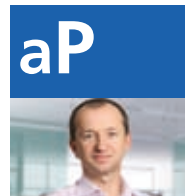
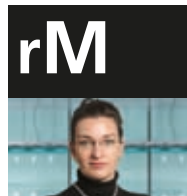
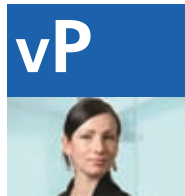
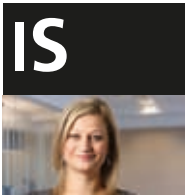


Our employees are *precious elements* –
our business is built on them and they
form the basis of Penzijní fond
Komerční banka's success.



KB

Penzijní fond

Profit after
taxes
726.8 CZK million

Market share in policy
holders' funds
13.29 percent

Total
contracts
501 thousand

Number of employees ensuring
the fund's operation
59 employees

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COMPANY PROFILE

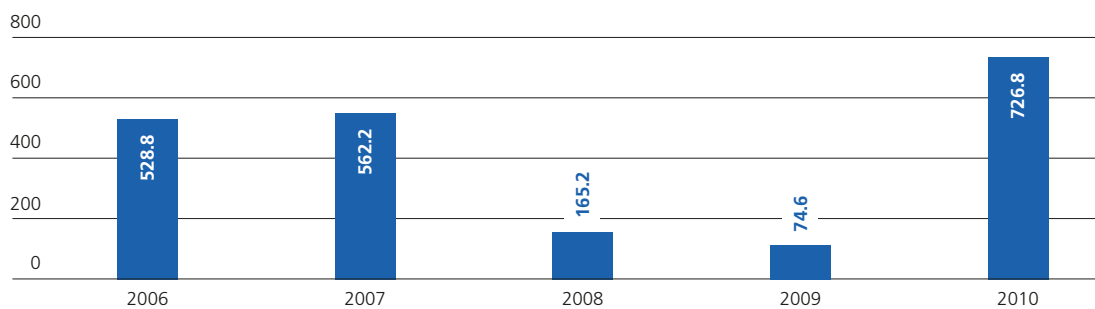
Penzijní fond Komerční banky has been active on the Czech market since 1994. It is a fully-owned subsidiary of Komerční banka and a member of the Société Générale Group. The PF KB goal is to administrate participant assets according to legal conditions regarding pension insurance and to ensure an acceptable level of yield while safeguarding all investment.

Penzijní fond Komerční banky, a.s. – PF KB – has been active on the Czech market since 1994. It is a fully-owned subsidiary of Komerční banka – KB – and a member of the Société Générale Group. Pension funds have as their goal the administration of policy holders' funds or participant assets according to legal conditions pertaining to pension insurance, and ensure an acceptable level of return with maximum investment safety. PF KB priorities are informational accessibility and openness along with a professional approach to helping clients achieve goals.

PF KB was established by KB on 27th July, 1994 as a joint-stock company offering pension insurance with state contributions according to law number 42/1994 Coll., which concerns pension insurance and state contributions.

PF KB is one of the biggest and most notable pension funds on the Czech market. Effectively carrying out business activities with the entrusted financial assets of its clients, PF KB is focused on long-term and stable returns for participant investment as well as effective cost management. A conservative investment strategy is therefore applied. PF KB provides a professional level of services both for participants and for employers, as well as for partners from a range of external agents.

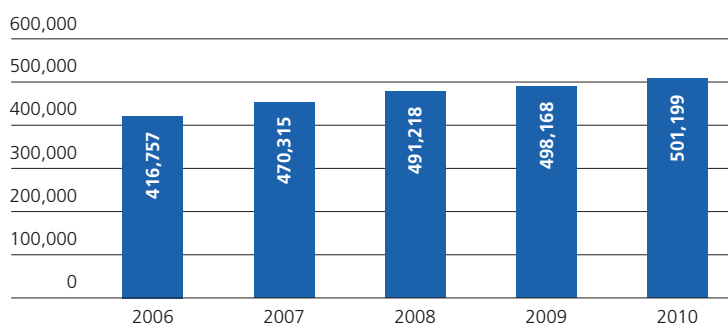
Development of business results (CZK millions)



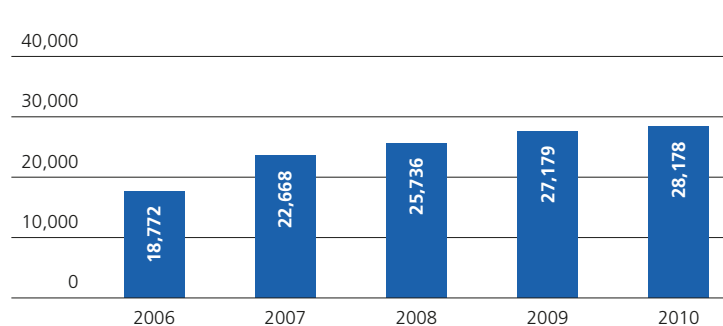
SELECTED ECONOMIC INDICATORS

	Units	2010	2009
Total assets	CZK	30,601,851	28,610,680
Share capital and capital funds	CZK	200,000	500,000
Total share capital	CZK	1,585,835	1,331,413
Profit after tax	CZK	726,815	74,606
Market share (number of participants)	%	10.91	11.14
Market share (policy holders' funds)	%	13.29	13.56
Managed funds (policy holders' funds)	CZK 000'	28,718,275	27,178,729
Number of contracts (active clients)	Number	501,199	498,168
Number of employees	Person	59	61
Moody's rating		Aa1.cz	Aa1.cz

Development of number of participants



Development of policy holders' funds (CZK millions)



A WORD OF INTRODUCTION FROM THE CHAIRMAN OF THE BOARD



Pavel Jiráček

Chairman of the Board of Directors
and Managing Director

Ladies and Gentlemen, Participants and Business Partners,

I am pleased to present you the 2010 results of Penzijní fond Komerční banky.

The supplementary pension insurance market has experienced positive development and has even grown, due to the currently high level of interest among Czechs in supplementary pension insurance. During 2010, more than 125 thousand new participants entered the market to increase the total number at year-end to nearly 4,600,000. More positive still is that there was even an increase in the total number of assets under management. By the end of 2010, approximately CZK 216 billion was credited in participant accounts in the whole Czech Pension Association – CZK 16 billion more than in 2009. In terms of percentages, the number of participants grew by 3% and the volume of assets under management by 8% – an extremely positive situation, given the difficult economic situation and high unemployment of 2010. It is, however, important to note that unemployment levels were manifest in a slight drop in the average participant contribution, down from the 2007/8 average of approximately CZK 450 to CZK 430 in 2010. Pension funds dealt well with ongoing problems on the financial markets. Over the past two years, pension fund profits had been very low but in 2010 the total market of funds succeeded in realizing a profit of roughly CZK 4.58 billion, the highest profit of the more than 15 year history of the pension fund market in the Czech Republic.

It is with pleasure that I state that our pension fund contributed significantly to market growth and that we managed to fulfill the business goals set for 2010. The total number of PF KB participants surpassed 500 thousand for the first time and, as of the end of the year, we had 501 199 participants. Thanks to that, we became the third-largest fund on the market. 54 thousand new participants were acquired a little less dynamic growth than last year, granted, but our target was achieved. Our total volume of assets under management grew in the past year by 6% to more than CZK 28.7 billion. Our market share in terms of number of participants remained around 11%, and our market share in assets under management was just over 13%.

The average monthly contribution to pension insurance by participants again reached more than CZK 500, significantly more than the average monthly contribution on the market.

We ought to be really proud of our financial results, because we achieved our highest profit ever: CZK 727 million. Our profit far surpassed expectations for 2010 and was the third highest on the market. Already in 2008 the financial crisis had made us decide to invest more conservatively and invest client funds into safer bonds. Our portfolio structure at the end of 2010 reflects our safer strategy: Almost 80% of investments were placed in Czech government bonds; Approximately 10% of investment was placed in international institution bonds such as the European Investment Bank as well as Polish and Slovak government bonds; Less investment was in corporate bonds such as Prague Airport or Telefonica O2; About 6% of investments were in term deposits.

Our conservative strategy is one of the three factors behind increased profit. The second is a higher than expected volume of policy holders' funds. And we must not forget the third factor, that is, the lowering of costs in all areas. Thanks to our record profit we were able to fulfill promises made to participants for 2010. Our profit enabled the Penzijní fond Komerční banky General Assembly to decide to give our participants 2.23% return on investment in 2010.

We are the only Czech pension fund co-operating with the Moody's rating agency. Our Moody's rating in 2010 was Aa1.cz once again, the highest rating attainable in the Czech Republic. Our rating confirms our positive results. It illustrates our financial strength, validates our investment strategy, and shows the trustworthiness of our participant relationships and the strength of our shareholder structure. The rating also confirms our ability to fulfill our commitments to pension insurance participants not only in 2010, but in the years to come.

One more 2010 event must also be mentioned, and that is that our results were even recognized on the international level. We received a respected award when the prestigious World Finance magazine acknowledged us as Pension Fund of the Year 2011, Czech Republic.

An international panel of experts valued in particular our stability, conservative investment strategy, financial strength and excellent 2010 results. A large role was also played by our consistent focus on increasing client satisfaction.

How will 2011 be? The most talked-about topic is pension system reform in the Czech Republic. As this introduction is being prepared, it was clear that after 15 years of discussion, the pension reform may actually be soon underway. I perceive a very strong political will both on the side of the government and among the parties in the governing coalition. Pension reform will not be accepted in the next three or four years but, rather, will have its effect felt in the coming decades. It is therefore necessary in that regard to reach the widest possible political consensus. I am optimistic at present as it would seem that reform will be realized and that there will be at least two areas of positive impact. The first is the diversification of our pension sources, because at present approximately 94% of pensions are paid by the state; Second, due to state of pension funding in the state budget, with a deficit of CZK 30 billion over the past two years, a deficit expected to grow in the future provided that reform is not realized, I assure you on behalf of Penzijní fond Komerční banky that we are very thoroughly preparing to meet challenges posed by changes resulting from pension reform. In this regard it is key for us to keep in mind the fact that current contract conditions, including all advantages and guarantees, will be valid for our current participants. The pension reform is expected to be in effect as of 1.1.2013.

In addition to our preparation for pension reform, in 2011 we will continue to fulfill our long-term goals and honour our commitments to our participants. We will apply our current successful strategy and focus, first and foremost, on the safe investment of the assets our clients have entrusted and are entrusting to us and we do not plan to change our investment strategy. We are convinced that our conservative investment strategy will bring interesting valuation in the long term.

We have prepared a range of novelties for our clients. At the end of last year we for example made extensive changes to our web pages and broadened internet access to participant accounts. At the moment,

participants have the possibility not only to check the balance of pension insurance accounts at any time, but are also able to make a range of changes such as address or level of contribution. In this, we are at the top among pension funds and our system is, moreover, directly linked to Komerční banka internet banking. In the future we will, in response to great interest among participants, extend spa and relaxation programmes. I would like also to mention synergies with Komerční banka, which introduced new credit card on the market in April of the past year. When a cardholder is also our participant, one percent from every card payment is transferred to the pension account of the holder.

A whole range of individuals shared in the excellent results we achieved. I would like most of all to thank our participants, who have chosen and trusted Penzijní fond komerční banky; I would thank those employers who contribute to employees and to our pension fund; and all of our business partners for the patronage we have been given. I would also be happy to thank our employees for their efforts. I would conclude by expressing my conviction that our co-operation will bring further success in 2011.

I wish all of you and Penzijní fond komerční banky the best of luck in 2011.



Pavel Jiráček

Chairman of the Board of Directors
and Managing Director

REPORT OF THE BOARD OF DIRECTORS: 2010 PF KB BUSINESS ACTIVITIES AND STATE OF ASSETS

Penzijní fond Komerční banky was named Pension Fund of the year 2011 in the Czech Republic by the prestigious World Finance magazine.

Fund Development Strategy and 2011 Perspective

The development strategy of Penzijní fond Komerční banky will doubtless be influenced in 2011 and in coming years by both the pension system reform being prepared in the Czech Republic and the implementation of changes expected in 2013. A significant element of the reform stands to be the transformation of existing pension funds into pension companies. Fund Boards of Directors will, within the framework of the Czech Pension Fund Association, play an active role in reform preparation. We will at the same time prepare the transformation of the fund in order to preserve existing advantages provided to our participants by the current system, within the framework of accepted legislation. Further, we will make the best possible use of all opportunities brought by the realization of pension reform. Within the framework of fund operations we will focus on the creation of long-term fund financial strength and stability; ensure long-term stable profit for participants; and strengthen our position on the market. We will with this strategy fulfill first and foremost our conservative approach to the investments of our participants with an emphasis on minimal investment risk, thorough control of expenses, active business policy and a professional approach to current and new participants. We will strive to continuously extend our base of satisfied participants and the volume of assets under management by means of providing quality services, sharing information regularly with our participants via innovative on-line access, and expanding our individual approach to clients.

In 2010 we achieved the highest profit ever in the history of the Fund. In comparison with 2009, our level of profit was increased in a fundamental way. Fund results during the last year were positively influenced namely by higher investment yield, growth in assets under management and, last but not least, thorough control of expenses. We at the same time succeeded in fulfilling the majority of our business goals. We are very pleased by the trust of our more than one half million participants, thanks to whom we became the third-largest fund on the market.

Our business strategy for 2011 is to maintain our share of the continuously growing market and to contribute to the preservation of current participants as well as to the acquisition of new participants, above all by providing quality services. We will moreover deepen our business co-operation with Komerční banka and other subsidiary companies in the SG/KB Group, namely with Modrá pyramida building saving and with Komerční pojišťovna. We will provide to our participants a complex offer of financial products and services from the whole SG/KB financial group. We will acquire new participants in co-operation with key external networks offering personal finance advisory. We will continue to maintain and cultivate the very positive relationships created in the past and now enjoyed with employers in corporate and accounting fields. We will continue to increase measures for improving relationships and communication with current participants and will focus on the protection of, and increase in, the total volume of assets under management. Business activities will be supported primarily by a massive marketing campaign to take place over the first half of the coming year. We will use to our best advantage the complex system of relationship management implemented in 2009. The system itself facilitates increased effectiveness and a higher quality individual client approach.

In asset management we will proceed consistently in accordance with the approved investment strategy of the Fund, whose priority is the minimalization of risk and the protection of the assets of participants. Furthermore, we will strengthen our professional approach to asset management by deepening co-operation with top specialists in the Société Générale financial group and Crédit Agricole, within the framework of Amundi, one of the largest asset management companies in Europe. We will make thorough use of the risk management system already implemented and currently being used in KB. We will in this way ensure a safe and stable return on participant investments. As in previous years, we will continue in the effective management of operating costs, including acquisition costs.

Most Notable Events of 2010

The most notable event of 2010 was undoubtedly the excellent business result of the Fund. A profit of CZK 727 million was reached the largest in Fund history, thanks mainly to the well-chosen investment and business strategy. The financial position of the Fund was positively influenced. By the end of 2010, the total share capital grew to more than CZK 1.5 billion. Nearly 54 thousand new participants joined our Fund. The volume of participant assets grew by nearly 6% to reach CZK 28.7 billion.

The very positive results of the Fund were even honoured on an international level. The prestigious World Finance magazine evaluated us as Pension Fund of the Year in the Czech Republic, 2011 by decision of a international jury of specialists. The jury valued in particular our stability, conservative investment strategy, financial strength, long-term focus on increasing participant satisfaction and the excellent results of last year.

The Moody's Central Europe rating agency again affirmed the high Aa1.cz rating of Penzijní fond Komerční banky in 2010. Our positive rating is a reflection of the conservative investment strategy of the Fund, its effective operation and the support of our mother company, Komerční banka, a.s. Our ranking takes into consideration the ability of the fund to fulfill yearly commitments to pension insurance participants within the framework of its investment portfolio.

The implementation of the new internet application webPFKB was a notable event. The application allows us to provide a wider range and ever better quality of services to current and new participants. The utilization of safe and modern internet technology makes the provision of direct channel maximally accessible. In a simple and quick way it is possible to carry out changes and make higher monthly contributions, change addresses and other pension insurance parameters. Linking the application with internet banking used by KB clients will be yet another step towards improving services provided to our participants in 2011.

Fund webpages also underwent a distinctive change. The goal of webpage revision was to increase clarity and user comfort for visitors.

Penzijní fond Komerční banky on the Market

By the end of 2010, the total number of pension insurance participants in the Czech Republic reached 4.6 million. The growth trend on the pension insurance market continued over the past year, although less dynamically than in previous years. Our pension Fund grew considerably. Our total number of participants grew by more than three thousand and, as of the end of December, 2010, reached 501,199 a figure representing an almost 11% market share. The total volume of participant assets in our pension fund grew by CZK 1.5 billion to CZK 28.7 billion and our market share dropped slightly to 13.3%.

The very positive results of the Komerční banka distribution network played a considerable role in the success of Penzijní fond Komerční banky in both indicators listed above. Our sister company, Modrá pyramida, also contributed to Fund results. The Modrá pyramida distribution network fully engaged not only in the mediation of new contracts, but also in the provision of quality services to current pension insurance participants.

The number of participants with employer's contribution was maintained at the high level of 120 thousand, even despite high unemployment and the ponderous situation present in all areas of the economy.

Business Activities

In business and marketing activities we have continued in our successful co-operation with Komerční banka and the whole KB financial group. Further, we intensively support the KB distribution network in all segments. We actively present the advantages of pension insurance and the stability of PF KB both to individuals and employers. The integration of potential customers into segments where it is possible to better identify reasons for entering into pension insurance was improved within the framework of our marketing strategy. The Fund respects and continues to develop the segment approach to clients employed at KB.

In marketing last year we kept up the proven and successful approach applied in previous periods. Our massive spring marketing campaign ensured that PF KB registered itself in the unconscious of a wide range of parties interested in pension insurance. Communication is focused mainly on the presentation of business results and evaluations received and, over the course of the entire year, tax advantages for employees and employers are communicated.

Penzijní fond komerční banky supplementary pension insurance is well-rounded by a comprehensive offer of products and services from throughout the Komerční banka financial group. Our goal is to provide more complex services to potential interested parties.

The PF KB distribution model – a decisive commitment to the Komerční banka distribution network both in the retail and employer segments, enlarged by co-operation with Modrá pyramida and external distribution networks – has proven to be effective. Despite an unfavourable external economic situation, a sufficient number of contracts were newly closed and current participants stabilized.

Business activities have recently been focused mainly on the stabilization of current participants by presenting the advantageous conditions of pension insurance with state contribution in the three pillar pension system being prepared. The main goal however will be to take advantage of excellent fund results in 2010 to acquire a large market share of the newly closed contracts of 2011.

Information Technology

The optimization of Penzijní fond Komerční banky operations continued during 2010 with the goal of achieving further, uninterrupted improvement and increased effectiveness of services provided. Client service quality continued to improve and a basis was created to enable us to successfully manage services provided to pension insurance participants on a high level in the future.

We have entered 53 634 new participant contracts in our system. 350 thousand letters were sent to participants and approximately 300 thousand new documents related to our participants were filed in our system. We have currently accepted 5.63 million participant contributions in the total value of CZK 4.49 billion. More than 120 thousand of our participants receive employer's contribution. In 2010, the volume of employer contributions exceeded CZK 918 million. In SDPF we achieved more than 5.8 million state contributions for our participants, with a total value of more than CZK 614 million. We paid 49 thousand allotments in the total value of CZK 2.87 billion. 514 thousand documents were collected in our electronic archive over the past year, bringing the total number to 4.24 million.

**PF KB has more
than 501 000
active participants.**

For improvement and increased effectiveness of participant services throughout the KB branch network, including the KB Telephone centre, a new version of the webPFKB internet application was developed and put into operation. The application uses cutting edge technology. Our users now have more information at their disposal, greater comfort, and are able to make changes in records. The safety of changes is ensured by SMS confirmation and authorization. An inseparable part of the application is its support of the business activities of our pension fund.

The application is now used by almost 400 KB branches and enables on-line access to our database for the more than 10 thousand PF KB participants who have internet access. Participants are able to be in contact with our Fund by means of this highly prospective channel. The number of participants interested in the service is growing and thereby validates the decision to build this comfortable and user-friendly means of access to our pension fund for our participants.

Further, in order to support Fund business activities, we successfully completed the development and implementation of a customer relationship management system, enabling the optimization of our business processes and greater effectiveness of business cases. The application is of great assistance in managing relationships with our clients.

Our information system has been on the whole consolidated. From both the technological and safety perspective, it is regularly updated. We continually modernize hardware and software and place emphasis on the safety of the information system as a whole. We are well-prepared to react in case of crisis situations and emphasize the minimalization of potential loss. We are also able to renew and ensure pension fund operations in supplemental areas in the event that the current locality is not accessible.

Human Resources

Again in 2010, the Fund was based on the activities of a stable and high-quality employee collective. Changes were made neither in management positions nor in the Board of Directors. Five new colleagues joined PF KB, most to replace women on maternity leave. The total number of employees at year-end was 59.

We strive to create ideal work conditions for employee activities and to offer interesting employee benefits. We pay close attention to education and employee and management development. Company leadership and individual sections may be considered a stabilizing element of Penzijní fond komerční banky, a.s.

We are continuing in beneficial co-operation with Komerční banka and Soci t  G n rale in many areas.

Comments on Business Results

All financial indicators demonstrated that Penzijní fond KB achieved very good results in 2010. Penzijní fond KB posted a profit of CZK 727 million in 2010, the highest in Fund history. Bonds and low operating costs played the main role in achieving positive results. Close monitoring of costs in recent years allowed Penzijní fond KB to lower expenses to 1.13%, from 1.52%. Total income reached + CZK 1,036 million and total costs were CZK 310 million. The General assembly decided on the profit distribution and the yield for participants amounting to 2.23% in April 2011.

Growth was again noted in funds credited to policy holders. The 5.8% increase from 2009 confirmed the stable position of PF KB on the pension insurance market. The total value of policy holders' funds reached CZK 28.74 billion as of the end of the year.

Share capital in 2010 was very stable, given greater stability on financial markets. As of the end of 2010, PF KB reported a level of shareholders' equity at CZK 1,586 million. Valuation reserves were positive as of year-end, with a value of CZK 319 million.

In the past year, Penzijní fond KB continued to follow its conservative investment policy. The majority of Penzijní fond KB portfolio was made up of safe Czech government bonds; A smaller portion was placed in international institution bonds (European Investment Bank), quality corporate bonds and term deposits. Thanks to the conservative composition of portfolio and income from bonds, returns were very stable. The European debt crisis influenced financial markets in 2010. Penzijní fond KB was not affected by the crisis, and government bonds from threatened states were not found in its portfolio.

Penzijní fond KB was not influenced by the European debt crisis in 2010

Deferred Expenses

In 2010 deferred expenses were lowered further, from CZK 620 million as of the end of 2009 to CZK 562 million at the end of 2010. The ratio of deferred expenses to participant assets dropped below 2%. The main reason for lowering was a drop in overall commissions paid in 2010, to under CZK 100 million. The abovementioned drop in the volume of paid commission created a strong base for further lowering of the volume of acquisition expenses in the coming years.

Overview of PF KB asset allocation as of 31st December, 2010	CZK millions	%
Bonds	27,839	93.7
Participation certificates	0	0
Term deposit's (Bank accounts)	1,865	6.3
Other investments	0	0
Total	29,704	100.00

The business results of Penzijní fond Komerční banky allow participants a 2.23% return on investments.

On behalf of the Board of Directors of Penzijní fond Komerční banky, a.s.



Pavel Jiráček
Chairman of the Board of Directors



Radek Cmíral

Vojtěch Kubec

Pavel Jiráček

Kamil Kočí

Miloš Rýznar

STATUTORY BODIES

Board of Directors

Pavel Jirák (1966)

Chairman of the Board of Directors and Managing Director (since 1.10.2006)

Graduate of the University of Economics, Prague Faculty of International Business (1991)
Employed by the company since 2005
20 years of professional experience

Vojtěch Kubec (1955)

Deputy Chairman of the Board of Directors and Director of the Business Division and Marketing (since 18.12.2006)

Graduate of Czech Technical University Engineering technology department (1979)
Employed by the company since 1996
30 years of professional experience

Radek Cmiral (1973)

Member of the Board of Directors and Finance Director (since 1.3.2007)

Graduate of the University of Economics, Prague Faculty of International Business (1998)
Employed by the company since 2007
14 years of professional experience

Kamil Kočí (1962)

Member of the Board of Directors and Office Director of Project Management (since 1.3.2007)

Graduate of Czech Technical University Economics and management department (1985)
Employed by the company since 1994
26 years of professional experience

Miloš Rýznar (1964)

Member of the Board of Directors and Business Director (since 15.12.2006)

Graduate of the University of Economics, Prague Transportation and Communications faculty (1987)
Employed by the company since 2007
24 years of professional experience

Supervisory Board

Pavel Čejka (1964)

Chairman of the Supervisory Board (since 17.10.2007)

Petr Slabý (1960)

Deputy Chairman of the Supervisory Board (since 17.10.2007)

David Formánek (1968)

Member of the Supervisory Board (since 1.3.2007)

Vladimír Jeřábek (1968)

Member of the Supervisory Board (since 20.4.2007)

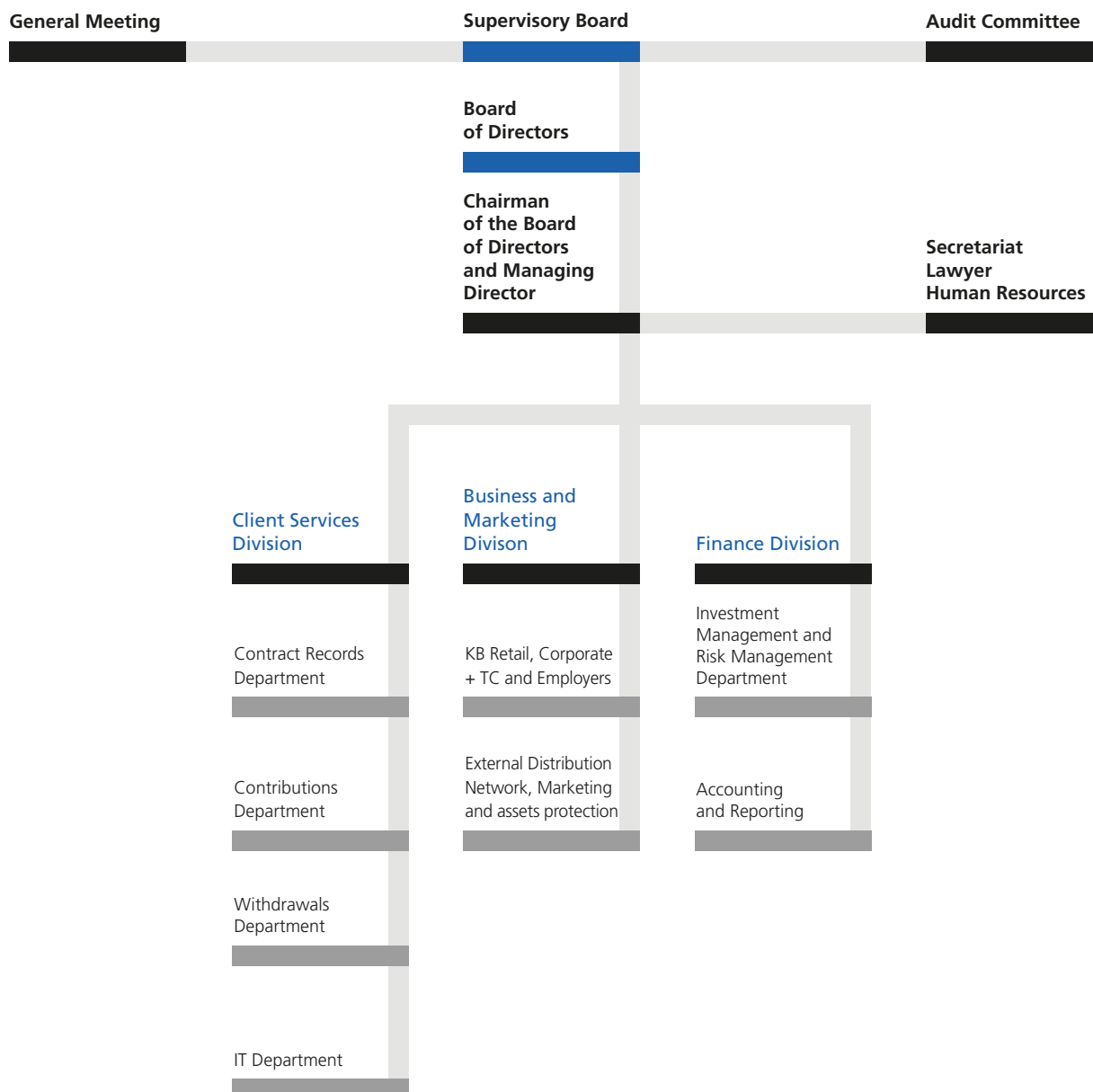
Miloslav Sodomka (1970)

Member of the Supervisory Board (since 2.12.2008)

Jan Pokorný (1966)

Member of the Supervisory Board (since 2.10.2009)

ORGANIZATIONAL STRUCTURE



OWNERSHIP STRUCTURE

Shareholder	Percent of Share capital
Komerční banka, a.s.	100

2010 General Assembly

At the General Assembly the sole shareholder decided to re-appoint Ing. Pavel Jirák Chairman of the Board of Directors from 2nd February, 2010.

On 26th January, 2010, the General Assembly approved contract wording of member functions for members of the Audit Committee.

The General Assembly reached a decision about Penzijní fond Komerční banky, a.s., results in such way as it approved namely the Report of the Board of Directors about business activities and the state of company assets in 2010; approved the 2010 financial statements and

decided on the division of profit. The General Assembly designated Ernst & Young Audit, s.r.o., as external auditor for 2010.

The General Assembly of 30th July, 2010, approved the return of additional capital of CZK 300 million to the sole shareholder.

On 2nd September, 2010, the General Assembly re-appointed members of the Board of Directors: Miloš Rýznar from 16th December, 2010; Kamil Kočí and Vojtěch Kubec from 2nd September, 2010.

STATUTORY DECLARATION

PF KB declares that all information and data in this Annual Report is true and complete. PF KB further declares that this document contains all matters relevant to decision-making on the part of both PF KB participants and potential retirement benefit policy holders. PF KB also declares that no adverse changes in the financial situation of the company, or other changes which may influence an accurate and precise assessment of Penzijní fond Komerční banky, a.s., had occurred as of the date on which the Annual Report was published.

In Prague, 14 May 2010

Signed on behalf of the Board of Directors by:



Pavel Jirák
Chairman of the Board and Managing Director



Radek Cmíral
Board Member and Director of the Financial Division

2010 REPORT OF THE SUPERVISORY BOARD OF PENZIJNÍ FOND KOMERČNÍ BANKY

The PF KB Supervisory Board acts as an oversight body, and oversees the activities performed by the Board of Directors and the realization of company business activities. Tasks stemming from relevant statutory provisions and Articles of the company were fulfilled. The Supervisory Board regularly reviewed company activities to control compliance with generally binding legal regulations, resolutions of the annual meeting, Articles of Association, the Statute and the Pension Plan of PF KB and with the interests of the PF KB participants and the PF KB shareholder. The PF KB Board of Directors provided information necessary for controlling to the Supervisory Board, which was informed regularly about company activities throughout 2010.

The Supervisory Board held four regular meetings in 2010. Alongside the activities mentioned above, the Supervisory Board also focused on: controlling the fulfillment of planned business and financial results in 2010; company investment policy; the market position of Penzijní fond komerční banky; following measures for improved client work at branches on the market; and the preparation of Penzijní fond Komerční banky for pension system reform.

The Supervisory Board regularly gave the PF KB Board initiatives, recommendations and proposals for means of improving company activities. No claims or grievances were addressed to the Supervisory Board in 2010.

During the course of 2010 there were no personnel changes in the composition of the Supervisory Board.

The Supervisory Board reviewed a report about relationships between related parties in 2010, elaborated according to 66a, paragraph 9 of the commercial code. On the basis of the submitted documents, the Supervisory Board states that Penzijní fond Komerční banky did not cause any damage in connection with contracts and agreements closed between related parties during the accounting period beginning 1st January 2010 and ending 31st December 2010.

The Supervisory Board, after reviewing Penzijní fond Komerční banky financial statements for 2010 and pursuant to the opinion of external audit, states that accounting records and books were transparent, and fully and legally in compliance with generally binding regulations applicable to accounting. The financial statements prepared on the basis of the above accounting records present a true and accurate picture of the accounting and financial situation of Penzijní fond Komerční banky. The auditor, Ernst & Young, s.r.o., which attested to and validated PF KB financial statements, issued a like and unqualified opinion.

On the basis of these facts, the Supervisory Board recommends that the sole shareholder approve the financial statements for 2010.

The Supervisory Board reviewed the proposal of the Board of Directors to allocate the profit of CZK 726,814,778.39 and recommends that the sole shareholder approve the proposal of the Board of Directors to divide it in the following way:

In Prague, 25.3.2011



Pavel Čejka
Chairman of the Supervisory Board

Division of Profit by the General Assembly (CZK)	726,814,778.39
Reserve fund (5%)	36,340,738.92
Social fund	980,000.00
Equity program – Standard	200,000.00
Equity program – AP expenses	120,000.00
Dividends	71,381,477.84
Profit to be distributed to participants	617,792,561.63
Profit to be divided among participants	85.00%
Appreciation	2.23%

INDEPENDENT AUDITOR'S REPORT

(Translation of a report originally issued in Czech – see Note 2 to the financial statements.)

To the Board of Directors of Penzijní fond Komerční banky, a.s.:

We have audited the accompanying financial statements of Penzijní fond Komerční banky, a.s., which comprise the balance sheet as at 31 December 2010, and the income statement, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes. For details of Penzijní fond Komerční banky, a.s., see Note 1 to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Penzijní fond Komerční banky, a.s. as at 31 December 2010, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.




Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Jan Fanta
Partner



Michaela Kubýová
Auditor, License No. 1810

8 March 2011
Prague, Czech Republic

FINANCIAL SECTION

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BALANCE SHEET AS AT 31 DECEMBER 2010

CZK thousands	Note	31 December 2010	31 December 2009
Assets			
Cash		3	20
Due from banks	3.1	1,864,875	2,752,099
of which: a) repayable on demand		224,075	579,459
b) other		1,640,800	2,172,640
Debt securities	3.3	27,839,379	24,460,415
of which: a) issued by government bodies		23,901,889	21,359,405
b) issued by other entities		3,937,490	3,101,010
Shares and participation certificates	3.3	0	446,239
Intangible fixed assets	3.4	20,195	16,180
Tangible fixed assets	3.4	149,317	154,124
Other assets	3.5	166,099	161,604
Prepaid expenses	3.6	561,983	619,999
Total assets		30,601,851	28,610,680

CZK thousands	Note	31 December 2010	31 December 2009
Equity & liabilities			
Other liabilities	3.7	29,006,547	27,269,390
of which: a) trade payables		9,572	16,623
b) liabilities to employees		2,195	2,236
c) liabilities arising from social security		1,011	812
d) liabilities to participants – state contribution		158,926	156,072
e) due to government – taxes		23,140	28,531
f) negative fair value of derivatives		239,024	31,951
g) estimated payables and other liabilities		13,331	10,508
h) pension insurance participants' funds		28,559,348	27,022,657
ha) participants' contributions and state contributions		26,329,101	24,612,847
hb) funds for the payment of pensions		139,435	112,848
hc) revenues from participants' contributions		2,052,007	2,258,554
hd) non-allocated pension insurance participants' contributions		27,458	26,983
he) payables from awarded outstanding lump-sum settlements		11,347	11,425
Accruals and deferred income		1,349	591
Provisions	3.8	8,119	9,286
of which: a) provision for future pensions		8,119	9,286
Share capital	3.9	200,000	200,000
of which: a) share capital paid up		200,000	200,000
Reserve funds and other funds created from profit	3.9	316,489	313,048
a) legal reserve funds		249,928	246,198
b) other funds from profit		66,561	66,850
Capital funds	3.9	0	300,000
Gain or loss on revaluation	3.10	274,938	376,165
of which: a) revaluation of assets and liabilities		274,938	376,165
Retained earnings		67,594	67,594
Profit for the year	3.9	726,815	74,606
Total equity & liabilities		30,601,851	28,610,680

OFF-BALANCE SHEET AS AT 31 DECEMBER 2010

CZK thousands	Note	31 December 2010	31 December 2009
Off-balance sheet assets			
Receivables from fixed-term transactions	4	2,879,215	1,017,588
Assets received for management		29,480,179	27,406,888
of which: a) securities		27,839,379	24,906,654
Total off-balance sheet assets		32,359,394	28,424,476
Off-balance sheet liabilities:			
Payables from fixed-term transactions	4	3,110,061	1,048,545
Committed facilities and guarantees received		700,000	700,000
of which: a) guarantees and warranties		700,000	700,000
Total off-balance sheet liabilities		3,810,061	1,748,545

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

CZK thousands	Note	2010	2009
Interest and similar income	3.11	1,045,577	917,594
of which: interest income from debt securities		988,436	833,802
Interest expenses and similar expenses	3.11	(35,106)	(2,206)
Commission and fee income	3.12	5,897	1,340
Fee and commission expense	3.12	(180,536)	(177,920)
Profit/(loss) from financial transactions	3.13	7,233	(528,779)
Other operating income	3.14	18,672	19,171
Other operating expenses	3.14	(276)	(280)
Administrative expenses	3.15	(121,782)	(137,321)
of which: a) staff costs		(54,717)	(53,224)
of which: aa) wages and salaries		(39,321)	(39,220)
ab) social security and health insurance		(15,396)	(14,004)
b) other administrative expenses		(67,065)	(84,097)
Depreciation and amortization of fixed assets	3.4	(14,022)	(12,454)
Write-off, additions to, and use of, allowances against receivables		0	-40
Additions to and use of other provisions	3.8	1,167	(1,472)
Profit from ordinary activities before taxation		726,824	77,633
Income tax	3.16	-9	(3,027)
Net profit for the year		726,815	74,606

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

CZK thousands	Share capital	Reserve funds and other funds created from profit	Capital funds	Valuation gains/(losses)	Retained earnings and profit/(loss) under approval	Total
Balance as at 1 January 2009	200,000	308,775	300,000	(589,281)	218,462	437,956
Share capital increase	0	0	0	0	0	0
Allocation to statutory reserve fund and other funds	0	8,458	0	0	(8,458)	0
Profit transferred to participants' accounts	0	0	0	0	(140,384)	(140,384)
Allocation to funds	0	2,026	0	0	(2,026)	0
Other use of funds	0	(6,211)	0	0	0	(6,211)
Change in gain or loss on revaluation	0	0	0	965,446	0	965,446
Profit for 2009	0	0	0	0	74,606	74,606
Balance as at 31 December 2009	200,000	313,048	300,000	376,165	142,200	1,331,413
Decrease of capital funds	0	0	(300,000)	0	0	(300,000)
Allocation to statutory reserve fund and other funds	0	3,930	0	0	(3,930)	0
Profit transferred to participants' accounts	0	0	0	0	(63,415)	(63,415)
Allocation to funds	0	7,261	0	0	(7,261)	0
Other use of funds	0	(7,751)	0	0	0	(7,751)
Change in gain or loss on revaluation	0	0	0	(101,227)	0	(101,227)
Profit for 2010	0	0	0	0	726,815	726,815
Balance as at 31 December 2010	200,000	316,489	0	274,938	794,409	1,585,835

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. Background Information

1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

Penzijní fond Komerční banky, a.s. (henceforth "the Company") was formed by a Memorandum of Association as a joint stock company on 27 July 1994 and was incorporated following its registration in the Register of Companies held at the Court in Prague on 28 November 1994. The Czech Finance Ministry issued a license in respect of the incorporation and operations of the pension fund on 24 November 1994.

The Company's issued share capital is CZK 200,000 thousand.

The following table shows individuals and legal entities with an equity interest greater than 20% and the amount of their equity interest:

Shareholder/Owner	Ownership percentage
Komerční banka, a.s.	100
Total	100

The Company is primarily engaged in providing retirement benefit schemes under Act No. 42/1994 Coll. on Retirement Benefit Schemes with State Contribution and Changes in Several Acts related to its Implementation, as amended. The Company conducts its business solely on the territory of the Czech Republic.

The Company's securities portfolio is managed by Investiční kapitálová společnost KB, a.s., a member of the AMUNDI group, based on a contract with the Company.

The Company's custodian is Česká spořitelna, a.s. (henceforth "the Custodian").

1.2. ORGANIZATIONAL STRUCTURE

The Company's organizational structure in 2010 was as follows:

- Department of the Managing Director
- Finance Department
- Trade and Marketing Department
- Client Service Department

The Company is part of the Komerční banka, a.s./Société Générale Financial Group.

1.3. ADJUSTMENTS OF ARTICLES OF ASSOCIATION

In the year ended 31 December 2009, the Articles of Association were adjusted in respect of Act on Auditors No. 93/2009 Coll. Accordingly, the auditor shall be approved by the General Meeting of the Company. In 2010, there were no amendments to the Articles of Association.

1.4. BOARD OF DIRECTORS AND SUPERVISORY BOARD

Members of the Board of Directors and Supervisory Board as at 31 December 2010 were as follows:

	Position	Name
Board of Directors	Chairman	Pavel Jirák
	Vice Chairman	Vojtěch Kubec
	Member	Kamil Kočí
	Member	Radek Cmíral
	Member	Miloš Rýznar
Supervisory Board	Chairman	Pavel Čejka
	Vice Chairman	Petr Slabý
	Member	David Formánek
	Member	Vladimír Jeřábek
	Member	Miloslav Sodomka
	Member	Jan Pokorný, MBA

During the year ended 31 December 2010, no changes were made to the composition of the Board of Directors and Supervisory Board.

2. Accounting Policies and General Accounting Principles

The financial statements of the Company comprise the balance sheet, income statement, statement of changes in equity and the accompanying notes.

The Company's accounting records are maintained and the financial statements were prepared in accordance with Accounting Act No. 563/1991 Coll., Czech Accounting Standards for reporting entities that maintain their accounts under Notice No. 501/2002 Coll., as amended, and relevant regulations, guidance notes and notices, specifically Notice of the Czech Finance Ministry No. 501/2002 Coll., which provides implementation guidance on certain provisions of Accounting Act No. 563/1991 Coll., as amended.

The accounting records are maintained in compliance with general accounting principles, in particular the historical acquisition cost valuation basis with certain exceptions as described in Notes 2.3 and 2.4, accruals principle, prudence concept and going concern assumption.

The presentation of financial statements requires management of the Company 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 financial reporting period. These estimates are based on the information available at the balance sheet date and actual results could differ from those estimates.

The amounts included in the financial statements were rounded to CZK thousands unless stated otherwise.

2.1. TRANSACTION RECOGNITION DATE

The accounting event date shall mean, in particular, the date of payment or acceptance of cash in circulation, the date of purchase or sale of foreign exchange, foreign currency or securities, the date of payment to or collection from a client's account, the date of order for a correspondent to make a payment, the date of securities and foreign exchange trade conclusion and settlement, the date on which the ownership or rights to another party's assets were acquired or disposed of, on which a receivable or payable arose, was changed or terminated, on which assets moved within the accounting unit and on which other facts that are the subject of accounting occurred or on which the necessary documentation supporting those facts is available or which result from internal conditions of the accounting unit or from special regulations.

A "regular way" purchase or sale of a financial asset (that requires the delivery of asset within a regular time frame) is a transaction carried out within the time frame generally established by regulation or convention in the market place concerned. "Regular way" purchases and sales are recognized as at the settlement date for all categories of financial assets.

2.2. TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible and intangible fixed assets include assets with an acquisition cost greater than CZK 40 thousand and CZK 60 thousand, respectively, on an individual basis and an estimated useful life greater than one year. Purchased tangible and intangible fixed assets are valued at acquisition cost.

Assets costing less than CZK 40 thousand and CZK 60 thousand are not treated as tangible and intangible assets, respectively, and are charged through 'Consumed purchases' and 'Services', respectively. The costs of repairs and maintenance are expensed as incurred.

The cost of tangible asset improvements exceeding CZK 40 thousand for the taxation period increases the acquisition cost of the related tangible fixed asset; technical improvements of individual assets are depreciated. The cost of completed intangible asset improvements exceeding CZK 40 thousand for the taxation period increases the acquisition cost of the related intangible fixed asset and is depreciated.

If the net book value of an asset exceeds its estimated net realizable value, the book value is reduced by an allowance in the event of a temporary diminution in value or written off in the event of a permanent impairment.

Depreciation of Fixed Assets

Depreciation for Accounting Purposes

Depreciation of fixed assets is recorded on a straight line basis over the depreciation period indicated below.

Category of assets	Useful life (years)
Buildings	40
Machinery and equipment, cabinets for computer equipment	4
Vehicles	7
Air-conditioning units	12
Safes and fire resistant cabinets	15
Furniture and fixtures	6
Software	4, 5, 6, 10

These assets start to be depreciated/amortized from the month in which the assets were put into use.

No allowances were established against tangible or intangible assets in 2010 and 2009, respectively.

2.3. SECURITIES

All securities held by the Company are divided into portfolios in accordance with the Company's intent upon acquisition and the securities investment strategy.

All securities held by the Company are recognized using settlement date accounting provided that the period between the contract date and the fulfillment of the commitment or claim arising from this contract is not longer than the period typical for the relevant type of transaction.

Upon acquisition, all securities held by the Company are stated at fair value which is mostly equal to the cost and direct transaction costs, if any, related to the purchase.

For accounting purposes, securities are classified as follows:

- Securities at fair value through profit or loss;
- Available-for-sale securities; and
- Held-to-maturity securities.

In 2010 and 2009, all securities held by the Company were classified as 'Securities available for sale' or 'Securities held to maturity'.

Fair Value of Securities

The fair value of a security is determined as the market value published by the relevant stock exchange or another active public market. In all other cases, the fair value is estimated as the net present value of cash flows reflecting the involved risks pertaining to bonds.

SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Securities valued at fair value through profit or loss fall into two subcategories. (1) Securities held for trading: a security is classified as held for trading if the Company intends to resell the security, thereby generating profits on price fluctuations in the short term. (2) Securities initially recognized by the accounting unit as securities at fair value through profit or loss. Any security which is a financial asset or a liability may, when initially recognized, be classified as a security at fair value through profit or loss with the exception of participation securities and interests that are not publicly traded and their fair value cannot be reliably estimated and securities issued by the Company.

Securities at fair value through profit or loss are initially valued at their acquisition cost which includes additional costs related to the acquisition and, subsequently, revalued at fair value. All related gains or losses are recognized in profit/loss from financial activities. Interest on securities at fair value through profit or loss is reflected as interest income.

Securities Available for Sale

Securities available for sale are securities not recognized within 'Securities at fair value through profit or loss' or 'Securities held to maturity'. This portfolio comprises shares, debt securities and participation certificates. Available-for-sale securities are, when initially recognized, recorded at acquisition cost, which includes direct transaction costs and, subsequently, are recognized at fair value.

Accrued interest income calculated using the effective interest rate, dividends and foreign exchange differences arising on debt securities are recognized in the income statement.

Unrealized profit and loss from the revaluation of available-for-sale securities at fair value is (net of tax effects) reported as a component of equity within 'Gains and losses from revaluation not included in the profit and loss' until they are sold, settled or impaired. Cumulative gains or losses previously recognized in equity are then recognized in the income statement.

Impairment of Available-for-sale Securities

As at the annual financial statements date, the Company reviews the existence of objective evidence to determine whether securities have suffered permanent impairment.

The objective evidence of impairment results from one or more loss-making events that occurred in the period following the acquisition of the asset and impact the estimated future cash flows associated with the asset.

In such case, the Company proceeds in accordance with the provisions of Czech Accounting Standard No. 108 'Securities' and the loss recognized in equity is reversed and recognized in financial expenses of Account Group 61 without undue delay.

If subsequently, after the impairment loss was recognized in the income statement, the fair value of debt securities classified as available for sale increases and the fair value increase is provable, it is recognized in the income statement.

An increase in the fair value of shares and similar investments with indefinite maturity is recognized in equity as a gain or loss on revaluation.

Held-to-maturity Securities

Securities held to maturity are financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intent and ability to hold to maturity.

Upon acquisition, held-to-maturity securities are measured at cost, including direct transaction costs. The difference between the nominal value and the acquisition cost of a debt security is recognized in the income statement on an accrual basis.

The Amendment to the Act on Supplementary Pension Insurance (effective from 1 August 2009) allowed securities held to maturity to be valued at amortized cost for the entire period of 2009. The value of such securities must not exceed 30% of total assets. Since 1 January 2009, the Company started to measure a portion of the held-to-maturity portfolio at amortized cost, with the current market price serving as acquisition cost. The related revaluation difference is amortized in the income statement using the effective interest rate method.

Transfers between portfolios

Transfers between portfolios as a result of changes in management intentions are generally allowed except for the following cases:

- transfers to and from the portfolio of securities at fair value through profit or loss are not allowed;
- if more than an insignificant amount of held-to-maturity investments is sold or transferred, the Company has to transfer the remaining portfolio of held-to-maturity securities to the available-for-sale securities portfolio and no securities can be classified as held-to-maturity over the next two accounting periods. An exception from this rule is permitted if a security is sold within three months prior to its maturity or if an issuer's credit-worthiness deteriorates significantly.

2.4. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument:

- That requires no or little initial investment;
- Whose fair value changes in response to the change in a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, i.e. based on a similar variable; and
- That is contracted and settled at a future date.

Financial derivatives are recognized at fair values. The fair values of derivatives are based upon quoted market prices or pricing models which take into account current market and contractual prices of the underlying instruments, as well as the time value and yield curve.

Derivative instruments are recognized at fair value as "Positive fair value of derivatives" and "Negative fair value of derivatives". Realized and unrealized gains and losses are recognized in the income statement line "Net profit or loss on financial operations", the only exception being unrealized gains and losses on cash flow hedges, which are recognized in equity.

The Company uses certain derivative financial instruments to hedge against foreign exchange rate risks to which it is exposed as a result of its financial market transactions. The derivative financial instruments used by the Company as hedging instruments include currency forwards and cross currency swaps. The Company concludes derivative instruments only for the purpose of hedging. Held-to-maturity securities are not hedged.

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

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

The Company used hedging derivatives for a fair value hedge and cash flow hedges during the reporting period.

Fair Value Hedges

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 profit and loss statement along with the corresponding change in the fair value of the hedged asset that is attributable to the specific hedged risk. On this basis, the Company hedges the selected portfolios of foreign currency assets. Foreign currency derivatives (forwards and cross currency swaps) serve as hedging instruments.

Cash Flow Hedges

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 the hedged risk, are recorded in equity and recognized or charged, as appropriate, into income in the same period when the hedged asset or liability has impact on the profit and loss account. On this basis, the Company hedges the currency risk of selected assets. Foreign currency derivatives (currency swaps and cross currency swaps) serve as hedging instruments.

If certain derivative transactions do not qualify for hedge accounting under the specific rules of Czech Accounting Standard No. 110 'Derivatives' for financial institutions, these are treated as derivatives held for trading with fair value remeasurement gains and losses reported in "Net profit/(loss) on financial transactions".

Effectiveness of the hedges

On a monthly basis, the effectiveness of the hedging derivatives is tested through prospective and retrospective tests.

2.5. RECEIVABLES AND ALLOWANCES

Receivables are stated at amortized cost net of allowances. Allowances are made based upon the results of the inventory taking, to the extent that the carrying values of assets are lower than the actual balance. The Company recognizes allowances against past due receivables, receivables from the issuers of debt securities arising from outstanding coupons and nominal values. The Company makes a 100% allowance against outstanding coupons and nominal values. Default interest on outstanding coupons and nominal values is not recognized as a component of receivables on the face of the balance sheet and is recorded as a contingent gain off balance sheet.

2.6. PENSION POLICY COSTS

A brokerage commission is an expenditure incurred in order to acquire new customers. The commissions are calculated based on the participants' contributions actually paid. Commission expenses are monitored for all concluded contracts and are recorded as prepaid expenses over the average participant's supplementary pension insurance term. In 2010 and 2009, the average life of a pension policy was 8 years. The expense recognition reflects the matching and accrual principle in respect of expenses and revenues pertaining to specific contracts. As at the balance sheet date, a recoverable amount test in relation to accrued brokerage commissions is performed.

2.7. OTHER PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Company creates a provision for future liabilities resulting from supplementary pension insurance contracts. The amount of the provision is determined based on the liability adequacy testing, which is performed for the portfolio of clients receiving pensions. The Company accounts for a provision if the minimum amount of liabilities to policy holders is higher than the actual liabilities accounted. The provision amounts to the ascertained difference.

In 2010, the Company continued to determine the provision amount for future pension beneficiaries. Both the technical provision and the provision for future pension beneficiaries are fully covered by the pension reserve fund (the Company's statutory fund).

2.8. FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies during the year are translated using the daily exchange rates as notified by the Czech National Bank (henceforth "CNB") effective at the transaction date. Assets and liabilities denominated in foreign currencies are translated into Czech crowns using the foreign exchange rate announced by CNB as of the balance sheet date.

Foreign exchange gains or losses from the revaluation of foreign currency assets and liabilities are recorded through expenses and income from financial transactions as appropriate.

2.9. TAXATION

Income Tax

The corporate income tax expense is calculated in accordance with the provisions of the relevant legislation of the Czech Republic based on the statutory tax rate and the income reported in the profit and loss statement prepared pursuant to Czech accounting standards, increased or decreased by the appropriate permanent and temporary differences (i.e. non-deductible expenses and non-taxable revenues). The income tax rate for pension funds is 5%.

Deferred tax

Deferred income tax is provided, using the balance sheet liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values.

The tax rates enacted for the following period are used to determine deferred income tax.

The principal temporary differences arise from depreciation of tangible fixed assets, securities revaluation and tax losses carried forward. A deferred tax assets is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized.

Deferred tax arising on the revaluation of available-for-sale securities at fair value recognized directly in equity is also recorded in equity.

2.10. ACCOUNTING TREATMENT FOR RETIREMENT BENEFIT SCHEMES WITH STATE CONTRIBUTION

Contributions made by retirement benefit policy holders are recorded to Account 372 'Funds on policyholders accounts' and Account 374 'Payables from retirement benefit scheme contributions'. State contribution claims in respect of the last quarter are recorded to Account 347 'Settlement with the state budget.'

Claims from lump-sum payments to policy holders (lump-sum settlement, one-off compensation and transfers) that have been awarded but not yet effected are reported within payables (with the maximum period from the awarding of the claim to its payment being three months). The aggregate amount of all pension claims is recorded in long-term payables and this payable is reduced as the pensions are paid.

The aggregate long-term payable from pensions, i.e. participants' contributions including state contributions and profit shares, was not discounted in the accounting books in the years ended 31 December 2010 and 2009, and was carried at its nominal value. The pension reserve fund had been established in the period prior to 2001 from state contributions refunded by policy holders in circumstances where the policy was terminated earlier and a lump-sum settlement was made. This reserve fund is additionally adjusted by an equalization fund which is created from profits and decreased to reflect valorizations of pensions awarded to pension beneficiaries.

2.11. UNCERTAINTY DUE TO THE EUROPEAN BOND MARKET CRISIS

The presentation of unconsolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the 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 reserves, are based on the information available at the balance sheet date.

As a result of the European bond market crisis, the Company may be exposed to an increased risk, specifically due to the high volatility and uncertainty regarding possible asset impairment and future developments on the market. The accompanying financial statements have been prepared based on the best estimate using all relevant information available as at the balance sheet date.

Key areas with a potential for significant differences between the actual results and the estimates principally include fair values of securities.

3. Additional Information on the Balance Sheet and Profit and Loss Statement

3.1. DUE FROM BANKS

(in CZK thousands)	2010	2009
Current accounts	6,774	25,655
Placements repayable on demand	217,301	553,794
Other term placements	1,640,800	2,172,650
Total	1,864,875	2,752,099

3.2. DUE FROM NON-BANKING ENTITIES

(in CZK thousands)	2010	2009
Receivables	13,600	13,600
Allowances	(13,600)	(13,600)
Total	0	0

The receivables shown above include receivables arising from outstanding matured debt securities. These receivables are more than 36 months past their due dates. The balance as of 31 December 2010 includes the receivable from Seliko a.s. in liquidation.

3.3. SECURITIES

Securities are reported on the face of the balance sheet as follows:

(in CZK thousands)	Market value in 2010	Market value in 2009
Debt securities including treasury bills	27,839,379	24,460,415
Shares and mutual fund certificates	0	446,239
Total	27,839,379	24,906,654

Securities are held in the securities available for sale portfolio and the securities held to maturity portfolio.

(a) Available-for-sale securities

(in CZK thousands)	Market value in 2010	Market value in 2009
Debt securities issued by banks	3,018,387	2,267,289
– of which issued in the Czech Republic	1,126,978	367,567
– of which issued in other countries	1,891,409	1,899,722
Debt securities issued by governmental institutions	18,144,456	15,496,920
– of which issued in the Czech Republic	17,333,476	15,496,920
– of which issued in other countries	810,980	0
Other debt securities	919,102	1,201,288
– of which issued in the Czech Republic	206,444	205,339
– of which issued in other countries	712,658	995,949
Shares and participation certificates for sale	0	446,239
– of which issued in the Czech Republic	0	0
– of which issued in other countries	0	446,239
Total securities available for sale	22,081,945	19,411,736

(in CZK thousands)	Market value in 2010	Market value in 2009
Shares and participation certificates	0	446,239
Fixed income debt securities	19,984,888	17,238,112
– of which in CZK	17,246,670	16,870,545
– of which in foreign currency	2,738,218	367,567
Variable yield debt securities	2,097,057	1,727,385
– of which in CZK	1,891,409	1,511,140
– of which in foreign currency	205,648	216,245
Total debt securities	22,081,945	19,411,736
Total securities available for sale	22,081,945	19,411,736

(b) Held-to-maturity securities

(in CZK thousands)	Amortized cost in 2010	Amortized cost in 2009
Debt securities issued by governmental institutions	5,757,434	5,494,918
Total securities held to maturity	5,757,434	5,494,918

The proportion of debt securities to the aggregate balance of securities was 100% as of 31 December 2010.

Under Section 34 (3) of Act 42/1994 Coll. on Retirement Benefit Schemes, the portfolio of the pension fund's assets must not include more than 20% of the aggregate nominal value of securities issued by the same issuer. This limitation does not apply to bonds listed in Section 3 (2) (a) and (b) (specifically bonds issued by the OECD member state or the central bank of the state, the European Investment Bank, the European Bank for Reconstruction and Development and the International Bank for Reconstruction and Development).

The Company carried no equity investments in associates or subsidiaries for the years ended 31 December 2010 and 2009. The majority of securities held in the Company's portfolio are publicly traded.

3.4. FIXED ASSETS**Intangible fixed assets**

Cost				
(in CZK thousands)	Balance as at 31 Dec 2009	Additions	Disposals	Balance as at 31 Dec 2010
Software	60,565	5,530	0	66,095
Low value intangible fixed assets	192	0	0	192
Acquisition of intangible fixed assets	2,628	9,158	(5,530)	6,256
Total	63,385	14,688	(5,530)	72,543

Accumulated Amortization

(in CZK thousands)	Balance as at 31 Dec 2009	Additions	Disposals	Balance as at 31 Dec 2010
Software	(47,013)	(5,143)	0	(52,156)
Low value intangible fixed assets	(192)	0	0	(192)
Total	(47,205)	(5,143)	0	(52,348)

Net book value

(in CZK thousands)	Balance as at 31 Dec 2009	Balance as at 31 Dec 2010
Software	13,552	13,939
Low value intangible fixed assets	0	0
Acquisition of intangible fixed assets	2,628	6,256
Total	16,180	20,195

Amortization of Intangible Fixed Assets Charged to Expenses

(in CZK thousands)	Balance as at 31 Dec 2009	Balance as at 31 Dec 2010
Amortization of intangible fixed assets	3,656	5,143

Tangible Fixed Assets

Cost

(in CZK thousands)	Balance as at 31 Dec 2009	Additions	Disposals	Balance as at 31 Dec 2010
Land	12,000	0	0	12,000
Buildings, halls and structures	170,578	0	0	170,578
Individual movable assets	43,793	2,879	(1,050)	45,622
– Machinery and equipment – 1st depreciation group	28,114	1,683	(351)	29,446
– Vehicles – 2nd depreciation group	8,756	746	(699)	8,803
– Furniture and fixtures – 2nd depreciation group	5,201	0	0	5,201
– Other equipment – 3rd depreciation group	1,722	450	0	2,172
Other tangible fixed assets (low value tangible fixed assets)	36	0	0	36
Investments under construction	0	2,984	(2,880)	104
Prepayments made for acquisition of assets	745	2,053	(745)	2,053
Total	227,152	7,916	(4,675)	230,393

Accumulated Depreciation and Allowances

(in CZK thousands)	Balance as at 31 Dec 2009	Additions	Disposals	Balance as at 31 Dec 2010
Buildings, halls and structures	(39,570)	(4,349)	0	(43,919)
Individual movable assets	(33,422)	(4,749)	1,050	(37,121)
– Machinery and equipment – 1st depreciation group	(23,189)	(3,050)	351	(25,888)
– Vehicles – 2nd depreciation group	(4,023)	(1,337)	699	(4,661)
– Furniture and fixtures – 2nd depreciation group	(5,059)	(131)	0	(5,190)
– Other equipment – 3rd depreciation group	(1,151)	(231)	0	(1,382)
Other tangible fixed assets (low value tangible fixed assets)	-36	0	0	-36
Total	(73,028)	(9,099)	1,050	(81,076)

Net book value

(in CZK thousands)	Balance as at 31 Dec 2009	Balance as at 31 Dec 2010
Land	12,000	12,000
Buildings, halls and structures	131,008	126,659
Individual movable assets	10,371	8,501
– Machinery and equipment – 1st depreciation group	4,925	3,558
– Vehicles – 2nd depreciation group	4,733	4,142
– Furniture and fixtures – 2nd depreciation group	142	11
– Other equipment – 3rd depreciation group	571	790
Other tangible fixed assets (low value tangible fixed assets)	0	0
Investments under construction	0	104
Prepayments made for acquisition of assets	745	2,053
Total	154,124	149,317

As of 31 December 2010 and 2009, the Company recorded no non-operating assets.

Depreciation of Tangible Fixed Assets Charged to Expenses

(in CZK thousands)	Balance as at 31 Dec 2009	Balance as at 31 Dec 2010
Depreciation of tangible fixed assets	8,798	8,879

The Company did not purchase or sell any tangible or intangible assets with a subsequent purchase.

In the reporting period, the Company held no fixed assets under finance or operating leases and carried no pledged assets.

3.5. OTHER ASSETS

(in CZK thousands)	2010	2009
Trade receivables and receivables from employees	994	2,015
Receivable from the state contribution (Section 7 of Act No. 42/1994 Coll. on Retirement Benefit Schemes)	156,072	158,926
Taxes due	528	118
Receivables from securities trading	0	60
Positive fair value of derivatives	8,178	0
Other cash	114	330
Estimated receivables	213	155
Balance as at 31 Dec	166,099	161,604

The Company had no receivables subject to either a lien or that were otherwise encumbered in the reporting period.

3.6. DEFERRED EXPENSES (PREPAYMENTS) AND ACCRUED INCOME

Deferred expenses and accrued income amounted to CZK 561,983 thousand and CZK 619,999 thousand as of 31 December 2010 and 2009, respectively.

Deferred expenses arising from acquisition commissions in the amount of CZK 559,294 thousand as of 31 December 2010 (CZK 618,237 thousand as of 31 December 2009) represent the most significant item. The year-on-year decrease was predominantly due to lower additions in the number of contracts in specified periods and adjustment to the commissions system.

3.7. OTHER LIABILITIES

(in CZK thousands)	2010	2009
Trade payables, payables to employees and estimated payables	25,098	29,368
Tax payables, payables from social security	24,151	29,343
Negative fair value of derivatives	239,024	31,950
Cash in personal accounts including state contribution not yet collected	28,718,274	27,178,729
Total	29,006,547	27,269,390

Tax payables principally comprise deferred tax of CZK 15,803 thousand (2009: CZK 21,122 thousand), withholding tax of CZK 4,417 thousand (2009: CZK 4,237 thousand) and payroll taxes of CZK 2,166 thousand (2009: CZK 2,208 thousand).

The Company carried no payables subject to either a lien or that were otherwise encumbered as of 31 December 2010.

The Company did not receive any loans or have issued any debt securities as of 31 December 2010.

Estimated payables principally consist of an estimated payable for outstanding vacation days and employee bonuses of CZK 8,079 thousand (2009: CZK 8,385 thousand) and an estimated payable for the administration of securities of CZK 1,688 thousand (2009: CZK 2,049 thousand).

3.8. PROVISIONS

The Company creates a provision for future pensions in accordance with the methods stated in point 3.11. As a result of the liability adequacy testing for the pension plan participants in the payment phase performed as at 31 December 2010, the size of the provision for future pensions including the future option as at 31 December 2010 is considered sufficient to cover all future liabilities of the Company relating to pension payments.

(in CZK thousands)	Balance as at 31 Dec 2009	Additions	Use/Release	Balance as at 31 Dec 2010
Other provisions				
– Provision for pension	9,286	1,688	(2,855)	8,119
Total	9,286	1,688	(2,855)	8,119

The level of the charged provision is determined on the basis of the present actuarial value of committed retirement benefits to be paid and decreased to reflect the amount of funds recorded on behalf of pension recipients.

3.9. EQUITY

In the year ended 31 December 2010, the Company's equity consisted of share capital, statutory reserve fund and other funds from profit, gains and losses from the revaluation of assets and liabilities, retained earnings and the current year's profit. Movements of shareholder's equity are shown in the statement of changes in equity.

The balance of the Company's equity was CZK 1,585,835 thousand and CZK 1,331,413 thousand as of 31 December 2010 and 2009, respectively.

Following the decision of the sole shareholder, the profit of CZK 74,606 thousand for the year ended 31 December 2009 was distributed as follows: a mandatory allocation of CZK 3,730 thousand to the Company's reserve fund, an allocation of CZK 63,415 thousand to the policyholders (which amounts to 85 percent of the total profit generated by the Company in the year ended 31 December 2009), an allocation of CZK 200 thousand to the social fund, CZK 2,855 thousand was paid as a contribution to the equalization fund for pensions and an allocation of CZK 4,406 thousand to other funds from profit.

Gains and losses from the revaluation of assets and liabilities of CZK 274,938 thousand consist of following items: gains from the revaluation of securities of CZK 305,191 thousand, gains from the revaluation of derivative instruments of CZK (15,783) thousand and a deferred tax of CZK (14,470) thousand.

In the year ended 31 December 2010, a portion of the Company's equity totaling CZK 300 million was returned to the shareholder from the capital fund of the Company. The investment was provided in 2008 and served to strengthen the equity of the Company during the crisis in financial markets.

Share capital structure as of 31 December 2010

(in CZK thousands)				
Category of shares	Number of shares	Nominal value	Total nominal value of the issue	
Bearer	2,000	100	200,000	
Total	2,000	100	200,000	

Individual and corporate equity interests:

Company Name	Registered office	Ownership percentage
Komerční banka, a.s.	Na Příkopě 33, Prague 1	100
Total		100

Shares are not fully negotiable, the General Meeting must approve a transfer to a third party. No changes in the issued share capital were reported during 2010.

3.10. GAIN OR LOSS ON REVALUATION

(in CZK thousands)	2010	2009
Debt securities and treasury bills	305,191	395,963
Fair values of hedging instruments	(15,783)	0
Deferred tax	(14,470)	(19,798)
Total	274,938	376,165

Summary of movements in gain/loss on revaluation:

(in CZK thousands)	2010	2009
Opening balance	376,165	(589,281)
Gain/loss from revaluation	(101,227)	726,325
Permanent impairment reported in the profit and loss account	0	239,121
Closing balance	274,938	376,165

3.11. INTEREST INCOME AND EXPENSE

(in CZK thousands)	2010	2009
Interest income on current accounts and term placements	57,141	83,792
Interest income on securities	988,436	833,802
Total interest income	1,045,577	917,594

In the year ended 31 December 2010, the Company incurred an interest expense relating to cross currency swaps of CZK 35,106 thousand (2009: CZK 2,206 thousand). The year-on-year increase in net interest income is attributable to the increased volume of debt securities held.

3.12. NET COMMISSION AND FEE EXPENSE

(in CZK thousands)	2010	2009
Commission and Fee Expense	180,536	177,920
Of which: portfolio administration expenses	21,482	25,614
Income from fees paid by policy holders in case of lump-sum settlement and transfers	5,897	1,340
Net fee expense	174,639	176,580

The increase in the commissions and fee expense from 2009 to 2010 is principally due to the increase in expenses recognized in deferred commissions for acquisition activities, the decrease in the fees for the administration of the portfolio results from the adjustment of contractual conditions. The income from fees paid by policy holders in the case of lump-sum settlement and transfer to another pension fund result from the amendment to the Act on Retirement Benefit Schemes.

3.13. NET PROFIT/(LOSS) FROM FINANCIAL OPERATIONS

(in CZK thousands)	2010	2009
Profit/loss from trading with shares and participation certificates	5,939	(293,007)
Foreign exchange rate gains/losses	1,294	4,321
Loss – permanent impairment of debt securities	0	(972)
Loss – permanent impairment of participation certificates	0	(239,121)
Net profit/(loss) from financial operations	7,233	(528,779)

	2010	2009
Loss on securities transactions	(236,885)	(533,100)
Profit on securities transactions	242,824	0
Net profit (+)/loss (-) on securities transactions	5,939	(533,100)
Loss on foreign exchange transactions	(64,060)	(182,504)
Profit on foreign exchange transactions	62,246	175,822
Net profit (+)/loss (-) on foreign exchange transactions	(1,814)	(6,682)
Loss on derivate transactions	(16,042)	0
Profit on derivate transactions	19,150	11,003
Net profit (+)/loss (-) on derivate transactions	3,108	11,003
Net profit (+)/loss (-) on financial transactions	7,233	(528,779)

Loss on securities transactions for 2009 includes the loss from impairment of securities available for sale of CZK 240,093 thousand (2010: CZK 0 thousand).

The net profit/(loss) from the fair values and settlement of hedging financial derivative instruments is included in 'Foreign exchange gains/(losses)'. The loss from financial operations for 2009 was predominantly attributable to the incurred loss from the sale of participation certificates and recognition of the permanent impairment of participation certificates held in the securities available for sale portfolio.

3.14. OPERATING EXPENSES AND INCOME

Other operating income (in CZK thousands)	2010	2009
Income from the transfer/sale of assets	127	258
Rental income from real estate	4,337	4,278
Income from terminated contracts, statute barred claims and income from unpaid state contribution with lump-sum settlement	6,861	11,806
Other, including the income from rebilling	3,078	2,829
Income from receivables written off	4,269	0
Total other operating income	18,672	19,171

The income from the loss of the claim for lump-sum settlement in case of terminated contracts decreased from CZK 8,520 thousand in 2009 to CZK 4,820 thousand in 2010. The income from statute-barred undeliverable entitlements and unidentifiable payments decreased as well (from CZK 3,286 thousand in 2009 to CZK 2,041 thousand in 2010). With regard to the statute barred entitlements, the statute of limitations set out in Section 100 et seq. of the Civil Code was applied.

Other operating expenses (in CZK thousands)	2010	2009
Costs of asset transfers	219	185
Damage, penalties and fines	4	15
Other	53	80
Total other operating expenses	276	280

3.15. ADMINISTRATIVE EXPENSES

Staff Costs and Number of Employees

The average number of employees and management and staff costs for the years ended 31 December 2010 and 2009 are as follows:

	2010				
(in CZK thousands)	Number	Wages and salaries	Social security and health insurance contributions	Other costs	Total staff costs
Staff	56	27,830	9,603	2,255	39,688
Management (Board of Directors)	5	10,942	2,839	548	14,329
Outsourcing agreements		519	148	0	667
Supervisory Board	6	30	3	0	33
Total	67	39,321	12,593	2,803	54,717

(in CZK thousands)	Number	Wages and salaries	Social security and health insurance contributions	Other costs	Total staff costs
Staff	56	26,661	8,895	2,601	38,157
Management (Board of Directors)	5	11,758	1,883	415	14,056
Outsourcing agreements		774	208	0	982
Supervisory Board	6	27	2	0	29
Total	67	39,220	10,988	3,016	53,224

The number of employees is based on the average re-calculated headcount.

Other administrative expenses

(in CZK thousands)	2010	2009
Sales costs (net of commissions for acquisition activities) including cooperation contracts	31,846	49,557
Consumed purchases	4,320	4,916
SW and HW services	7,676	6,756
Audit, advisory, translations, annual report, depository	3,737	4,057
Telephone, postal charges, statements of personal accounts	10,882	11,247
Other	8,425	7,030
Taxes	179	534
Total other administrative expenses	67,065	84,097

The line 'Other' principally includes other services from external suppliers relating to operating real estate of CZK 3,811 thousand (2009: CZK 3,726 thousand) and repair and maintenance costs of CZK 1,176 thousand (2009: CZK 1,041 thousand).

The costs of audit as of 31 December 2010 and 2009 amounted to CZK 790 thousand and CZK 835 thousand net of VAT, respectively.

3.16. INCOME TAX

The following table shows the adjustment of the net profit or loss before taxation to the tax base:

(in CZK thousands)	2010	2009
Profit before tax	726,824	77,633
Items to add	16,826	40,532
Deductible items	982,212	888,836
Tax base after adjustments	(238,562)	(770,671)
Tax payable using the rate of 5%	0	0
Tax relief	0	0
Adjusted tax liability	0	0
Adjustment of tax payable from previous years	0	0
Total tax liability	0	0

(in CZK thousands)	2010	2009
Deferred tax asset	80,091	68,136
Unused tax loss	79,681	67,753
Allowances against receivables and provisions	406	321
Estimated balance for fees and bonuses	4	62
Deferred tax liability	(16,213)	(21,505)
Gains of losses from the revaluation of securities	(14,470)	(19,798)
Differences in net book values of tangible and intangible fixed assets	(1,743)	(1,707)
Total deferred tax at 31 December	63,878	46,631

The deferred tax asset in the full amount of CZK 63,878 thousand as at 31 December 2010 (2008: CZK 46,631 thousand) has not been recorded as it is not probable that the Company will be able to generate a large enough tax base in the future against which it would be possible to utilize this deferred tax asset.

The Company believes that the temporary differences, resulting in a deferred tax liability, will be realized after eliminating the possibility to recognize the benefit of tax loss carryforward. In the year ended 31 December 2010 and 2009, the Company thus accounted for a deferred tax liability of CZK 15,803 thousand (2009: CZK 21,122 thousand) in compliance with the prudence concept.

(in CZK thousands)	2010	2009
Allowances against receivables and provisions	406	321
Estimated balance for fees and bonuses	4	62
Gains of losses from the revaluation of securities	(14,470)	(19,798)
Differences in net book values of tangible and intangible fixed assets	(1,743)	(1,707)
Net deferred tax asset (+)/liability (-)	(15,803)	(21,122)

Set out below is an analysis of movements in deferred income taxes:

(in CZK thousands)	2010	2009
Balance at the beginning of the period	(21,122)	32,718
Change in the deferred tax from the revaluation of the Company's assets – transfer to equity	5,328	(50,813)
Change in the deferred tax from other temporary differences – transfer to the profit and loss statement	(9)	(3,027)
Balance at the end of the period	(15,803)	(21,122)

4. Additional Information on Retirement Benefit Schemes with State Contribution

(in CZK thousands)	Balance as at 31 Dec 2010	Balance as at 31 Dec 2009
Number of retirement benefit policy holders (individuals):	501,199	498,168
Number of benefits paid, including transfers for the period:		
– One-off settlement:	22,583	19,522
– Lump-sum settlement:	12,217	12,593
– Pensions (number of pension beneficiaries to date)	3,706	3,329
– Transfers to other funds	3,579	16,238
Amount of paid benefits, including transfers in CZK thousands:	2,894,685	3,375,649
– One-off settlement:	2,131,270	2,119,087
– Lump-sum settlement:	412,835	406,776
– Pensions	89,833	69,453
– Transfers to other pension funds	260,747	780,333
Depository of the fund:	Česká spořitelna, a.s.	Česká spořitelna, a.s.
% appreciation of invested funds from profit:		
– Profit distribution		
(Net of state contribution)	2.23	0.24

5. Risk Management Framework

Strategy in using financial instruments

The Company's activities focus on the use of financial instruments. The Company accepts funds from supplementary pension insurance participants and seeks to earn above average revenue by investing these funds in high quality assets.

5.1. 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 indicates to what extent it is exposed to interest rate risk.

The table below provides information on the extent of the Company'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 a contractual maturity date or are not interest-bearing are grouped in the 'undefined' category.

(in CZK thousands)

	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Not specified	Total
2010						
Cash and amounts due from banks	302,489	302,507	506,986	752,896	0	1,864,878
Debt securities	411,167	5,147,688	9,327,976	12,952,548	0	27,839,379
Positive fair values of hedging derivatives	0	0	0	8,178	0	8,178
Other Assets	0	0	0	0	889,416	889,416
Total assets	713,656	5,450,195	9,834,962	13,713,622	889,416	30,601,851
Supplementary pension insurance participants' funds	0	0	0	0	28,718,275	28,718,275
Negative fair values of hedging derivatives	0	42,877	56,167	135,510	4,470	239,024
Other Liabilities	0	0	0	0	58,717	58,717
Total equity & liabilities	0	42,877	56,167	135,510	28,781,462	29,016,016
Net on balance sheet interest rate exposure at 31 December 2010	713,656	5,407,318	9,778,795	13,578,112	(27,892,046)	1,585,835
2009						
Cash and amounts due from banks	1,095,081	601,636	1,055,403	0	0	2,752,120
Debt securities	788,578	4,904,071	9,717,763	9,050,003	0	24,460,415
Shares and mutual fund certificates	0	0	0	0	446,239	446,239
Other Assets	161,604	0	0	0	790,302	951,906
Total assets	2,045,263	5,505,707	10,773,166	9,050,003	1,236,541	28,610,680
Supplementary pension insurance participants' funds	183,422	43,355	42,929	13,469	26,895,554	27,178,729
Other Liabilities	5,475	26,475	0	0	68,588	100,538
Total equity & liabilities	188,897	69,830	42,929	13,469	26,964,142	27,279,267
Net on balance sheet interest rate exposure at 31 December 2009	1,856,366	5,435,877	10,730,237	9,036,534	(25,727,601)	1,331,413

More than 90% of the Company's assets are invested in fixed-income earning instruments. The Company monitors interest rate risk by assessing two important indicators: modified duration and sensitiveness to the parallel movements of the yield curve (interest curve).

The active management of the portfolio's average duration is of vital importance to the fulfillment of the investment strategy in administering assets, both in terms of short-term corrections in response to the anticipated development of financial markets and adjustments of interest rate risk.

In managing interest rate risk exposures, the Company does not establish any specific limits. The situation and strategy is discussed and adjusted on a monthly basis at the Company's investment committees with the asset administrator and other members of the investment committee.

The Company monitors the sensitiveness of the portfolio to changes in interest rates in regular reports. The two worst case scenarios are as follows: the increase in the rates across the entire yield curve of 20 basis points would result in the decrease in the value of the portfolio of CZK 155 million and the increase in rates at the long end of 20 basis points would result in the decrease of the value of the portfolio of CZK 122 million.

5.2. LIQUIDITY RISK

The liquidity risk plays an important role in planning investments and available funds of the Company. The liquidity risk management system aims to ensure, measure and manage the liquidity exposure of the Company.

The Company regularly assesses received and issued cash payments and forecasts cash flows and available funds. The short-term liquidity management includes the decision on the amount and composition of liquid assets with maturity within 7 days, decision on transfers of cash among individual accounts and forecasts of cash flows within one month.

The long-term liquidity management consists of measurement and management of the profile of maturities of all assets and the modeling of periods of maturities of liabilities at least on a quarter basis (Analysis of assets and liabilities). In addition, the long-term liquidity management includes forecasts of liquidity exposure in the coming years.

The table below provides an analysis of assets, liabilities and shareholder's equity into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. Those assets and liabilities that do not have a contractual maturity date are grouped together in the 'maturity undefined' category in the year ended 31 December 2010.

(in CZK thousands)

2010	On demand within 7 days	Within 3 months	3 months to 1 year	1 years to 5 years	Over 5 years	Not specified	Total
Cash and amounts due from banks	224,078	78,410	0	1,562,390	0	0	1,864,878
Debt securities	0	166,994	4,219,478	10,256,186	13,196,721	0	27,839,379
Positive fair values of hedging derivatives	0	0	0	0	8,178	0	8,178
Other Assets	114	157,397	0	0	0	731,905	889,416
Total assets	224,192	402,801	4,219,478	11,818,576	13,204,899	731,905	30,601,851
Negative fair values of hedging derivatives	0	0	4,470	99,044	135,510	0	239,024
Payables to clients	0	0	0	139,435	0	28,578,840	28,718,275
Other Liabilities	0	0	0	0	0	58,717	58,717
Total equity & liabilities	0	0	4,470	238,479	135,510	28,637,557	29,016,016
Net on balance sheet liquidity exposure at 31 December 2010	224,192	402,801	4,215,008	11,580,097	13,069,389	(27,905,652)	1,585,835
2009							
Cash and amounts due from banks	579,479	515,602	601,636	1,055,403	0	0	2,752,120
Debt securities	0	0	4,239,021	10,711,415	9,509,979	0	24,460,415
Shares and mutual fund certificates	0	0	0	0	0	446,239	446,239
Other Assets	330	161,274	0	0	0	790,302	951,906
Total assets	579,809	676,876	4,840,657	11,766,818	9,509,979	1,236,541	28,610,680
Payables to clients	0	183,422	43,355	42,929	13,469	26,895,554	27,178,729
Other Liabilities	0	5,475	8,397	0	18,078	68,588	100,538
Total equity & liabilities	0	188,897	51,752	42,929	31,547	26,964,142	27,279,267
Net on balance sheet liquidity exposure at 31 December 2009	579,809	487,979	4,788,905	11,723,889	9,478,432	(25,727,601)	1,331,413

5.3. TOTAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES RETRANSLATED INTO CZK, FOREIGN CURRENCY RISK MEASUREMENT

Assets and Liabilities Denominated in Foreign Currencies

(in CZK thousands)	EUR	USD	Total
Bank accounts	0	0	0
Participation certificates available for sale	0	0	0
Bonds available for sale	2,055,081	888,785	2,943,866
Total	2,055,081	888,785	2,943,867

In accordance with legislation and investment objectives, the Company's investment strategy in respect of foreign currencies has been determined on a prudent basis with a specific focus on instruments denominated in CZK, the bulk of investments being made in fixed-income earning instruments.

As of 31 December 2010, the Company held debt securities denominated in a foreign currency. The volume of these investments is principally restricted by a statutory cap on the maximum share of foreign currency instruments held by the Company. In addition, the Company applies a limit on the unhedged currency position. When the limit is exceeded, the currency risk is additionally hedged to the required level.

Hedging of Foreign Currency Risk Attached to Debt Securities Held in the 'Securities available for sale' Portfolio

Hedging instruments

The Company hedges against the risk of foreign currency investments in securities through currency swaps, forwards and cross-currency swaps. The hedging is made through hedging derivative financial instruments concluded for a period between two weeks and several years.

Hedged investments are denominated in EUR and USD, hence the hedging is effected from EUR and USD to CZK.

For hedge accounting purposes, the effectiveness of the hedges is tested through prospective and retrospective tests.

An Overview of Open Derivative Transactions as of 31 December 2010

(in CZK thousands)	Positive fair value	Negative fair value	Nominal value of the off balance sheet asset	Nominal value of the off balance sheet liability
Currency forwards (fair value hedges)	0	4,470	198,421	202,891
Cross currency swaps (fair value hedges)	0	42,877	348,354	391,231
Cross currency swaps (cash flow hedges)	8,178	191,677	2,332,440	2,515,939
Total	8,178	239,024	2,879,215	3,110,061

Negative values of financial derivatives are reported as 'Other liabilities'.

6. Related Party Transactions

ASSETS AND LIABILITIES

Assets:	(in CZK thousands)	
Komerční banka, a.s.	145,980	Commission for acquisition activities, deferred expenses balance
	1,562,390	Principal and interest on the term deposit
	8,178	positive fair value of derivatives
Modrá pyramida stavební spořitelna, a.s.	52,797	Commission for acquisition activities, deferred expenses balance
Komerční pojišťovna, a.s.	1	Commission for acquisition activities, deferred expenses balance
ESSOX, s.r.o.	124	Commission for acquisition activities, deferred expenses balance
Factoring KB, a.s.	196	Estimated rebilling of services
	262	Receivable from rebilling of services
Equity & liabilities:		
Komerční banka, a.s.	1,189	Deferred income for data sharing services
	88	Received invoices
	234,554	Negative fair value of derivatives
	3,073	Entitlement for commission
Modrá pyramida stavební spořitelna, a.s.	994	Entitlement for commission
Factoring KB, a.s.	196	Estimated payable for expense services

EXPENSES AND INCOME

Expenses	(in CZK thousands)	
Komerční banka, a.s.	24	Banking fees
	36,998	Commission mandate contract
	14,269	Use of the trade mark, promotional campaign
	35,106	Interest expense swap
	68,577	cost of foreign exchange transactions and other transactions
	324	Other services
Modrá pyramida stavební spořitelna, a.s.	11,546	Commission mandate contract
ESSOX, s.r.o.	33	Commission mandate contract
Factoring KB, a.s.	1,000	Rebiling of services
Income:		
Komerční banka, a.s.	499	Income from the sharing of the subsidiaries' data
	50,147	Interest on term deposits
	41,821	Fair value of SWAP accrued coupon
Factoring KB, a.s.	4,331	Rental
	1,000	Rebiling of services

7. Off Balance Sheet Commitments, Assets Under Administration and Contingent Liabilities

The Company's balance of a portfolio received for administration amounted to CZK 29,480,179 thousand as at 31 December 2010.

An asset of CZK 2,886,898 thousand and a liability of CZK 3,110,036 thousand are maintained off balance sheet, arising from the hedging of the foreign currency bonds by hedging derivative instruments.

During 2009, the Company acquired securities at a cost of CZK 700,000 thousand the cost of which was guaranteed.

The Company retains off balance sheet no securities transactions with the trade date in 2010 and the settlement date in 2011.

The Company reports no contingent liabilities.

The Company was involved in no legal dispute, the outcome of which would significantly impact the Company.

8. Post Balance Sheet Events

No significant events occurred subsequent to the balance sheet date.

These financial statements have been approved for submission to the General Meeting by the Board of Directors of the Company.

Date of preparation
8 March 2010

Signature of the statutory representative



Pavel Jiráček



Radek Cmíral

REPORT ON RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED DECEMBER 2010

(hereinafter the “**Report on Relations**”)

Penzijní fond Komerční banky, a.s. with registered office at Prague 3, Lucemburská 1170/7, company no.: 61860018, incorporated in the Register of Companies, Section B, File 2865, maintained at the Municipal Court in Prague (hereinafter the “**Company**”), is part of the business group (holding company) of **Société Générale S.A.**, registered office at 29, BLD Hausmann, 75009 Paris, France, registration number in the French Register of Companies: R.C.S. Paris B552120222 (1955 B 12022) (hereinafter “**SG**” or “**SG Paříž**”), in which the following relations between the Company and its controlling entity and between the Company and other entities controlled by the same controlling entity (hereinafter the “**Related Entities**”) exist. The sole shareholder of the Company is **Komerční banka, a.s.**, registered office at Na Příkopě 33/969, 114 07 Prague 1, company no.: 45317054, incorporated in the Register of Companies maintained at the Municipal Court in Prague, Section B, File 1360. SG holds 60.35 percent of shares in Komerční banka, a.s.

This Report on Relations between the entities specified below was prepared in accordance with Section 66a (9) of Act 513/1991 Coll., as amended (the Commercial Code), for the year ended December 2010, i.e. from 1 January 2010 to 31 December 2010 (hereinafter the “**Reporting Period**”).

I. Introduction

During the Reporting Period the Company entered into arrangements with the following Related Entities:

Company	Registered office address	SG's share of voting power
Komerční banka, a.s.	Na Příkopě 33/969, Prague 1	60.35%
Komerční pojišťovna, a.s.	Karolinská 1/650, Prague 8	100%
ESSOX, s.r.o.	Senovážné náměstí 7/231, České Budějovice	100%
Modrá pyramida stavební spořitelna a.s. (“MPSS”)	Bělehradská 128/222, Prague 2	100%
Factoring KB, a.s.	Lucemburská 1170/7, Prague 3	100%
Société Générale S.A.	Société Générale S.A. 29, BLD Hausmann, 75009 Paris, France	

II. Arrangements with Related Entities

A. CONTRACTS AND AGREEMENTS WITH THE CONTROLLING ENTITY AND OTHER RELATED ENTITIES

I. CONTRACTS AND AGREEMENTS ENTERED INTO DURING THE REPORTING PERIOD

Type of agreement (or subject matter of the agreement if not obvious from the name of the agreement)	Contracting party	Performance of the company	Counter-performance	Damage incurred by the Company
Amendment No. 1 to the Distribution Agreement	Komerční banka, a.s.	cash consideration	mutual cooperation on the distribution of products using the KB distribution network	none
Amendment No. 2 to the Contract for Provision of Services (sharing of data from subsidiaries)	Komerční banka, a.s.	cash consideration	provision of information	none
Contract for the Provision of Services – Outsourcing (HR services)	Komerční banka, a.s.	cash consideration	provision of services – payroll processing	none
Contract for Provision of Services – Outsourcing	Komerční banka, a.s.	cash consideration	provision of outsourcing services	none
Contract for Cooperation on the Organisation of a Competition	Komerční banka, a.s.	cash consideration	organisation and implementation of BaPo competition	none
Cooperation Agreement – job vacancies	Komerční banka, a.s.	cash consideration	publication of advertisements for job vacancies	none
Non-Disclosure Agreement	Komerční banka, a.s.	provision of information	the treatment of confidential information	none
General Contract for Trading on the Financial Market	Komerční banka, a.s.	cash consideration	spot transaction; forward transaction; currency swap; FRA transactions	none
Rules of Cooperation between KB and members of the group in the sphere of sourcing and procurement	Komerční banka, a.s.	payment of price of service and provision of cooperation	provision of services	none
6 x confirmation of term deposit	Komerční banka, a.s.	cash consideration	interest	none
32 x Purchase Agreement – purchase of bonds	Komerční banka, a.s.	cash consideration	sale of bonds	none
5 x Sales Agreement – sale of SGAM	Komerční banka, a.s.	cash consideration	sale of SGAM	none
5 x Security Agreement – Cross Currency Swap	Komerční banka, a.s.	cash consideration	security transaction	none
Stipulation of rent for 2010 pertaining to the Agreement on the Leasing of Commercial Premises and payment of the services linked with its utilisation	Factoring KB, a.s.	Leasing of premises and provision of services linked to lease	price according to contract	none

II. PERFORMANCE RECEIVED AND PROVIDED DURING THE REPORTING PERIOD UNDER CONTRACTS ENTERED INTO IN PRIOR REPORTING PERIODS

Type of agreement (or subject matter of agreement if not obvious from the name of the agreement)	Contracting party	Performance of the company	Counter-performance	Damage incurred by the Company
Licence Agreement – use of the Komerční banka, a.s. trademark	Komerční banka, a.s.	cash consideration	provision of trademark rights	none
Distribution Agreement	Komerční banka, a.s.	cash consideration	use of distribution network	none
Cooperation Agreement	Komerční banka, a.s.	cash consideration	mutual cooperation between KB and PF KB	none
Amendment 1 to the Cooperation Agreement	Komerční banka, a.s.	cash consideration	mutual cooperation between KB and PF KB	none
Personal Data Processing Framework Agreement	Komerční banka, a.s.	provision of data stipulated under the agreement	processing of personal data in accordance with the law	none
Agreement on the Assignment of a Mandate for a Payment Point – payment of retirement benefits through Komerční banka's branches, including Amendment No. 1	Komerční banka, a.s.	fees	mediation of the payment of contributions	none
2 x Agreement for the Use of Safes	Komerční banka, a.s.	fees	provision of safes	none
Framework Treasury Contract (the following transactions: currency swaps, interest rate swaps, FRA transactions, currency options, foreign currency transactions, interest rate options, commodity swaps, commodity options, and combinations or modifications thereof) of 26 January 2007	Komerční banka, a.s.	cash consideration	mediation of the conclusion of transactions	none
Advertising including the rebilled performance of KB, a.s. suppliers	Komerční banka, a.s.	cash consideration	advertising and promotion, printing, direct mail	none
Contract for the Provision of Services (sharing information from subsidiaries)	Komerční banka, a.s.	cash consideration	provision of data	none
Amendment No. 1 to the Contract for the Provision of Services (sharing information from subsidiaries)	Komerční banka, a.s.	cash consideration	provision of data	none
Agreement on KB Call Centre Services	Komerční banka, a.s.	cash consideration	use of the KB call centre	none
Amendment 1 to the Agreement on KB Call Centre Services	Komerční banka, a.s.	cash consideration	use of the KB call centre	none
Contract on Group Cooperation in accordance with Section 5a of Act 235/2004 Coll., on VAT	Komerční banka, a.s.	cash consideration	group taxation within framework of VAT	none
Amendment No. 1 to the Contract on Group Cooperation in accordance with Section 5a of Act 235/2004 Coll., on VAT	Komerční banka, a.s.	cash consideration	group taxation within framework of VAT	none
Framework Insurance Policy	Komerční banka, a.s.	cash consideration	payment of premium under insurance policy	none
Contract on the External Settlement of Transactions	Komerční banka, a.s.	cash consideration	external settlement of transactions	none
Framework Agreement on the Negotiation of Term Deposits with an Individual Interest Rate	Komerční banka, a.s.	cash consideration	negotiation of term deposits with individual interest rate	none
10 x confirmation of term deposit	Komerční banka, a.s.	cash consideration	interest	none
Cooperation Agreement	ESSOX, s.r.o.	offer of PF KB revolving loans to ESSOX to clients	contractual fee	none
Amendment No. 1 to the Cooperation Agreement	ESSOX, s.r.o.	consideration	publicity of PF KB by telephone contact with clients	none
Personal Data Processing Agreement	ESSOX, s.r.o.	provision of data	processing of personal data in accordance with the law	none
Mandate Agreement, including Amendment no. 1	ESSOX, s.r.o.	consideration	mediation of supplementary pension insurance	none
Cooperation Agreement in the sphere of supplementary pension insurance, including Amendment No. 1	ESSOX, s.r.o.	commission	cooperation on offer of supplementary pension insurance, including the supplementary insurance of employees	none
Personal Data Processing Agreement	ESSOX, s.r.o.	processing of personal data on ESSOX clients	provision of data	none
Cooperation Agreement	ESSOX, s.r.o.	cooperation when contacting ESSOX clients with PF KB offer	contractual fee	none
Mandate Agreement, including Annex Nos. 1, 2, 3, 4 and 5	Modrá pyramida stavební spořitelna, a.s.	consideration	mediation of supplementary pension insurance	none
Cooperation Agreement in the sphere of supplementary pension insurance	Modrá pyramida stavební spořitelna, a.s.	commission	cooperation on offer of supplementary pension insurance	none

Type of agreement (or subject matter of agreement if not obvious from the name of the agreement)	Contracting party	Performance of the company	Counter-performance	Damage incurred by the Company
Personal Data Processing Agreement	Modrá pyramida stavební spořitelna, a.s.	provision of personal data	personal data processing	none
Personal Data Processing Agreement	Modrá pyramida stavební spořitelna, a.s.	provision of personal data	provision of personal data	none
Mandate Agreement	Modrá pyramida stavební spořitelna, a.s.	consideration	Mediation of MPSS employee applications for participation in supplementary pension insurance	none
Contract for the provision of advantageous conditions for employees of PF KB – building savings scheme holders at MPSS	Modrá pyramida stavební spořitelna, a.s.	provision of advantageous conditions	provision of advantageous conditions	none
General Cooperation Agreement	Komerční pojišťovna, a.s.	cash consideration	provision of life insurance (Spektrum programme)	none
Personal Data Processing Agreement	Komerční pojišťovna, a.s.	fees	processing of personal data in accordance with the law	none
Cooperation Agreement in the sphere of supplementary pension insurance	Komerční pojišťovna, a.s.	commission	mediation of conclusion of supplementary pension insurance contracts	none
Non-Disclosure Agreement	Société Générale	provision of information	the treatment of confidential information	none

B. OTHER LEGAL ACTS IMPLEMENTED BY THE COMPANY IN THE INTEREST OF THE CONTROLLING ENTITY AND OTHER RELATED ENTITIES

During the Reporting Period the Company did not take or implement any other legal acts with related parties.

C. MEASURES TAKEN OR IMPLEMENTED BY THE COMPANY IN THE INTEREST OF OR AT THE INSTIGATION OF THE CONTROLLING ENTITY AND OTHER RELATED ENTITIES

During the Reporting Period the Company did not take or implement any measures in the interest of or at the instigation of Related Parties.

III. Conclusion

The Board of Directors of the Company has reviewed all arrangements put in place between the Company and the Related Entities during the Reporting Period and states that the Company incurred no damage as a result of any contracts, agreements, any other legal acts or any other measures taken or implemented by the Company in the Reporting Period.

In Prague on 8 February 2011



Pavel Jiráček
Chairman of the Board of Directors



Vojtěch Kubec
Vice-Chairman of the Board of Directors



Kamil Kočí
Member of the Board of Directors



Radek Cmíral
Member of the Board of Directors



Miloš Rýznar
Member of the Board of Directors

CONTACTS

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vK jH dD iČ jZ bS IS jŽ mK jB pB hP mR
mK sB mG vP vŠ pV dV IK iH jB dH jC IJ
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mK jH eK zK mH IJ vB hK jB mR dD kK vŠ
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IM jV rC pK mS IM vH bS mH kČ pJ hP jB