%	0.67%	2.61%	2.21%	3.20%
Loans and advances to customers	4.59%	0.99%	2.73%	5.21%	1.76%	5.32%
Interest earning securities	5.13%	5.89%	3.97%	4.27%	6.07%	3.27%
Total assets	**3.36%**	**2.15%**	**2.52%**	**3.85%**	**3.20%**	**3.77%**
Total interest earning assets	**3.74%**	**2.26%**	**2.79%**	**4.44%**	**3.47%**	**4.13%**
Liabilities						
Amounts due to central banks and banks	0.39%	0.01%	2.39%	1.49%	0.36%	3.99%
Amounts due to customers	0.52%	0.14%	0.13%	1.09%	1.23%	1.78%
Debt securities	3.72%	x	3.71%	4.36%	x	3.72%
Subordinated debt	1.91%	x	x	3.76%	x	x
Total liabilities	**0.71%**	**0.11%**	**0.47%**	**2.02%**	**0.97%**	**1.91%**
Total interest bearing liabilities	**0.63%**	**0.14%**	**0.50%**	**1.39%**	**1.23%**	**2.04%**
Off balance sheet – assets						
Derivatives (interest rate swaps, options, etc)	2.99%	1.76%	2.03%	4.05%	3.31%	3.68%
Undrawn portion of loans	4.02%	x	2.67%	4.79%	2.49%	4.32%
Undrawn portion of revolving loans	6.34%	1.54%	1.16%	6.60%	1.58%	3.39%
Total off balance sheet assets	**3.38%**	**1.76%**	**1.97%**	**4.38%**	**3.30%**	**3.66%**
Off balance sheet liabilities						
Derivatives (interest rate swaps, options, etc)	2.79%	1.97%	2.42%	3.96%	3.19%	3.79%
Undrawn portion of loans	4.02%	x	2.67%	4.79%	2.49%	4.32%
Undrawn portion of revolving loans	6.34%	1.54%	1.16%	6.60%	1.58%	3.39%
Total off balance sheet liabilities	**3.21%**	**1.97%**	**2.34%**	**4.31%**	**3.17%**	**3.77%**

Note: The above table sets out the average interest rates for December 2009 and 2008 calculated as a weighted average for each asset and liability category.

In the first half of 2009, the CZK interest rates of the money market remained approximately on the constant level of around 2.75 percent. The 2W REPO rate declared by the Czech National Bank amounted to 1.75 percent in the first half of 2009. In the second half of 2009, the money market saw a significant change in market spreads which decreased from 40 bps to 25 – 30 bps. The 2W REPO rate declared by the Czech National Bank continually decreased by 0.75 percent, and this decrease was fully absorbed by the rates of the monetary market, their decrease did not exceed 150 bps. The interest rates of the derivative market remained on the same level in the first half of the year and increased by more than 30 bps in the second half of the year.

The EUR rates of the monetary market slightly decreased by 130 bps during the year. At the end of the year, they were lower by 20 bps than at the beginning of the year.

The USD interest rates of both monetary and derivative markets saw a significant decline in 2009. The rates of the monetary market decreased by 100 bps on average when the monthly rate decreased by more than 20 bps to 0.20 percent. The rates of the derivative market increased by 100 bps.

Breakdown of financial assets and liabilities by their exposure to interest rate fluctuations:

CZK million				2009				2008
	Fixed interest rate	Floating interest rate	No interest	Total	Fixed interest rate	Floating interest rate	No interest	Total
Assets								
Cash and balances with central banks	0	6,170	10,101	16,271	50	3,537	10,374	13,961
Financial assets at fair value through profit or loss	10,278	3,237	10,927	24,442	24,764	822	18,407	43,993
Positive fair values of hedging financial derivative transactions	0	0	9,590	9,590	0	0	9,146	9,146
Financial assets available for sale	102,034	10,796	1,237	114,067	88,570	8,081	1,513	98,164
Amounts due from banks	22,106	109,122	43	131,271	20,634	125,098	366	146,098
Loans and advances to customer	234,990	129,006	8,307	372,303	217,130	143,559	3,351	364,040
Investments held to maturity	6,785	0	0	6,785	1,435	0	0	1,435
Liabilities								
Amounts due to central banks	2	0	0	2	1	0	0	1
Financial liabilities at fair value through profit or loss	0	0	12,273	12,273	0	0	20,155	20,155
Negative fair values of hedging financial derivative transactions	0	0	6,539	6,539	0	0	5,244	5,244
Amounts due to banks	4,815	13,688	236	18,739	3,900	6,968	246	11,114
Amounts due to customers	65,758	454,799*	31,252	551,809	69,703	453,139*	31,728	554,570
Securities issued	11,634	6,538	0	18,172	15,542	8,586	0	24,128
Subordinated debt	0	6,001	0	6,001	0	6,003	0	6,003

Note: Individual assets and liabilities are split into the categories of 'Fixed interest rate', 'Floating interest rate', and 'No interest' according to contractual parameters defining the interest rate set-up. For this purpose, the fixed interest rate is defined as a rate with a repricing period exceeding one year. Products having no parameter definition of their interest rate set-up are included in the 'No interest' category.

*) This item principally includes client deposits where the Group has the option to reset interest rates and hence they are not sensitive to interest rate changes.

(E) Liquidity risk

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments.

Liquidity risk management is based upon the liquidity risk management system approved by the Group's Management Board. Liquidity is monitored on a group wide level, with the Market Book also having a stand-alone limit. The Group has established its liquidity risk management rules such that it maintains its liquidity profile in normal conditions (basic liquidity scenario) and in crisis conditions (crisis liquidity scenario). As such, the Group has defined a set of indicators for which binding limits are established.

The Group is exposed to daily calls on its available cash resources from derivatives, overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Group sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The liquidity risk of the Group is managed as stipulated above (especially not based on the undiscounted cash flows), as such the information on undiscounted cash flows is not provided.

The table below provides an analysis of assets, liabilities and shareholders' equity into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date.

CZK million	On demand up to 7 days	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Assets							
Cash and current balances with central banks	11,920	0	0	0	0	4,351	16,271
Financial assets at fair value through profit or loss	4	1,326	5,754	5,640	770	10,948	24,442
Positive fair values of hedging financial derivative transactions	0	0	0	0	0	9,590	9,590
Financial assets available for sale	43	1,185	11,283	47,673	52,646	1,237	114,067
Assets held for sale	0	0	233	0	0	12	245
Amounts due from banks	25,279	91,752	4,513	5,438	2,190	2,099	131,271
Loans and advances to customers	1,546	39,674	57,791	97,718	152,450	23,124	372,303
Investments held to maturity	0	283	24	798	5,680	0	6,785
Income taxes receivable	0	0	0	0	0	32	32
Prepayments, accrued income and other assets	559	152	1,728	0	0	1,983	4,422
Investments in associates and unconsolidated subsidiaries	0	0	0	0	0	605	605
Intangible fixed assets	0	0	0	0	0	3,723	3,723
Tangible fixed assets	0	0	0	0	0	7,729	7,729
Goodwill	0	0	0	0	0	3,551	3,551
Total assets	**39,351**	**134,372**	**81,326**	**157,267**	**213,736**	**68,984**	**695,036**
Liabilities							
Amounts due to central banks	2	0	0	0	0	0	2
Financial assets at fair value through profit or loss	1,020	0	0	0	0	11,253	12,273
Negative fair values of hedging financial derivative transactions	0	0	0	0	0	6,539	6,539
Amounts due to banks	3,779	1,322	9,185	711	3,742	0	18,739
Amounts due to customers	394,806	94,166	9,290	19,887	6,431	27,229	551,809
Securities issued	0	7	101	0	18,064	0	18,172
Income tax	0	0	104	0	0	0	104
Deferred tax liability	0	0	0	0	0	756	756
Accruals and other liabilities	7,751	1,651	0	0	0	488	9,890
Provisions	7	71	629	150	117	1,024	1,998
Subordinated debt	0	1	0	0	6,000	0	6,001
Equity	0	0	0	0	0	68,753	68,753
Total liabilities	**407,365**	**97,218**	**19,309**	**20,748**	**34,354**	**116,042**	**695,036**
Statement of financial position liquidity gap at 31 December 2009	**(368,014)**	**37,154**	**62,017**	**136,519**	**179,382**	**(47,058)**	
Off balance sheet assets*	19,949	524,394	278,193	65,472	354,053	0	1,242,061
Off balance sheet liabilities*	26,338	561,933	396,295	97,823	376,449	22,592	1,481,430
Net off balance sheet liquidity gap at 31 December 2009	**(6,389)**	**(37,539)**	**(118,102)**	**(32,351)**	**(22,396)**	**(22,592)**	**(239,369)**
Total assets at 31 December 2008	99,310	94,628	100,525	142,927	190,233	71,421	699,044
Total liabilities at 31 December 2008	419,963	101,187	20,158	8,052	33,959	115,725	699,044
Net statement of financial position liquidity gap at 31 December 2008	(320,653)	(6,559)	80,367	134,875	156,274	(44,304)	
Net off balance sheet liquidity gap at 31 December 2008	(6,888)	(75,372)	(121,986)	(38,978)	(4,868)	(19,287)	(267,279)

Note: *) Off balance sheet assets and liabilities include amounts receivable and payable arising from FX spot, fixed term and option contracts and payables under guarantees, letters of credit and committed facilities.

(F) Foreign exchange position

The table below provides an analysis of the Group's main currency exposures. The remaining currencies are shown within 'Other currencies.' The Group monitors its foreign exchange position on a daily basis. For this purpose, the Group has a set of internal limits.

CZK million	Czech crowns	Euros	US dollars	Other currencies	Total
Assets					
Cash and current balances with central banks	13,514	2,323	213	221	16,271
Financial assets at fair value through profit or loss	22,836	1,368	93	145	24,442
Positive fair values of hedging financial derivative transactions	9,149	370	71	0	9,590
Financial assets available for sale	90,186	20,910	2,971	0	114,067
Assets held for sale	245	0	0	0	245
Amounts due from banks	113,315	12,949	4,719	288	131,271
Loans and advances to customers	332,226	38,204	1,559	314	372,303
Investments held to maturity	5,495	1,102	188	0	6,785
Income taxes receivable	4	28	0	0	32
Prepayments, accrued income and other assets	4,189	205	27	1	4,422
Investments in subsidiaries and associates, net	605	0	0	0	605
Intangible fixed assets	3,722	1	0	0	3,723
Tangible fixed assets	7,701	28	0	0	7,729
Goodwill	3,551	0	0	0	3,551
Total assets	**606,738**	**77,488**	**9,841**	**969**	**695,036**
Liabilities					
Amounts due to central banks	2	0	0	0	2
Financial liabilities at fair value through profit or loss	11,073	1,044	85	71	12,273
Negative fair values of hedging financial derivative transactions	5,189	1,130	220	0	6,539
Amounts due to banks	12,767	5,901	55	16	18,739
Amounts due to customers	502,779	41,061	6,690	1,279	551,809
Securities issued	17,372	800	0	0	18,172
Income tax	104	0	0	0	104
Deferred tax liability	756	0	0	0	756
Accruals and other liabilities	8,995	828	52	15	9,890
Provisions	955	307	728	8	1,998
Subordinated debt	6,001	0	0	0	6,001
Equity	68,664	89	0	0	68,753
Total liabilities	**634,657**	**51,160**	**7,830**	**1,389**	**695,036**
Net FX position at 31 December 2009	**(27,919)**	**26,328**	**2,011**	**(420)**	**0**
Off-balance sheet assets*	797,219	169,919	35,833	4,705	1,007,676
Off-balance sheet liabilities*	768,472	196,096	38,213	4,307	1,007,088
Net off balance sheet FX position at 31 December 2009	**28,747**	**(26,177)**	**(2,380)**	**398**	**588**
Total net FX position at 31 December 2009	**828**	**151**	**(369)**	**(22)**	**588**
Total assets at 31 December 2008	594,117	84,580	8,337	12,010	699,044
Total liabilities at 31 December 2008	629,820	52,296	9,661	7,267	669,044
Net FX position at 31 December 2008	(35,703)	32,284	(1,324)	4,743	0
Off balance sheet net FX position at 31 December 2008	39,049	(37,809)	839	(2,699)	(620)
Total net FX position at 31 December 2008	3,346	(5,525)	(485)	2,044	(620)

Note: *) Off balance sheet assets and liabilities include amounts receivable and payable arising from spot, fixed term and option transactions.

(G) Operational risk

During 2009, the Operational Risk Management Department of the Group focused on interconnecting individual instruments used for operational risk management, i.e. records of losses, scenario analyses, setting of key risk indicators and risk control self assessment, including the setting of the first level control system. The acquired knowledge is assessed on a regular basis and provided to the management of the Group which makes strategic decisions regarding operational risk management. Operational risks also form an integral part of the new product and project approval process.

(H) Legal risk

The Group regularly monitors and evaluates legal disputes filed against it. In order to cover all contingent liabilities arising from legal disputes, the Group establishes a provision equal to the claimed amount in respect of all litigation where it is named as a defendant and where the likelihood of payment has been estimated to exceed 50 percent. The Group also manages its legal risk through the assessment of legal risks involved in the contracts to which the Group is a party.

(I) Estimated fair value of assets and liabilities of the Group

The fair value of financial instruments is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, fair value estimates are made based on quoted market prices. However, no readily available market prices exist for a significant portion of the Group's financial instruments. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other generally acceptable pricing models as appropriate. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affect the estimates. Therefore, the calculated fair market estimates cannot be realised in a current sale of the financial instrument.

In estimating the fair value of the Bank's financial instruments, the following methods and assumptions were used.

(a) Cash and balances with central banks

The carrying values of cash and current balances with central banks are generally deemed to approximate their fair value.

(b) Amounts due from banks

The estimated fair value of amounts due from banks that mature in 180 days or less approximates their carrying amounts. The fair value of other amounts due from banks is estimated based upon discounted cash flow analyses using interest rates currently offered for investments with similar terms (market rates adjusted to reflect credit risk). The fair value of non-performing amounts due from banks is estimated using a discounted cash flow analysis, the fair value of loss loan is equal to the appraised value of the underlying collateral.

(c) Loans and advances to customers

The fair value of variable yield loans that regularly reprice, with no significant change in credit risk, generally approximates their carrying value. The fair value of loans at fixed interest rates is estimated using discounted cash flow analyses, based upon interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The fair value of non-performing loans is estimated using a discounted cash flow analysis, including the potential realisation of the underlying collateral.

(d) Investments held to maturity

Fair values of securities carried in the 'Held to maturity' portfolio are estimated based on discounted cash flow models using the interest rate currently offered at the balance sheet date.

(e) Amounts owed to central banks, banks and customers

The fair value of deposits repayable on demand represents the carrying value of amounts repayable on demand at the balance sheet date. The carrying amount of term deposits at variable interest rates approximates their fair values at the balance sheet date. The fair value of deposits at fixed interest rates is estimated by discounting their future cash flows using market interest rates. For products without contractually determined maturity (e.g. construction savings scheme deposits, deposits of pension insurance policy holders), the Group uses the principle of matching carrying and fair values. Amounts due to banks and customers at fixed interest rates represent only a fraction of the total carrying value and hence the fair value of total amounts due to banks and customers approximates the carrying values at the balance sheet date.

(f) Debt securities issued

The fair value of debt securities issued by the Group is based upon quoted market prices. Where no market prices are available, the fair value is equal to an estimate made by the Group.

The following table summarises the carrying values and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value:

CZK million	2009		2008	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and current balances with central banks	16,271	16,271	13,961	13,961
Amounts due from banks	131,271	131,739	146,098	146,897
Loans and advances to customers	372,303	379,253	364,040	371,270
Investments held to maturity	6,785	6,999	1,435	1,460
Financial liabilities				
Amounts due to central banks and banks	18,741	18,910	11,115	11,816
Amounts due to customers	551,809	551,783	554,570	554,471
Securities issued	18,172	19,461	24,128	25,183
Subordinated debt	6,001	6,003	6,003	6,003

(J) Allocation of fair values of financial instruments at fair value to the hierarchy of fair values

Pursuant to IFRS requirements, the Group has allocated all financial assets and financial liabilities at fair value into individual levels of the hierarchy of fair values according to the lowest classified significant input used in determining the fair value of a specific instrument.

As it is the first required disclosure of the fair value hierarchy, the Group used the possibility allowed by temporary provisions of IFRS 7 and does not report comparative information for the preceding period.

Financial assets and financial liabilities at fair value by fair value hierarchy:

CZK million	2009	Level 1	Level 2	Level 3
Financial assets				
Financial assets at fair value through profit or loss				
– Securities	13,515	5,900	7,615	0
– Derivatives	10,927	2,190	8,737	0
Financial assets at fair value through profit or loss	**24,442**	**8,090**	**16,352**	**0**
Financial assets available for sale				
– Shares and participation certificates	1,237	535	0	702
– Debt securities	112,830	74,260	38,570	0
Financial assets available for sale	**114,067**	**74,795**	**38,570**	**702**
Financial assets at fair value	**138,509**	**82,885**	**54,922**	**702**

CZK million	2009	Level 1	Level 2	Level 3
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– Sold securities	1,020	1,020	0	0
– Derivatives	11,253	2,063	9,190	0
Financial liabilities at fair value through profit or loss	**12,273**	**3,083**	**9,190**	**0**
Financial liabilities at fair value	**12,273**	**3,083**	**9,190**	**0**

Financial assets at fair value – Level 3:

CZK million	Financial assets available for sale	Total
Balance at 1 January 2009	**702**	**702**
Comprehensive income / (loss)	0	0
– in the statement of comprehensive income	0	0
– in other comprehensive income	0	0
Purchases	0	0
Sales	0	0
Settlement	0	0
Transfer from Level 3	0	0
Balance at 31 December 2009	**702**	**702**

45. Assets under management

As of 31 December 2009, the Group managed client assets in the amount of CZK 1,475 million (2008: CZK 928 million), of which no assets were from the Bank's subsidiaries.

Unconsolidated Financial Statements in Accordance with IFRS and Independent Auditor's Report as of 31 December 2009

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Komerční banka, a.s.

Having its registered office at: Praha 1, Na Příkopě 33, čp. 969, PSČ 114 07
Identification number: 45317054

We have audited the accompanying financial statements of Komerční banka, a.s., which comprise the statement of financial position as of 31 December 2009, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Komerční banka, a.s. as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

In Prague on 26 February 2010

Audit firm: Deloitte Audit s.r.o. certificate no. 79	Statutory auditor: Diana Rádl Rogerová certificate no. 2045

Unconsolidated Income Statement and Statement of Comprehensive Income for the year ended 31 December 2009

Unconsolidated income statement for the year ended 31 December 2009

CZK million	Note	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Interest income and similar income	5	32,401	37,611
Interest expense and similar expense	5	(14,739)	(20,480)
Income from dividends	5	754	459
Net interest income and similar income		**18,416**	**17,590**
Net fee and commission income	6	7,548	7,794
Net profit on financial operations	7	3,539	4,333
Other income	8	99	104
Net operating income		**29,602**	**29,821**
Personnel expenses	9	(5,812)	(5,740)
General administrative expenses	10	(5,388)	(5,823)
Depreciation, impairment and disposal of fixed assets	11	(1,332)	(1,433)
Total operating expenses		**(12,532)**	**(12,996)**
Profit before provision for loan and investment losses, other risk and income taxes		**17,070**	**16,825**
Provision for loan losses	12	(4,471)	(2,382)
Provisions for impairment of securities	12	7	0
Provisions for other risk expenses	12	(22)	1
Cost of risk		**(4,486)**	**(2,381)**
Profit on subsidiaries and associates	13	0	150
Profit before income taxes		**12,584**	**14,594**
Income taxes	14	(2,215)	(2,799)
Net profit	**15**	**10,369**	**11,795**
Earnings per share (in CZK)	**16**	**273.18**	**310.81**

Unconsolidated statement of comprehensive income for the year ended 31 December 2009

CZK million	Note	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Net profit	**15**	**10,369**	**11,795**
Hedging of cash flows			
- Net fair value gain (loss), net of tax		(250)	4,716
- Transfer to net profit, net of tax		(923)	(389)
Value gain (loss) on hedge of currency risk of a foreign net investment		51	(106)
Net value gain on financial assets available for sale, net of tax		1,245	555
Other comprehensive income for the period, net of tax		**123**	**4,776**
COMPREHENSIVE INCOME FOR THE PERIOD		**10,492**	**16,571**

The accompanying notes are an integral part of this unconsolidated income statement and statement of comprehensive income.

Unconsolidated Statement of Financial Position as of 31 December 2009

CZK million	Note	31 Dec 2009	31 Dec 2008
Assets			
Cash and current balances with central banks	17	14,168	12,313
Financial assets at fair value through profit or loss	18	24,500	43,997
Positive fair value of hedging financial derivative transactions	42	9,590	9,147
Financial assets available for sale	19	65,273	45,860
Assets held for sale	20	233	414
Amounts due from banks	21	131,910	140,656
Loans and advances to customers	22	321,734	318,534
Investments held to maturity	23	1,272	1,417
Income taxes receivable	14	4	6
Prepayments, accrued income and other assets	24	1,950	3,480
Investments in subsidiaries and associates	25	23,906	23,577
Intangible fixed assets	26	3,343	3,153
Tangible fixed assets	27	7,164	7,408
Total assets		**605,047**	**609,962**
Liabilities			
Amounts due to central banks		2	1
Financial liabilities at fair value through profit or loss	28	12,318	20,146
Negative fair value of hedging financial derivative transactions	42	6,531	5,225
Amounts due to banks	29	19,432	10,182
Amounts due to customers	30	456,759	461,104
Securities issued	31	30,731	35,611
Income taxes payable	14	1	84
Deferred tax liability	34	679	677
Accruals and other liabilities	32	8,089	9,976
Provisions	33	1,853	1,976
Subordinated debt	35	6,001	6,003
Total liabilities		**542,396**	**550,985**
Share capital	36	19,005	19,005
Share premium and reserves		43,646	39,972
Total shareholders' equity		**62,651**	**58,977**
Total liabilities and shareholders' equity		**605,047**	**609,962**

The accompanying notes are an integral part of this unconsolidated statement of financial position.

These financial statements were approved by the Board of Directors on 26 February 2010.

Signed on behalf of the Board of Directors:

Henri Bonnet
Chairman of the Board of Directors
and CEO

Peter Palečka
Member of the Board of Directors
and Deputy CEO

Unconsolidated Statement of Changes in Shareholders' Equity for the year ended 31 December 2009

CZK million	Share capital	Capital and reserve funds and undistributed profit*	Hedging instruments	Revaluation of available-for-sale financial assets	Total
Balance at 1 January 2008	**19,005**	**30,449**	**(541)**	**323**	**49,236**
Treasury shares, other	0	2	0	0	2
Payment of dividends	0	(6,832)	0	0	(6,832)
Transactions with owners	**0**	**(6,830)**	**0**	**0**	**(6,830)**
Profit for the period	0	11,795	0	0	11,795
Other comprehensive income for the period, net of tax	0	0	4,221	555	4,776
Comprehensive income for the period	**0**	**11,795**	**4,221**	**555**	**16,571**
Balance at 31 December 2008	**19,005**	**35,414**	**3,680**	**878**	**58,977**
Treasury shares, other	0	14	0	0	14
Payment of dividends	0	(6,832)	0	0	(6,832)
Transactions with owners	**0**	**(6,818)**	**0**	**0**	**(6,818)**
Profit for the period	0	10,369	0	0	10,369
Other comprehensive income for the period, net of tax	0	0	(1,122)	1,245	123
Comprehensive income for the period	**0**	**10,369**	**(1,122)**	**1,245**	**10,492**
Balance at 31 December 2009	**19,005**	**38,965**	**2,558**	**2,123**	**62,651**

Note: *) Capital and reserve funds and undistributed profit consist of statutory reserve funds, other funds created from profit, share premium, purchased treasury shares, undistributed net profit from the period and retained earnings. Retained earnings amount to CZK 24,424 million.

The accompanying notes are an integral part of this statement of changes in shareholders' equity.

Unconsolidated Cash Flow Statement for the year ended 31 December 2009

CZK million	Year ended 31 Dec 2009		Year ended 31 Dec 2008	
Cash flows from operating activities				
Interest receipts	30,648		35,810	
Interest payments	(13,427)		(19,432)	
Commission and fee receipts	8,612		8,769	
Commission and fee payments	(1,030)		(956)	
Net income from financial transactions	3,052		4,480	
Other income receipts	101		254	
Cash payments to employees and suppliers, and other payments	(11,519)		(11,333)	
Operating cash flow before changes in operating assets and operating liabilities	**16,437**		**17,592**	
Due from banks	8,457		55,332	
Financial assets at fair value through profit or loss	19,486		(9,870)	
Loans and advances to customers	(8,038)		(52,677)	
Other assets	1,540		(145)	
(Increase)/decrease in operating assets	**21,445**		**(7,360)**	
Amounts due to banks	9,128		(1,872)	
Financial liabilities at fair value through profit or loss	(7,827)		12,435	
Amounts due to customers	(4,355)		7,216	
Other liabilities	(1,696)		(389)	
Increase/(decrease) in operating liabilities	**(4,750)**		**17,390**	
Net cash flow from operating activities before taxes	33,132		27,622	
Income taxes paid	(2,270)		(2,843)	
Net cash flows from operating activities		**30,862**		**24,779**
Cash flows from investing activities				
Dividends received	754		405	
Maturity of investments held to maturity*	163		1,634	
Purchase of financial assets available for sale	(21,902)		(12,117)	
Sale and maturity of financial assets available for sale*	6,155		3,371	
Purchase of tangible and intangible fixed assets	(1,458)		(1,998)	
Sale of tangible and intangible fixed assets	388		231	
Purchase of investments in subsidiaries and associates	(381)		(300)	
Sale of investments in subsidiaries and associates	51		102	
Net cash flow from investing activities		**(16,230)**		**(8,672)**
Cash flows from financing activities				
Paid dividends	(6,786)		(6,814)	
Securities issued	3,224		301	
Securities redeemed*	(9,395)		(10,236)	
Net cash flow from financing activities		**(12,957)**		**(16,749)**
Net increase/(decrease) in cash and cash equivalents	**1,675**		**(642)**	
Cash and cash equivalents at beginning of year	**10,545**		**11,187**	
Cash and cash equivalents at end of year (see Note 37)		**(12,220)**		**(10,545)**

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

The accompanying notes are an integral part of this unconsolidated cash flow statement.

Notes to the Unconsolidated Financial Statements for the year ended 31 December 2009

1. Principal activities

Komerční banka, a.s. (henceforth the "Bank") is incorporated in the Czech Republic as a joint stock company. The principal activities of the Bank are as follows:

I. Providing loans, advances and guarantees in Czech crowns and foreign currencies;
II. Acceptance and placement of deposits in Czech crowns and foreign currencies;
III. Providing current and term deposit accounts in Czech crowns and foreign currencies;
IV. Providing banking services through an extensive branch network in the Czech Republic;
V. Treasury operations in the interbank market;
VI. Servicing foreign trade transactions; and
VII. Investment banking.

The registered office address of the Bank is Na Příkopě 33/969, 114 07 Prague 1. The Bank has operations in the Czech Republic and Slovakia through its subsidiary Komerční banka Bratislava, a.s.

The Bank's ordinary shares are publicly traded on the Prague Stock Exchange. Société Générale S.A. is the Bank's majority shareholder, holding 60.35 percent (2008: 60.35 percent) of the Bank's issued share capital.

2. Events for the year ended 31 December 2009

Change in the Chief Executive Officer and Chairman of the Board of Directors of the Bank

Laurent Goutard, the CEO and Chairman of the Board of Directors discontinued his activities in the Bank as of 9 September 2009. He has assumed the role of Deputy Director for Retail Banking and Director of the French distribution network in Société Générale in Paris with effect from 1 November 2009. The Supervisory Board of the Bank elected Henri Bonnet a member of the Board of Directors with effect from 10 September 2009. The Board of Directors of the Bank subsequently elected Henri Bonnet Chairman of the Board of Directors and appointed him the Chief Executive Officer with effect from the same date. Henri Bonnet replaced Laurent Goutard as Chairman of the Supervisory Board of Modrá pyramida stavební spořitelna, a.s. with effect from 11 September 2009. The Czech National Bank assessed qualifications, credibility and experience of Henri Bonnet and agreed that he work as a member of the Board of Directors of the Bank.

Dividends declared in respect of the year ended 31 December 2008

At the General Meeting held on 29 April 2009, the shareholders approved a dividend for the year ended 31 December 2008 of CZK 180 per share before tax. The dividend was declared in the aggregate amount of CZK 6,832 million. An amount of CZK 310 million was allocated to the reserve fund and CZK 4,653 million was allocated to retained earnings.

Changes in the Bank's Financial Group

In June 2009, the Bank decreased the equity of Bastion European Investments S.A. by EUR 1.8 million (CZK 51 million). In October 2009, the Bank increased the share capital in Komerční banka Bratislava, a.s. by EUR 15 million (CZK 382 million). In December 2009, the Company recognised a provision against the equity investment in ALL IN REAL ESTATE LEASING, a.s. in the amount of CZK 2 million. For additional details about the changes in the Bank's Financial Group, refer to Note 25.

In October 2009, the Board of Directors of the Bank approved the project for the change in the legal status of Komerční banka Bratislava, a.s. into an organisational branch through a cross-border merger. The Bank determined that the effective date of the merger would be 1 January 2010. The Bank anticipates that the change will be recorded in the Register of Companies before 31 December 2010.

Uncertainty about the impact of the global financial crisis

In the year ended 31 December 2009, the global financial and economic crisis predominantly impacted the cost of risk. The presented unconsolidated financial statements for the year ended 31 December 2009 are based on the current best estimates and management of the Bank believes that they present the truest and fairest view of the Bank's financial results and financial position using all relevant and available information at the financial statements date.

The Bank might be influenced by the global financial and economic crisis going forward. The Bank might be exposed to increased risk mainly due to the high volatility and uncertainty regarding the valuation, possible impairment of assets, contingent liabilities and future development of the markets. Those potential risks may have an impact on the Bank's financial statements in the future.

3. Principal accounting policies

These financial statements are unconsolidated. The consolidated financial statements are issued as of the same date. The total consolidated equity is CZK 68,753 million and total consolidated profit is CZK 11,094 million.

The principal accounting policies adopted in the preparation of these unconsolidated financial statements are set out below:

(a) Basis of accounting

The unconsolidated statutory financial statements are prepared in accordance with and comply with International Financial Reporting Standards ('IFRS') as adopted by the European Union, applicable for unconsolidated financial statements effective for the year ended 31 December 2009. As of the date of issuance of these unconsolidated financial statements, IFRS as adopted by the European Union do not differ from IFRS, except for fair value hedge accounting under IAS 39 applied to interest rate hedging on a portfolio basis for banking deposits which has not been approved by the EU. In addition, the European Commission has not approved the following effective standards and interpretations, and/or their amendments:

- 2009 Annual Improvements;
- IAS 24 (revised) Related Party Disclosures;
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – additional exceptions;
- Amendment to IFRS 2 Share-Based Payments – group cash-settled share-based payment transactions;
- IFRS 9 Financial Instruments;
- Amendment to IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement; and
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

The financial statements are prepared on the accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur and are reported in the financial statements of the periods to which they relate, and on the going concern assumption. The financial statements include a statement of financial position, a statement of comprehensive income, a statement of changes in shareholders' equity, a cash flow statement and notes to the financial statements containing accounting policies and explanatory disclosures.

The unconsolidated financial statements are largely prepared under the historical cost convention, as modified by the fair value remeasurement of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss and all derivative contracts at the balance sheet date. Available-for-sale non-financial assets are stated at the lower of the amount before classification in this category and the estimated selling price less costs to sell. Assets that are not remeasured to fair value and suffered impairment are stated at the higher of net recoverable amount and value in use.

Assets and liabilities are not offset unless expressly permitted by IFRS.

The Bank maintains its books of account and regularly prepares the required statements in accordance with IFRS. The Bank also prepares consolidated financial statements under IFRS which show the consolidated results of the Group.

The reporting currency used in the unconsolidated financial statements is the Czech crown ('CZK') with accuracy to CZK million.

(b) Use of Estimates

The presentation of unconsolidated financial statements in conformity with IFRS requires the Bank's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and their reported amounts of revenues and expenses during the reporting period. These estimates, which specifically relate to the determination of fair values of financial instruments, valuation of intangible assets, impairment of assets and provisions, are based on the information available at the balance sheet date. The current global economic crisis, its acceleration and market turbulence increase the risk that the actual results and outcomes may significantly differ from these estimates. Key areas with a potential for significant differences between the actual results and the estimates principally include loan provisioning and fair values of securities. Information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are disclosed in individual notes as appropriate.

(c) Investments in subsidiaries and associates

Subsidiary undertakings are those companies in which the Bank, directly or indirectly, has an interest of more than one half of the share capital or otherwise has power to exercise control over the operations of the entity. Associated undertakings are those companies in which the Bank, directly or indirectly, holds 20 - 50 percent of the entity's issued share capital.

The Bank's investments in subsidiary and associated undertakings are recognised at cost less any provisions. Investments, in which the Bank, directly or indirectly, has an equity interest less than 20 percent, are reported as 'Financial assets available for sale.'

The Bank regularly assesses equity investments for impairment. An equity investment is impaired if its carrying amount is greater than the recoverable value.

Equity investments denominated in foreign currencies are reported on the face of the balance sheet at the historical exchange rate ruling at the acquisition date.

(d) Dates of recognition and derecognition of financial instruments from the Bank's balance sheet

All financial assets with normal delivery terms are recognised using settlement date accounting. The settlement (collection) date is the day on which the financial instrument is delivered (cash payment). When settlement date accounting is applied, the financial asset is recognised on the day of receipt of a financial instrument (sending of cash) and derecognised on the day of its provision (collection of cash). However, in case of a portfolio of financial assets measured at fair value, the acquired financial asset is measured reflecting changes in its fair value from the purchase trade date to the sale trade date according to the categorisation into an individual portfolio.

All loans and receivables are recognised when funds are provided to customers. Loans and receivables are derecognised when repaid by the borrower. Assigned receivables are derecognised when payment is collected from the assignee, and receivables which the Bank decided to write off are derecognised at the write-off date.

The Bank remeasures derivative instruments at fair value from the trade date to the settlement date, that is, delivery of the last related cash flow.

The Bank derecognises financial liabilities from the statement of financial position exclusively at the date when the financial liability extinguishes, i.e. in circumstances where a contractually defined obligation is fulfilled, cancelled or ceases to be valid.

(e) Foreign currency translation
Transactions and balances are presented in the currency of the primary economic environment in which the Bank operates (its functional currency). The Bank's functional currency is Czech crown (CZK), which is also the presentation currency for the unconsolidated financial statements. Transactions in currencies other than the Bank's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions.

At each balance sheet date:
(i) Cash items denominated in foreign currencies are translated into CZK at the Czech National Bank's (CNB) rate ruling at the financial statements date;
(ii) Non-cash items denominated in foreign currencies, which are stated at historical cost, are translated into CZK at the CNB's rate ruling at the transaction date; and
(iii) Non-cash items denominated in foreign currencies, which are measured at fair value, are translated into CZK at the CNB's rate ruling at the date on which the fair value was determined.

Gains or losses arising from movements in exchange rates after the date of the transaction are recognised in 'Net profit/(loss) on financial operations.' This does not apply to foreign exchange rate differences arising from the cost and remeasurement of equity securities available for sale, foreign exchange rate differences arising from the remeasurement of debt securities available for sale and foreign exchange rate differences from foreign currency non-derivative financial liabilities (current accounts, deposits) which the Bank uses to hedge against currency risk of the net investments in foreign operations and anticipated asset purchase transactions. These foreign exchange rate difference are recognised in equity (refer to (h) Securities and (r) Derivative financial instruments and hedging.

(f) Cash and cash equivalents
Cash comprises cash on hand and cash in the process of collection.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes.
In preparing its cash flow statement for the period, the Bank includes in cash and cash equivalents at the beginning and end of the period cash and balances with the central bank and current amounts due from and to banks.

(g) Originated loans and provisions for loan impairment
Loans originated by the Bank by providing money directly to a borrower are categorised as loans originated by the Bank and are stated at amortised cost in 'Loans and advances to customers'.

The Bank charges penalty interest to borrowers when a portion of the loan falls overdue. Pursuant to the Bank's policies, penalty interest is not covered by the collateral set aside against the loan of the borrower. Default interest is not recognised as interest income on an accruals basis but on a cash basis when collected.

If there is any objective evidence that a loan may be impaired (deterioration of a debtor's financial health, payment default, etc), the amortised cost of the loan is reduced through a provision to its present estimated recoverable value. Estimated recoverable values are arrived at depending upon the classification of the client, taking into account collateral, if any, received by the Bank. The recognition, use and release of provisions are accounted for on a monthly basis always by reference to the loan balances at the month-end. The provision is reduced if objective reasons for loan impairment cease to exist. Provisions are used upon a sale or a write-off of the loan and released to income when the reasons for maintaining the provision cease to exist (for example, when the loan is repaid). The provisioning policy is set out in Note 42(A) ('Provisioning for receivables') to these financial statements.

The Bank writes off loss loans when it can be reasonably anticipated that clients will be unable to fulfil their obligations to the Bank in respect of these loans. Subsequent recoveries are credited to the income statement in 'Provision for loan losses' if previously written off. If the Bank collects higher amount than that written off subsequent to the write off of the loan, the difference is reported through 'Interest income and similar income'.

(h) Securities
Securities held by the Bank are categorised into portfolios in accordance with the Bank's intent on the acquisition of the securities and pursuant to the Bank's security investment strategy. The Bank has allocated securities to the 'At fair value through profit or loss' portfolio, the 'Available for sale' portfolio, the 'Held to maturity' portfolio and the 'Loans and receivables' portfolio.

All purchases and sales of securities held for trading that require delivery within the time frame established by regulation or market convention (purchases and sales with standard settlement terms) are recognised as spot transactions.

All purchases and sales of securities that do not meet the 'regular way' settlement criterion in the securities marketplace concerned are treated as financial derivatives.

Upon initial recognition in the statement of financial position, all securities held by the Bank are carried at fair value which is the cost for spot transactions and the current fair value for derivative transactions. Except for securities included in the financial assets at fair value through profit or loss portfolio, the cost also includes direct transaction costs related the purchase of a security.

All instruments carried in the financial assets at fair value through profit or loss portfolio and the financial assets available for sale portfolio are subsequently remeasured at fair value determined according to the "Hierarchy of Fair Values" which reflects the significance of the input information used to determine the fair values of financial instruments. The Hierarchy of Fair Values has the following three levels:
- Level 1: Prices quoted for specific financial instruments on active markets (without modification);
- Level 2: Prices quoted on active markets for similar financial instruments or other valuation techniques for which all significant input information is based on data identifiable on the market; and
- Level 3: Valuation techniques for which no significant input information is based on data identifiable on the market.

The fair value is included in the Hierarchy according to the lowest classified significant input used in its determination. The significant input information is the information which has a significant impact on the total fair value of the specific instrument.

The fair value is established by reference to the price quoted on a market. The Bank treats a security as quoted on an active market if the quoted market prices are readily and regularly available from the stock exchange, dealers, securities traders, industrial groups, valuation services or regulatory authorities and these prices represent current and regular market transactions under ordinary conditions. The market price is determined on the basis of information published in the Reuters and Bloomberg information systems or directly from binding quotations obtained from market participants.

In circumstances where appropriate market quotations are not readily available, do not exist, are deemed unreliable or are not immediately updated to reflect the movements in the underlying market parameters, the securities held by the Bank are valued using the model of discounting future cash flows (valuation at the credit spread above the zero-risk yield curve). The parameters of the model are based on the credit spread of the relevant security and/or prices of comparable securities. The model is reassessed at regular intervals – securities are revalued at current market quotations; if an inaccuracy of the model is identified, parameters are adjusted in order to better reflect the fair value. The length of the interval for revaluation of the model is derived from the volume of the measured securities in the portfolio.

The cost of debt securities is gradually increased to reflect the accrued interest income using the effective interest rate method. Interest income which includes the accrued coupon adjusted for the accrued difference between the nominal value of the security and its cost is recognised from the purchase settlement date to the sale settlement date.

Dividend income arising from equity securities is recorded as the dividends are declared and is included as a receivable in the statement of financial position line 'Prepayments, accrued income and other assets' and in 'Income from dividends' in the income statement. Upon receipt of the dividend, the receivable is offset against the collected cash.

Transactions with treasury shares that are settled on a gross basis by the delivery of treasury shares have a direct impact on the Bank's equity.

The Bank assesses on a regular basis whether securities may be impaired, the only exception being securities at fair value through profit or loss. A financial asset is impaired if there is objective evidence of impairment or if its carrying amount is greater than its estimated recoverable amount. When an impairment of assets is identified, the Bank recognises provisions through the income statement line 'Provision for impairment of securities' for debt instruments. The Bank recognises impairment through the income statement line 'Net profit/(loss) on financial operations for equity instruments'.

Financial assets at fair value through profit or loss

Securities designated as 'At fair value through profit or loss' are securities held for trading (equity and debt securities, treasury bills, bills of exchange and participation certificates) acquired by the Bank for the purpose of generating a profit from short-term fluctuations in prices. These securities are accounted for and stated at fair value which approximates the price quoted on recognised stock exchanges or any other public securities markets.

Unrealised gains and losses arising from the fair value remeasurement of securities as well as realised gains and losses are recognised as income in the income statement line 'Net profit/(loss) on financial operations.'

Available for sale financial assets

Available for sale financial assets are those financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. This portfolio comprises equity securities and debt securities, including asset backed securities, and participation certificates. Financial assets available for sale are accounted for and stated at fair value.

Accrued interest income is recognised through the income statement line 'Interest income and similar income'. Unrealised gains or losses from the fair value remeasurement of securities are included in the 'Revaluation of available-for-sale financial assets' in equity until their sale, maturity or impairment. Fair value changes arising from changes in foreign exchange rates are presented in equity and changes in the amortised cost arising from changes in foreign exchange rates are included in the income statement.

In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value of future cash flows and the fair value of unquoted equity instruments is estimated using applicable price/earnings or price/book value ratios refined to reflect the specific circumstances of the issuer and according to the principle of prudence. If equity securities cannot be measured using the methods referred to above or on any other valuation basis they are carried at cost.

The estimated recoverable amount of financial assets available for sale is equal to the current fair value of the assets. The estimated recoverable amount of equity and debt securities, for which the fair value cannot be reliably determined, is equal to the present value of the expected future cash flows discounted at the current market interest rate for similar financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(i) assets that the Bank intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the Bank upon initial recognition designates as at fair value through profit or loss;
(ii) assets that the Bank upon initial recognition designates as available for sale; or
(iii) assets for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

These securities are measured on the same basis as investments held to maturity and are reported in the statement of financial position together with amounts due from banks under 'Amounts due from banks' or together with amounts due from customers under 'Loans and advances to customers', as appropriate.

Investments held to maturity

Investments held to maturity are financial assets with fixed or determinable payments and fixed maturities that the Bank has the positive intent and ability to hold to maturity. Held to maturity investments are carried at amortised cost using the effective interest rate method.

The estimated recoverable amount of investments held to maturity is equal to the present value of the expected future cash flows discounted at the financial instrument's original effective interest rate.

(i) Assets held for sale

An asset is classified as 'held for sale' under IFRS 5 if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale in its present condition, must be actively marketed for sale at a price that is reasonable in relation to its current fair value and its sale must be highly probable, that is, a plan to sell leading to the location of a buyer has been initiated. The sale of assets should be completed within one year from the date of classification of assets as 'held for sale'.

Non-current assets designated as 'Held for sale' are reported in the balance sheet line 'Assets held for sale' and are no longer depreciated.

The Bank recognises an impairment loss on assets held for sale if their selling price less costs to sell is lower than their carrying amount. Any subsequent increase in the selling price less costs to sell is recognised as a gain but not in excess of the cumulative impairment loss that has been recognised either in accordance with IFRS 5 or IAS 36.

(j) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at historical cost less accumulated depreciation together with accumulated impairment losses and increased by technical improvements. Fixed assets are depreciated indirectly through the accumulated depreciation charge. Depreciation is calculated on a straight line basis to write off the cost, net of provisions, in respect of tangible and intangible fixed assets and net of the estimated residual value in respect of cars held under finance lease (recognised in assets under IFRS) over their estimated useful economic lives and is reported in the income statement line 'Depreciation, impairment and disposal of fixed assets'. The residual value of cars held under finance leases is determined on the basis of the purchase price following the expiration of the lease set out in the lease contract.

The Bank specifically does not depreciate land, works of art, tangible and intangible fixed assets in the course of construction and technical improvements, unless they are brought into a condition fit for use.

The Bank has applied the component approach to buildings and their technical improvements that were acquired subsequent to 1 January 2005.

During the reporting periods, the Bank used the following estimated useful economic lives in years:

	2009	2008
Machinery and equipment	4	4
Information technology – notebooks, servers	4	4
Information technology – computers	6	6
Fixtures, fittings and equipment	6	6
Vehicles	5	5
ATMs and selected equipment of the Bank	8	8
Energy machinery and equipment	12/15	12/15
Distribution equipment	20	20
Buildings and structures	40	40
Buildings and structures - selected components:		
- Heating, air-conditioning, windows, doors	20	20
- Lift, electro-installation	25	25
- Roof, facade	30	30
- Net book value – building or technical improvements without selected components	50	50
Technical improvements on leasehold assets, including historic buildings	According to the lease term	According to the lease term
Intangible results of development activities (assets generated internally as part of internal projects)	According to the useful life, typically 4	According to the useful life, typically 4
Right of use – software	4	4
Other rights of use	According to contract	According to contract

In accordance with IAS 38, the Bank adds to the cost of intangible assets generated internally as part of internal projects external expenses and internal personnel costs incurred in developing intangible fixed assets. The Bank does not capitalise expenses incurred in research.

The Bank periodically tests its assets for indications of impairment, such as a change in their utilisation or worsened economic conditions. Where the indications of impairment are identified and the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount is the higher of net realisable value and value in use. Where assets are identified as being surplus to the Bank's requirements, management of the Bank determines a provision for asset impairment by reference to the selling price based on expert valuation reports adjusted downwards for an estimate of associated sale costs. The associated sale costs include costs of expert valuation reports, legal and economic advisory, etc. which are estimated on the basis of the Bank's historical experience, and real estate transfer tax in respect of real estate.

Repairs and renewals are charged directly to the income statement when the expenditure is incurred.

(k) Leases

Assets held under finance leases when substantially all the risks and rewards of ownership are transferred, are recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. These assets are depreciated over their useful lives.
Lease payments are apportioned between interest reported in finance charges (in 'Interest expense and similar expenses') and a reduction of the outstanding lease obligation. Finance charges are allocated over the lease term so as to achieve a constant rate of interest.

Payments made under operating leases are charged to expenses on a straight line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

At present the Bank does not act as a lessor for finance leases.

(l) Provisions

In accordance with IFRS, the Bank recognises a provision when, and only when:

- It has a present obligation (legal or constructive) as a result of a past event;
- It is probable that the settlement of the obligation will cause an outflow of resources causing a decrease of economic benefits; and
- A reliable estimate can be made of the amount of the obligation. Provisions for legal disputes are estimated on the basis of the amount sought by the plaintiff, including accrued interest and fees.

In the normal course of business, the Bank enters into credit related commitments which are recorded in off balance sheet accounts and primarily include guarantees, avals, uncovered letters of credit, irrevocable commitments to extend credit, undrawn loan commitments, and approved overdraft loans.

Specific provisions are made for estimated losses on these commitments on the same basis as used in provisioning (refer to Note 42 (A)).

(m) Employment benefits

The Bank provides its employees with retirement benefits and disability benefits.

The employees are entitled to receive retirement or disability benefits if they are employed by the Bank until their retirement age or if they are entitled to receive a disability pension but only if they were employed with the Bank for a minimum defined period.

Estimated benefit costs are recognised on an accruals basis through a provision over the employment term using an accounting methodology that is similar to that used in respect of defined benefit pension plans. In determining the parameters of the model, the Bank refers to the most recent employee data (the length of employment with the Bank, age, gender, basic salary) and estimates made on the basis of monitored historical data about the Bank's employees (expected reduction of the current staffing levels) and other estimates (the amount of bonuses, anticipated increase in salaries, estimated amount of social security and health insurance contributions, discount rate).

The Bank additionally provides short-term benefits to its employees, such as contributions to retirement pension insurance and capital life insurance schemes. The Bank recognises the costs of these contributions as incurred.

(n) Securities issued

Securities issued by the Bank are stated at amortised costs using the effective interest rate method. Interest expense arising on the issue of the Bank's own securities is included in the income statement line 'Interest expense and similar expense.'

In the event of the repurchase of its own debt securities, the Bank derecognises these securities so as to reflect the economic substance of the transaction as a repayment of the Bank's commitment and decreases its liabilities in the line 'Securities issued'. Gains and losses arising as a result of the repurchase of the Bank's own debt securities are included in 'Net profit/(loss) on financial operations'.

(o) Income and expense recognition

Interest income and expenses related to interest-bearing instruments are reported in the income statement in the period to which they relate on an accruals basis using the effective interest rate which is calculated, under IFRS, reflecting the fees paid by contractual parties, transaction costs and other discounts and premiums. Interest, fees and other expenses included in the calculation of the effective interest rate are recognised in 'Interest income and similar income'.

Other fees and commissions are recognised in the period to which they relate on an accruals basis. Penalty interest is accounted for and included in interest income on a cash basis.

(p) Income taxation

Income taxation is calculated in accordance with the provisions of the relevant legislation of the Czech Republic, based on the profit recognised in the income statement net of the effects of International Financial Reporting Standards. Income taxation is included in the income statement, or equity if it relates to an item directly taken to equity.

Deferred income tax is provided, using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values. Deferred income tax is determined using tax rates effective in the periods in which the temporary tax difference is expected to be realised. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised.

Deferred tax related to changes of fair values of securities available for sale or cash flow hedges where fair value changes are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

(q) Repurchase agreements

Under repurchase transactions ('repos'), the Bank only provides securities held in the 'At fair value through profit or loss' (in 2008, also 'Available for sale') portfolio as collateral. These securities are recorded as assets in the statement of financial position line 'Financial assets at fair value through profit or loss' and 'Financial assets available for sale' and the corresponding liability arising from the received loan is included in 'Amounts due to banks' or 'Amounts due to customers' as appropriate.

Securities purchased under reverse repurchase agreements ('reverse repos') are recorded off balance sheet where they are remeasured to fair value. The corresponding receivable arising from the provided loan is recognised as an asset in the statement of financial position line 'Due from banks' or 'Loans and advances to customers' as appropriate.

The Bank's off balance sheet accounts also reflect securities obtained under reverse repos and provided as collateral reflected at fair value. The corresponding liability arising from the received loan is included in 'Amounts due to banks' or 'Amounts due to customers' as appropriate.

The difference between the sale and repurchase price in respect of repo and reverse repo transactions is treated as interest and accrued evenly to expenses/income over the life of the repo agreement using the linear interest rate due to their short-term maturities.

In regard to the sale of a security acquired as collateral under a reverse repo transaction, the Bank derecognises from off balance sheet accounts securities acquired under reverse repo transactions and recognises in the balance sheet an amount payable from a short sale which is remeasured to fair value. This payable is included in 'Financial liabilities at fair value through profit or loss'.

(r) Derivative financial instruments and hedging

In the normal course of business, the Bank enters into contracts for derivative financial instruments. At the conclusion of the financial derivative contract, the Bank designates derivative instruments as either trading or hedging. The Bank also acts as an intermediary provider of these instruments to certain clients.

The derivative financial instruments used by the Bank as trading instruments include interest rate, currency and commodity forwards, swaps, securities based derivatives, emission allowances and options. The values of these instruments change pursuant to the fluctuations in interest rates, commodity prices, exchange rates, market values of securities and similar market parameters.

Derivative financial instruments are recognised at their fair value. Changes in the fair values of derivatives held for trading are directly included in the income statement line 'Net profit/(loss) on financial operations' from the trade date to the settlement date. Fair values are obtained from quoted market prices, discounted cash flow models or options pricing models as appropriate. All derivatives are carried as assets in 'Financial assets at fair value through profit or loss' when fair value is positive and as liabilities in 'Financial liabilities at fair value through profit or loss' when fair value is negative.

Certain derivatives, such as the option for an earlier redemption of a bond, are embedded in other (host) financial instruments and are treated and accounted for as separate derivatives when: i) they as a separate instrument meet the definition of a derivative, ii) their risks and economic characteristics are not closely related to those of the host contract, and iii) the host contract is not carried at fair value with fair value changes reported in the income statement.

The Bank uses certain derivative financial instruments to hedge against interest rate and foreign exchange rate risks to which it is exposed as a result of its financial market transactions. The Bank designates a derivative as hedging only if the following criteria are met at the designation date:

- Compliance with the Bank's risk management strategy;
- At the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, defines the risk that is being hedged and the approach to assessing and documenting whether the hedge is effective;
- The hedge is expected to be highly effective at inception and throughout the period; and
- Changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Hedging derivatives are accounted for according to the type of a hedging relationship which can be either
(i) a hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge), or
(ii) a hedge of a future cash flow attributable to a recognised asset or liability or a forecasted transaction (cash flow hedge); or
(iii) a hedge of an investment in a foreign entity.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the income statement along with the corresponding change in the fair value of the hedged asset or liability that is attributable to the specific hedged risk and are reported in 'Net profit/(loss) on financial operations.' The ineffective element of the hedge is charged directly to the income statement line 'Net profit/(loss) on financial operations.' On this basis, the Bank hedges the selected portfolios of foreign currency assets. The effectiveness of the hedge is regularly tested on a quarterly basis through prospective and retrospective tests.

If the hedge no longer meets the criteria for hedge accounting, an adjustment to the carrying value of a hedged interest-bearing financial instrument is amortised to profit or loss over the period to the maturity of the hedged item.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to hedged risk, are recognised in the 'Hedging instruments' in shareholders' equity. Amounts deferred in equity are transferred to the income statement and classified as income or expense in the periods during which the hedged assets and liabilities affect the income statement. The ineffective element of the hedge is charged directly to the income statement line 'Net profit/(loss) on financial operations. On this basis, the Bank hedges the interest rate risk associated with selected portfolios of assets or liabilities or individual assets or liabilities. The effectiveness of the hedge is tested through prospective and retrospective tests performed at the end of each quarter.

The Bank additionally hedges against the foreign exchange rate risk arising from the net investment in the subsidiaries, Komerční banka Bratislava, a.s. and Bastion European Investments S.A. Foreign currency deposits are used as a hedging instrument. Foreign exchange rate differences arising from their retranslation are included in the 'Hedging instruments' in equity.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in Note 42 (C).

Certain derivative transactions, while providing economic hedges under the Bank's risk management positions, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with the related fair value gains and losses reported in the income statement line 'Net profit/(loss) on financial operations'.

(s) Regulatory requirements

The Bank is subject to the regulatory requirements of the Czech National Bank and other institutions. These regulations include limits and other restrictions pertaining to minimum capital adequacy requirements, classification of loans and off balance sheet commitments and provisioning to cover credit risk associated with the Bank's clients, liquidity, interest rate and foreign currency position.

(t) Fiduciary activities

Assets arising thereon together with related undertakings to return such assets to customers are reported off-balance sheet.

(u) Share capital and treasury stock

Where the Bank purchases its own share capital or obtains rights to purchase its share capital, the consideration paid including any attributable transaction costs is shown as a deduction from total shareholders' equity under 'Share premium'. Gains and losses on sales of own shares are recorded in equity.

(v) Contingent assets and contingent liabilities

In addition to transactions giving rise to the recognition of assets and liabilities in the balance sheet, the Bank enters into transactions under which it generates contingent assets and liabilities. The Bank maintains contingent assets and liabilities off balance sheet as off-balance sheet items. The Bank monitors these transactions as they represent a substantial proportion of its activities and materially impact the level of risks to which the Bank is exposed (they may increase or decrease other risks, for instance, by hedging assets and liabilities reported in the statement of financial position).

Under IAS 37 a contingent liability is defined as a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. A contingent liability is also a present obligation where an outflow of resources embodying economic benefits will not be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities, for example, include irrevocable loan commitments, commitments arising from bank guarantees, bank acceptances, letters of credit and warrants.

The Bank recognises issued guarantees in accordance with IAS 39. The guarantee is initially recognised at fair value and subsequently at the higher of the value determined in accordance with IAS 37 or the amount originally reported and decreased by an accumulated accrual, if any, in accordance with IAS 18.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. Contingent asset is recognised and disclosed where an inflow of economic benefits is probable.

Off-balance sheet items also consist of interest rate and foreign currency instruments, including forwards, swaps, options and futures. For additional information on derivatives refer to part (r).

(w) Operating segments

In the year ended 31 December 2009, the Bank discloses the information on operating segments for the first time in accordance with the requirements arising from IFRS 8 Operating Segments. The comparative information for the year ended 31 December 2008 was adjusted according to IFRS 8 as required by this new standard.

Operating segments are reported in compliance with internal reports regularly prepared and presented to the Bank's Board of Directors which is considered the ''chief operating decision maker'', i.e. a person or a group of persons that allocates resources and assesses the performance of individual operating segments of the Bank.

The Bank has the following operating segments:

- Retail banking – includes the provision of products and services to individuals, i.e. predominantly current and savings accounts, term deposits, overdrafts, credit card loans, personal loans and mortgages;
- Corporate banking – includes the provision of products and services to corporate entities, i.e. current accounts, term deposits, revolving loans, business loans, mortgages, foreign currency and derivative products, syndicated and export financing, guarantee transactions;
- Investment banking – trading with financial instruments; and
- Other – head office of the Bank.

The Investment banking segment does not achieve quantitative limits for obligatory reporting. However, management of the Bank believes that the information on this segment is useful for users of the financial statements and thus reports this segment separately.

As the principal activity of the Bank is the provision of financial services, the Board of Directors of the Bank assesses the performance of operating segments predominantly according to net interest income. For this reason, interest income and interest expenses of individual operating segments are not reported separately, but on a net basis.

In addition, the Bank monitors net fee and commission income, net profit on financial operations and other income predominantly including income from the lease of non-residential premises by segments. Other profit and loss items are not monitored by operating segments.

The Bank does not monitor total assets or total liabilities by segment.

The information on the items of net operating income is provided to the Board of Directors of the Bank in the valuation identical to that stated in the Bank's financial accounting records.

The Bank has no client or group of related parties for which the income from transactions would account for more than 10 percent of the Bank's total income.

(x) Changes of accounting policies arising from the implementation of new or revised IFRSs and IASs effective from 1 January 2009 to 31 December 2009 with an impact on the Bank

Standard	Impact / Comments
IAS 1 Presentation of Financial Statements – revised standard	The revised standard has an impact on the names and structure of statements that are part of the Bank's financial statements.
IFRS 7 Financial Instruments: Disclosures – amendment Improving disclosures	Pursuant to the requirements set out in the amendment, the Bank extended the scope of quantitative information relating to financial instruments and classified the financial instruments carried at fair value according to the method used to determine the fair value into the Hierarchy of Fair Values – for details refer to Note (h) Securities.
IFRS 8 Operating Segments – new standard	The standard newly identifies segments based on internal reports that are regularly presented to the chief operating decision maker for the purpose of allocating sources and assessing performance. The Bank has newly identified segments in accordance with the requirements of the Standard, for details refer to Note (w) Operating segments and Note 4 Segment reporting.

(y) New IFRS or amendments to IFRS taking effect in the period from 1 January to 31 December 2009 without an impact on the Bank

Standard	Impact / Comments
IAS 23 Borrowing Costs – revised	The revised standard revokes the existing benchmark treatment and newly requires that entities capitalise borrowings costs relating to eligible assets. The Bank did not identify any significant borrowing costs that related to the acquisition of "qualified assets" and thus did not capitalise any borrowing costs.
IAS 27 Consolidated and Separate Financial Statements – amendment 'Recognition of received dividends'	The amendment leaves out the definition of acquisition costs under which it would be possible to recognise income from dividends only with respect to the profit generated subsequent to the acquisition date. All dividends are newly reported as income. However, their payment is treated as an event that triggers the obligation to undertake impairment testing. In addition, the amendment determines the method of valuation upon inclusion of a new parent company in the consolidation group. In 2009, the Bank did not record any transactions that would be subject to the amendment.
IAS 32 Financial instruments: Presentation – amendment 'Puttable financial instruments and obligations arising on liquidation'	According to the amendment, puttable financial instruments with the performance in the form of a proportionate share in net assets of an issuer and instruments giving rise to the obligation supply other party with the proportionate share in net assets upon liquidation should be recognised as capital instruments. The Bank is not an issuer of any of the above instruments.
IAS 39 Financial instruments: Recognition and Measurement – amendment: 'Embedded derivatives'	The amendment forbids reclassification of a hybrid instrument from the category of financial assets at fair value through profit or loss when the embedded derivative cannot be reliably measured (and therefore separated).

Standard	Impact / Comments
IFRS 1 First-time Adoption of IFRS – amendment 'Cost of an investment in a subsidiary, jointly controlled entity or associate'	The amendment enables the use of the "deemed cost" of investments when it is not possible to retrospectively determine the cost of an investment upon the first-time adoption of IFRS. The standard applied to the Bank only upon the first-time adoption of IFRS; currently it is irrelevant.
IFRS 2 Share-based Payment – amendment 'Vesting conditions and cancellations'	The amendment clearly defines vesting conditions for capital instruments (exercise of the option) and clarifies the treatment of accounting for cancellation of a contract by a counter-party which has not been previously covered by the standard. The Bank does not record any share-based payments.
Annual Improvements to IFRSs 2008	Annual improvements amend 20 standards in the total of 35 points with the objective of predominantly removing unintentional inconsistencies in individual standards or redundant or confusing references and improving the wording or updating out-of-date terminology.
IFRIC 9 Reassessment of Embedded Derivatives – amendment 'Embedded derivatives'	The interpretation allows the reassessment of embedded derivatives in the event of the reclassification of a financial instrument from the category of financial assets at fair value through profit or loss.
IFRIC 13 Customer Loyalty Programmes – new interpretation	The interpretation involves the recognition and valuation of liabilities arising to the entity in the provision of customer loyalty programmes. The Bank does not provide any customer loyalty programmes that would be covered by this interpretation.
IFRIC 15 Agreements for the Construction of Real Estate – new interpretation	The interpretation addresses the recognition date of income arising from agreements for the construction of real estate. The Bank does not undertake any activities that would be covered by this interpretation.
IFRIC 16 Hedges of a Net Investment in a Foreign Operation – new interpretation	The interpretation covers situations in which a net investment in a foreign operation can be hedged in the accounting records. The Bank hedges the net investment in the foreign operations Bastion European Investments S.A. and Komerční banka Bratislava, a.s. which complies with the interpretation – for details refer to (r) Derivative financial instruments and hedging.
IFRIC 18 Transfers of Assets from Customers	The interpretation determines criteria for the identification of assets, their recognition and measurement upon the first-time recognition upon the transfer of assets from customers. Customers do not make any transfers of assets to the Bank that would be covered by the interpretation.

(z) Changes of accounting policies arising from the implementation of new IFRSs and revised IASs effective from 1 January 2010 or thereafter

The below listed standards and interpretations or their amendments are in effect; however, they do not apply to reporting periods starting on 1 January 2009 and the Bank has decided not to use the possibility to apply them earlier in the year ended 31 December 2009.
Concurrently, the Bank does not anticipate that their application will significantly impact the Bank's financial position and financial performance for the reporting period, with the exception of IFRS 9 Financial Instruments which supersedes part of the existing standard IAS 39 relating to the classification and measurement of financial assets.
The application of requirements of IFRS 9 will primarily mean that non-capital instruments classified in the "financial assets available for sale" portfolio will be remeasured to profits and losses rather than to other comprehensive income provided they do not comply with the conditions for measurement at amortised cost. With respect to capital instruments classified in this portfolio, the Bank will have to decide upon the first-time application of the standard whether it will remeasure them to profits and losses or whether it will use the possibility to recognise changes in their fair value in other comprehensive income.

The requirements of the revised IAS 24 Related Party Disclosures will bring extended related party disclosures in the notes to the financial statements.

Standard / Effective date	Summarised content
IAS 27 Consolidated and Separate Financial Statements – amendment Effective date: 1 July 2009	The amendment specifies the accounting policy used in the event of the reduced equity investment or loss of control in a subsidiary, changes the terminology for minority equity investments – newly non-controlling interests and requires the allocation of potential loss to non-controlling interests in cases when it would result in the total negative balance of non-controlling interests.
IAS 39 Financial Instruments: Recognition and Measurement – amendment: 'Eligible hedged items' Effective date: 1 July 2009	The amendment covers hedged items and assessment of the hedge effectiveness in purchased options and inflation in the hedged financial item.

Standard / Effective date	Summarised content
IFRS 3 Business Combinations – revised standard Effective date: 1 July 2009	The revised standard predominantly changes accounting for costs relating to the acquisition, valuation of non-controlling interests or contingent consideration and applies to business combinations initiated subsequent to its effective date; it has no impact on earlier combinations.
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – amendment: 'Assets held for distribution' Effective date: 1 July 2009	The amendment relates to IFRIC 17 – non-current assets should be classified as held for distribution at the moment when the entity is obliged to distribute assets to owners of the entity and they should be measured at the lower of their carrying amounts and fair value less costs of distribution.
IFRIC 17 Distributions of Non-cash Assets to Owners – new interpretation Effective date: 1 July 2009	The interpretation covers the accounting for and valuation of non-cash dividends in an entity paying dividends. The interpretation does not relate to the distribution of dividends in the form of non-cash assets in the group.
Annual Improvements to IFRSs 2009 – new standard Effective date: 1 July 2009, selected points on 1 January 2010	Annual improvements amend 10 standards in the total of 13 points and two interpretations with the objective of predominantly removing unintentional inconsistencies in individual standards or redundant or confusing references and improving wording or updating out-of-date terminology.
IFRS 1 First-time Adoption of IFRS – amendment: 'Additional exemptions for first-time adopters' Effective date: 1 January 2010	The amendment covers the valuation of assets relating to oil and natural gas.
IFRS 2 Share-based Payment – Group cash-settled share-based payment transactions Effective date: 1 January 2010	The amendment specifies the scope of the standard and accounting for group cash-settled share-based payment transactions in individual and separate financial statements and supersedes IFRIC 2 and IFRIC 11.
IAS 32 Financial instruments: Presentation – Classification of rights issues Effective date: 1 February 2010	The amendment adds that rights issues, options and warrants for the acquisition of a fixed number of own capital instruments of the entity for a fixed amount in any currency are capital instruments provided they are offered proportionally to all current owners of the specific group of non-derivative capital instruments of the entity.
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – new interpretation Effective date: 1 July 2010	The interpretation covers accounting for and valuation of extinguishing financial instruments through an issue of capital instruments on the part of the issuer.
IAS 24 Related Party Disclosures – revised standard Effective date: 1 January 2011	The scope of the standard was extended. The revised standard newly requires disclosures on relations and commitments and specifies that the required information should be disclosed both in individual and separate financial statements. In addition, the definition of a related party was changed/extended. A definition of a state and its related parties was added and exceptions from disclosures were introduced for these related parties.
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Minimum funding requirement Effective date: 1 January 2011	The amendment specifies the recognition of benefits available through a decrease of future contributions with non-existence of minimum funding requirements and recognition of prepaid contributions with the existence of minimum funding requirements. The amendment specifies that if an entity arrives at an amount lower than zero through adjusting the recognised asset including the amount of potential paid contributions in determined minimum funding requirements, it will not disclose the liability.
IFRS 9 Financial Instruments Effective date: 1 January 2013	The standard currently covers only the classification and measurement of financial assets for which it newly introduces two portfolios – financial assets subsequently measured at amortised cost and financial assets subsequently measured at fair value. Financial assets subsequently measured at fair value are remeasured to profits and losses except for capital instruments for which the entity irrevocably opts for the possibility to recognise changes in the fair value in other comprehensive income upon the first-time recognition or first-time application. Derivatives embedded in financial assets are no longer separated according to the standard.

(aa) Changes of accounting policies arising from the implementation of new IFRSs and revised IASs effective from 1 January to 31 December 2009

The Bank used the possibility to apply the amendment to IFRS 8 issued as part of the annual improvements and effective for periods starting on 1 January 2010 earlier and applied it for the reporting period starting on 1 January 2009. The amendment enables the non-reporting of information on total assets of segments if the entity does not monitor this information and does not regularly report to the chief operating decision maker.

4. Segment reporting

	Retail banking		Corporate banking		Investment banking		Other		Total	
CZK million	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Net interest income and similar income	10,552	10,312	5,358	5,033	131	(427)	2,375	2,672	18,416	17,590
Net fee and commission income	4,972	5,032	2,336	2,400	73	36	167	326	7,548	7,794
Net profit on financial operations	819	828	1,161	1,346	1,330	1,480	229	679	3,539	4,333
Other income	126	97	(11)	(46)	107	159	(123)	(106)	99	104
Net operating income	**16,469**	**16,269**	**8,844**	**8,733**	**1,641**	**1,248**	**2,648**	**3,571**	**29,602**	**29,821**

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

As most of the income of segments arises from interest and, in assessing the performance of segments and deciding on allocation of resources to segments, the Board of Directors primarily refers to net interest income, the interest for segments is reported on a net basis, i.e. reduced by interest expenses.

Segment information that was presented for 2008 is adjusted according to the requirements of the new standard and is presented as comparative information to the information on segments for 2009.

5. Net interest income and similar income

Net interest income and similar income comprise:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Interest income and similar income	32,401	37,611
Interest expense and similar expense	(14,739)	(20,480)
Income from dividends	754	459
Net interest income and similar income	**18,416**	**17,590**
Of which net interest income arising from		
– Loans and advances	19,851	25,711
– Investments held to maturity	48	61
– Financial assets available for sale	2,320	1,465
– Financial liabilities at amortised cost	(5,551)	(10,626)

'Interest income and similar income' includes interest on substandard, doubtful and loss loans of CZK 852 million (2008: CZK 613 million) due from customers and interest of CZK 0 million (2008: CZK 1 million) on securities that have suffered impairment.

'Interest income and similar income' also includes accrued interest income from hedging financial derivatives of CZK 10,182 million (2008: CZK 10,374 million) and Interest expense and similar expense' includes interest expenses from hedging financial derivatives of CZK 9,188 million (2008: CZK 9,854 million). ‚Net interest income' from these derivatives amounts to CZK 994 million (2008: CZK 520 million). Hedging financial derivatives are used to hedge both the fair value and future cash flows.

'Income from dividends' includes received dividends from subsidiaries and associates of CZK 670 million (2008: CZK 236 million) and received dividends from financial assets available for sale of CZK 84 million (2008: CZK 223 million). Dividends from financial assets available for sale in the form of shares amounted to CZK 0 million (2008: CZK 54 million).

6. Net fee and commission income

Net fee and commission income comprises:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Fees and commission from transactions	3,602	3,976
Fees and commissions from loans and deposits	2,834	2,674
Other fees and commissions	1,112	1,144
Total net fee and commission income	**7,548**	**7,794**

7. Net profit on financial operations

Net profit on financial operations comprises:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Net realised gains/(losses) on securities held for trading	181	(6)
Net unrealised gains/(losses) on securities held for trading	632	1,160
Net realised gains/(losses) on financial assets available for sale	64	485
Net realised and unrealised gains/(losses) on security derivatives	92	110
Net realised and unrealised gains/(losses) on interest rate derivatives	(190)	(228)
Net realised and unrealised gains/(losses) on trading commodity derivatives	17	33
Net realised and unrealised gains/(losses) on foreign exchange financial derivatives, spot foreign exchange transactions and re-translation of foreign currency assets and liabilities and exchange rate fees and commissions	2,743	2,779
Total net profit/(loss) on financial operations	**3,539**	**4,333**

In the years ended 31 December 2009 and 2008, the line 'Net realised gains/(losses) on financial assets available for sale' shows the net gain from the sale of the equity investment in MasterCard Inc. in the amount of CZK 64 million and from the sale of the equity investment in Burza cenných papírů Praha, a.s. in the amount of CZK 485 million (refer to Note 19), respectively.

The line 'Net realised and unrealised gains/(losses) on foreign exchange financial derivatives, spot foreign exchange transactions and re-translation of foreign currency assets and liabilities' shows the aggregate re-translation of foreign currency assets and liabilities (with the exception of securities held for trading) which represented a net loss of CZK 813 million in 2009 (2008: a net gain of CZK 1,602 million) and net fees and commissions from clean and documentary payments and cash transactions with clients of the Bank, in the amount of the difference between the exchange rate relating to the purchase / sale of the foreign currency determined by the Bank and the official foreign exchange rate of the Czech National Bank used for the revaluation of transactions in foreign currencies that represented the net gain of CZK 1,451 million (2008: CZK 1,587 million).

A loss of CZK 152 million (2008: CZK 408 million) on the fair value of interest rate swaps for foreign currency risk hedging is included in 'Net realised and unrealised gains/(losses) on interest rate derivatives'. This amount matches the gain arising from the retranslation of hedged loan receivables and financial assets available for sale reported in the same line.

8. Other income

'Other income' is predominantly composed of income from provided services to the financial group and property rental income.

9. Personnel expenses

Personnel expenses comprise:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Wages, salaries and bonuses	4,075	4,112
Social costs	1,737	1,628
Total personnel expenses	**5,812**	**5,740**
Physical number of employees at the period-end	7,848	8,073
Average recalculated number of employees during the period	7,958	7,981
Average cost per employee (CZK)	**730,264**	**719,244**

'Social costs' include costs of CZK 126 million (2008: CZK 107 million) paid by the Bank to the employees' retirement pension insurance scheme and costs of CZK 44 million (2008: CZK 43 million) incurred in contributing to the employees' capital life insurance scheme.

'Personnel expenses' include the use of the restructuring provision of CZK 10 million (2008: charge of CZK 74 million) relating to provisioning for restructuring in relation to the project of the reorganisation and centralisation of back office divisions (refer to Note 33).

10. General administrative expenses

General administrative expenses comprise:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Insurance of deposits and transactions	474	450
Marketing and entertainment costs	592	695
Costs of sale and banking products	1,122	1,260
Staff costs	199	343
Property maintenance charges	1,276	1,159
IT support	758	780
Office equipment and other consumption	62	83
Telecommunications, post and other services	186	254
External advisory services	654	675
Other expenses	65	124
Total general administrative expenses	**5,388**	**5,823**

'Insurance of deposits and transactions' shown as a component of 'General administrative expenses' includes an estimated balance of payments to the Deposit Insurance Fund of CZK 391 million (2008: CZK 379 million).

'General administrative expenses' include the use of the restructuring provision in the amount of CZK 58 million (2008: CZK 0) and the charge of CZK 37 million (2008: CZK 58 million) relating to the restructuring provision in respect of the project of the reorganisation and centralisation of back office functions and the charge of CZK 8 million (2008: CZK 0 million) relating to the project of the change in the legal status of Komerční banka Bratislava, a.s. to a foreign branch of the Bank (refer to Note 33).

11. Depreciation, impairment and disposal of fixed assets

Depreciation, impairment and disposal of fixed assets comprise:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Depreciation of tangible and intangible fixed assets	1,484	1,546
Provisions for assets and net gain on the sale of assets	(152)	(113)
Total depreciation, impairment and disposal of fixed assets	**1,332**	**1,433**

12. Cost of risk

Provisions for loans and other credit commitments

The movement in the provisions was as follows:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Balance at 1 January	(11,441)	(9,042)
Net provisioning for loan losses	(4,471)	(2,382)
Impact of loans written off and transferred	3,000	116
Exchange rate differences attributable to provisions	106	(133)
Balance at 31 December	**(12,806)**	**(11,441)**

The balance of provisions as of 31 December 2009 and 2008 comprises:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Provisions for loans to banks (refer to Note 21)	(1)	(1)
Provisions for loans to customers (refer to Note 22)	(11,785)	(10,331)
Provisions for other loans to customers (refer to Note 22)	(1)	(1)
Provisions for guarantees and other credit related commitments (refer to Note 33)	(1,019)	(1,108)
Total	**(12,806)**	**(11,441)**

Provisions for securities

The balance of provisions for securities was CZK 9 million as of 31 December 2009 (2008: CZK 17 million). During the year ended 31 December 2009, the Bank released the provision of CZK 7 million due to a partial repayment of the nominal value of a security. The foreign exchange rate gain from provisions against securities denominated in foreign currencies amounted to CZK 1 million.

Provisions for other risk expenses

The balance of 'Provisions for other risk expenses' of CZK 22 million (2008: a net release of CZK 1 million) principally consists of the charge for provisions of CZK 44 million (2008: CZK 63 million) and the release and use of provisions of CZK 30 million (2008: CZK 76 million) for legal disputes, together with the costs incurred by the Bank as a result of the outcome of legal disputes of CZK 8 million (2008: CZK 12 million). Additional information on the provisions for other risk expenses is provided in Note 33.

13. Profit on subsidiaries and associates

The profit on subsidiaries and associates includes the following:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Gain on the sale of investments in subsidiaries and associates	2	150
Charge for provisions	(2)	0
Total profit or loss on subsidiaries and associates	**0**	**150**

In May 2005, the Bank and Société Générale Asset Management S.A. (France) concluded a contract for the sale of 100 percent of shares of Investiční kapitálová společnost Komerční banky, a.s. (hereinafter „IKS"). The selling price was payable in two instalments. The first portion of the price was paid immediately as of the transaction date in cash, the second portion of the price was due after the fulfilment of pre-agreed distribution targets for IKS products sold through the Bank's distribution network in 2005 to 2008. The Bank fulfilled the distribution targets. The gain of CZK 2 million (2008: CZK 150 million) is disclosed in the line "Gain on the sale of investments in subsidiaries and associates" and represents the additional payment of the remaining part of the price.

The balance of provisions is as follows:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Balance at 1 January	(390)	(390)
Charge for provisions	(2)	0
Balance at 31 December	**(392)**	**(390)**

Provisions for investments in subsidiaries and associates principally comprise provisions charged in respect of Komerční pojišťovna, a.s. on the basis of losses incurred in prior periods (for further information see Note 25).

14. Income taxes

The major components of corporate income tax expense are as follows:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Tax payable – current year, reported in profit or loss	(2,196)	(2,735)
Tax paid – prior year	4	(4)
Deferred tax	(38)	(40)
Hedge of a deferred tax asset against foreign currency risk	15	(20)
Total income taxes	**(2,215)**	**(2,799)**
Tax payable - current year, reported in equity	3	3
Total tax expense	**(2,212)**	**(2,796)**

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Profit before tax	**12,584**	**14,594**
Theoretical tax calculated at a tax rate of 20% (2008: 21%)	2,517	3,065
Tax on pre-tax profit adjustments	2	(8)
Non-taxable income	(1,425)	(1,221)
Expenses not deductible for tax purposes	1,196	948
Tax allowance	(3)	(2)
Tax credit	(91)	(68)
Tax on a standalone tax base	0	21
Hedge of a deferred tax asset against foreign currency risk	(15)	20
Movement in deferred tax	38	40
Income tax expense	**2,219**	**2,795**
Prior period tax expense	(4)	4
Total income taxes	**2,215**	**2,799**
Tax payable on financial assets available for sale reported in equity *	(3)	(3)
Total income tax	**2,212**	**2,796**
Effective tax rate	17.60%	19.18%

* This amount represents the tax payable on unrealised gains from the revaluation of financial assets available for sale which are revalued through equity under IFRS.

Non-taxable income primarily includes dividends, gain on the sale of a subsidiary, tax-exempt interest income and the release of non-tax deductible provisions and reserves. Expenses not deductible for tax purposes primarily include the recognition of non-tax deductible reserves and provisions and non-tax deductible operating expenses. Tax on pre-tax profit adjustments primarily represents an adjustment of the IFRS result to CAS. Tax credit arises from interest income on bonds issued by EU states.

The corporate tax rate for the year ended 31 December 2009 is 20 percent (2008: 21 percent). The Bank's tax liability is calculated based upon the accounting profit taking into account tax non-deductible expenses and tax exempt income or income subject to a final withholding tax rate.

Further information about deferred tax is presented in Note 34.

15. Distribution of net profit

For the year ended 31 December 2009, the Bank generated a net profit of CZK 10,369 million.

In accordance with the resolution of the General Meeting of Shareholders held on 29 April 2009, the aggregate balance of the net profit of CZK 11,795 million for the year ended 31 December 2008 was allocated as follows: CZK 6,832 million was paid out in dividends, CZK 310 million was allocated to the reserve fund and the remaining balance of the net profit was allocated to retained earnings. After the allocation from the profit for 2008, the reserve fund achieved the level required by the Commercial Code and the Articles of Association of the Bank, i.e. 20 percent of the share capital of the Bank.

16. Earnings per share

Earnings per share of CZK 273.18 (2008: CZK 310.81 per share) have been calculated by dividing the net profit of CZK 10,369 million (2008: CZK 11,795 million) by the number of shares in issue, that is, 38,009,852, decreased to reflect the average number of treasury shares held by the Bank during the period.

17. Cash and current balances with central banks

Cash and current balances with central banks comprise:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Cash and cash equivalents	7,593	7,762
Balances with central banks	6,575	4,551
Total cash and current balances with central banks	**14,168**	**12,313**

Obligatory minimum reserves are included in 'Balances with central banks' and they bore the interest of the Czech National Bank at 1.00 percent and 2.25 percent as of 31 December 2009 and 2008, respectively.

18. Financial assets at fair value through profit or loss

As of 31 December 2009 and 2008, financial assets at fair value through profit or loss included securities and positive fair values of derivative financial instruments held for trading. Upon initial recognition, the Bank has not designated any financial assets as at fair value through profit or loss.

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Securities	13,515	25,801
Derivative financial instruments	10,985	18,196
Financial assets at fair value through profit or loss	**24,500**	**43,997**

For detailed information on derivative financial instruments included in the securities held for trading portfolio, refer to Note 42 (42(C) Financial derivative instruments).

Trading securities comprise:

CZK million	31 Dec 2009		31 Dec 2008	
	Fair value	Cost*	Fair value	Cost*
Shares and participation certificates	**0**	**0**	**3**	**3**
Emission allowances	**0**	**0**	**212**	**213**
Fixed income debt securities	7,725	7,648	15,856	15,844
Variable yield debt securities	3,237	3,243	822	829
Bills of exchange	1,443	1,439	1,000	1,000
Treasury bills	1,110	1,109	7,908	7,904
Total debt securities	**13,515**	**13,439**	**25,586**	**25,577**
Total trading securities	**13,515**	**13,439**	**25,801**	**25,793**

*) Acquisition cost for shares, participation certificates and emission allowances, amortised acquisition cost for debt securities

The Bank's portfolio of trading securities includes treasury bills issued by the Czech Finance Ministry at a fair value of CZK 1,110 million (2008: CZK 7,908 million).

As of 31 December 2009, the portfolio of trading securities includes securities at a fair value of CZK 10,962 million (2008: CZK 16,893 million) that are publicly traded on stock exchanges and securities at a fair value of CZK 2,553 million (2008: CZK 8,908 million) that are not publicly traded on stock exchanges (they are traded on the interbank market).

Trading shares and participation certificates at fair value comprise:

CZK million	31 Dec 2009	31 Dec 2008
Shares and participation certificates		
– Czech crowns	0	3
Total trading shares and participation certificates	**0**	**3**

Trading shares and participation certificates at fair value, allocated by issuer, comprise:

CZK million	31 Dec 2009	31 Dec 2008
Trading shares and participation certificates issued by:		
– Other foreign entities	0	3
Total trading shares and participation certificates	**0**	**3**

Emission allowances held for trading at fair value comprise:

CZK million	31 Dec 2009	31 Dec 2008
Emission allowances		
– Other currencies	0	212
Total emission allowances held for trading	**0**	**212**

Emission allowances held for trading at fair value, allocated by issuer, comprise:

CZK million	31 Dec 2009	31 Dec 2008
Emission allowances held for trading issued by:		
– Foreign state institutions	0	212
Total emission allowances held for trading	**0**	**212**

Debt trading securities at fair value comprise:

CZK million	31 Dec 2009	31 Dec 2008
Variable yield debt securities		
– Czech crowns	3,039	339
– Other currencies	198	483
Total variable yield debt securities	**3,237**	**822**
Fixed income debt securities (including bills of exchange and treasury bills)		
– Czech crowns	9,624	22,807
– Other currencies	654	1,957
Total fixed income debt securities	**10,278**	**24,764**
Total trading debt securities	**13,515**	**25,586**

Debt trading securities at fair value, allocated by issuer, comprise:

CZK million	31 Dec 2009	31 Dec 2008
Debt trading securities issued by:		
– State institutions in the Czech Republic	10,595	20,911
– Foreign state institutions	640	2,360
– Financial institutions in the Czech Republic	117	168
– Foreign financial institutions	111	458
– Other entities in the Czech Republic	494	1,579
– Other foreign entities	1,558	110
Total trading debt securities	**13,515**	**25,586**

Of the debt securities issued by state institutions in the Czech Republic, CZK 10,393 million (2008: CZK 20,911 million) represents securities eligible for refinancing with the Czech National Bank.

19. Financial assets available for sale

Financial assets available for sale comprise:

CZK million	31 Dec 2009		31 Dec 2008	
	Fair value	Cost*	Fair value	Cost*
Shares and participation certificates	**791**	**115**	**826**	**118**
Fixed income debt securities	55,413	53,395	38,448	38,448
Variable yield debt securities	9,069	9,149	6,586	6,357
Total debt securities	**64,482**	**62,544**	**45,034**	**44,805**
Total financial assets available for sale	**65,273**	**62,659**	**45,860**	**44,923**

*) Acquisition cost for shares and participation certificates, amortised acquisition cost for debt securities

As of 31 December 2009, the available-for-sale portfolio includes securities at a fair value of CZK 64,482 million (2008: CZK 44,934 million) that are publicly traded on stock exchanges and securities at a fair value of CZK 791 million (2008: CZK 926 million) that are not publicly traded.

In 2009, the Bank sold the equity investment in MasterCard Inc., the net gain from the sale for the Bank amounted to CZK 64 million. In 2008, the Bank sold the equity investment in Burza cenných papírů Praha, a.s. The net gain from the sale for the Bank amounted to 485 million (refer to Note 7).

Shares and participation certificates available for sale at fair value comprise:

CZK million	31 Dec 2009	31 Dec 2008
Shares and participation certificates		
– Czech crowns	700	700
– Other currencies	91	126
Total shares and participation certificates available for sale	**791**	**826**

Shares and participation certificates available for sale at fair value, allocated by issuer, comprise:

CZK million	31 Dec 2009	31 Dec 2008
Shares and participation certificates available for sale issued by:		
– Banks in the Czech Republic	700	700
– Non-banking foreign entities	91	126
Total shares and participation certificates available for sale	**791**	**826**

‘Shares and participation certificates available for sale issued by banks in the Czech Republic‘ include the Bank’s 13 percent shareholding in Českomoravská záruční a rozvojová banka, a.s. Based on an analysis of regularly paid dividends and an estimate of probable future cash flows, the value of the investment was determined at CZK 640 million (2008: CZK 640 million) over the acquisition cost.

Debt securities available for sale at fair value comprise:

CZK million	31 Dec 2009	31 Dec 2008
Fixed income debt securities		
– Czech crowns	33,478	20,651
– Other currencies	21,935	17,797
Total fixed income debt securities	**55,413**	**38,448**
Variable yield debt securities		
– Czech crowns	8,242	6,485
– Other currencies	827	101
Total variable yield debt securities	**9,069**	**6,586**
Total debt securities available for sale	**64,482**	**45,034**

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

CZK million	31 Dec 2009	31 Dec 2008
Debt securities available for sale issued by:		
– State institutions in the Czech Republic	28,857	9,852
– Foreign state institutions	16,961	16,099
– Financial institutions in the Czech Republic	15,657	15,202
– Foreign financial institutions	1,850	1,835
– Other entities in the Czech Republic	35	828
– Other foreign entities	1,122	1,218
Total debt securities available for sale	**64,482**	**45,034**

Of the debt securities issued by state institutions in the Czech Republic, CZK 23,923 million (2008: CZK 9,011 million) represents securities eligible for refinancing with the Czech National Bank.

Asset backed securities

The Bank maintains a portfolio of asset backed securities (ABS) denominated in USD which are carried as available for sale. The Bank establishes the value of these securities using a simplified model which is based on discounting anticipated future cash flows using current average CDO credit spreads. The carrying value of these securities as of 31 December 2009, net of remeasurement, is CZK 13 million (2008: CZK 102 million).

In 2009, the Bank's exposure to ABS decreased primarily as a result of the decrease in the valuation of these securities of USD 3.1 million (CZK 54 million) and the redemption of the nominal values of these securities of USD 1.4 million (CZK 26 million).

Other debt securities

During the year ended 31 December 2009, the Bank acquired Government bonds with a nominal value of CZK 13,970 million and EUR 247 million (a total CZK equivalent of CZK 20,507 million). During 2009, the Bank redeemed at maturity debt securities in the aggregate nominal amount of CZK 400 million and EUR 87 million (a total CZK equivalent of CZK 2,710 million).

20. Assets held for sale

As of 31 December 2009, the Bank reported assets held for sale at a carrying amount of CZK 233 million (2008: CZK 414 million) comprising buildings and land owned by the Bank which management of the Bank decided to sell as part of the plan to optimise the distribution network. These buildings are not depreciated. The difference between the amounts as of 31 December 2009 and 2008 arises from the sale of these assets and reclassification of buildings and land that do not meet the criteria for recognition as assets held for sale back to 'Tangible fixed assets', refer to Note 27. The impact on the income statement is immaterial.

21. Amounts due from banks

Balances due from banks comprise:

CZK million	31 Dec 2009	31 Dec 2008
Deposits with banks (current accounts)	111	161
Debt securities of banks acquired under initial offerings not designated for trading	8,179	10,192
Loans and advances to banks	11,604	20,861
Advances due from the Czech National Bank (reverse repo transactions)	95,211	92,041
Term placements with other banks	16,806	17,402
Gross advances to banks	**131,911**	**140,657**
Provisions	(1)	(1)
Total amounts due from banks	**131,910**	**140,656**

Advances due from the Czech National Bank and other banks under reverse repurchase transactions are collateralised by treasury bills issued by the Czech National Bank and other debt securities with fair value:

CZK million	31 Dec 2009	31 Dec 2008
Treasury bills	94,856	90,248
Debt securities issued by state institutions	3,394	15,490
Debt securities issued by other institutions	653	629
Shares	1,452	442
Total	**100,355**	**106,809**

Securities acquired as loans and receivables

As of 31 December 2009, the Bank maintains in its portfolio bonds at an amortised cost of CZK 8,179 million (2008: CZK 10,192 million) and a nominal value of CZK 8,115 million (2008: CZK 10,115 million), of which CZK 6,000 million represents a bond issued by the parent company Société Générale S.A. (2008: CZK 8,000 million) which the Bank acquired under an initial offering and normal market conditions in 2002. The bond is denominated in CZK, bears fixed interest at 4.27 percent and will ultimately mature in 2012. During 2009, the Bank partially repaid the nominal value of the bond in the amount of CZK 2,000 million. The Bank additionally carries in this portfolio three issues of securities placed by financial institutions with an aggregate nominal value of CZK 2,115 million.

22. Loans and advances to customers

Loans and advances to customers comprise:

CZK million	31 Dec 2009	31 Dec 2008
Loans to customers	331,379	324,564
Bills of exchange	434	748
Forfaits	1,680	1,460
Other amounts due from customers	27	2,094
Total gross loans and advances to customers	**333,520**	**328,866**
Provisions for loans to customers	(11,785)	(10,331)
Provisions for other amounts due from customers	(1)	(1)
Total loans and advances to customers, net	**321,734**	**318,534**

Loans and advances to customers include interest due of CZK 1,613 million (2008: CZK 1,959 million), of which CZK 1,065 million (2008: CZK 1,186 million) relates to overdue interest.

Loans provided to customers under reverse repurchase transactions as of 31 December 2009 amounting to CZK 959 million (2008: CZK 2,079 million) are collateralised by securities with fair values of CZK 1,618 million (2008: CZK 2,306 million).

As of 31 December 2009, the loans that were restructured during 2009 amounted to CZK 2,675 million (2008: CZK 195 million).

The loan portfolio of the Bank as of 31 December 2009 (excluding other amounts due from customers) comprises the following breakdown by classification:

CZK million	Gross receivable	Collateral applied	Net exposure	Provisions	Carrying value	Provisions
						%
Standard	298,709	129,496	169,213	0	298,709	0
Watch	12,522	4,533	7,989	(1,004)	11,518	13
Substandard	7,830	3,226	4,604	(1,353)	6,477	29
Doubtful	4,102	732	3,370	(1,382)	2,720	41
Loss	10,330	406	9,924	(8,046)	2,284	81
Total	**333,493**	**138,393**	**195,100**	**(11,785)**	**321,708**	

The loan portfolio of the Bank as of 31 December 2008 (excluding other amounts due from customers) comprises the following breakdown by classification:

CZK million	Gross receivable	Collateral applied	Net exposure	Provisions	Carrying value	Provisions
						%
Standard	297,734	118,686	179,048	0	297,734	0
Watch	13,089	4,762	8,327	(930)	12,159	11
Substandard	4,890	1,302	3,588	(863)	4,027	24
Doubtful	1,532	367	1,165	(587)	945	50
Loss	9,527	405	9,122	(7,951)	1,576	87
Total	**326,772**	**125,522**	**201,250**	**(10,331)**	**316,441**	

Loans classified as loss in the above table include amounts of CZK 7,074 million (2008: CZK 5,194 million), on which interest is not being accrued.

Set out below is the breakdown of loans by sector (net of other amounts due from customers):

CZK million	31 Dec 2009	31 Dec 2008
Food industry and agriculture	14,968	15,812
Mining and extraction	2,614	5,129
Chemical and pharmaceutical industry	5,133	7,803
Metallurgy	9,006	9,686
Automotive industry	3,023	3,177
Manufacturing of other machinery	5,124	6,711
Manufacturing of electrical and electronic equipment	2,299	2,613
Other processing industry	7,777	9,143
Power plants, gas plants and waterworks	13,105	7,480
Construction industry	12,089	9,188
Retail	11,679	12,292
Wholesale	21,793	27,583
Accommodation and catering	1,049	1,317
Transportation, telecommunication and warehouses	10,193	9,371
Banking and insurance industry	39,868	38,667
Real estate	19,632	19,454
Public administration	18,633	11,907
Other industries	15,470	17,955
Individuals	120,038	111,484
Loans to customers	**333,493**	**326,772**

The majority of loans were provided to entities on the territory of the Czech Republic.

Set out below is an analysis of types of collateral held in support of loans and advances to customers as stated in the statement of financial position:

CZK million			31 Dec 2009			31 Dec 2008
	Total client loan collateral	Discounted client loan collateral value	Applied client loan collateral value	Total client loan collateral	Discounted client loan collateral value	Applied client loan collateral value
Guarantees of state and governmental institutions	3,157	2,667	2,514	3,428	2,829	2,594
Bank guarantee	17,765	17,362	16,661	20,588	20,218	19,401
Guaranteed deposits	787	785	664	733	728	453
Pledge of real estate	214,219	137,022	96,159	189,410	121,032	83,589
Pledge of movable assets	7,220	667	606	6,274	532	499
Guarantee by legal entity	21,449	14,703	12,316	18,569	11,074	9,439
Guarantee by individual (physical entity)	1,588	238	194	2,172	344	272
Pledge of receivables	37,939	7,208	6,344	41,159	8,113	7,084
Insurance of credit risk	3,015	2,863	2,448	2,194	2,081	1,979
Other	3,279	707	487	4,288	740	212
Total nominal value of collateral	**310,418**	**184,222**	**138,393**	**288,815**	**167,691**	**125,522**

Pledges on industrial real-estate represent 14 percent of total pledges on real estate (2008: 15 percent).

Trade finance losses

During 1999, the Bank incurred losses relating to loans, letters of credit and guarantees provided to a foreign client of the Bank. As of 31 December 2009, the statement of financial position included loans to this client in the amount of CZK 1,284 million (2008: CZK 1,352 million) that was fully provided for. The decrease in the balance between 2009 and 2008 arises from a foreign exchange rate difference. The Bank did not report any off balance sheet receivables from this client in 2009 and 2008. The Bank is continuing to take action in all relevant jurisdictions to recover its funds.

23. Investments held to maturity

Investments held to maturity comprise:

		31 Dec 2009		31 Dec 2008
	Carrying value	Cost*	Carrying value	Cost*
Fixed income debt securities	1,272	1,272	1,417	1,417
Total investments held to maturity	**1,272**	**1,272**	**1,417**	**1,417**

*) Amortised acquisition cost

As of 31 December 2009, investments held to maturity include bonds of CZK 1,272 million (2008: CZK 1,417 million) that are publicly traded on stock exchanges.

Debt securities held to maturity comprise:

CZK million	31 Dec 2009	31 Dec 2008
Fixed income debt securities		
- Foreign currencies	1,272	1,417
Total fixed income debt securities	**1,272**	**1,417**

Fixed income debt securities held to maturity, allocated by issuer, comprise:

CZK million	31 Dec 2009	31 Dec 2008
Fixed income debt securities issued by:		
- Foreign state institutions	1,272	1,417
Total fixed income debt securities	**1,272**	**1,417**

No purchase or sale within this portfolio took place during the year ended 31 December 2009. During 2009, debt securities in the total nominal amount of EUR 4 million (a total equivalent of CZK 106 million) were redeemed at maturity.

24. Prepayments, accrued income and other assets

Prepayments, accrued income and other assets comprise:

CZK million	31 Dec 2009	31 Dec 2008
Prepayments and accrued income	303	247
Settlement balances	311	383
Receivables from securities trading	264	965
Other assets	1,072	1,885
Total prepayments, accrued income and other assets	**1,950**	**3,480**

25. Investments in subsidiaries and associates

Investments in subsidiaries and associates comprise:

CZK million	31 Dec 2009	31 Dec 2008
Investments in subsidiary undertakings	23,424	23,095
Investments in associated undertakings	482	482
Total investments in subsidiaries and associates	**23,906**	**23,577**

Subsidiary undertakings

The following companies are subsidiary undertakings of the Bank as of 31 December 2009:

Company name	Direct holding	Group holding	Principal activity	Registered office	Cost of investment	Provisions	Carrying value
	%	%			CZK million	CZK million	CZK million
ALL IN REAL ESTATE LEASING, a.s.	100	100	Supporting banking services	Prague	39	(37)	2
Komerční banka Bratislava, a.s.	100	100	Banking services	Bratislava	848	0	848
Penzijní fond Komerční banky, a.s.	100	100	Additional pension insurance	Prague	530	0	530
Factoring KB, a.s.	100	100	Factoring	Prague	1,190	0	1,190
Protos, uzavřený investiční fond, a.s.	89.64	100	Financial services	Prague	11,705	0	11,705
Bastion European Investments S.A.	99.98	99.98	Financial services	Brussels	3,661	0	3,661
ESSOX s.r.o.	50.93	50.93	Consumer loans, leasing	České Budějovice	1,165	0	1,165
Modrá pyramida stavební spořitelna, a.s.	100	100	Construction savings scheme	Prague	4,323	0	4,323
Total					**23,461**	**(37)**	**23,424**

Associated undertakings

The following companies are associated undertakings of the Bank as of 31 December 2009:

Company name	Direct holding	Group holding	Principal activity	Registered office	Cost of investment	Provisions	Carrying value
	%	%			CZK million	CZK million	CZK million
Komerční pojišťovna, a.s.	49	49	Insurance activities	Prague	837	355	482
CBCB, a.s.	20	20	Collection of data for the evaluation of credit risk	Prague	0*	0	0
Total					**837**	**355**	**482**

Note: *) The value of CBCB is CZK 240 thousand.

Set out below is an overview of year-on-year movements in investments, by issuer:

CZK million	Investment at cost at 1 Jan 2009	Additions	Decreases	Investment at cost at 31 Dec 2009
Company name				
ALL IN REAL ESTATE LEASING, a.s.	39	0	0	39
Komerční banka Bratislava, a.s.	466	382	0	848
Penzijní fond Komerční banky, a.s.	530	0	0	530
Factoring KB, a.s.	1,190	0	0	1,190
Protos, uzavřený investiční fond, a.s.	11,705	0	0	11,705
Bastion European Investments S.A.	3,712	0	(51)	3,661
ESSOX s.r.o.	1,165	0	0	1,165
Modrá pyramida stavební spořitelna, a.s.	4,323	0	0	4,323
Total subsidiaries	**23,130**	**382**	**(51)**	**23,461**
Komerční pojišťovna, a.s.	837	0	0	837
CBCB, a.s.	0*	0	0	0*
Total associates	**837**	**0**	**0**	**837**

Note: *) The value of CBCB is CZK 240 thousand.

Changes in equity investments in subsidiaries and associates in 2009

In June 2009, the Bank decreased the equity in Bastion European Investments S.A. by EUR 1.8 million (CZK 51 million). The decrease was initiated only by the Bank, as the majority shareholder of Bastion European Investments S.A. The equity decrease was planned.

In October 2009, the Bank as the sole shareholder increased the share capital of Komerční banka Bratislava, a.s. (hereinafter referred to as “KBB“) by EUR 15 million (CZK 382 million). The share capital of KBB was increased predominantly due to the strengthening of the financial position of the company.

In December 2009, the Bank recognised a provision against the equity investment in ALL IN REAL ESTATE LEASING, a.s. in the amount of CZK 2 million. The net carrying amount as of 31 December 2009 represents the anticipated amount of the liquidation balance of the entity.

26. Intangible fixed assets

The movements in intangible fixed assets during the year ended 31 December 2009 are as follows:

CZK million	Internally generated assets	Software	Other intangible assets	Acquisition of assets	Total
Cost					
31 December 2008	5,661	1,269	352	1,129	8,411
Additions	0	0	0	955	955
Disposals/Transfers	735	128	19	(883)	(1)
31 December 2009	**6,396**	**1,397**	**371**	**1,201**	**9,365**
Accumulated amortisation and provisions					
31 December 2008	3,975	947	336	0	5,258
Additions	623	134	8	0	765
Disposals	(1)	0	0	0	(1)
Impairment charge	0	0	0	0	0
31 December 2009	**4,597**	**1,081**	**344**	**0**	**6,022**
Net book value					
31 December 2008	1,686	322	16	1,129	3,153
31 December 2009	**1,799**	**316**	**27**	**1,201**	**3,343**

During the year ended 31 December 2009, the Bank invested CZK 183 million (2008: CZK 236 million) in research and development through a charge to operating expenses.

27. Tangible fixed assets

The movements in tangible fixed assets during the year ended 31 December 2009 are as follows:

CZK million	Land	Buildings	Machinery, furniture and fixtures and other	Acquisition of assets	Total
Cost					
31 December 2008	161	10,364	5,712	414	16,651
Reallocation from assets held for sale	1	117	0	0	118
Additions	0	231	360	503	1,094
Disposals/Transfers	(9)	(46)	(847)	(658)	(1,560)
31 December 2009	**153**	**10,666**	**5,225**	**259**	**16,303**
Accumulated depreciation and provisions					
31 December 2008	0	4,573	4,670	0	9,243
Reallocation of accumulated depreciation of assets held for sale	0	40	0	0	40
Additions	0	366	353	0	719
Disposals	0	(31)	(829)	0	(860)
Impairment charge	0	(2)	(1)	0	(3)
31 December 2009	**0**	**4,946**	**4,193**	**0**	**9,139**
Net book value					
31 December 2008	161	5,791	1,042	414	7,408
31 December 2009	**153**	**5,720**	**1,032**	**259**	**7,164**

As of 31 December 2009, the Bank recognised provisions against tangible assets of CZK 20 million (2008: CZK 23 million). These provisions primarily included provisions charged in respect of buildings and improvements of leased assets.

28. Financial liabilities at fair value through profit or loss

As of 31 December 2009 and 2008, financial liabilities at fair value through profit or loss include only liabilities arising from sold securities and negative fair values of financial derivative instruments held for trading. The Bank designated no other financial liability as at fair value through profit or loss upon initial allocation.

CZK million	31 Dec 2009	31 Dec 2008
Sold securities	1,020	947
Derivative financial instruments	11,298	19,199
Financial liabilities at fair value through profit or loss	**12,318**	**20,146**

For detailed information on financial derivative instruments included in the portfolio for trading, refer to Note 42 (42(C) Financial derivative instruments).

29. Amounts due to banks

Amounts due to banks comprise:

CZK million	31 Dec 2009	31 Dec 2008
Current accounts	2,057	1,928
Amounts due to banks	17,375	8,254
Total amounts due to banks	**19,432**	**10,182**

The fair value of securities and treasury bills used as collateral for received repo loans from banks was CZK 1,370 million (2008: CZK 419 million).

30. Amounts due to customers

Amounts due to customers, by type of deposit, comprise:

CZK million	31 Dec 2009	31 Dec 2008
Current accounts	294,762	292,514
Savings accounts	20,271	12,829
Term deposits	107,830	115,778
Depository bills of exchange	25,640	37,232
Amounts received from customers	6,000	0
Other payables to customers	2,256	2,751
Total amounts due to customers	**456,759**	**461,104**

The fair value of securities and treasury bills that serve as a pledge of received repurchase loans from customers amounted to CZK 5,979 million.
As of 31 December 2008, the Bank recorded no liabilities arising from repurchase loans from customers.

Amounts due to customers, by type of customer, comprise:

CZK million	31 Dec 2009	31 Dec 2008
Private companies	184,597	192,075
Other financial institutions, non-banking entities	16,142	11,002
Insurance companies	13,705	7,950
Public administration	2,522	3,985
Individuals	150,364	150,752
Individuals - entrepreneurs	25,265	25,956
Government agencies	49,464	55,322
Other	9,149	8,679
Non-residents	5,551	5,383
Total amounts due to customers	**456,759**	**461,104**

31. Securities issued

Securities issued comprise bonds of CZK 615 million (2008: CZK 692 million) and mortgage bonds of CZK 30,116 million (2008: CZK 34,919 million). Publicly tradable mortgage bonds are issued to fund the Bank's mortgage activities.

Debt securities are repayable, according to remaining maturity, as follows:

CZK million	31 Dec 2009	31 Dec 2008
In less than one year	0	3,630
In one to two years	0	0
In two to four years	0	0
In five to ten years	18,824	17,894
In ten to fifteen years	0	3,203
Over fifteen years	11,907	10,884
Total debt securities	**30,731**	**35,611**

During the year ended 31 December 2009, the Bank repaid mortgage bond CZ0002000268 with the nominal volume of CZK 3,530 million. In addition, the Bank repurchased mortgage bonds with the aggregate nominal volume of CZK 3,979 million and increased the nominal volume by CZK 3,112 million, refer to the following table.

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

Name	Interest rate	Currency	Issue date	Maturity date	31 Dec 2009	31 Dec 2008
					CZK million	CZK million
Mortgage bonds of Komerční banka, a.s., CZ0002000268	5.5%	CZK	21 Aug 2003	21 Aug 2009	0	3,630
Mortgage bonds of Komerční banka, a.s., CZ0002000565	3M PRIBID minus the higher of 10 bps or 10 % value of 3M PRIBID	CZK	2 Aug 2005	2 Aug 2015	2,892	4,895
Mortgage bonds of Komerční banka, a.s., CZ0002000664	4.4%	CZK	21 Oct 2005	21 Oct 2015	10,490	10,562
Mortgage bonds of Komerční banka, a.s., CZ0002000854	3.74%	EUR	1 Sept 2006	1 Sept 2016	800	930
Mortgage bonds of Komerční banka, a.s., CZ0002001142	5.0%	CZK	16 Aug 2007	16 Aug 2019	3,188	3,203
Mortgage bonds of Komerční banka, a.s., CZ0002001324, CZ0002001332	5.06% for the first twelve annual yield periods, afterwards the relevant reference rate* less 0.20%	CZK	16 Nov 2007	16 Nov 2037	2,486	1,065
Mortgage bonds of Komerční banka, a.s., CZ0002001340, CZ0002001357	5.02% for the first eleven annual yield periods, afterwards the relevant reference rate* less 0.20%	CZK	16 Nov 2007	16 Nov 2037	1,055	1,060
Mortgage bonds of Komerční banka, a.s., CZ0002001472, CZ0002001480	4.14% for the first one 3M yield period, afterwards the relevant reference rate* less 0.20%	CZK	30 Nov 2007	30 Nov 2037	0	1,004
HZL Komerční banky, a.s., CZ0002001514, CZ0002001522, CZ0002001530, CZ0002001548	4.29% for the first one 3M yield period, afterwards the relevant reference rate* less 0.20%	CZK	7 Dec 2007	7 Dec 2037	2,030	2,016
Mortgage bonds of Komerční banka, a.s., CZ0002001555, CZ0002001563, CZ0002001571, CZ0002001589	4.33% for the first one 3M yield period, afterwards the relevant reference rate* less 0.20%	CZK	12 Dec 2007	12 Dec 2037	2,690	2,049
Bonds of Komerční banka, a.s., CZ0003701427	4.22%	CZK	18 Dec 2007	1 Dec 2017	615	692
Mortgage bonds of Komerční banka, a.s., CZ0002001761	4.09%	CZK	19 Dec 2007	19 Dec 2017	839	814
Mortgage bonds of Komerční banka, a.s., CZ0002001753	Rate of the interest rate swap sale in CZK for 10 years plus 150 bps	CZK	21 Dec 2007	21 Dec 2037	3,646	3,691
Total bonds					**30,731**	**35,611**

Note: Six-month PRIBOR was 182 basis points as of 31 December 2009 (2008: 375 basis points).
Three-month PRIBID was 126 basis points as of 31 December 2009 (2008: 323 basis points).
The value of the interest rate swap CZK sale average for five years as of 31 December 2009 was 300 bps (2008 - 288 bps)
The value of the interest rate swap CZK sale average for ten years as of 31 December 2009 was 354 bps (2008 - 327 bps)

*) The reference rate can be of the following type: 3M PRIBOR to 12M PRIBOR, the swap sale for two to thirty years

32. Accruals and other liabilities

Accruals and other liabilities comprise:

CZK million	31 Dec 2009	31 Dec 2008
Settlement balances and outstanding items	0	7
Payables from securities trading and issues of securities	1,930	1,648
Payables from payment transactions	3,326	5,300
Other liabilities	2,639	2,882
Accruals and deferred income	194	139
Total accruals and other liabilities	**8,089**	**9,976**

'Payables from payment transactions' in the year ended 31 December 2009 decreased due to a lower amount of payments passed onto the Czech National Bank's clearing centre and lower amounts of payments abroad.

'Other liabilities' largely include liabilities arising from the supplies of goods and services and employee arrangements (including estimated balances).

Deferred income fees from banking guarantees are reported in 'Accruals and deferred income' in the amount of CZK 22 million (2008: CZK 21 million).

33. Provisions

Provisions comprise:

CZK million	31 Dec 2009	31 Dec 2008
Provisions for contracted commitments	725	736
Provisions for other credit commitments	1,019	1,108
Provision for restructuring	109	132
Total provisions	**1,853**	**1,976**

In 2009, the Bank adjusted the amount of the provision for restructuring in respect of the project of reorganisation and centralisation of back office functions. The change in the provisioning amount includes the use of the provision to cover the expenses in 2009 and the charge for the provision reflecting changes in the project. In addition, the Bank recognised a restructuring provision for the project of the change in the legal status of Komerční banka Bratislava, a.s. to the organisational branch of the Bank. The provisions were recognised as equal to the anticipated costs of severance payments, advisory services and other costs necessary to complete the restructuring according to a detailed plan of reorganisation. The charge for and use of provisions is reported in the income statement lines "Personnel costs" and "General administrative expenses".

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

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

CZK million	31 Dec 2009	31 Dec 2008
Provision for off balance sheet commitments	**866**	**932**
Provision for undrawn loan facilities	153	176
Total	**1,019**	**1,108**

Movements in the provisions for contracted commitments are as follows:

CZK million	1 Jan 2009	Additions	Disposals	Accrual	Foreign exchange difference	31 Dec 2009
Jubilee bonuses	100	7	(15)	6	0	98
Other provisions for contracted commitments	636	44	(39)	0	(14)	627
Provisions for restructuring	132	45	(68)	0	0	109
Total	**868**	**96**	**(122)**	**6**	**(14)**	**834**

34. Deferred tax liability

Deferred tax is calculated from temporary differences between the tax bases and carrying values using tax rates effective in the periods in which the temporary tax difference is expected to be realised.

Deferred tax is as follows:

CZK million	31 Dec 2009	31 Dec 2008
Banking reserves and provisions	263	281
Provisions for assets	47	89
Non-banking provisions	120	127
Depreciation	(328)	(328)
Revaluation of hedging derivatives - equity impact	(555)	(883)
Revaluation of financial assets available-for-sale - equity impact	(301)	(10)
Other temporary differences	75	47
Net deferred tax asset/(liability)	**(679)**	**(677)**

Since 2007, the Bank has not reported any deferred tax arising from the revaluation of a foreign currency equity investment.

Deferred tax recognised in the financial statements:

CZK million	31 Dec 2009	31 Dec 2008
Balance at the beginning of the period	**(677)**	**432**
Movement in the net deferred tax liability - profit and loss impact	(38)	(40)
Movement in the net deferred tax liability - equity impact	36	(1,069)
Balance at the end of the period	**(679)**	**(677)**

The changes in tax rates had no significant impact on the deferred tax in 2009 and 2008.

35. Subordinated debt

As of 31 December 2009 the Bank had subordinated debt of CZK 6,001 million (2008: CZK 6,003 million). The nominal value of the subordinated debt received by the Bank at the end of 2006 is CZK 6,000 million. The subordinated debt was issued by the parent company of the Bank, Société Générale S.A. The subordinated debt carries a floating rate linked to one-month PRIBOR and has 10-year maturity until with the Bank's option for early repayment after five years and thereafter as of any interest payment date. Interest payments are made on a monthly basis.

36. Share capital

The Bank's share capital, legally registered in the Register of Companies on 11 February 2000, amounts to CZK 19,005 million and consists of 38,009,852 ordinary shares with a nominal value of CZK 500 each (ISIN: CZ0008019106).

Set out below is a summary of the entities that hold more than 3 percent of the Bank's issued share capital as of 31 December 2009:

Name of the entity	Registered office	Ownership percentage
SOCIETE GENERALE S.A.	29 Bld Haussmann, Paris	60.35
CHASE NOMINEES LIMITED	125 London Wall, London	5.71
STATE STREET BANK & TRUST COMPANY	Franklin Street 225, Boston	5.08
NORTRUST NOMINEES LIMITED	50 Bank St. Canary Wharf, London	4.20

Société Générale S.A., being the only entity with a qualified holding in the Bank, is a French joint stock company incorporated by a Deed approved through the issuance of a Decree on 4 May 1864, and is licensed as a bank. Under the legislative and regulatory provisions relating to credit institutions, notably the articles of the Monetary and Financial Code, the Company is subject to commercial laws, in particular Articles 210-1 and the following of the French Commercial Code, as well as its Articles of Association.

As of 31 December 2009, the Bank held 54,000 treasury shares at a cost of CZK 150 million (2008: 54,000 treasury shares at a cost of CZK 150 million).

Capital Management

The Bank manages its capital with the objective of maintaining a strong capital base to support its business activities and to meet capital regulatory requirements in the current period and going forward. As part of the capital planning process, the Bank takes into account both internal and external factors which are reflected in the corresponding internal targets expressed in targeted Tier 1 values and the capital adequacy ratio. The Bank's capital level planning process is based on a regular capital structure analysis and a forecast which takes into account future capital requirements generated by increasing business volumes and future risks as expected by the Bank. This analysis principally leads to adjustments of the level of the Bank's dividend pay-out, identification of future capital needs and maintenance of a balanced capital composition.

The Bank's capital principally consists of the following balances: share capital, reserve funds, undistributed profit and subordinated debt.

The Czech National Bank, as the local regulatory authority, oversees the Bank's compliance with the capital adequacy ratio both on a stand-alone and consolidated basis. The Bank's regulatory capital is divided into Tier 1 and Tier 2. The capital components are subject to various limits; for example, subordinated debt may not exceed 50 percent of the Tier 1 capital.

The ruling banking regulation, known as Basel II, is based on the three-pillar concept. The first pillar is devoted to the description and quantification of credit, operational and market risks and was implemented under the direct supervision of the regulator. The second pillar allows banks to apply their own approach to risks, but concurrently requires coverage of all types of risks to which the Bank is exposed. The third pillar focuses on reporting requirements with the aim of providing the market with better information on the Bank.

As part of the first pillar of Basel II, the Bank began to use the following approaches starting from 2008:

- Special approach to the calculation of capital requirements relating to credit risks based on internal rating (Internal Rating Based Advanced Approach)
- Special approach to the calculation of the capital requirement to the operational risk (Advanced Measurement Approach).

Under the second pillar of Basel II which requires the creation of the system for the internal evaluation of the capital adequacy in relation to the risk profile (internally determined capital system), the Bank determined and formalised this system and outlined the relating capital adequacy strategy. The system is based on the Pillar 1 Plus method when mitigation factors are determined for risks not covered by the first pillar either of qualitative nature, e.g. in the form of control processes, or quantitative nature with an impact on the future income of the Bank or directly on the additional capital requirement. The risks already described in the first pillar are actually assessed in the second pillar. In addition, the Bank analyses impacts of stress testing on all risks over a specific time period. For stress testing purposes, the Bank developed a set of macroeconomic 'Global Economic Scenarios' which facilitates the evaluation of the impacts of the scenario in a comprehensive manner across all risks to which the Bank is exposed and thus mutually integrates the impact of individual risks. The Bank regularly prepares the Information on the Internally Determined Capital System and submits it to the Czech National Bank.

37. Composition of cash and cash equivalents as reported in the cash flow statement

CZK million	31 Dec 2009	31 Dec 2008	Change in the year
Cash and balances with central banks	14,168	12,313	1,855
Amounts due from banks – current accounts	111	161	(50)
Amounts due to central banks	(2)	(1)	(1)
Amounts due to banks - current accounts	(2,057)	(1,928)	(129)
Total	**12,220**	**10,545**	**1,675**

38. Commitments and contingent liabilities

Legal disputes

The Bank conducted a review of legal proceedings outstanding against it as of 31 December 2009. Pursuant to the review of significant litigation matters in terms of the risk of losses and litigated amounts, the Bank has recorded a provision of CZK 126 million (2008: CZK 139 million) for these legal disputes. The Bank has also recorded an accrual of CZK 360 million (2008: CZK 354 million) for costs associated with a potential payment of interest on the pursued claims.

As of 31 December 2009, the Bank assessed lawsuits filed against other entities. The Bank has been notified that certain parties against which it is taking legal action may file counterclaims against it. The Bank will contest any such claims and, taking into consideration the opinion of its internal and external legal counsel, believes that any asserted claims made will not materially affect its financial position. No provision has been made in respect of these matters.

Commitments arising from the issuance of guarantees

Commitments from guarantees represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties. These assurances carry the same credit risk as loans and therefore the Bank makes provisions against these instruments on the same basis as is applicable to loans.

Capital commitments

As of 31 December 2009, the Bank had capital commitments of CZK 401 million (2008: CZK 387 million) in respect of current capital investment projects.

Commitments arising from the issuance of letters of credit

Documentary letters of credit are written irrevocable undertakings by the Bank on behalf of a customer (mandatory) authorising a third party (beneficiary) to draw drafts on the Bank up to a stipulated amount under specific terms and conditions. The Bank records provisions against these instruments on the same basis as is applicable to loans.

Commitments to extend credit, undrawn loan commitments, unutilised overdrafts and approved overdraft loans

Principal off-balance sheet exposures include unutilised overdrafts under framework agreements to provide financial services, approved overdraft loans, undrawn loan commitments, issued commitments to extend credit and unutilised facilities. The primary purpose of commitments to extend credit and overdraft loans is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees. Commitments to extend credit or guarantees issued by the Bank which are contingent upon customers maintaining specific credit standards (including the condition that a customer's solvency does not deteriorate) are revocable commitments. The Bank does not recognise a provision for revocable commitments. Irrevocable commitments represent undrawn portions of authorised loans and approved overdraft facilities because they result from contractual terms and conditions in the credit agreements (that is, their use is not contingent upon the customers maintaining other specific credit standards). The Bank recognises a provision for irrevocable commitments as and when required (according to a customer's solvency).

Financial commitments and contingencies comprise:

CZK million	31 Dec 2009	31 Dec 2008
Non-payment guarantees including commitments to issued non-payment guarantees	33,772	32,272
Payment guarantees including commitments to issued payment guarantees	10,096	9,128
Received bills of exchange/acceptances and endorsements of bills of exchange	51	68
Committed facilities and unutilised overdrafts	23,632	28,704
Undrawn credit commitments	42,430	55,246
Unutilised overdrafts and approved overdraft loans	36,638	46,705
Unutilised discount facilities	26	62
Unutilised limits under Framework agreements to provide financial services	57,386	46,841
Open customer/import letters of credit uncovered	684	1,091
Stand-by letters of credit covered	25	0
Stand-by letters of credit uncovered	380	687
Confirmed supplier/export letters of credit	70	276
Open customer/import letters of credit covered	81	139
Total contingent revocable and irrevocable commitments	**205,271**	**221,219**

The Bank provides a variety of credit facilities to its largest clients. Of the Bank's committed facilities and overdraft facilities, CZK 43,468 million (2008: CZK 35,273 million) is revocable.

The risk associated with off balance sheet credit commitments and contingent liabilities is assessed similarly as for loans to customers, taking into account the financial position and activities of the entity to which the Bank issued the guarantee and taking into account the collateral obtained. As of 31 December 2009, the Bank recorded provisions for these risks amounting to CZK 1,019 million (2008: CZK 1,108 million) - for further information see Note 33.

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

CZK million	31 Dec 2009	31 Dec 2008
Food industry and agriculture	7,105	5,997
Mining and extraction	731	1,019
Chemical and pharmaceutical industry	5,894	5,106
Metallurgy	6,470	9,526
Automotive industry	2,241	1,900
Manufacturing of other machinery	12,370	14,027
Manufacturing of electrical and electronic equipment	2,027	3,527
Other processing industry	7,067	8,356
Power plants, gas plants and waterworks	22,242	22,175
Construction industry	42,353	42,243
Retail	5,913	5,923
Wholesale	15,608	18,309
Accommodation and catering	614	555
Transportation, telecommunication and warehouses	10,293	10,990
Banking and insurance industry	16,770	16,868
Real estate	1,902	5,088
Public administration	9,997	11,674
Other industries	22,910	22,167
Individuals	12,764	15,769
Contingent liabilities	**205,271**	**221,219**

The majority of commitments and contingencies originate on the territory of the Czech Republic.

39. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party on making financial or operational decisions. As of 31 December 2009, the Bank was controlled by Société Générale which owns 60.35 percent of its issued share capital.

A number of banking transactions are entered into with related parties in the normal course of business. These specifically include loans, deposits, transactions with derivative financial instruments and other types of transactions. These transactions were carried out on commercial terms and at market rates.

Amounts due to and from the Group companies

The following table summarises loans issued to the Group companies and their deposits with the Bank:

CZK million	31 Dec 2009	31 Dec 2008
Company		
Bastion European Investments S.A.	3,516	3,627
ESSOX s.r.o.	7,635	6,344
Factoring KB, a.s.	1,437	2,340
Komerční banka Bratislava, a.s.	2,282	3,791
Modrá pyramida stavební spořitelna, a.s.	3,377	554
Total loans	**18,247**	**16,656**
ALL IN REAL ESTATE LEASING, a.s.	2	3
ESSOX s.r.o.	28	105
Factoring KB, a.s.	2	4
Komerční banka Bratislava, a.s.	725	410
Modrá pyramida stavební spořitelna, a.s.	8	541
Penzijní fond Komerční banky, a.s.	2,075	1,009
Protos, uzavřený investiční fond, a.s.	521	597
Total deposits	**3,361**	**2,669**

Modrá pyramida stavební spořitelna, a.s. owns mortgage bonds with the nominal amount of CZK 11,250 million (2008: CZK 10,250 million) issued by the Bank. ESSOX s.r.o. owns mortgage bonds with the nominal amount of CZK 835 million (2008: CZK 903 million) issued by the Bank.

As of 31 December 2009 and 2008, other amounts due to and from the Group companies were immaterial.

Interest income from loans granted to Group companies:

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Company		
Bastion European Investments S.A.	137	141
ESSOX s.r.o.	255	220
Factoring KB, a.s.	34	87
Komerční banka Bratislava, a.s.	78	201
Modrá pyramida stavební spořitelna, a.s.	40	38
Total interest from loans granted by Bank	**544**	**687**

In addition to interest on loans to the Bank's Financial Group, other income in the year ended 31 December 2009 amounted to CZK 222 million (2008: CZK 387 million) and total expenses amounted to CZK 794 million (2008: CZK 918 million).

As of 31 December 2009, the Bank reported guarantees granted to Group companies totalling CZK 91 million (2008: CZK 2 million).

Amounts due to and from the Société Générale Group entities

Principal balances due from the Société Générale Group entities include:

CZK million	31 Dec 2009	31 Dec 2008
Company		
ALD Automotive s.r.o.	2,281	2,717
Investiční kapitálová společnost KB, a.s.	14	12
Komerční pojišťovna, a.s.	92	57
SG Equipment Finance Czech Republic s.r.o.	7,396	8,763
SG Express bank	1	2
SG London	29	0
SG New York	0	4
SG Private Banking (Suisse)	6	2
SG Vostok	7	53
SG Zurich	29	9
SGBT Luxemburg	0	138
Société Générale Warsaw	20	0
Société Générale Paris	10,934	29,018
Total	**20,809**	**40,775**

Principal balances owed to the Société Générale Group entities include:

CZK million	31 Dec 2009	31 Dec 2008
Company		
General Bank of Greece SA	0	1
IKS Money Market Plus Fond	0	551
Investiční kapitálová společnost KB, a.s.	168	263
Komerční pojišťovna, a.s.	133	181
Romanian Bank for Development	0	1
SG Amsterdam	0	4
SG Cyprus LTD	30	23
SG Equipment Finance Czech Republic s.r.o.	1,451	1,847
SG London	1	0
SG New York	4	7
SG Private Banking Switzerland	35	36
SG Vostok	1	0
SG Zurich	5	1
SGBT Luxemburg	537	257
Société Générale Paris	20,829	16,352
Société Générale Warsaw	19	3
Splitska Banka	14	1
Total	**23,227**	**19,528**

Amounts due to and from the Société Générale Group entities principally comprise balances of current and overdraft accounts, nostro and loro accounts, issued loans, interbank market loans and placements, debt securities acquired under initial offerings not designated for trading (refer also to Note 21), issued bonds and subordinated debt (refer also to Note 35).

As of 31 December 2009, the Bank also carried off balance sheet exposures to the Société Générale Group, of which off balance sheet notional assets and liabilities amounted to CZK 133,988 million (2008: CZK 162,040 million) and CZK 142,646 million (2008: CZK 172,008 million), respectively. These amounts principally relate to currency spots and forwards, interest rate forwards and swaps, options, commodity derivatives, emission allowances and guarantees for credit exposures.

As of 31 December 2009 and 2008, the Bank also carried other amounts due to and from the Société Générale Group entities which are immaterial.

During the year ended 31 December 2009, the Bank made total income of CZK 14,749 million (2008: CZK 14,879 million) and total expenses of CZK 13,585 million (2008: CZK 16,903 million) with Société Générale Paris. Income includes interest income from debt securities issued by Société Générale Paris, income from interbank deposits, fees from transactions with securities, profit from financial operations and interest income on hedging derivatives. Expenses comprise expenses of interbank deposits and subordinated debt, loss from financial operations, interest expense on hedging derivatives and expenses related to the provision of management, consultancy and software services.

In the years ended 31 December 2009 and 2008, the Bank realised no material amounts of income or expenses with other Société Générale Group entities.

Remuneration and amounts due from the members of the Management and Supervisory Boards and Directors' Committee

Remuneration paid to the members of the Management and Supervisory Boards during the years was as follows:

CZK million	31 Dec 2009	31 Dec 2008
Remuneration to the Management Board members*	46	58
Remuneration to the Supervisory Board members**	5	5
Remuneration to the Directors' Committee members***	65	85
Total	**116**	**148**

Note: *) Remuneration to the Management Board members includes amounts paid during the year ended 31 December 2009 to the current and former directors of the Bank under mandate and management contracts, net of bonuses for 2009 but including bonuses for 2008, figures for expatriate members of the Management Board include remuneration net of bonuses for 2009 and other compensations and benefits arising from expatriate relocation contracts. The remuneration also includes benefits arising to the Bank's employees under a collective bargaining agreement. The remuneration of expatriate members of the Management Board does not include accommodation related services.
**) Remuneration to the Supervisory Board members includes amounts paid during the year ended 31 December 2009 to the current and former members of the Supervisory Board, amounts for the Supervisory Board members elected by employees additionally include income paid to them under their employment arrangement with the Bank. The remuneration also includes benefits arising to the Bank's employees under a collective bargaining agreement.
***) Remuneration to the Directors' committee members represents the sum of compensation and benefits paid in 2009 under management contracts or under expatriate relocation contracts in respect of expatriates. This balance does not reflect any compensation provided to the Management Board members (as it is reflected in the remuneration to the Management Board members). All the Management Board members are members of the Directors' Committee. The remuneration also includes benefits arising to the Bank's employees under a collective bargaining agreement. In the event that an employee became a member of the Directors' Committee during 2009, the total balance reflects his/her aggregate annual remuneration.

	31 Dec 2009	31 Dec 2008
Number of the Management Board members	6	6
Number of the Supervisory Board members	9	9
Number of the Directors' Committee members*	16	16

Note: *) These figures include all members of the Management Board who are also members of the Directors' Committee.

As of 31 December 2009, the Bank recorded an estimated payable of CZK 13 million (2008: CZK 13 million) for Management Board bonuses.

In respect of loans and guarantees as of 31 December 2009, the Bank recorded loan receivables totalling CZK 4 million (2008: CZK 6 million) granted to the members of the Management Board, Directors' Committee and Supervisory Board. During 2009, draw-downs of CZK 1 million were made under the loans granted to the members of the Directors' Committee. Loan repayments made by the members of the Management Board and the Directors' Committee during 2009 amounted to CZK 1 million. The amount of loans of resigning members of the Directors' Committee amounted to CZK 2 million as of 31 December 2008.

40. Movements in the revaluation of hedging instruments in the statement of changes in shareholders' equity

In accordance with IAS 39, certain derivatives were designated as hedges. The changes in fair values of cash flow hedges are recorded in a separate category of equity in the hedging reserve.

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Cash flow hedge fair value at 1 January	4,563	(751)
Deferred tax asset/(liability) at 1 January	(883)	210
Balance at 1 January	**3,680**	**(541)**
Movements during the year		
Gains/(losses) from changes in fair value	(348)	5,912
Deferred income tax	98	(1,196)
	(250)	**4,716**
Transferred to interest income/expense	(1,153)	(492)
Deferred income tax	230	103
	(923)	**(389)**
Change in the hedge of foreign currency risk of foreign currency investments	51	(106)
	51	**(106)**
Cash flow hedge fair value at 31 December	3,113	4,563
Deferred tax asset /(liability) at 31 December	(555)	(883)
Balance at 31 December	**2,558**	**3,680**

41. Movements in the revaluation of available-for-sale financial assets

CZK million	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Reserve from fair-value revaluation at 1 January	938	409
Deferred tax liability/income tax liability at 1 January	(60)	(86)
Balance at 1 January	**878**	**323**
Movements during the year		
Gains/(losses) from changes in fair value	1,597	529
Deferred tax liability/income tax liability	(301)	26
	1,296	**555**
(Gains)/losses from the sale	(64)	0
Deferred tax liability/income tax liability	13	0
	(51)	**0**
Reserve from fair-value revaluation at 31 December	2,471	938
Deferred tax liability/income tax liability at 31 December	(348)	(60)
Balance at 31 December	**2,123**	**878**

42. Risk management and financial instruments

(A) Credit risk

Credit rating of borrowers

Assessment of credit risk is based on quantitative and qualitative criteria, the output of which is rating. The Bank uses several types of ratings, depending on the type and profile of the counterparty, and type of transactions. As a result, specific ratings are assigned to both the Bank's clients and to specific clients' transactions. In relevant cases the same rating procedure is applied to respective guarantors and sub-debtors, which provides for a better assessment of the quality of accepted guarantees and collateral.

In 2009, the Bank predominantly focused on optimising the loan origination and measurement procedures with the objective of reflecting both current and anticipated trends in the development of the risk profile of individual client and product portfolios of the Bank. The results of stress testing that aided in identifying principal weaknesses in the existing procedures played a significant role in this optimisation. The rating models themselves (except for certain Loss Given Default (LGD) models) were not updated – their prediction strength was maintained at a high level in 2009; however, the intensity of the analyses of the ability to predict the correct levels of the values of risk characteristics increased. In respect of the identified inconsistencies, the Bank undertook remedial measures by recalibrating (linking of the results of models to the default probability values) the relevant models. Similarly as in 2008, the Bank focused on further developing the statistical models for provisioning. During 2009, the Bank thoroughly revised the response management processes in respect of suspected credit fraud and launched a new centralised IT application supporting and largely automating these processes.

a) Ratings for business clients

For businessmen, corporate clients and municipalities, the Bank uses the obligor rating with the aim of evaluating the probability of default of the counterparty and the Loss Given Default (LGD) rating to assess the quality of available guarantees and collateral and to evaluate the potential loss from counterparty transactions. Both these models are also used for regular updates of the Probability of Default (PD) of all client exposures reported in accordance with the Basel II requirements.

For large and medium-sized clients, the obligor rating is the combination of the financial rating based primarily on financial data and economic rating obtained through the evaluation of non-financial information relating to a particular client. In 2009, the Bank predominantly focused on monitoring and back-testing these models. Concurrently, the Bank implemented an updated statistical model for the monthly automated monitoring of clients (the Early Warning System).

In the businessmen and small companies segment, the obligor rating is the combination of financial, non-financial, personal data and data on client behaviour in the Bank. When clients are funded using simple products, the setting of the rating is alternatively limited to the evaluation of data on client behaviour in the Bank (behavioural rating). In 2009, the Bank principally focused on monitoring and back-testing these models and used them to recalibrate the behavioural rating (mapping of the result of the model to the probability of default values). In addition, the Bank tightened the rules that automatically trigger the monitoring of clients with the aim of promptly responding to the potentially negative development of their financial situation.

In the municipalities segment, the obligor rating is the combination of the financial rating based on data in the financial statements and economic rating acquired through the assessment of non-financial information relating to specific municipalities. In the second quarter of 2009, the Bank implemented a new model with a significantly more comprehensive automated assessment of all available information.

b) Ratings for Banks and Sovereign

For banks and other financial institutions the Bank uses a central economic rating model developed by Société Générale S.A. The model is based on variables in a qualitative questionnaire, including the quantitative financial criteria, and the country support questionnaire. Central models have also been developed for sovereigns (central banks and central governments) and other financial institutions (namely insurance companies, brokers and funds).

c) Ratings for individual clients

The Bank uses two types of ratings with the aim of evaluating default risk for individuals: the application rating which results from the evaluation of personal data of clients, data on the behaviour in the Bank and the data of clients from available external registers, and behavioural rating which is based on the evaluation of the information on the clients' behaviour in the Bank. The application rating is primarily used for active applications of clients for funding, while the behavioural rating which includes the calculation of pre-approved limits for simple products with low exposure is used for active offers of funding for clients by the Bank. Behavioural rating of clients is concurrently used for regular updates of the probability of default of all client exposures reported in accordance with the BASEL II requirements.

In 2009, the Bank primarily focused on monitoring and back-testing all of the noted models. In addition, the Bank developed new models of behavioural rating, assessing the information from other subsidiaries of the Bank with the objective of increasing the accuracy and potential of the simplified procedure of providing loans to clients with low risk profile. New models will be implemented during 2010.

In 2009, the Bank also focused on further developing the models for the Loss Given Default (LGD) calculation, specifically for the consumer loans and credits cards segments.

Pursuant to the back testing of the rating and LGD models and the results of stress testing, the Bank initiated a thorough review of the process of pricing all loan products provided to individuals with the aim of eliminating potential loss production and updated the setting of credit risk margins representing the valuation of the anticipated cost of risk.

d) Credit registers

During 2009, the evaluation of data from credit registers was one of the principal factors impacting the assessment of applications for client funding, predominantly in the retail clients sector. During the year, the Bank principally focused on optimising the rules for reflecting information from credit registers in the approval process, predominantly with respect to behavioural rating and individual assessment of applications for funding (approval of the transaction denied by a rating model).

e) Credit fraud prevention

During 2009, the Bank implemented new methodological regulations describing the principles of prevention and response to credit fraud. In this context, the Bank ran a large project throughout the year with the aim of creating an automated system integrating algorithms for the verification of client data from applications for funding with publicly available registers, algorithms for signalling an increased risk of credit fraud and a centralised system of reporting and responding to credit fraud. The last quarter of 2009 saw the pilot launch of the new system. The launching of all of its components in the entire distribution network is anticipated for the second quarter of 2010. The system is fully integrated with the Bank's main applications and it will be fully promoted in the entire group.

Credit risk concentration

As part of overall credit risk management, the credit concentration risk is actively managed using standard tools (e.g. analysis, assessment, setting of internal limits, reporting and use of risk mitigation techniques as appropriate). The Bank aims not to take any excessive credit concentration risk. Credit concentration risk management procedures cover individual counterparties as well as economically connected groups, countries, selected industry sectors and collateral providers. The system of internal limits is established such that the Bank complies with regulatory limits set in respect of concentration risk.

The Bank's maximum credit exposure as of 31 December 2009:

CZK million			Total exposure			Applied collateral
	Statement of financial position	Off-balance sheet*	Total credit exposure	Statement of financial position	Off-balance sheet*	Total collateral
Balances with central banks	**6,575**	**x**	**6,575**	**0**	**x**	**0**
Financial assets at fair value through profit or loss	**24,500**	**x**	**24,500**	**0**	**x**	**0**
Positive fair value of hedging financial derivative transactions	**9,590**	**x**	**9,590**	**0**	**x**	**0**
Financial assets available for sale	**65,273**	**x**	**65,273**	**0**	**x**	**0**
Amounts due from banks	**131,910**	**4,950**	**136,860**	**95,970**	**0**	**95,970**
Loans and advances to customers	**333,520**	**200,321**	**533,841**	**138,393**	**11,142**	**149,535**
Corporate clients**	213,455	187,557	401,012	56,574	10,085	66,659
Of which: top corporate clients	99,305	120,742	220,047	35,397	6,131	41,528
Individuals – non-businessmen	120,038	12,764	132,802	81,819	1,057	82,876
Of which: mortgage loans	100,040	3,485	103,525	80,984	827	81,811
consumer loans	16,023	1,006	17,029	835	221	1,056
Other amounts due from customers	27	x	27	0	x	0
Investments held to maturity	**1,272**	**x**	**1,272**	**0**	**x**	**0**
Total	**572,640**	**205,271**	**777,911**	**234,363**	**11,142**	**245,505**

Note: *) Undrawn amounts, commitments, guarantees, etc.
**) This item also includes loans provided to individuals – businessmen

The maximum credit exposure is presented in gross values net of the impact of provisions.

The Bank's maximum credit exposure as of 31 December 2008:

CZK million	Total exposure			Applied collateral		
	Statement of financial position	Off-balance sheet*	Total credit exposure	Statement of financial position	Off- balance sheet*	Total collateral
Balances with central banks	**4,551**	**x**	**4,551**	**0**	**x**	**0**
Financial assets at fair value through profit or loss	**43,997**	**x**	**43,997**	**0**	**x**	**0**
Positive fair value of hedging financial derivative transactions	**9,147**	**x**	**9,147**	**0**	**x**	**0**
Financial assets available for sale	**45,860**	**x**	**45,860**	**0**	**x**	**0**
Amounts due from banks	**140,656**	**3,797**	**144,453**	**93,020**	**99**	**93,119**
Loans and advances to customers	**328,866**	**217,422**	**546,288**	**125,522**	**15,161**	**140,683**
Corporate clients**	215,288	201,653	416,941	53,820	13,832	67,652
Of which: top corporate clients	101,621	120,886	222,507	34,424	9,143	43,567
Individuals – non-businessmen	111,484	15,769	127,253	71,702	1,329	73,031
Of which: mortgage loans	90,288	6,384	96,672	70,888	1,124	72,012
consumer loans	17,326	1,068	18,394	814	198	1,012
Other amounts due from customers	2,094	x	2,094	0	x	0
Investments held to maturity	**1,417**	**x**	**1,417**	**0**	**x**	**0**
Total	**574,494**	**221,219**	**795,713**	**218,542**	**15,260**	**233,802**

Note: *) Undrawn amounts, commitments, guarantees, etc.
**) This item also includes loans provided to individuals – businessmen

The maximum credit exposure is presented in gross values net of the impact of provisions.

Classification of receivables

The Bank classifies its receivables arising from financial activities into five categories according to Regulation of the Czech National Bank No. 123/2007. The classification reflects both quantitative criteria (payment discipline, financial statements) and qualitative criteria (e.g. in-depth client knowledge, behavioural scoring). Since 2008, the classification has reflected the default sharing principle for co-debtors and guarantors in respect of the default receivables in accordance with the BASEL II principles.

The structure of the credit portfolio according to the classification is regularly reported to the Czech National Bank and investors.

Characteristics of receivables that are not categorised

Pursuant to the Regulation issued by the Czech National Bank, the Bank does not classify other amounts due from customers. These amounts consist of non-credit receivables that principally originated from the system of payment, fraudulent withdrawals, bank cheques, receivables associated with purchases of securities on behalf of clients that have not been settled, and balances receivable that arise from business arrangements that do not represent financial activities, specifically amounts receivable arising from outstanding rental payments on non-residential premises, sale of real estate and prepayments made.

Provisioning for receivables

All significant impaired credit exposures (i.e. classified as Watch, Substandard, Doubtful or Loss according to CNB classification) are assessed individually and reviewed at least on a quarterly basis by three levels of Provisioning Committees or, whenever required, by recovery specialists. Provisions are established on the basis of the present value of estimated future cash-flows to the Bank and after due consideration of all available information, including the estimated value of collateral and expected duration of the recovery process. The remaining exposures are provisioned based on statistical models. These models were developed based on the BASEL II principles using the LGD (Loss Given Default) database which is established in respect of historically observed losses for clients not individually assessed. This new model was implemented in August 2007. In November 2009, the model used in the calculation of provisions was updated based on new information on incurred losses for the most recent period including the reflection of the current phase of the economic cycle.

As of 31 December 2009, the Bank reported the following loans before due date and past due loans that were not provisioned:

CZK million	Loans before due date	Past due loans that were not provisioned						Total
		1 to 29 days	30 to 59 days	60 to 89 days	90 days to 1 year	Over 1 year	Total	
Standard	301,185	7,030	35	1	3	25	7,094	308,279
Watch	11,652	246	157	70	0	0	473	12,125
Total	**312,837**	**7,276**	**192**	**71**	**3**	**25**	**7,567**	**320,404**

As of 31 December 2008, the Bank reported the following loans before due date and past due loans that were not provisioned:

CZK million	Loans before due date	Past due loans that were not provisioned						Total
		1 to 29 days	30 to 59 days	60 to 89 days	90 days to 1 year	Over 1 year	Total	
Standard	311,376	7,152	34	1	0	0	7,187	318,563
Watch	11,277	290	206	79	0	0	575	11,852
Total	**322,653**	**7,442**	**240**	**80**	**0**	**0**	**7,762**	**330,415**

The amount of the used collateral in respect of past due loans that were not provisioned was CZK 4,283 million (2008: CZK 3,960 million).

Loan collateral

The amount of the recognised value of collateral is set based on the Bank's internal rules for collateral valuation and discounting. The methods used in defining values and discounts take into account all relevant risks, the expected cost of collateral realisation, length of realisation, the historical experience of the Bank, as well as collateral eligibility according to the CNB regulation, bankruptcy/insolvency rules and other regulations. Specifically for all real estate collateral, which represents the most frequent type of collateral, the Bank uses independent valuations performed or supervised by a dedicated specialised department.

In 2007, the Bank fully implemented in its internal system the new rules for assessment of collateral eligibility according to CNB Regulation No.123/2007. The Bank's compliance with the new rules was validated by the CNB as part of the validation of the IRBA Basel II approach in September 2007.

In 2009, the Bank finalised the online connection to the state-run Real Estate Register for reviewing and acquiring data on pledged real estate in approving mortgages and in the process of regular monitoring of selected events that may put at risk the pledge of the Bank on the real estate.

Real estate collateral valuation

Activities relating to the valuation of real estate obtained as collateral for commercial and retail loans are independent from the Bank's business processes. The valuation process is managed and controlled by the internal specialised Risk Management Department which cooperates with a selection of external valuation experts.

In 2009, together with the principal activity involving real estate valuation, the Bank focused on the ongoing monitoring of the real estate market with the aim of promptly identifying a negative development and taking appropriate measures as required. The Bank monitors both the residential real estate market and the commercial real estate market. The integral part of the monitoring is the revaluation of selected real estate depending on the Basel II requirements.

Recovery of amounts due from borrowers

As a result of the negative economic development, the Bank continuously responded to changing market conditions that primarily result in an extended period of recovery and its complexity. Given the growing volume of the retail loans portfolio, the Bank continues improving the efficiency and effectiveness of the recovery through the improvement in the organisation of debt recovery and improvement in recovery processes and techniques. These efforts also involve the intensified and enhanced use of external recovery capacities which cover approximately 21 percent of the total portfolio of exposures in recovery. In January 2009, the Bank started regular monthly sales of groups of uncollateralised retail receivables to selected investors. Following the assessment of bids made by the investors, each offered group of receivables was sold at the maximum achievable recovery rate.

The Bank gave increased attention to the application of the new Insolvency Act and its reflection in the process of collecting the Bank's receivables. The new Insolvency Act has a significant impact on the procedures of recovering the Bank's credit receivables from both corporate and retail clients and the Bank is seeking to maximise the benefit arising from the positive impacts of the new regulation, predominantly reorganisation.

Credit risk hedging instruments

The Bank has not entered into any credit derivative transactions to hedge or reallocate its credit exposures.

Revocable contractual commitments

The Bank monitors revocable contractual commitments on the same basis as irrevocable commitments, but recognises no provisions or reserves. As of 31 December 2009, the revocable commitments account for 22 percent (2008: 20 percent) of all the Bank's revocable and irrevocable commitments.

Credit risk of financial derivatives

The daily calculation of counterparty risk associated with financial derivatives is based on the Credit Value at Risk (CVaR) indicator. This indicator estimates the potential future development of the price of a derivative and the potential loss that the Bank may incur if the counterparty fails to comply with its obligations. The maximum potential exposure is calculated at the confidence level of 99 percent and depends on the current market value and type of the derivative product, the remaining period to the maturity of the derivative transaction and the nominal value and volatility of the underlying assets.

As of 31 December 2009, the Bank posted a credit exposure of CZK 16,017 million (2008: CZK 30,887 million) on financial derivative instruments (expressed in CVaR). This amount represents the gross replacement costs at market rates as of 31 December 2009 of all outstanding agreements. The netting agreement is taken into account where applicable.

(B) Market risk

Segmentation of the Bank's financial operations

For market risk management purposes, the Bank has internally split its activities into two books: the Market Book and the Structural Book. The Market Book includes capital market transactions entered into by the Bank's dealers for trading purposes or for accommodating customer needs. The Structural Book principally consists of business transactions (lending, acceptance of deposits, amounts due to and from customers), hedging transactions within the Structural Book and other transactions not included in the Market Book.

In order to measure market risks, the Bank operates a system of limits that monitors its market positions.

Products traded by the Bank

Products that are traded by the Bank and can bear market risks include interbank loans and deposits, currency transactions (spots, swaps, forwards, options), interest rate instruments (interest rate swaps, FRAs, interest rate futures, interest rate options), corporate and governmental bonds, emission allowances as well as other specific products (e.g. bond futures, bills of exchange programmes, cash management for selected clients, etc.). Transactions with these products are concluded either for proprietary purposes, for accommodating the clients' requests or for hedging the Bank's positions (e.g. interest rate swaps, FRAs and currency swaps). Certain structured derivative transactions for the clients have been designed to meet the clients' hedging needs. Related market risks are eliminated by the Bank via back-to-back transactions concluded with the market.

Market risk in the Market Book

In order to measure market risks inherent in the activities of the Market Book, the Bank uses the Value-at-Risk concept.

Value-at-Risk is calculated using historical scenarios. This method reflects correlations between various financial markets and underlying instruments on an non-parametric basis, as it uses scenarios simulating one-day variations of relevant market parameters over a period of time limited to the last 250 business days. The resulting 99 percent VaR indicator captures the loss that would be incurred after eliminating the top 1 percent most unfavourable occurrences. This loss is calculated as the average of the second and third largest potential losses, out of the 250 considered scenarios.

The validity of the Value-at-Risk is verified through a back-testing process which compares the Value-at-Risk results with actual trading results and hypothetical overnight results. Any excesses are monitored to ensure the 99 percent confidence level. The Value-at-Risk calculations and results are monitored by the Bank's management.

The Global Value-at-Risks for a one-day holding period with a confidence level of 99 percent were EUR (419,000) and EUR (701,000) as of 31 December 2009 and 2008, respectively. The average Global Value-at-Risks were EUR (605,000) and EUR (960,000) for the years ended 31 December 2009 and 2008, respectively.

In addition, the Bank also performs stress tests that capture the events with a lower probability of occurrence than Value-at-Risk scenarios, and that measure potential losses relevant to all open positions generated by larger shocks on a daily basis. Several types of stress tests for foreign exchange, interest rate and equity exposures are used. They are developed either based on actual large shock events in the past (such as the bond crisis of 1998) or from a hypothetical crisis that could harm the positions.

Various specific metrics such as sensitivities to market parameters or size of the exposure are used to obtain a detailed picture of risks and strategies.

Market risk in the Structural Book

The Bank manages foreign exchange risk so as to achieve minimum risk exposures. In order to achieve this, the foreign exchange position of the Structural Book is measured on a daily basis and subsequently hedged under established rules. For the purpose of hedging foreign exchange positions within the Structural Book, the Bank uses standard currency instruments in the interbank market, such as currency spots and forwards.

Interest rate risk within the Structural Book is monitored and measured using a static gap analysis, sensitivity of interest income to a parallel shift of the yield curve, and Earnings at Risk ('EaR') for net interest income. The indicators are monitored separately for CZK, USD and EUR, and the sum of other foreign currencies. The EaR indicator shows the maximum departure of the planned net interest income over a one-year period attributable to the movements in interest rates with a 99 percent confidence level from the initial value. EaR is set using stochastic simulations of random scenarios of interest rate developments and a change in interest income relative to the initial value is established for each scenario. The calculation of EaR for net interest income involves a stress-testing approach to the interest rate risk within the Structural Book.

The indicator of sensitivity to a change in market interest rates shows a change in the Bank's market value upon an instant, one-off and adverse parallel shift of the market yield curve of 1 percent p.a. It is determined as the present value of the costs of closing out the Bank's open interest rate position after the adverse change of interest rates occurred. As of 31 December 2009, the interest rate risk sensitivity was CZK (247) million (2008: CZK (121) million). The Bank is limited by this indicator and the level of the limit is determined to be approximately 2 percent of capital.

In order to hedge against interest rate risk within the Structural Book, the Bank uses both standard derivative instruments available in the interbank market (such as FRAs and interest rate swaps) and appropriate investments in securities or a selection of interest rate parameters of other assets and liabilities.

(C) Financial derivatives

The Bank operates a system of market risk and counterparty limits which are designed to restrict inadequate exposures due to movements in market prices and counterparty concentrations. The Bank also monitors adherence to all limits on a daily basis and follows up on any breaches of these limits and takes corrective action to reduce the risk exposure.

The following tables set out notional and fair values of financial derivative instruments categorised as held for trading and hedging.

Financial derivative instruments designated as held for trading:

CZK million	Notional value		Notional value		Fair value		Fair value	
	2009 Assets	2009 Liabilities	2008 Assets	2008 Liabilities	2009 positive	2009 negative	2008 positive	2008 negative
Interest rate instruments								
Interest rate swaps	267,757	267,757	332,427	332,427	4,579	5,038	5,686	6,311
Interest rate forwards and futures*	204,296	204,296	474,815	474,815	374	335	998	969
Interest rate options	617	617	1,772	1,772	0	0	5	5
Total interest rate instruments	**472,670**	**472,670**	**809,014**	**809,014**	**4,953**	**5,373**	**6,689**	**7,285**
Foreign currency instruments								
Currency swaps	75,848	76,016	120,121	121,209	843	1,016	2,707	3,793
Cross currency swaps	17,741	17,867	29,917	29,981	354	428	1,023	1,107
Currency forwards	38,360	38,206	32,662	32,103	784	565	1,083	589
Purchased options	30,964	30,576	51,904	50,966	1,634	0	3,636	0
Sold options	30,576	30,964	50,966	51,904	0	1,633	0	3,640
Total currency instruments	**193,489**	**193,629**	**285,570**	**286,163**	**3,615**	**3,642**	**8,449**	**9,129**
Other instruments								
Futures on debt securities*	1,218	1,218	364	364	0	0	0	0
Forwards on shares	0	0	1	1	0	0	0	0
Forwards on debt securities	155	155	0	0	1	1	0	0
Forwards on emission allowances	10,667	10,610	13,510	13,494	2,189	2,062	1,921	1,656
Commodity forwards	1,297	1,297	298	298	81	76	49	48
Commodity swaps	1,228	1,228	4,616	4,616	48	46	1,049	1,042
Purchased commodity options	1,320	1,320	564	564	98	0	39	0
Sold commodity options	1,320	1,320	564	564	0	98	0	39
Total other instruments	**17,205**	**17,148**	**19,917**	**19,901**	**2,417**	**2,283**	**3,058**	**2,785**
Total	**683,364**	**683,447**	**1,114,501**	**1,115,078**	**10,985**	**11,298**	**18,196**	**19,199**

Note.: *) Fair values include only forwards, with regard to futures the Bank places funds on a margin account which is used on a daily basis to settle fair value changes and receivables arising from these margin accounts are reported within other assets.

Financial derivative instruments designated as held for trading at nominal values per remaining maturity as of 31 December 2009:

CZK million	Up to 1 year	1 to 5 years	Over 5 years	Total
Interest rate instruments				
Interest rate swaps	103,595	124,163	39,999	267,757
Interest rate forwards and futures*	190,878	13,418	0	204,296
Interest rate options	197	420	0	617
Total interest rate instruments	**294,670**	**138,001**	**39,999**	**472,670**
Foreign currency instruments				
Currency swaps	73,542	1,901	405	75,848
Cross currency swaps	4,022	9,212	4,507	17,741
Currency forwards	28,177	9,724	459	38,360
Purchased options	19,421	11,543	0	30,964
Sold options	19,217	11,359	0	30,576
Total currency instruments	**144,379**	**43,739**	**5,371**	**193,489**
Other instruments				
Futures on debt securities	1,218	0	0	1,218
Forwards on debt securities	155	0	0	155
Forwards on emission allowances	3,236	7,431	0	10,667
Commodity forwards	1,297	0	0	1,297
Commodity swaps	1,085	143	0	1,228
Purchased commodity options	1,088	232	0	1,320
Sold commodity options	1,088	232	0	1,320
Total other instruments	**9,167**	**8,038**	**0**	**17,205**
Total	**448,216**	**189,778**	**45,370**	**683,364**

Note: *) The remaining maturity of forward rate agreements (FRA) and futures covers the period to the fixing date when off balance sheet exposures are reversed.

Financial derivative instruments designated as hedging:

CZK million	Notional value		Notional value		Fair value		Fair value	
	2009 Assets	2009 Liabilities	2008 Assets	2008 Liabilities	2009 positive	2009 negative	2008 positive	2008 negative
Cross currency swaps for cash flows hedging	27,734	24,258	0	0	1,053	378	0	0
Cross currency swaps for fair value hedging	0	2,779	0	0	0	12	0	0
Interest rate swaps for cash flow hedging	285,251	285,251	263,314	263,314	8,537	5,758	9,147	5,013
Interest rate swaps for fair value hedging	6,807	6,807	3,737	3,737	0	383	0	212
Total	**319,792**	**319,095**	**267,051**	**267,051**	**9,590**	**6,531**	**9,147**	**5,225**

Remaining maturity of derivatives designated as hedging 31 December 2009:

CZK million	Up to 1 year	1 to 5 years	Over 5 years	Total
Cross currency swaps for cash flow hedging	6,000	21,734	0	24,734
Interest rate swaps for cash flow hedging	38,431	149,718	97,102	285,251
Interest rate swaps for fair value hedging	0	202	6,605	6,807
Total	**44,431**	**171,654**	**103,707**	**319,792**

The Bank treats as hedges only those contracts where it has the ability to demonstrate that all criteria for recognising the transactions as hedges set out in IAS 39 have been met.

At the beginning of 2009, the Bank started a new hedging relationship for hedging interest rate risk (both the hedge of fair value and future cash flows) where the cross currency swaps are used as hedging instruments.

During 2009, the Bank recorded the following hedges:

(i) Interest rate risk hedge:
  a. The fair value of provided long-term loans/investments in long-term governmental securities is hedged by an interest rate swap and cross currency swap, respectively;
  b. Future cash flows of a portfolio of current assets traded on the interbank market are hedged by a portfolio of interest rate swaps or cross currency swaps (cash flows will materialise on an ongoing basis and will also affect the Bank's income statement on an ongoing basis); and
  c. Future cash flows of a portfolio of short-term liabilities traded on the interbank market and short-term client liabilities are hedged by a portfolio of interest rate swaps (cash flows will materialise on an ongoing basis and will also affect the Bank's income statement on an ongoing basis).

(ii) Foreign exchange risk hedge:
  a. In selected material cases, the Bank hedges future cash flows of firm commitments arising from the Bank's contractual obligations (e.g., contractual payments to third parties in a foreign currency) or receivables of the Bank, the hedging instrument includes foreign currency assets (e.g., securities) or foreign currency liabilities (client deposits), respectively ; and
  b. The Bank hedges the fair value of a deferred tax asset, the amount of which is derived from a foreign currency asset and is therefore dependent upon foreign exchange rate developments, by selected foreign currency liabilities (e.g., short-term liabilities traded on the interbank market).

(iii) Hedge of an investment in a foreign subsidiary:
  a. The foreign exchange risk associated with investments in subsidiaries is hedged by selected foreign currency liabilities (e.g., short-term liabilities traded on the interbank market and short-term client liabilities).

The Bank does not report any instance of hedge accounting being applied to a highly probably forecasted transaction that is not longer anticipated to be effected.

Further information on hedges is provided in Notes 3, 5 and 7 to these financial statements.

(D) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk.

The Bank uses internal models for managing interest rate risk. The objective of these models is to describe the estimated economic behaviour of the Bank's clients when market interest rates fluctuate. It is the policy of the Bank's management to manage the exposure to fluctuations in net interest income arising from changes in interest rates through gap analysis of assets and liabilities in individual groups. Further information about interest rate risk management is provided in Section B of this note.

The table below provides information on the extent of the Bank's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that reprice to a market rate of interest before maturity, the next repricing date. Those assets and liabilities that do not have contractual maturity or a repricing date were grouped in the 'undefined' category.

CZK million	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined	Total
Assets						
Cash and current balances with central banks	4,084	0	0	0	10,084	14,168
Financial assets at fair value through profit or loss	2,760	7,506	2,741	508	10,985	24,500
Positive fair values of hedging financial derivative transactions	0	0	0	0	9,590	9,590
Financial assets available for sale	532	7,297	30,395	26,258	791	65,273
Assets held for sale	0	0	0	0	233	233
Amounts due from banks	121,935	4,565	4,000	1,410	0	131,910
Loans and advances to customers, net	145,966	56,305	105,003	14,460	0	321,734
Investments held to maturity	283	6	798	185	0	1,272
Income taxes receivable	0	0	0	0	4	4
Prepayments, accrued income and other assets	0	0	0	0	1,950	1,950
Investments in subsidiaries and associates	0	0	0	0	23,906	23,906
Intangible fixed assets	0	0	0	0	3,343	3,343
Tangible fixed assets	0	0	0	0	7,164	7,164
Total assets	**275,560**	**75,679**	**142,937**	**42,821**	**68,050**	**605,047**
Liabilities						
Amounts due to central banks	2	0	0	0	0	2
Financial liabilities through profit or loss	1,020	0	0	0	11,298	12,318
Negative fair values of hedging financial derivative transactions	0	0	0	0	6,531	6,531
Amounts due to banks	19,227	205	0	0	0	19,432
Amounts due to customers	122,898	14,210	2,126	39	317,486	456,759
Securities issued	2,883	0	0	27,848	0	30,731
Income tax	0	0	0	0	1	1
Deferred tax liability	0	0	0	0	679	679
Accruals and other liabilities	0	0	0	0	8,089	8,089
Provisions	0	0	0	0	1,853	1,853
Subordinated debt	6,001	0	0	0	0	6,001
Total liabilities	**152,031**	**14,415**	**2,126**	**27,887**	**345,937**	**542,396**
Statement of financial position interest rate sensitivity gap at 31 December 2009	**123,529**	**61,264**	**140,811**	**14,934**	**(277,887)**	**62,651**
Derivatives*	302,784	262,944	138,843	105,632	0	810,203
Total off balance sheet assets	**302,784**	**262,944**	**138,843**	**105,632**	**0**	**810,203**
Derivatives*	330,654	263,592	182,497	32,889	0	809,632
Undrawn portion of loans**	(3,337)	(1,114)	3,587	864	0	0
Undrawn portion of revolving loans**	(327)	(1,678)	1,280	725	0	0
Total off balance sheet liabilities	**326,990**	**260,800**	**187,364**	**34,478**	**0**	**809,632**
Net off balance sheet interest rate sensitivity gap at 31 December 2009	**(24,206)**	**2,144**	**(48,521)**	**71,154**	**0**	**571**
Cumulative interest rate sensitivity gap at 31 December 2009	**99,323**	**162,731**	**255,021**	**341,109**	**63,222**	**x**
Total assets at 31 December 2008	292,512	74,380	132,423	34,037	76,610	609,962
Total liabilities at 31 December 2008	159,772	20,203	490	25,131	345,389	550,985
Net statement of financial position interest rate sensitivity gap at 31 December 2008	132,740	54,177	131,933	8,906	(268,779)	58,977
Net off balance sheet interest rate sensitivity gap at 31 December 2008	(20,771)	19,776	(68,404)	69,335	0	(64)
Cumulative interest rate sensitivity gap at 31 December 2008	111,969	185,922	249,451	327,692	58,913	x

Note: *) Assets and liabilities arising from derivatives include interest rate swaps, interest rate forwards and futures, interest rate options and cross currency swaps.
**) Undrawn loans and revolving loans are reported on a net basis, that is, the Bank reports both the expected drawings and repayments within one line. This line does not reflect commitments to extend loans with a fixed repayment schedule or commitments to provide a revolving loan since the interest rate has not been determined for such commitments.

Average interest rates as of 31 December 2009 and 2008:

	2009			2008		
	CZK	**USD**	**EUR**	**CZK**	**USD**	**EUR**
Assets						
Cash and balances with central banks	0.33%	x	x	0.42%	x	x
Treasury bills	1.86%	x	x	3.87%	x	x
Amounts due from banks	1.32%	0.49%	0.67%	2.61%	2.21%	3.20%
Loans and advances to customers	4.59%	0.99%	2.73%	5.21%	1.76%	5.32%
Interest earning securities	5.13%	5.89%	3.97%	4.27%	6.07%	3.27%
Total assets	**3.36%**	**2.15%**	**2.52%**	**3.85%**	**3.20%**	**3.77%**
Total interest earning assets	**3.74%**	**2.26%**	**2.79%**	**4.44%**	**3.47%**	**4.13%**
Liabilities						
Amounts due to central banks and banks	0.39%	0.01%	2.39%	1.49%	0.36%	3.99%
Amounts due to customers	0.52%	0.14%	0.13%	1.09%	1.23%	1.78%
Debt securities	3.72%	x	3.71%	4.36%	x	3.72%
Subordinated debt	1.91%	x	x	3.76%	x	x
Total liabilities	**0.71%**	**0.11%**	**0.47%**	**2.02%**	**0.97%**	**1.91%**
Total interest bearing liabilities	**0.63%**	**0.14%**	**0.50%**	**1.39%**	**1.23%**	**2.04%**
Off balance sheet – assets						
Derivatives (interest rate swaps, options, etc)	2.99%	1.76%	2.03%	4.05%	3.31%	3.68%
Undrawn portion of loans	4.02%	x	2.67%	4.79%	2.49%	4.32%
Undrawn portion of revolving loans	6.34%	1.54%	1.16%	6.60%	1.58%	3.39%
Total off balance sheet assets	**3.38%**	**1.76%**	**1.97%**	**4.38%**	**3.30%**	**3.66%**
Off balance sheet liabilities						
Derivatives (interest rate swaps, options, etc)	2.79%	1.97%	2.42%	3.96%	3.19%	3.79%
Undrawn portion of loans	4.02%	x	2.67%	4.79%	2.49%	4.32%
Undrawn portion of revolving loans	6.34%	1.54%	1.16%	6.60%	1.58%	3.39%
Total off balance sheet liabilities	**3.21%**	**1.97%**	**2.34%**	**4.31%**	**3.17%**	**3.77%**

Note: The above table sets out the average interest rates for December 2009 and 2008 calculated as a weighted average for each asset and liability category.

In the first half of 2009, the CZK interest rates of the money market remained approximately on the constant level of around 2.75 percent. The 2W REPO rate declared by the Czech National Bank amounted to 1.75 percent in the first half of 2009. In the second half of 2009, the money market saw a significant change in market spreads which decreased from 40 bps to 25-30 bps. The 2W REPO rate declared by the Czech National Bank continually decreased by 0.75 percent, and this decrease was fully absorbed by the rates of the monetary market, their decrease did not exceed 150 bps. The interest rates of the derivative market remained on the same level in the first half of the year and increased by more than 30 bps in the second half of the year.

The EUR rates of the monetary market slightly decreased by 130 bps during the year. At the end of the year, they were lower by 20 bps than at the beginning of the year.

The USD interest rates of both monetary and derivative markets saw a significant decline in 2009. The rates of the monetary market decreased by 100 bps on average when the monthly rate decreased by more than 20 bps to 0.20 percent. The rates of the derivative market increased by 100 bps.

Breakdown of financial assets and liabilities by their exposure to interest rate fluctuations:

CZK million	2009				2008			
	Fixed interest rate	Floating interest rate	No interest	Total	Fixed interest rate	Floating interest rate	No interest	Total
Assets								
Cash and balances with central banks	0	4,084	10,084	14,168	50	1,909	10,354	12,313
Financial assets at fair value through profit or loss	10,278	3,237	10,985	24,500	24,764	822	18,411	43,997
Positive fair values of hedging financial derivative transactions	0	0	9,590	9,590	0	0	9,147	9,147
Financial assets available for sale	55,413	9,069	791	65,273	38,448	6,586	826	45,860
Amounts due from banks	8,843	123,024	43	131,910	9,565	130,725	366	140,656
Loans and advances to customer	188,094	125,341	8,299	321,734	175,003	140,192	3,339	318,534
Investments held to maturity	1,272	0	0	1,272	1,417	0	0	1,417
Liabilities								
Amounts due to central banks	2	0	0	2	1	0	0	1
Financial liabilities at fair value through profit or loss	0	0	12,318	12,318	0	0	20,146	20,146
Negative fair values of hedging financial derivative transactions	0	0	6,531	6,531	0	0	5,225	5,225
Amounts due to banks	4,815	14,381	236	19,432	4,429	5,507	246	10,182
Amounts due to customers	3,030	452,005*	1,724	456,759	7,894	449,644*	3,566	461,104
Securities issued	15,932	14,799	0	30,731	19,831	15,780	0	35,611
Subordinated debt	0	6,001	0	6,001	0	6,003	0	6,003

Note: Individual assets and liabilities are split into the categories of 'Fixed interest rate', 'Floating interest rate', and 'No interest' according to contractual parameters defining the interest rate set-up. For this purpose, the fixed interest rate is defined as a rate with a repricing period exceeding one year. Products having no parameter definition of their interest rate set-up are included in the 'No interest' category.

*) This item principally includes client deposits where the Bank has the option to reset interest rates and hence they are not sensitive to interest rate changes.

(E) Liquidity risk

Liquidity risk is a measure of the extent to which the Bank may be required to raise funds to meet its commitments associated with financial instruments.

Liquidity risk management is based upon the liquidity risk management system approved by the Bank's Management Board. Liquidity is monitored on a bank wide level, with the Market Book also having a stand-alone limit. The Bank has established its liquidity risk management rules such that it maintains its liquidity profile in normal conditions (basic liquidity scenario) and in crisis conditions (crisis liquidity scenario). As such, the Bank has defined a set of indicators for which binding limits are established.

The Bank is exposed to daily calls on its available cash resources from derivatives, overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The liquidity risk of the Bank is managed as stipulated above (especially not based on the undiscounted cash flows), as such the information on undiscounted cash flows is not provided.

The table below provides an analysis of assets, liabilities and shareholders' equity into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date.

CZK million	On demand up to 7 days	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Assets							
Cash and current balances with central banks	9,817	0	0	0	0	4,351	14,168
Financial assets at fair value through profit or loss	4	1,326	5,754	5,640	788	10,988	24,500
Positive fair values of hedging financial derivative transactions	0	0	0	0	0	9,590	9,590
Financial assets available for sale	43	922	3,369	30,854	29,294	791	65,273
Assets held for sale	0	0	233	0	0	0	233
Amounts due from banks	28,746	89,011	4,536	4,982	2,536	2,099	131,910
Loans and advances to customers	2,822	34,696	55,245	83,936	122,073	22,962	321,734
Investments held to maturity	0	283	6	798	185	0	1,272
Income taxes receivable	0	0	0	0	0	4	4
Prepayments, accrued income and other assets	559	1	0	0	0	1,390	1,950
Investments in subsidiaries and associates	0	0	0	0	0	23,906	23,906
Intangible fixed assets	0	0	0	0	0	3,343	3,343
Tangible fixed assets	0	0	0	0	0	7,164	7,164
Total assets	**41,991**	**126,239**	**69,143**	**126,210**	**154,876**	**86,588**	**605,047**
Liabilities							
Amounts due to central banks	2	0	0	0	0	0	2
Financial assets at fair value through profit or loss	1,020	0	0	0	0	11,298	12,318
Negative fair values of hedging financial derivative transactions	0	0	0	0	0	6,531	6,531
Amounts due to banks	3,787	2,007	9,185	711	3,742	0	19,432
Amounts due to customers	400,819	42,738	7,165	5,572	465	0	456,759
Securities issued	0	65	221	0	30,445	0	30,731
Income tax	0	0	1	0	0	0	1
Deferred tax liability	0	0	0	0	0	679	679
Accruals and other liabilities	7,688	397	0	0	0	4	8,089
Provisions	7	71	629	150	117	879	1,853
Subordinated debt	0	1	0	0	6,000	0	6,001
Equity	0	0	0	0	0	62,651	62,651
Total liabilities	**413,323**	**45,279**	**17,201**	**6,433**	**40,769**	**82,042**	**605,047**
Statement of financial position liquidity gap at 31 December 2009	**(371,332)**	**80,960**	**51,942**	**119,777**	**114,107**	**4,546**	**0**
Off balance sheet assets*	19,967	65,590	67,690	65,472	5,371	0	224,090
Off balance sheet liabilities*	26,569	97,542	177,805	97,823	9,671	19,395	428,805
Net off balance sheet liquidity gap at 31 December 2009	**(6,602)**	**(31,952)**	**(110,115)**	**(32,351)**	**(4,300)**	**(19,395)**	**(204,715)**
Total assets at 31 December 2008	99,379	84,881	91,132	107,213	140,657	86,700	609,962
Total liabilities at 31 December 2008	410,518	47,329	20,509	4,727	41,865	85,014	609,962
Net statement of financial position liquidity gap at 31 December 2008	(311,139)	37,552	70,623	102,486	98,792	1,686	0
Net off balance sheet liquidity gap at 31 December 2008	(3,396)	(33,296)	(121,986)	(38,978)	(4,868)	(19,287)	(221,811)

Note: *) Off balance sheet assets and liabilities include amounts receivable and payable arising from FX spot, fixed term and option contracts and payables under guarantees, letters of credit and committed facilities.

(F) Foreign exchange position

The table below provides an analysis of the Bank's main currency exposures. The remaining currencies are shown within 'Other currencies.' The Bank manages its foreign exchange position on a daily basis. For this purpose, the Bank has a set of internal limits.

CZK million	Czech crowns	Euros	US dollars	Other currencies	Total
Assets					
Cash and current balances with central banks	12,360	1,375	212	221	14,168
Financial assets at fair value through profit or loss	22,854	1,408	93	145	24,500
Positive fair values of hedging financial derivative transactions	9,149	370	71	0	9,590
Financial assets available for sale	42,422	20,248	2,603	0	65,273
Assets held for sale	233	0	0	0	233
Amounts due from banks	115,278	11,435	4,908	289	131,910
Loans and advances to customers	286,312	33,741	1,369	312	321,734
Investments held to maturity	0	1,084	188	0	1,272
Income taxes receivable	4	0	0	0	4
Prepayments, accrued income and other assets	1,726	196	27	1	1,950
Investments in subsidiaries and associates, net	19,398	4,508	0	0	23,906
Intangible fixed assets	3,343	0	0	0	3,343
Tangible fixed assets	7,164	0	0	0	7,164
Total assets	**520,243**	**74,365**	**9,471**	**968**	**605,047**
Liabilities					
Amounts due to central banks	2	0	0	0	2
Financial liabilities at fair value through profit or loss	11,091	1,071	85	71	12,318
Negative fair values of hedging financial derivative transactions	5,157	1,154	220	0	6,531
Amounts due to banks	13,087	6,272	55	18	19,432
Amounts due to customers	410,508	38,299	6,677	1,275	456,759
Securities issued	29,931	800	0	0	30,731
Income tax	1	0	0	0	1
Deferred tax liability	679	0	0	0	679
Accruals and other liabilities	7,311	711	52	15	8,089
Provisions	920	197	728	8	1,853
Subordinated debt	6,001	0	0	0	6,001
Equity	62,651	0	0	0	62,651
Total liabilities	**547,339**	**48,504**	**7,817**	**1,387**	**605,047**
Net FX position at 31 December 2009	**(27,096)**	**25,861**	**1,654**	**(419)**	**0**
Off-balance sheet assets*	796,541	169,865	36,204	4,664	1,007,274
Off-balance sheet liabilities*	768,812	195,365	38,213	4,266	1,006,656
Net off balance sheet FX position at 31 December 2009	**27,729**	**(25,500)**	**(2,009)**	**398**	**618**
Total net FX position at 31 December 2009	**633**	**361**	**(355)**	**(21)**	**618**
Total assets at 31 December 2008	510,690	82,585	8,265	8,422	609,962
Total liabilities at 31 December 2008	549,867	47,845	9,588	2,662	609,962
Net FX position at 31 December 2008	(39,177)	34,740	(1,323)	5,760	0
Off balance sheet net FX position at 31 December 2008	38,409	(36,551)	839	(3,273)	(576)
Total net FX position at 31 December 2008	(768)	(1,811)	(484)	2,487	(576)

Note: *) Off balance sheet assets and liabilities include amounts receivable and payable arising from spot, fixed term and option transactions.

(G) Operational risk

During 2009, the Operational Risk Management Department of the Bank focused on interconnecting individual instruments used for operational risk management, i.e. records of losses, scenario analyses, setting of key risk indicators and risk control self assessment, including the setting of the first level control system. The acquired knowledge is assessed on a regular basis and provided to the management of the Bank which makes strategic decisions regarding operational risk management. Operational risks also form an integral part of the new product and project approval process.

(H) Legal risk

The Bank regularly monitors and evaluates legal disputes filed against it. In order to cover all contingent liabilities arising from legal disputes, the Bank establishes a provision equal to the claimed amount in respect of all litigation where it is named as a defendant and where the likelihood of payment has been estimated to exceed 50 percent. The Bank also manages its legal risk through the assessment of legal risks involved in the contracts to which the Bank is a party.

(I) Estimated fair value of assets and liabilities of the Bank

The fair value of financial instruments is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, fair value estimates are made based on quoted market prices. However, no readily available market prices exist for a significant portion of the Bank's financial instruments. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other generally acceptable pricing models as appropriate. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affect the estimates. Therefore, the calculated fair market estimates cannot be realised in a current sale of the financial instrument.

In estimating the fair value of the Bank's financial instruments, the following methods and assumptions were used.

(a) Cash and balances with central banks

The reported values of cash and current balances with the central bank are generally deemed to approximate their fair value.

(b) Amounts due from banks

The estimated fair value of amounts due from banks that mature in 180 days or less approximates their carrying amounts. The fair value of other amounts due from banks is estimated based upon discounted cash flow analyses using interest rates currently offered for investments with similar terms (market rates adjusted to reflect credit risk). The fair value of non-performing amounts due from banks is estimated using a discounted cash flow analysis, the fair value of loss loans is equal to the appraised value of the underlying collateral.

(c) Loans and advances to customers

The fair value of variable yield loans that regularly reprice, with no significant change in credit risk, generally approximates their carrying value. The fair value of loans at fixed interest rates is estimated using discounted cash flow analyses, based upon interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The fair value of non-performing loans is estimated using a discounted cash flow analysis, including the potential realisation of the underlying collateral.

(d) Investments held to maturity

Fair values of securities carried in the 'Held to maturity' portfolio are estimated based on discounted cash flow models using the interest rate currently offered at the balance sheet date.

(e) Amounts owed to central banks, banks and customers

The fair value of deposits repayable on demand represents the carrying value of amounts repayable on demand at the balance sheet date. The carrying value of term deposits at variable interest rates approximates their fair values at the balance sheet date. The fair value of deposits at fixed interest rates is estimated by discounting their future cash flows using market interest rates. Amounts due to banks and customers at fixed interest rates represent only a fraction of the total carrying value and hence the fair value of total amounts due to banks and customers approximates the carrying values at the balance sheet date.

(f) Debt securities issued

The fair value of debt securities issued by the Bank is based upon quoted market prices. Where no market prices are available, the fair value is equal to an estimate made by the Bank.

The following table summarises the carrying values and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value:

	31 Dec 2009		31 Dec 2008	
CZK million	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial assets				
Cash and current balances with central banks	14,168	14,168	12,313	12,313
Amounts due from banks	131,910	132,378	140,656	141,459
Loans and advances to customers, net	321,734	328,507	318,534	325,057
Investments held to maturity	1,272	1,329	1,417	1,442
Financial liabilities				
Amounts due to central banks and banks	19,434	19,443	10,183	10,186
Amounts due to customers	456,759	456,734	461,104	461,006
Securities issued	30,731	32,021	35,611	36,666
Subordinated debt	6,001	6,003	6,003	6,003

(J) Allocation of fair values of financial instruments at fair value to the hierarchy of fair values

Pursuant to IFRS requirements, the Bank has allocated all financial assets and financial liabilities at fair value into individual levels of the hierarchy of fair values according to the lowest classified significant input used in determining the fair value of a specific instrument.

As it is the first required disclosure of the fair value hierarchy, the Bank used the possibility allowed by temporary provisions of IFRS 7 and does not report comparative information for the preceding period.

Financial assets and financial liabilities at fair value by fair value hierarchy:

CZK million	31 Dec 2009	Level 1	Level 2	Level 3
Financial assets				
Financial assets at fair value through profit or loss				
– Securities	13,515	5,900	7,615	0
– Derivatives	10,985	2,190	8,795	0
Financial assets at fair value through profit or loss	**24,500**	**8,090**	**16,410**	**0**
Financial assets available for sale				
– Shares and participation certificates	791	89	0	702
– Debt securities	64,482	38,331	26,151	0
Financial assets available for sale	**65,273**	**38,420**	**26,151**	**702**
Financial assets at fair value	**89,773**	**46,510**	**42,561**	**702**

CZK million	31 Dec 2009	Level 1	Level 2	Level 3
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– Sold securities	1,020	1,020	0	0
– Derivatives	11,298	2,063	9,235	0
Financial liabilities at fair value through profit or loss	**12,318**	**3,083**	**9,235**	**0**
Financial liabilities at fair value	**12,318**	**3,083**	**9,235**	**0**

Financial assets at fair value – Level 3:

CZK million	Financial assets available for sale	Total
Balance at 1 January 2009	**702**	**702**
Comprehensive income / (loss)	0	0
– in the statement of comprehensive income	0	0
– in other comprehensive income	0	0
Purchases	0	0
Sales	0	0
Settlement	0	0
Transfer from Level 3	0	0
Balance at 31 December 2009	**702**	**702**

43. Assets under management

As of 31 December 2009, the Bank managed client assets in the amount of CZK 1,475 million (2008: CZK 928 million), of which no assets were from the Bank's subsidiaries.

Survey of Financial Results 2004–2009

According to International Financial Reporting Standards (IFRS)

Consolidated Data (CZK million)	2009	2008	2007	2006	2005	2004
Financial Performance						
Net Interest Income	22,088	21,261	18,790	16,274	14,643	13,264
Net Fees and Commissions	7,745	8,050	7,756	8,769	8,736	8,936
Net Banking Income	33,041	33,714	29,670	26,421	24,502	23,752
Total Operating Costs	(14,028)	(14,507)	(13,629)	(12,400)	(12,135)	(12,475)
Net Profit/(Loss)	11,094	13,233	11,225	9,211	8,911	8,938
Attributable Net Profit/(Loss)	11,007	13,161	11,188	9,214	8,960	8,960
Net Profit/(Loss) per share (CZK)*	289.59	346.26	294.35	242.41	235.73	235.73
Total Assets	695,036	699,044	661,819	598,090	513,856	473,411
Loans and Advances to Customers, net	372,303	364,040	304,938	252,505	189,212	158,085
Amounts Due to Customers	551,809	554,570	540,229	481,294	388,431	373,371
Total Shareholders' Equity	68,753	62,974	50,654	50,257	51,327	44,814
Return on Average Assets, ROAA (%)	1.58	1.93	1.78	1.66	1.82	1.93
Return on Average Equity, ROAE (%)**	17.02	23.62	22.54	18.25	18.66	20.86
Net Interest Margin (%)	3.46	3.37	3.21	3.14	3.20	3.11
Cost/Income Ratio (%)	42.45	43.03	45.94	46.93	49.53	52.52
Capital Adequacy* **						
Capital Adequacy (%)	14.08	12.13	10.10	11.87	13.19	12.89
Tier 1 Ratio (%)	12.72	10.77	8.87	10.35	13.71	12.66
Tier 1	44,677	37,624	33,945	32,084	34,704	29,554
Tier 2	6,000	6,000	6,008	6,000	0	1,389
Total Regulatory Capital	47,913	40,776	38,658	36,809	33,381	29,398
Risk-Weighted Assets for Credit Risk	291,253	287,384	372,714	296,915	243,876	217,052

Unconsolidated Data (CZK million)	2009	2008	2007	2006	2005	2004
Financial Performance						
Net Interest Income	18,416	17,590	15,864	14,858	13,623	12,406
Net Fees and Commissions	7,548	7,794	7,520	8,691	8,718	8,703
Net Banking Income	29,602	29,821	26,231	24,631	23,392	22,717
Total Operating Costs	(12,532)	(12,996)	(12,307)	(11,590)	(11,593)	(11,788)
Net Profit/(Loss)	10,369	11,795	10,170	8,747	9,148	9,299
Net Profit/(Loss) per share (CZK)*	272.79	310.33	267.57	230.32	240.68	244.66
Total Assets	605,047	609,962	588,692	512,250	492,732	448,294
Loans and Advances to Customers, net	321,734	318,534	267,525	223,171	185,225	155,379
Amounts Due to Customers	456,759	461,104	453,762	398,137	370,058	358,825
Total Shareholders' Equity	62,651	58,977	49,236	48,654	50,314	43,578
Return on Average Assets, ROAA (%)	1.71	1.97	1.85	1.74	1.94	2.08
Return on Average Equity, ROAE (%)**	17.05	21.80	20.78	17.68	19.49	22.15
Net Interest Margin (%)	3.32	3.24	3.17	3.23	3.14	3.04
Cost/Income Ratio (%)	42.33	43.58	46.92	47.05	49.56	51.89
Capital Adequacy* **						
Capital Adequacy (%)	15.69	14.19	11.04	13.08	13.58	12.83
Tier 1 Ratio (%)	14.17	12.66	9.78	11.46	13.95	13.35
Tier 1	44,259	39,471	36,575	33,814	34,543	29,312
Tier 2	6,000	6,000	6,000	6,000	0	0
Total Regulatory Capital	47,473	42,705	41,287	38,589	33,637	28,235
Risk-Weighted Assets for Credit Risk	259,055	257,119	364,095	281,909	238,465	208,502

Note: * Profit/loss attributable to shareholders/total number of issued shares
** Profit/loss attributable to shareholders/average shareholder's equity excl. minority interest
*** According to the Czech National Bank methodology based on Basel I for 2004–2007, Basel II since 2008.

Legal Information

Identification Details of the Company Entered in the Commercial Register as of 31 December 2009 (excerpt from the Commercial Register maintained by the Municipal Court in Prague, Section B, file 1360)

Date of incorporation:	5 March 1992
Business name:	Komerční banka, a.s.
Registered office:	Prague 1, Na Příkopě 33, building identification number 969, postcode 114 07
Identification number:	45 31 70 54
Legal form:	public limited company
Shares:	38,009,852 dematerialised ordinary bearer shares in the nominal value of CZK 500
Registered capital:	CZK 19,004,926,000, fully paid up

Scope of Business Activities

I. The Bank shall conduct its business pursuant to the provisions of Act No. 21/1992 Coll., the Banking Act, as subsequently amended.
The Bank's business activities shall include:

a) accepting deposits from the public,
b) granting loans,
c) investing in securities on the Bank's own account,
d) financial leasing,
e) operating a system of payments and clearing,
f) issuing and administering payment instruments, such as payment cards and traveller's cheques,
g) granting guarantees,
h) opening letters of credit,
i) administering cash collection,
j) providing investment services including:
   - main investment service of receiving and transmitting on behalf of a customer orders in relation to investment instruments,
   - main investment service of executing orders on behalf of another party in relation to investment instruments,
   - main investment service of dealing in investment instruments for the Bank's own account in relation to investment instruments,
   - main investment service of managing portfolios of investments in accordance with mandates given by investors on a discretionary, client-by-client basis where such portfolios include one or more investment instruments,
   - main investment service of underwriting in respect of issues of investment instruments and/or the placing of such issues,
   - ancillary service of safekeeping and administration in relation to one or more investment instruments,
   - ancillary service of safe custody,
   - ancillary service of granting credits or loans to an investor for the purpose of carrying out a transaction in investment instruments, where the provider of the credit or loan is involved in the transaction,
   - ancillary service of advice to undertakings on capital structure, industrial strategy and related matters and advice and service relating to mergers and acquisitions of undertakings,
   - ancillary service related to underwriting in relation to investment instruments,
   - ancillary service of investment advice concerning one or more investment instruments,
   - ancillary service of conducting foreign-exchange operations where these are connected with the provision of investment services;

k) trading foreign currencies and gold for its own account or on behalf of clients,
l) engaging in financial brokerage,
m) providing foreign currency exchange operations (purchase of foreign currencies),
n) providing depository services,
o) providing banking information,
p) renting safe-deposit boxes,
q) issuing mortgage bonds,
r) other activities directly related to those mentioned in a) through q) above.

II. The Bank shall further carry on business activities for business enterprises that provide supporting banking services and for financial institutions that are controlled by the Bank. The scope of these business activities shall cover:

a) accounting consultancy activities, bookkeeping, tax record keeping,
b) trade intermediation,
c) engineering activities in construction for investment purposes,
d) administration and maintenance of real estate,
e) organisation of specialised courses, training, and other educational programmes including lectures,
f) business, financial, organisational, and economic consultancy activities,
g) data processing, database services, network (web) administration.

Statutory Body – Board of Directors

Function	Name	Birth Number/ Date of Birth	Address	Date of Assuming Office	Member of the Board of Directors from
Chairman	Henri Bonnet	6 July 1949	Prague 1, Ovocný trh 15, postcode 110 00	10 September 2009	10 September 2009
Member	Vladimír Jeřábek	680407/0790	Brno, Útěchov, Mladá 95/2a, postcode 644 00		1 June 2008
Member	Peter Palečka	591103/6692	Černošice, Jahodová 1565, Prague – West District, postcode 252 28		7 October 2009
Member	Didier Colin	630420/7459	Prague 1, Vlašská 5/361, postcode 110 00		10 October 2008
Member	Patrice Taillandier-Thomas	12 November 1958	Prague 2, Belgická 132/14, postcode 120 00		1 February 2008
Member	Jan Juchelka	710919/5148	Poděbrady V, Máchova 92, Nymburk District, postcode 290 01		1 July 2006

Acting on behalf of the Bank:
As the statutory body, the Board of Directors shall act on behalf of the Bank in all matters, either through all members of the Board of Directors jointly or by any two members jointly.

Signing on behalf of the Bank: Either all members of the Board of Directors jointly or any two members of the Board jointly shall sign on behalf of the Bank.

Supervisory Board

Function	Name	Birth Number/Date of Birth	Address	Date of Assuming Office	Member of the Supervisory Board from
Chairman	Didier Alix	16 August 1946	14, bis Rue Raynouard, 75016 Paris, French Republic	30 April 2009	30 April 2009
Vice-Chairman	Jean-Louis Mattei	8 September 1947	24, Rue Pierre et Marie Curie, 75005 Paris, French Republic	30 April 2009	30 April 2009
Member	Bořivoj Kačena	430224/105	Prague 4, Vavákova 1486/4A, postcode 148 00		29 April 2008
Member	Petr Laube	490708/118	Prague 5, Košíře, Kvapilova 958/9		30 April 2009
Member	Christian Achille Frederic Poirier	30 November 1948	19, Rue Mademoiselle, 78000 Versailles, French Republic		30 April 2009
Member	Séverin Cabannes	21 July 1958	14, Rue de Voisins, 78430 Louveciennes, French Republic		30 April 2009
Member	Pavel Krejčí	631108/0644	Olomouc, Rolsberská 30, postcode 772 00		29 May 2009
Member	Dana Neubauerová	645507/0567	Havlíčkův Brod, Smetanovo náměstí 1860, postcode 580 01		29 May 2009
Member	Karel Přibil	541214/1691	Kamenice, Nová Hospoda, Návršní 332, postcode 251 68		29 May 2009

Other facts:

Manner of the Company's establishment:

In accordance with the privatisation project for the state financial institution Komerční banka, having its registered office in Prague, Na Příkopě 28, approved by Resolutions of the Government of the Czech and Slovak Federative Republic No. 1 of 9 January 1992 and No. 109 of 20 February 1992, the National Property Fund of the Czech Republic, as the sole founder, established the public limited company Komerční banka, a.s. based upon the Founding Deed of 3 March 1992 in accordance with Section 172 of the Commercial Code.

Information on Komerční banka Securities

Komerční banka Shares

Kind:	ordinary share
Type:	bearer share
Form:	dematerialised
Total value of the issue:	CZK 19,004,926,000
Total number of shares:	38,009,852
Nominal value per share:	CZK 500
ISIN:	CZ0008019106

Public tradability

Komerční banka shares are publicly traded on exchange markets in the Czech Republic managed by the market organisers Burza cenných papírů Praha, a.s. (the Prague Stock Exchange) and RM-SYSTÉM, česká burza cenných papírů a.s.

Rights vested in the shares

Rights are attached to the ordinary shares in accordance with Act No. 513/1991 Coll., the Commercial Code, as amended. No special rights are attached to the shares. Shareholders' voting rights are governed by the nominal value of their shares. Each CZK 500 of nominal share value is equivalent to one vote.

Shareholders are entitled to share in the Bank's profit (dividend) approved for distribution by the Annual General Meeting based on the Bank's financial results and in accordance with the conditions stipulated by generally binding legal regulations.

In accordance with the Articles of Association valid at the time of preparing this annual report (before the Annual General Meeting in 2010), dividend rights accrue to shareholders who own shares 30 calendar days following the date of the Annual General Meeting that approved the dividend payment. According to the currently valid Articles of Association, the dividend is payable 30 days after the decisive day on which the shareholder's right arose in accordance with the previous sentence.

The Board of Directors will propose to the General Meeting to be held in 2010 an amendment to the Articles of Association in order to ensure compliance with the revised Commercial Code. Under the proposal, the decisive date for the right to receive dividends is identical to the record date for participation at the General Meeting, i.e. dividend rights accrue to shareholders who are registered in the legal record of securities as shareholders on the 7th calendar day before the date of the General Meeting. Under the proposal, the dividend becomes payable by the end of the 30th day after the date of the General Meeting that decided upon the payment. The proposed amendments to the Article of Association are to be effective already in relation to the dividend from the profits of 2009 to be paid out in 2010.

The right to payment of the dividend is time-barred from four years after its declared payment date. In the event of a shareholder' death, his or her legal heir shall be entitled to exercise all rights attached to the shares. Upon the Bank's liquidation and dissolution, the means of liquidation is governed by the relevant generally binding legal regulations. Distribution of the remaining balance on liquidation among shareholders is approved by the Annual General Meeting in the proportion to the nominal values of the shares held by the Bank's shareholders.

For further information about trading in the shares, their prices and dividends, please refer to the chapter Komerční banka Share Price.

Komerční banka global depository receipts

Global depository receipts (GDRs) were issued for shares of Komerční banka administered by The Bank of New York ADR Department (that are held on its asset account at the Securities Centre). In principle, GDRs bear the same rights as do shares of the Bank and they may be reconverted into shares. One GDR represents one third of one share of Komerční banka.

The GDR programme was launched at the end of June 1995. In issuing the first tranche, Komerční banka marked its entry into the international capital markets. A second tranche followed in 1996.

From the start, the GDRs have been traded on the London Stock Exchange. The number of GDRs issued as of 31 December 2009 was 897,738.

Bonds of Komerční banka (outstanding)

List of outstanding bonds issued by Komerční banka

No.	Bond	Issue date Maturity date	Volume in CZK Number of pcs (as of 31 December 2009)	Interest rate	Payout of interest	Quotation at PSE*
1.	HZL 2005/2015 ISIN CZ0002000565 1)	2 August 2005 2 August 2015	5, 200,000,000 520, 000	3M PRIBID + min (-0.10% p.a.; [-0.1 * 3M PRIBID] % p.a.)	quarterly	yes
2.	HZL 2005/2015 ISIN CZ0002000664 1)	21 October 2005 21 October 2015	10,000,000,000 1,000,000	4.40% p.a.	yearly	yes
3.	HZL 2006/2016 ISIN CZ0002000854 1)	1 September 2006 1 September 2016	EUR 29,869,000 42,670	3.74% p.a.	yearly	no
4.	HZL 2007/2019 ISIN CZ0002001142 2)	16 August 2007 16 August 2019	3,000,000,000 30	5.00% p.a.	yearly	no
5.	HZL 2007/20 ISIN CZ0002001324 2)	16 November 2007 16 November 2037	1,200,000,000 12	RS minus 0.20% p.a.	stated	no
6.	HZL 2007/2037 ISIN CZ0002001332 2)	16 November 2007 16 November 2037	1,200,000,000 12	RS minus 0.20% p.a.	stated	no
7.	HZL 2007/2037 ISIN CZ0002001340 2)	16 November 2007 16 November 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
8.	HZL 2007/2037 ISIN CZ0002001357 2)	16 November 2007 16 November 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
9.	HZL 2007/2037 ISIN CZ0002001365 2)	16 November 2007 16 November 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
10.	HZL 2007/2037 ISIN CZ0002001373 2)	16 November 2007 16 November 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
11.	HZL 2007/2037 ISIN CZ0002001381 2)	16 November 2007 16 November 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
12.	HZL 2007/2037 ISIN CZ0002001399 2)	16 November 2007 16 November 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
13.	HZL 2007/2037 ISIN CZ0002001431 2)	30 November 2007 30 November 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
14.	HZL 2007/2037 ISIN CZ0002001449 2)	30 November 2007 30 November 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
15.	HZL 2007/2037 ISIN CZ0002001456 2)	30 November 2007 30 November 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
16.	HZL 2007/2037 ISIN CZ0002001464 2)	30 November 2007 30 November 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
17.	HZL 2007/2037 ISIN CZ0002001472 2)	30 November 2007 30 November 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
18.	HZL 2007/2037 ISIN CZ0002001480 2)	30 November 2007 30 November 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
19.	HZL 2007/2037 ISIN CZ0002001498 2)	7 December 2007 7 December 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
20.	HZL 2007/2037 ISIN CZ0002001506 2)	7 December 2007 7 December 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
21.	HZL 2007/2037 ISIN CZ0002001514 2)	7 December 2007 7 December 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
22.	HZL 2007/2037 ISIN CZ0002001522 2)	7 December 2007 7 December 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
23.	HZL 2007/2037 ISIN CZ0002001530 2)	7 December 2007 7 December 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
24.	HZL 2007/2037 ISIN CZ0002001548 2)	7 December 2007 7 December 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
25.	HZL 2007/2037 ISIN CZ0002001555 2)	12 December 2007 12 December 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
26.	HZL 2007/2037 ISIN CZ0002001563 2)	12 December 2007 12 December 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
27.	HZL 2007/2037 ISIN CZ0002001571 2)	12 December 2007 12 December 2037	1,100,000,000 11	RS minus 0.20% p.a.	stated	no

No.	Bond	Issue date Maturity date	Volume in CZK Number of pcs (as of 31 December 2009)	Interest rate	Payout of interest	Quotation at PSE*
28.	HZL 2007/2037 ISIN CZ0002001589 2)	12 December 2007 12 December 2037	500,000,000 5	RS minus 0.20% p.a.	stated	no
29.	2007/2017 ISIN CZ0003701427 1)	18 December 2007 1 December 2017	613,600,000 767	4.216% p.a.	yearly 1 December	no
30.	HZL 2007/2017 ISIN CZ0002001761 1)	19 December 2007 19 December 2017	835,200,000 10,440	4.09% p.a.	yearly	no
31.	HZL 2007/2037 ISIN CZ0002001753 1)	21 December 2007 21 December 2037	3,300,000,000 330	RS plus 1.5% p.a.	yearly	no
32.	HZL 2007/2037 ISIN CZ0002001746 1)	28 December 2007 28 December 2037	50,000,000 5	RS plus 1.5% p.a.	yearly	no

Note.: * Prague Stock Exchange
HZL = mortgage bonds, RS = reference rate
1) dematerialised bonds
2) bonds in documentary form

All bonds with the exception of mortgage bonds ('HZL') ISIN CZ0002000854 are denominated in CZK and made out to the bearer.

HZL ISIN CZ0002000565 was issued under the KB Debt Issuance Programme approved by a decision of the Czech Securities Commission dated 6 May 2003. This 10-Year Debt Issuance Programme with the maturity for any single issue of up to 10 years enables the Bank to issue mortgage bonds in a maximum amount of CZK 15 billion outstanding.

The bonds listed in the table under numbers 4–32 were issued under the second KB Debt Issuance Programme approved by the Czech National Bank on 4 June 2007. This 30-Year Debt Issuance Programme enables the Bank to issue bonds in a maximum amount of CZK 150 billion outstanding.

Heretofore unredeemed bonds were issued in the relevant years in accordance with the Bonds Act, the Securities Act and the Act on Capital Market Undertakings, as amended. The bonds' prospectuses, issuance terms and conditions, or supplements to the bond programmes were approved by the Czech Securities Commission or the Czech National Bank.

Public tradability

All heretofore unredeemed bonds presented in the table as quoted on the PSE were admitted for trading on the official free market of the Prague Stock Exchange.

Transferability

The transferability of bonds is unlimited.

Rights vested in the bonds

Rights and obligations pertaining to the bonds are governed and interpreted in accordance with the legal regulations of the Czech Republic. They are explicitly expressed in the issuance terms and conditions for each issue.
Bonds bear interest from the date of issue, and coupon payments are made quarterly, yearly or at stated intervals. The bonds' returns are paid by the issuer – Komerční banka, a.s., having its registered office at Na Příkopě 33, Prague 1.

The bonds will be redeemed by Komerční banka, a.s., Na Příkopě 33, Prague 1, in the whole amount of the nominal value (with the exceptions of HZL ISIN CZ0002000854, HZL ISIN CZ0002001142, HZL ISIN CZ0002001761 and bond ISIN CZ0003701427) on the maturity day. HZL ISIN CZ0002000854, HZL ISIN CZ0002001142, HZL ISIN CZ0002001761 and bond ISIN CZ0003701427 are amortising bonds.

Information on Remuneration to Auditors for Services Provided in 2009

For services performed during 2009, KB and the consolidated KB Group provided remuneration to the auditors as follows:

Type of service – CZK thousand, excl. VAT	KB	KB Group*
Statutory audit	15,205	24,181
Audit related services	175	250
Legal and tax related services	0	0
Other	5	9
Total	**15,385**	**24,440**

* The consolidated KB Group includes Komerční banka, ESSOX, Factoring KB, Komerční banka Bratislava, Komerční pojišťovna, Modrá pyramida stavební spořitelna, Penzijní fond Komerční banky, Protos and Bastion European Investments S.A.

Information disclosed pursuant to sec. 213 of Decree No. 123/2007 Coll.

a) Aggregate information about the conditions and main characteristics of capital and its components

The Bank's share capital is fully subscribed and paid, it amounts to CZK 19,005 million and consists of 38,009,852 ordinary shares with nominal value of CZK 500 each. The shares are dematerialised and are publicly traded on public markets.

The Bank has accepted subordinated debt in the total amount of CZK 6 billion. The subordinated debt carries a floating rate linked to one-month PRIBOR and has 10-year maturity as at 27 December 2016 with the Bank's option for early repayment after five years and thereafter as of any interest payment date. The subordinated debt is part of Tier 2 capital.

The Bank calculates capital both on a stand-alone and consolidated basis.

Information about consolidated capital	31 December 2009
	CZK million
b) Total original capital (Tier 1)	**44,677**
of which: paid up share capital entered in the commercial register	19,005
own shares	(150)
share premium	149
obligatory reserve funds	4,089
other funds from distribution of profit	789
retained earnings	26,853
goodwill from consolidation	(3,405)
final exchange rate differences from consolidation	(3)
minority interests	1,219
other goodwill than from consolidation	(146)
other intangible asset (besides goodwill)	(3,723)
negative difference from revaluation of AFS capital market instruments	0
c) Total additional capital (Tier 2)	**6,000**
d) Total capital designated to cover market risks (Tier 3)	**0**
e) Total deductible items from original and additional capital	**2,764**
of which: deductible items due to an insufficient coverage of expected credit losses	1,461
f) Total capital after the consideration of deductible items from original and additional capital and stipulated limits applicable to items of capital	**47,913**

Information about consolidated capital requirements	31 December 2009
	CZK million
Total capital requirements	**27,226**
a) relating to credit risk	**23,300**
relating to credit risk pursuant to the Standardised Approach in IRB, to total exposures	**3,225**
of which: to exposures to central governments and banks	1
to exposures towards institutions	15
to corporate exposures	674
to retail exposures	2,517
to other exposures	18
relating to credit risk pursuant to the IRB Approach	**20,075**
of which: to exposures to central governments and banks	831
to exposures towards institutions	2,265
to corporate exposures	13,353
to retail exposures	2,429
to equity exposures (simplified method of risk weight)	154
of which: to exposures quoted on regulated markets	21
to other equity exposures	134
to securitised exposures	59
to other exposures	982
b) relating to settlement risk	**0**

Information about consolidated capital requirements	31 December 2009
	CZK million
c) relating to position, foreign exchange and commodity risks	**670**
d) relating to the operational risk	**3,256**

Note: The Bank discloses no other capital requirement.

Ratios - Komerční banka, a.s. standalone	31 December 2009
	CZK thousand
Capital adequacy	15.69%
Return on average assets (ROAA)	1.62%
Return on average equity (ROAE)	24.21%
Assets per employee	77,096
Operating costs per employee	1,344
Profit/Loss after tax per employee	1,321

Description of Real Estate Owned by the Bank

Komerční banka manages real estate used mostly for the business activities for which it is licensed under the applicable legal regulations.

Summary of the real estate managed by the Bank:

As of 31 December 2009	Number	Of which KB owns
Buildings	436	158

Note: See also Notes to the Unconsolidated Financial Statements according to IFRS, notes No. 20 – Assets held for sale and 27 – Tangible fixed assets.

Investments

Financial investments made by the Bank
(balance as of the end of the year)

CZK million, IFRS	31 December 2009	31 December 2008
Bonds and treasury bills	79,269	72,037
Shares	791	829
Emissions allowances	0	212
Equity investments in subsidiary and associated undertakings	23,906	23,577
Total	**103,966**	**96,655**

Main investments – excluding financial investments *
(balance as of the end of the year)

CZK million, IFRS	31 December 2009	31 December 2008
Tangible fixed assets	7,164	7,408
Intangible fixed assets	3,343	3,153
Total tangible and intangible fixed assets	**10,507**	**10,561**
Tangible fixed assets held under financial leases	0	0

Note: * Net book value of investments
See also Notes to the Unconsolidated Financial Statements according to IFRS, notes No. 26 – Intangible fixed assets and 27 – Tangible fixed assets.

Main ongoing investments – excluding financial investments

In 2009, the Bank made non-financial investments in a total of CZK 1.45 billion. Most of that amount was invested in the area of information technologies for the acquisition and development of software and hardware. Significant amounts were also invested into the development of real estate owned by the Bank. All of the non-financial investments were made in the Czech Republic and Slovakia and were financed from internal resources.

Main investments planned by the Bank – excluding financial investments

The investments planned by Komerční banka for 2010 will not exceed CZK 1.7 billion. The largest portion of the total amount is comprised of investments related to information technologies and maintenance and development of the distribution network. The Bank's investment plans may change in future depending on developments in related conditions and thus actual investments may differ from the plan.

Governing Law

KB, as an issuer of publicly traded securities, is governed in its activities in particular by the following laws:

- Act No. 21/1992 Coll., the Banking Act, as subsequently amended
- Act No. 256/2004 Coll., on Capital Market Undertakings, as subsequently amended
- Act No. 513/1991 Coll., the Commercial Code, as subsequently amended

Legal Disputes

With respect to its overall financial situation, Komerční banka regards as significant all litigations involving amounts exceeding CZK 10 million and any bankruptcy proceeding in which the Bank is a creditor with a claim exceeding CZK 50 million.

As of 31 December 2009, Komerční banka was a party to legal proceedings as a plaintiff in 9 significant litigations. The total sum involved in these litigations is CZK 709 million. Komerční banka is a bankruptcy creditor with a claim exceeding CZK 50 million in 34 bankruptcy proceedings. The total amount of claims filed in relation to these is about CZK 12.2 billion.

As of 31 December 2009, the Bank was a party to legal proceedings as the defendant in 9 significant litigations. The total sum involved in these litigations is about CZK 1.3 billion.

Information concerning the provisions created for litigations in which Komerční banka is a defendant is stated in the Notes to the Unconsolidated Financial Statements according to IFRS, Note 38 – Commitments and contingent liabilities.

Licences and Trademarks

In connection with the development of banking services and products in the Bank's portfolio there appears a need to protect products and services offered by the Bank, as well as its own trademarks. Accordingly, Komerční banka has chosen as a means of legal protection of its products and trademarks to register designations in the national trademarks registers of particular countries in which it or any of its subsidiaries operates, in particular the Industrial Property Office in the Czech Republic and the Industrial Property Office in the Slovak Republic.

Currently, the Bank owns 132 registered trademarks, which are entered in the public register of trademarks maintained mainly by the Industrial Property Office of the Czech Republic. A further 12 trademarks have been entered into the registration process and it is expected that these trademarks will be registered at the Industrial Property Office of the Czech Republic as well. Within the banking business, the Bank provides licence to certain of its trademarks to subsidiaries and is also a licensee or sub-licensee in several cases. Komerční banka has likewise registered 5 trademarks in the Industrial Property Office in the Slovak Republic.

Expenses on Research and Development

In 2009, Komerční banka had outlays through operating expenses of CZK 183 million for research and development. Most of these outlays were related to development studies and implementation of individual projects, particularly in the area of information technologies and systems, including development of internet applications.

Report on Relations Among Related Entities for the year ended 31 December 2009

(hereinafter the **"Report on Relations"**)

Komerční banka, a.s., with its registered office in Prague 1, Na Příkopě 33/969, 114 07, Corporate ID: 45317054, incorporated in the Register of Companies maintained at the Municipal Court in Prague, Section B, File 1360, (hereinafter **"KB"** or the **"Bank"**), is part of a business group (holding company) in which the following relations between KB and its controlling entity and further between KB and other entities controlled by the same controlling entity (hereinafter **"related entities"**) exist.

This report on relations between the entities stated below was prepared in accordance with the provision of Section 66a (9) of Act 513/1991 Coll., as amended (the Commercial Code) for the year ended 31 December 2009, that is, from 1 January 2009 to 31 December 2009 (hereinafter the **"reporting period"**).

I. Introduction

In the period from 1 January 2009 to 31 December 2009, KB was a member of the Société Générale S.A. Group, with its registered office at 29, BLD Haussmann, 75009 Paris, France, registration number in the French Register of Companies: R.C.S. Paris B552120222 (1955 B 12022) (hereinafter **"SG"** or **"SG Paris"**).

During the course of the reporting period, the Bank entered into arrangements with the following related entities:

(a) SG's Head Office and branch offices

Company	Registered office
SG Paris *	29, Boulevard Haussmann, Paris, France
SG London	Exchange House, Primrose Street, London, Great Britain
SG New York	1221 Avenue of the Americas, 10020, New York, USA
SG Tokyo	Ark Mori Building, 12-32 Akasaka 1 Chrome, Minato-ku, 107-6015 Tokyo, Japan
SG Zurich	Sighlquai 253, 8031 Zurich, Switzerland
SG Warsaw	Ul. Marszalkowska 111, Warsaw, Poland
SG Frankfurt	Postfach 101935, Mainzer Landstrasse 36, D60325, Frankfurt am Main, Germany
SG Brussels	Tour Bastion, 5 Place du Champs de Mars, 1050 Brussels, Belgium
SG Vienna	Prinz Eugen Strasse 32, A1041, Vienna, Austria
SG Milan	Via Olona 2, 20123 Milan, Italy
SG Amsterdam	Rembrandt Tower, A Amstelplein 1, 1096 HA Amsterdam, the Netherlands

* including the branch offices

(b) SG's subsidiaries

Company	Registered office	SG's share of voting power
		%
ALD Automotive s.r.o.	U Stavoservisu 527/1, Prague 10, 10040, Czech Republic	100.00
Banca Romana Pentrui Devzoltare (B.R.D.)	Boulevard Ion Mihalache no.1-7, sector I, Bucharest, Romania	58.32
ECS International Czech Republic, s.r.o.	Prague 5, Smíchov, Anděl Park, Radlická 14/3201,15000, Czech Republic	100.00
Europe Computer Systemes	immeuble Défense Parc 2, 106 rue des Trois Fontanot, 92000 Nanterre, France	100.00
European Fund Services, SA	17 rue Antoine Jans L-1820 Luxembourg, Luxembourg	100.00
EURO-VL Luxembourg	16, Boulevard Royal, L 2449 Luxembourg, Luxembourg	100.00
Franfinance, SA	57-59 Avenue De Chatou, 92500 Rueil Malmaison, France	100.00
General Bank of Greece	109 Messogion Avenue, 11510 Athens, Greece	52.32
Investiční kapitálová společnost KB a.s.	Dlouhá 34/713, Prague 1, 110 15, Czech Republic	100.00
Komerční pojišťovna, a.s.	Karolinská 1/650, Prague 8, 186 00, Czech Republic	100.00

Company	Registered office	SG's share of voting power
		%
Lyxor International Asset Management (LIAM)	Tour Société Générale, 17 Cours Valmy, 92800 Puteaux, France	100.00
N.S.G.B.	5 Champollion Street, Cairo, Egypt	77.20
Newedge Group (Frankfurt branch)	Neue Mainzer Strase 52, 60311 Frankfurt am Main, Germany	100.00
Newedge Group (UK Branch)	10 Bishops Square, London, E1 6EG, UK	100.00
ORBEO	Tour Société Générale-S7W 17 cours Valmy La Défense 7, 92987 Paris La Défense cedex	50.00
SG Asset Management	170 place Henri Renault, 92400 Courbevoie, France	100.00
SG Asset Management Alternative Investments	170 place Henri Renault, 92400 Courbevoie, France	100.00
SG Cyprus Ltd.	7/9 Grivas Dighenis Avenue, Nicosia, Cyprus	51.00
SG Equipment Finance Czech Republic s.r.o.	Antala Staška 2027/79, Prague 4-Krč, 14000, Czech Republic	100.00
SG Express Bank	Vladislav Varnenchik Blvd. 92, 9000 Varna, Bulgaria	97.95
SG Private Banking (Suisse) SA	Rue de la Corraterie 6, Case Postale 5022, CH-1211 Geneve 11, Switzerland	100.00
SG Securities (London) Ltd.	8 Salisbury Square, London, EC4Y 8BB, UK	100.00
SG Splitska Banka	Rudjera Boskovica 16, 21000 Split, Croatia	100.00
SG Vostok	5 Nikitsky Pereulok, 103009 Moscow, Russia	100.00
SGA Société Générale Acceptance N.V.	PO Box 837, Curacao De Ruyterjade 58A, Netherlands Antilles	100.00
SG Asset Management Banque (SGAM Banque)	170 place Henri Renault, 92400 Courbevoie, France	100.00
SGBT Luxembourg	11-13 Avenue Emile Reuter L-2420 Luxembourg, Luxembourg	100.00
SKB Banka	Ajdovscina 4, 1513 Ljubljana, Slovenia	99.70
Sogecap	50 avenue du Général de Gaulle, 92093 Paris, la Défense CEDEX, France	100.00
Sogeprom Česká republika s.r.o.	Politických vězňů 1419/11, Praha 1 – Nové Město, 110 00, Česká republika	100.00

II. Arrangements with Related Entities

A. Contracts and Agreements with the Controlling Entity and Other Related Entities

Banking Transactions

During the reporting period, KB entered into the following contractual agreements with related entities that were subject to banking secrecy restrictions:

Deposit Arrangements
In the deposit segment, KB entered into arrangements with 27 branches and subsidiaries of the SG Group. As of 31 December 2009, KB maintained a total of 56 accounts, of which 24 were loro accounts for branches and subsidiaries of the SG Group, 26 were current accounts and 6 overdraft accounts opened for non-banking entities of the SG Group. The average monthly overdraft balance on loro accounts (borrowing) was CZK 64.9 million, the average monthly credit balance (deposit) was CZK 146.8 million. During the reporting period, the average monthly credit balance on current and overdraft accounts was CZK 234.1 million; the average monthly overdraft balance on these accounts was CZK 77.8 million. During the reporting period, KB's interest income on overdraft accounts and overdrafts on current accounts was CZK 1.1 million; income from the fees associated with the maintenance of accounts and related transactions amounted to CZK 6.0 million. For the year ended 31 December 2009, KB paid CZK 66.1 million to clients arising from deposits on current and overdraft accounts.

KB's cross-border payment transactions were partly conducted through nostro accounts maintained with SG Paris, B.R.D, SG New York, SG Warszawa, SG Express Bank, SG Vostok and SG Zürich. During the reporting period, KB's average deposit on nostro accounts with SG was CZK 16.5 million; the average monthly overdraft balance on nostro accounts was CZK 40.2 million. Interest income on nostro accounts for the reporting period was CZK 0.1 million; interest expenses amounted to CZK 0.4 million. KB's expenses arising from the fees for the maintenance of, and transactions on, nostro accounts for the reporting period were CZK 2.6 million; income fees (i.e. provided discounts from credit operations on nostro accounts) amounted to CZK 7.8 million. KB's income arising from the fees from loro accounts for the reporting period was CZK 2.5 million. Interest expenses paid by KB on loro accounts amounted to CZK 1.7 million and interest income amounted to CZK 1.1 million in the reporting period.

Four SG subsidiaries held term deposits (including depository bills) with KB during the reporting period. The average monthly balance of these deposits was CZK 533.0 million in the reporting period. The aggregate amount of interest expenses from term deposits (including depository bills) was CZK 8.9 million for the reporting period.

Nostro, loro, current, term and overdraft accounts of related entities were maintained under standard terms and conditions.

Loan Arrangements

In the loan segment, KB provided 466 loans in the aggregate amount of CZK 9,568.1 million at the end of the reporting period. The average balance of the loans during the reporting period was CZK 10,602.1 million. The aggregate amount of interest income was CZK 671.3 million.

At the end of the reporting period, KB provided one entity from the SG Group with confirmed export letters of credits in the amount of CZK 3.3 million, two entities were provided with bank guarantees (payment, non-payment) in the amount of CZK 74.4 million, and the statement of guarantee was provided to two entities in the amount of CZK 519.5 million. The aggregate amount of income arising from the fees for the issued guarantees was CZK 0.5 million in the reporting period. As of 31 December 2009, commitments to extending loans, opening letters of credit and unutilised overdraft limits were provided to three subsidiaries of the SG Group in the total amount of CZK 6,079.8 million.

At the end of the reporting period, KB received guarantees from eight SG Group entities as collateral for the loans provided to clients in the aggregate amount of CZK 13,984.9 million. The aggregate amount of expense fees for received guarantees in the reporting period amounted to CZK 13.6 million.

Investment Banking Arrangements

In the investment banking segment, KB carried out transactions with 13 branches and subsidiaries from within the SG Group. The total number of transactions was 12,590. The aggregate amount of on-balance sheet transactions was CZK 506,858.8 million and off-balance sheet transactions was CZK 597,469.2 million, of which:

(a) Foreign currency transactions (spots, forwards, swaps) were realised in the total number of 3,957 transactions in the aggregate amount of CZK 279,385 million;
(b) Interest rate derivative transactions (interest rate swaps and futures) were realised in the total number of 1,257 transactions in the aggregate amount of CZK 248,055.1 million;
(c) Option transactions with foreign currency instruments were realised in the total number of 4,241 transactions in the aggregate amount of CZK 55,036.5 million;
(d) Depository transactions – KB implemented 1,892 transactions in the amount of CZK 451,238.1 million;
(e) Securities held for trading – a total of 558 transactions in the amount of CZK 55,620.7 million;
(f) Commodity transactions were realised only with SG Paris; KB implemented 425 transactions in the amount of CZK 7,564.3 million; and
(g) Emission allowance transactions – KB realised a total of 260 transactions in the aggregate amount of CZK 7,428.2 million with SG Paris during the reporting period.

All of the banking products were provided under standard terms and conditions, according to KB's price list, taking into consideration the creditworthiness of individual clients under conditions customary in business or interbank transactions. None of these transactions were carried out at the instruction of the controlling entity. KB incurred no damage as a result of banking transactions entered into during the reporting period.

Other Arrangements

I. Contracts and Agreements Entered into during the Reporting Period

Type of agreement (or the subject matter of the agreement – if not clear from the name of the agreement)	Contractual party	Performance by KB	Counter-performance	Damage incurred by KB
Contract for the lease of non-residential premises	ALD Automotive s.r.o	Lease of non-residential premises	Lease	None
Custody contract including Amendment No. 1	IKS KB a.s.	Provision of custody	Contractual fee	None
Depository contract for KB fund: Private administration of assets 2 (open-ended mutual fund)	IKS KB a.s.	Provision of depository services	Contractual fee	None
Depository contract for KB fund: Private administration of assets 4 (open-ended mutual fund)	IKS KB a.s.	Provision of depository services	Contractual fee	None
Framework contract for conditions of provision of banking and financial services and conditions of depository services including Amendment No. 1	IKS KB a.s.	Provision of banking and financial services and depository services	Contractual fee	None
Framework treasury contract	IKS KB a.s.	Conclusion of derivative transactions (swap, option, forward)	Contractual fee	None
Contract for the lease of non-residential premises	IKS KB a.s.	Lease of the part of part of non-residential premises	lease	None
Contract for the settlement of transfers of securities	IKS KB a.s.	Settlement of securities transactions for IKS mutual funds on the Czech market	Contractual fee	None
Custody contract for VITAL INVEST FORTE	Komerční pojišťovna, a.s.	Administration of securities	Contractual fee	None
Amendment No. 1 to the Framework contract for distribution	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Amendment No. 1 to the Contract for cooperation as part of the group VAT registration	Komerční pojišťovna, a.s.	Representation of members of the group in relation to VAT payments	Contractual fee	None
Amendments No. 1 and 2 to the Contract for collective insurance of consumer loans	Komerční pojišťovna, a.s.	Insurance premium	Provision of insurance	None

Type of agreement (or the subject matter of the agreement – if not clear from the name of the agreement)	Contractual party	Performance by KB	Counter-performance	Damage incurred by KB
Amendments No. 2 and 3 to the Contract for mediation of Risk life insurance of mortgages	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Amendment No. 2 to the Contract for the collective insurance for KB credit cards	Komerční pojišťovna, a.s.	Insurance premium	Provision of insurance	None
Amendment No. 3 to the Contract for the mediation of Risk Life Insurance of Mortgage Loans	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Amendment No. 4 to the Contract for the collective insurance for MC, VISA and American Express payment cards	Komerční pojišťovna, a.s.	Insurance premium	Provision of insurance	None
Amendment No. 5 to the Contract for mediation of the sale of VITAL INVEST	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Amendment No. 8 to the Insurance contract for group insurance of persons	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Framework contract for trading on the financial market	Komerční pojišťovna, a.s.	Conclusion of repurchase transactions and collateralised by the transfer of securities	Contractual fee	None
Framework contract for concluding term deposits with an individual interest rate	Komerční pojišťovna, a.s.	Conclusion and maintenance of term deposits	Contractual fee	None
Service Level Agreement	Komerční pojišťovna, a.s.	Sharing of internet services	Contractual fee	None
Contract for the collective insurance for payment cards No. 1 a 2	Komerční pojišťovna, a.s.	Insurance premium	Provision of insurance	None
Contract for the collective insurance for loans	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Contract for the collective insurance of purchase of goods for credit cards	Komerční pojišťovna, a.s.	Insurance premium	Provision of insurance	None
Contract for the collective insurance of MERLIN and PROFI MERLIN including Amendment No. 1	Komerční pojišťovna, a.s.	Insurance premium	Provision of insurance	None
Contract for provision of services in the system of short-term bonds	Komerční pojišťovna, a.s.	Provision of services in the system of short-term bonds	Contractual fee	None
Contract for acceptance of electronic payments through the Mojeplatba service	Komerční pojišťovna, a.s.	Acceptance of electronic payments	Fees according to the price list	None
Contract for cooperation in organising a contest	Komerční pojišťovna, a.s.	Organisation of a contest for bank advisors	Contractual fee	None
Contract for the issuance and use of the company certificate	Komerční pojišťovna, a.s.	Issuance of the company certificate	Fees according to the price list	None
Contract for the mediation of sale of VITAL PREMIUM	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Contract for the mediation of the Brouček product	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Contract for the mediation of VITAL PLUS including Amendments No. 1 a 2	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Purchase Contract	Komerční pojišťovna, a.s.	Sale of the Epson DFX printer	Purchase price	None
Cooperation Contract	Komerční pojišťovna, a.s.	Valuation of investment instruments	Contractual fee	None
Agreement on the payment of salary compensation for provision of vacation upon the change in employment of an employee	Komerční pojišťovna, a.s.	Approval of the provision of vacation to an employee	Payment of the salary compensation for vacation days	None
Contract for the issuance and use of payment cards	Komerční pojišťovna, a.s.	Issuance of the payment card	Fees according to the price list	None
Agreement	ORBEO	Framework agreement which stipulates contractual relations in transactions with emission allowances	Contractual fee	None

Type of agreement (or the subject matter of the agreement – if not clear from the name of the agreement)	Contractual party	Performance by KB	Counter-performance	Damage incurred by KB
Credit Support Annex	ORBEO	Transactions with financial collateral to collateralise transactions with emission allowances	Contractual fee	None
ISDA Master Agreement	ORBEO	Transactions with emission allowances	Contractual fee	None
Contract for the lease of non-residential premises	SG Equipment Finance Czech Republic s.r.o.	Lease of non-residential premises	Lease	None
Contract for the provision of purchases or sales of securities	SG Equipment Finance Czech Republic s.r.o.	Mediation of the purchase and sale of securities traded on the Czech or foreign market	Contractual fee	None
5x Agreement relating to the Structured product	SG Paris	Mediation of sale or subscription of the structured product	Contractual fee	None
Bankers Blanket Bond	SG Paris	Insurance premium	Banking risk insurance	None
Business Interruption	SG Paris	Insurance premium	Insurance of business interruption	None
Credit Support Annex	SG Paris	Transactions with financial collateral to collateralise transactions with emission allowances	Contractual fee	None
Directors & Officers Liability	SG Paris	Insurance premium	Liability insurance for the members of the Board of Directors	None
Professional Indemnity	SG Paris	Insurance premium	Liability insurance	None
Custody Account Agreement	SG Warszawa	Fees according to the price list	Custody services (administration and settlement) of securities	None
Service Level Agreement	SG Warszawa	Fees according to the price list	Custody services (administration and settlement) of securities	None

II. Performance Received and Provided during the Reporting Period under Contracts Entered into in Prior Reporting Periods

Type of agreement (or the subject matter of the agreement if not clear from the name of the agreement)	Contractual party	Performance by KB	Counter-performance	Damage incurred by KB
Framework agreement on the lending of cars	ALD Automotive s.r.o.	Lease instalments	Full service lease, finance lease, sale of cars	None
4x Contract for the lease of non-residential premises	ALD Automotive s.r.o.	Provision of non-residential premises	Lease	None
Contract for cooperation	ALD Automotive s.r.o.	Mediation of the finance lease as part of "KB Fleet Lease"	Contractual fee	None
Evaluation contract	ECS International Czech Republic s.r.o.	Lease instalments	Lease of computers	None
Service Level Agreement	European Fund Services S.A.	Mediation of the purchase of securities	Settlement of securities transactions	None
Agreement on shareholders register services	IKS KB a.s.	Cooperation in administration of cross-border funds	Cooperation in administration of cross-border funds	None
Confidentiality Agreement	IKS KB a.s.	Confidentiality relating to administration of investment instruments	Provision of confidential information	None
Distribution contract including amendments	IKS KB a.s.	Mediation of the sale of participation certificates	Contractual fee	None
General Agreement	IKS KB a.s.	Cooperation in distribution, marketing, communication and processing of data	Contractual fee	None
Licence agreement	IKS KB a.s.	Provision of the KB trade mark	Contractual fee	None
Framework contract on the temporary allocation of employees	IKS KB a.s.	Allocation of employees	Contractual fee	None

Type of agreement (or the subject matter of the agreement if not clear from the name of the agreement)	Contractual party	Performance by KB	Counter-performance	Damage incurred by KB
Framework contract for trading on the financial market	IKS KB a.s.	Conclusion of repurchase and buy and sell back transactions	Conclusion of repurchase and buy and sell back transactions	None
Framework contract for the payment of services	IKS KB a.s.	Provision of depository services and other services for mutual funds	Contractual fee	None
Framework contract on securing a cash receivable through the transfer of securities	IKS KB a.s.	Conclusion of repurchase and buy/sell transactions	Contractual fee	None
Framework contract for the purchase and sale of foreign securities	IKS KB a.s.	Purchase or sale of securities tradable on foreign markets for mutual funds	Contractual fee	None
Framework Treasury contract	IKS KB a.s.	Conclusion of derivative transactions (swap, option, forward)	Contractual fee	None
2x Contract for the lease of non-residential premises	IKS KB a.s.	Lease of non-residential premises	Lease	None
Contract for administration and settlement of transactions with securities and administration of securities	IKS KB a.s.	Provision of custody	Contractual fee	None
Contract for the provision of purchases or sales of securities	IKS KB a.s.	Provision of purchases or sales of securities for IKS KB mutual funds	Contractual fees	None
Contract for the provision of purchases or sales of securities	IKS KB a.s.	Provision of transactions for clients of IKS KB	Contractual fee	None
Contract for the provision of services on the short-term bonds market	IKS KB a.s.	Services on the market of short-term bonds for the IKS mutual funds	Contractual fee	None
Contract for the custody, administration and settlement of transactions with investments	IKS KB a.s.	Custody, administration and settlement of investment transactions	Contractual fee	None
Contracts for the provision of custody for funds: KB Kapitál dynamický fond, KB Kapitál růstový fond, KB Kapitál konzervativní fond and Protos, uzavřený investiční fond	IKS KB a.s.	Provision of custody	Contractual fee	None
Contract for the provision of depository services	IKS KB a.s.	Depository services for individual funds of IKS KB	Contractual fee	None
Agreement including amendments	IKS KB a.s. and EURO – VL Luxemburg SA	Contractual fees	Maintenance of accounts in favour of KB as a depositary of the IKS KB funds	None
Contract for cooperation	Komerční pojišťovna, a.s.	Cooperation in the development of products and other business activities	Cooperation in the development of products and other business activities	None
Agreement on sending electronic notices about clearing operations	Komerční pojišťovna, a.s.	Sending electronic notices about clearing operations	Fees according to the price list	None
Licence agreement	Komerční pojišťovna, a.s.	Provision of the KB trade mark	Contractual fee	None
Insurance contract for the group insurance of persons	Komerční pojišťovna, a.s.	Insurance premium	Provision of insurance premium	None
Insurance contract – insurance of risks arising from the abuse of payment cards	Komerční pojišťovna, a.s.	Insurance premium	Provision of insurance and insurance benefits	None
Framework contract for distribution	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Framework contract for processing of personal data	Komerční pojišťovna, a.s.	Processing of personal data	Provision of data	None
Framework contract for Spektrum insurance programme as amended by Amendment No.1	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Contract for the investment advisory	Komerční pojišťovna, a.s.	Provision of investment advisory	Contractual fee	None
Contract for the collective insurance for MC, VISA and AMERICAN EXPRESS credit cards	Komerční pojišťovna, a.s.	Insurance premium	Provision of the insurance premium	None
Contract for the collective insurance PATRON as amended by Amendment No. 1	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Contract for the provision of call centre services	Komerční pojišťovna, a.s.	Provision of call centre services	Contractual fee	None

Type of agreement (or the subject matter of the agreement if not clear from the name of the agreement)	Contractual party	Performance by KB	Counter-performance	Damage incurred by KB
Contract for the acceptance of payment cards - internet	Komerční pojišťovna, a.s.	Acceptance of payment cards	Fees according to the price list	None
Contract for the cooperation in the group registration for VAT	Komerční pojišťovna, a.s.	Representation of group members in respect of VAT payments	Contractual fee	None
Contract for cooperation in providing insurance to EC/MC and VISA credit cards including amendments	Komerční pojišťovna, a.s.	Mediation of insurance premium	Commission	None
Contract for cooperation in providing insurance to AMERICAN EXPRESS credit cards including amendments	Komerční pojišťovna, a.s.	Mediation of insurance premium	Commission	None
Contract for cooperation	Komerční pojišťovna, a.s.	Provision of services	Provision of services	None
Contract for the mediation of PATRON and PROFI PATRON	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Contract for the mediation of MERLIN a PROFI MERLIN	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Contract for the mediation of the sale of VITAL INVEST including amendments	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Contract for the mediation of Risk life insurance of mortgages	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Contract for the mediation of TRAVEL INSURANCE	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Contract for the mediation of VITAL, VITAL GRANT and VITAL PLUS	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Contract for the lease of non-residential services (Jihlava, Brno, Hradec Králové, Ostrava)	Komerční pojišťovna, a.s.	Lease of non-residential premises	Lease	None
Contract for the business representation in the sale of products in the VITAL and VITAL PLUS programme	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Contract for the mediation of RISK LIFE FOR MORTGAGE LOANS	Komerční pojišťovna, a.s.	Mediation of the conclusion of insurance contracts	Commission	None
Contract for the maintenance of payroll records	Komerční pojišťovna, a.s.	Maintenance of payroll records	Contractual fee	None
Contract Bank Agreement	LIAM	Mediation of the sale of participation certificates	Commission	None
Distribution Agreement	LIAM	Mediation of the sale of participation certificates	Commission	None
Clearing Agreement	Newedge Group (Frankfurt branch)	Fees according to the price list	Settlement of transactions with investment instruments concluded by KB on the EUREX or OTC	None
Derivative Commission List	Newedge Group (Frankfurt branch)	Fees according to the price list	Conclusion and settlement of derivative transactions	None
Full Service Agreement	Newedge Group (Frankfurt branch)	Fees according to the price list	Transactions with securities and forward transactions	None
General Agreement on securities	Newedge Group (Frankfurt branch)	Fees according to the price list	Lending of securities	None
Master Netting Agreement	Newedge Group (UK branch)	Transactions with commodity futures	Fees according to the price list	None
Agreement on KB Call centre services	SG Equipment Finance Czech Republic s.r.o.	Provision of Call centre services	Contractual fee	None
Master Guarantee Agreement	SG Equipment Finance Czech Republic s.r.o.	Provision of a guarantee	Contractual fees	None
Contract for the lease of non-residential premises	SG Equipment Finance Czech Republic s.r.o.	Lease of non-residential premises	Lease	None
Contract for cooperation	SG Equipment Finance Czech Republic s.r.o.	Mediation of the finance lease as part of “KB Leasing“	Mediation fees	None
Appointment Letter of Process Agent including amendment	SG London	Free of charge	Provision of information as to whether a lawsuit has been filed against KB in the UK	None

Type of agreement (or the subject matter of the agreement if not clear from the name of the agreement)	Contractual party	Performance by KB	Counter-performance	Damage incurred by KB
Terms for Business for Treasury Equities, Derivates and Fixed Income Products	SG London	Free of charge	Business conditions for provision of investment services	None
Appointment of process agent for Komerční banka, a.s. including the amendment	SG New York	Free of charge	Provision of information as to whether a lawsuit has been filed against KB in the USA	None
Service Level Agreement	SG New York	Fees according to the price list	Processing of payments	None
ACPI – subscribing product of SG on KB points of sale	SG Paris	Mediation of the sale of selected SG products	Contractual fee	None
Agreement	SG Paris	Contractual fee	Provision of advisory services in the HR department	None
Agreement relating to the intermediation in the sale of market products linked to investment banking activity in the Czech Republic	SG Paris	Mediation of the sale of derivative financial instruments	Contractual fee	None
Agreement relating to the use of the Class Custody Tool	SG Paris	Contractual fee	Provision of custody	None
Cash letter service agreement	SG Paris	Clearing of cheques	Issuance of cheques	None
Contingency agreement	SG Paris	Free of charge	Adjustment of conditions of the payment operations in n the case of accident or non-operations of SWIFTU	None
Custodian Services Agreement	SG Paris	Contractual fees	Provision of custody	None
Custody contract	SG Paris	Administration of securities traded on a stock exchange	Fees according to the price list	None
Amendment to Sub-Custodian service agreement KB Ametyst 2 and KB Ametyst 3	SG Paris	Contractual fee	Provision of custody	None
Amendment to Sub-Custodian service agreement KB Kapitál konzervativní and KB Kapitál růstový	SG Paris	Contractual fee	Provision of custody	None
EUR Account Maintenance & Clearing Service Agreement	SG Paris	Fees according to the price list	Conditions and terms for the maintenance of and payments related to KB's NOSTRO account denominated in EUR	None
Hosting contract	SG Paris	Contractual fee	Data processing	None
ISDA Master Agreement	SG Paris	Fees	Mediation of transactions with all types of derivative financial instruments on the interbank market	None
ISDA Master Agreement	SG Paris	Mediation of transactions with emission allowances	Contractual fee	None
LABO Agreement	SG Paris	Fees according to the price list	Review of swift reporting in terms of money laundering activities, funding of terrorism and other restrictions (embargos)	None
Agreements and contracts relating to the provision of management and advisory services "Management Support Agreement" (including Amendments No. 1 and 2)	SG Paris	Contractual fee	Provision of management and advisory services	None
Service Agreement – SNAP services	SG Paris	Fees	Transfer of swift reports	None
Service Level Agreement	SG Paris	Fees according to the price list	Contract for the mediation of foreign payments	None
Service Level Agreement	SG Paris	Administration of benefits of expats	Administration of benefits of expats	None
SG Paris – Pay Away	SG Paris	Free of charge	Mediation of foreign payments at the payer's order to selected African countries	None
SG Paris – Sure Pay	SG Paris	Free of charge	Contract for the mediation of payments to selected Euro zone countries	None

Type of agreement (or the subject matter of the agreement if not clear from the name of the agreement)	Contractual party	Performance by KB	Counter-performance	Damage incurred by KB
SG Paris – Word Pay	SG Paris	Fees	Processing and transfer of payments	None
Contract for the provision of communication services	SG Paris	Fees	Provision of communication services	None
Contract for Cooperation	SG Paris	Determining of framework conditions in the cooperation in the internal audit	Determining of framework conditions in the cooperation in the internal audit	None
Sub-Custodian Service Agreement	SG Paris	Contractual fee	Administration of securities traded in France	None
Sub-Custodian Service Agreement	SG Paris	Contractual fee	Custody for mutual funds	None
Subordinated Loan Agreement	SG Paris	Interest	Provision of the subordinated debt	None
SG – LABO Agreement	SG Paris	Fees	Review of swift reporting in terms of money laundering activities, funding of terrorism and other restrictions (embargos)	None
Agreements relating to the Structured Product	SG Paris	Mediation of the sale or subscription of structured products	Commission	None
Clearing Agreement	SG Zürich	Fees according to the price list	Maintenance of nostro account	None
Notification Regarding Global Data Sharing	SG Zürich	Provision of client data	Processing of client data	None
Brokerage Conformity Agreement	SG Asset Management Alternative Investments	Distribution of securities issued by SGAM FUND in the Czech Republic	Contractual fee	None
Contact Bank Agreement	SG Asset Management Alternative Investments	Mediation of the sale of securities	Contractual fee	None
Distribution Agreement	SG Asset Management Alternative Investments	Mediation of the sale of securities	Contractual fee	None
EURO Medium Term Note Master Purchase Agreement	SG Asset Management Alternative Investments	Contractual fee	Securities transactions	None
Introduction Broker Agreement	SG Asset Management Alternative Investments	Mediation of purchases of SGAM funds	Contractual fee	None
Contract for the lease of non-residential premises	SOGEPROM s.r.o.	Lease of non-residential premises	Lease	None

B. Other Legal Acts Implemented by the Bank in the Interest of the Controlling Entity and Other Related Entities

Pursuant to a decision of the General Meeting held on 29 April 2009, the shareholder, SG Paris, received dividends for the year ended 31 December 2008 in the aggregate amount of CZK 4,151,623,968.00.

On the basis of an agreement to purchase bonds entered into with SG Paris, KB received interest of 4.2719 percent p.a., that is, CZK 321.9 million, for the year ended 31 December 2009.

C. Measures Taken or Implemented by the Bank in the Interest of or at the Initiative of the Controlling Entity and Other Related Entities

During the reporting period, KB did not take or implement any measures that would be in the interest of or at the initiative of the related entities.

III. Conclusion

The Bank's Board of Directors has reviewed all arrangements put in place between the Bank and the related entities during the reporting period and states that the Bank incurred no damage as a result of any contracts, agreements, any other legal acts or any other measures taken or implemented by the Bank in the reporting period.

In Prague on 26 February 2010

Henri Bonnet
Chairman of the Board of Directors
Komerční banka, a.s.

Peter Palečka
Member of the Board of Directors
Komerční banka, a.s.

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KB

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