Komerční banka, a.s.

CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

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INDEPENDENT AUDITOR'S REPORT FOR THE SHAREHOLDERS OF KOMERČNÍ BANKA, a.s.

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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:

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

Statutory auditor:

Diana Rádl Rogerová
certificate no. 2045

Consolidated Income Statement and Statement of Comprehensive Income

Year ended 31 December 2009

Consolidated income statement for the year ended 31 December 2009	Note	Year ended 31 Dec 2009 CZKm	Year ended 31 Dec 2008 CZKm
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	Note	2009 (CZKm)	2008 (CZKm)
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

Year ended 31 December 2009

	Note	**31 Dec 2009 CZKm**	31 Dec 2008 CZKm
Assets			
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

Year ended 31 December 2009

	Share capital CZKm	Capital and reserve funds and undistributed profit* CZKm	Hedging instruments CZKm	Revaluation gains or losses CZKm	Revaluation of available-for-sale financial assets CZKm	Total CZKm	Minority interest CZKm	Total, including minority interest CZKm
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

Year ended 31 December 2009

	Year ended 31 Dec 2009 CZKm	**Year ended 31 Dec 2009 CZKm**	Year ended 31 Dec 2008 CZKm	Year ended 31 Dec 2008 CZKm
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.

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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 Investment 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.	100.0	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 Investment 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 spořitelny, 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 Crowns (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 CNs 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 recognise impairment trough 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 cashflow 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).

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 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.
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 Investment, 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

	Retail banking		Corporate banking		Investment banking		Other		Total	
(CZKm)	**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:

	Year ended 31 Dec 2009 CZKm	Year ended 31 Dec 2008 CZKm
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:

	Year ended 31 Dec 2009	Year ended 31 Dec 2008 CZKm
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:

	Year ended 31 Dec 2009 CZKm	Year ended 31 Dec 2008 CZKm
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:

	Year ended 31 Dec 2009 CZKm	Year ended 31 Dec 2008 CZKm
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:

	Year ended 31 Dec 2009 CZKm	Year ended 31 Dec 2008 CZKm
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:

	Year ended 31 Dec 2009 CZKm	Year ended 31 Dec 2008 CZKm
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:

	Year ended 31 Dec 2009 CZKm	Year ended 31 Dec 2008 CZKm
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:

	Year ended 31 Dec 2009 CZKm	Year ended 31 Dec 2008 CZKm
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

	Year ended 31 Dec 2009 CZKm	Year ended 31 Dec 2008 CZKm
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:

	Year ended 31 Dec 2009 CZKm	Year ended 31 Dec 2008 CZKm
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:

	Year ended 31 Dec 2009 CZKm	Year ended 31 Dec 2008 CZKm
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:

	Year ended 31 Dec 2009 CZKm	Year ended 31 Dec 2008 CZKm
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:

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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.

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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:

	31 Dec 2009 Fair value CZKm	**31 Dec 2009 Cost CZKm**	31 Dec 2008 Fair value CZKm	31 Dec 2008 Cost CZKm
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:

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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:

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

Emission allowances held for trading at fair value comprise:

Emission allowances	**31 Dec 2009 CZKm**	31 Dec 2008 CZKm
- Other currencies	0	212
Total emission allowances held for trading	**0**	212

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

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

Debt trading securities at fair value comprise:

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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:

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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:

	31 Dec 2009 Fair value CZKm	**31 Dec 2009 Cost CZKm**	31 Dec 2008 Fair value CZKm	31 Dec 2008 Cost CZKm
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:

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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:

Shares and participation certificates available for sale issued by:	**31 Dec 2009 CZKm**	31 Dec 2008 CZKm
- 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:

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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:

Debt securities available for sale issued by:	31 Dec 2009 CZKm	31 Dec 2008 CZKm
- 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:

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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:

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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 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 2 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:

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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:

	Gross receivable CZKm	**Collateral applied CZKm**	**Net exposure CZKm**	**Provisions CZKm**	**Carrying value CZKm**	**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:

	Gross receivable CZKm	**Collateral applied CZKm**	**Net exposure CZKm**	**Provisions CZKm**	**Carrying value CZKm**	**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):

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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:

	Total client loan collateral 31 Dec 2009 CZKm	**Discounted client loan collateral value 31 Dec 2009 CZKm**	**Applied client loan collateral value 31 Dec 2009 CZKm**	Total client loan collateral 31 Dec 2008 CZKm	Discounted client loan collateral value 31 Dec 2008 CZKm	Applied client loan collateral value 31 Dec 2008 CZKm
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

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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:

	31 Dec 2009 Carrying value CZKm	**31 Dec 2009 Cost* CZKm**	31 Dec 2008 Carrying value CZKm	31 Dec 2008 Cost* CZKm
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:

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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:

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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:

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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:

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

	Group's ownership interest	**31 Dec 2009**	**31 Dec 2009**	31 Dec 2008	31 Dec 2008
	%	**CZKm**	**CZKm**	CZKm	CZKm
Subsidiaries		**Cost of investment**	**Net book value**	Cost of investment	Net book value
ALL IN REAL ESTATE LEASING, a. s.	100.00	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.	49.00	482	603	482	546
CBCB - Czech Banking Credit Bureau, a. s.*	20.00	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	**2009 Assets CZKm**	**2009 Net operating income CZKm**	**2009 Profit CZKm**	2008 Assets CZKm	2008 Not operating income CZKm	2008 Profit CZKm
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:

	Internally generated assets CZKm	Software CZKm	Other intangible assets CZKm	Acquisition of assets CZKm	Total CZKm
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:

	Land	Buildings	Fixtures, fittings and equipment	Acquisition of assets	Total
	CZKm	CZKm	CZKm	CZKm	CZKm
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.

	31 Dec 2009	31 Dec 2008
	CZKm	CZKm
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:

	31 Dec 2009	31 Dec 2008
	CZKm	CZKm
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:

	31 Dec 2009	31 Dec 2008
	CZKm	CZKm
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:

	31 Dec 2009	31 Dec 2008
	CZKm	CZKm
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 - businessmen	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:

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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 CZKm**	**31 Dec 2008 CZKm**
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	3 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:

	31 Dec 2009	31 Dec 2008
	CZKm	CZKm
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:

	31 Dec 2009	31 Dec 2008
	CZKm	CZKm
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:

	31 Dec 2009	31 Dec 2008
	CZKm	CZKm
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:

	1 January 2009	Additions	Disposals	Accrual	Foreign exchange difference	**31 Dec 2009**
	CZKm	CZKm	CZKm	CZKm	CZKm	CZKm
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:

	31 Dec 2009	31 Dec 2008
	CZKm	CZKm
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:

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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

	31 Dec 2009 CZKm	31 Dec 2008 CZKm	Change in the year CZKm
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:

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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:

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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:

Company	31 Dec 2009 CZKm	31 Dec 2008 CZKm
ALD Automotive Czech Republic, s. 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. 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:

Company	31 Dec 2009 CZKm	31 Dec 2008 CZKm
ALD Automotive Czech Republic, s. 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 Amsterodam	0	4
SG Consumer Finance d.o.o.	12	3
SG Cyprus LTD	30	25
SG Equipment Finance Czech Republic, s. 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:

	31 Dec 2009 CZKm	31 Dec 2008 CZKm
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 Director□s 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.

	Year ended 31 Dec 2009 CZKm	Year ended 31 Dec 2008 CZKm
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

	Year ended 31 Dec 2009 CZKm	Year ended 31 Dec 2008 CZKm
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:

	Total exposure			Applied collateral		
	Statement of financial position CZKm	Off-balance sheet* CZKm	**Total credit exposure CZKm**	Statement of financial position CZKm	Off-balance sheet* CZKm	**Total collateral CZKm**
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:

	Total exposure			Applied collateral		
	Statement of financial position CZKm	Off-balance sheet* CZKm	**Total credit exposure CZKm**	Statement of financial position CZKm	Off-balance sheet* CZKm	**Total collateral CZKm**
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:

	Loans before due date CZKm	Past due loans that were not provisioned: 1 to 29 days CZKm	30 to 59 days CZKm	60 to 89 days CZKm	90 days to 1 year CZKm	Over 1 year CZKm	**Total CZKm**	**Total CZKm**
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:

	Loans before due date CZKm	Past due loans that were not provisioned: 1 to 29 days CZKm	30 to 59 days CZKm	60 to 89 days CZKm	90 days to 1 year CZKm	Over 1 year CZKm	**Total CZKm**	**Total CZKm**
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 on-line 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:

	Notional value		Notional value		**Fair value**		Fair value	
	2009 Assets CZKm	**2009 Liabilities CZKm**	2008 Assets CZKm	2008 Liabilities CZKm	**2009 positive CZKm**	**2009 negative CZKm**	2008 positive CZKm	2008 negative CZKm
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:

	Up to 1 year CZKm	1 to 5 years CZKm	Over 5 years CZKm	Total CZKm
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:

	Notional value		Notional value		**Fair value**		Fair value	
(CZKm)	**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:

(CZKm)	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.

Assets	Up to 3 months CZKm	3 months to 1 year CZKm	1 year to 5 years CZKm	Over 5 years CZKm	Undefined CZKm	Total CZKm
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 2T 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 bb to 25 - 30 bb. The 2T 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 bb. 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 bb in the second half of the year.

The EUR rates of the monetary market slightly decreased by 130 bb during the year. At the end of the year, they were lower by 20 bb 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 bb on average when the monthly rate decreased by more than 20 bb to 0.20 percent. The rates of the derivative market increased by 100 bb.

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

	Fixed interest rate 2009 CZKm	**Floating interest rate 2009 CZKm**	**No interest 2009 CZKm**	**Total 2009 CZKm**	Fixed interest rate 2008 CZKm	Floating interest rate 2008 CZKm	No interest 2008 CZKm	Total 2008 CZKm
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.

Assets	On demand up to 7 days CZKm	Up to 3 months CZKm	3 months to 1 year CZKm	1 year to 5 years CZKm	Over 5 years CZKm	Maturity undefined CZKm	Total CZKm
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.

(CZKm)	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:

	2009 Carrying value CZKm	**2009 Fair value CZKm**	2008 Carrying value CZKm	2008 Fair value CZKm
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:

(CZKm)	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**
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:

(CZKm)	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.