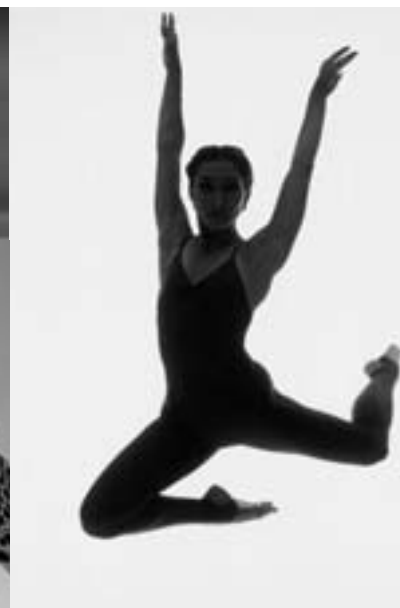
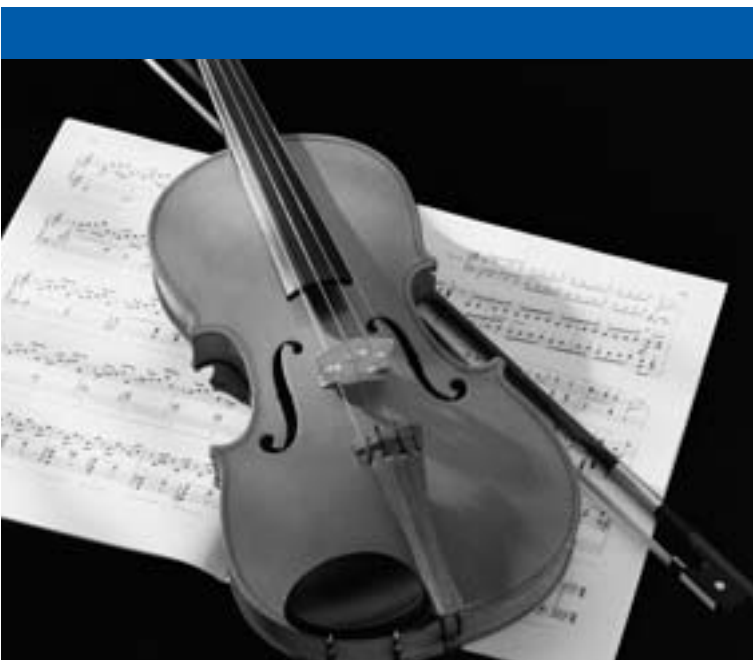


Penzijní fond Komerční banky, a.s.
Annual Report
2006



06



KB

7 Penzijní fond

My Future. My Pension Fund.

Professionalism



Social Responsibility

Penzijní fond Komerční banky, a.s. is part of the Komerční banka group, which is well aware of its commitments stemming from its corporate status. It fulfils these commitments through sponsorship and donations based on the three principal values of the Société Générale group: professionalism, innovation and team spirit. The long-term main pillars of the sponsorship strategy are culture, amateur sport and education.

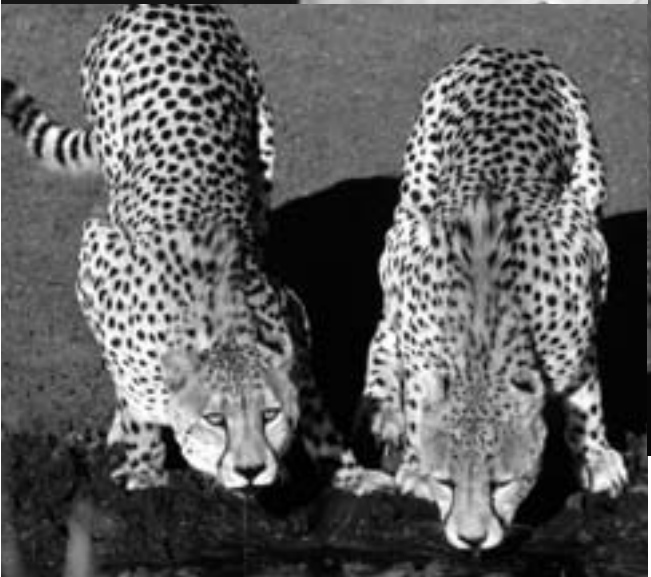


Team Spirit



Innovation

Penzijní fond Komerční banky, a.s. has been active on the Czech market since 1994. Its sole owner is Komerční banka, a.s., and it is part of the Soci t  G n rale Group.



Contents

4	Company Profile
5	Financial Highlights
6	Foreword by the Chairman of the Board of Directors
8	Report of the Board of Directors
8	Strategy of the Development of the Fund and the Outlook for 2007
9	Major Events in 2006
9	Market Share
10	Business Activities
11	Information Technology
12	Human Resources
13	Comments on the Financial Results
14	Statutory Bodies
14	Board of Directors
16	Supervisory Board
17	Organisational Structure
18	Ownership Structure
19	Report of the Supervisory Board
21	Auditor's Report
23	Sworn Statement
25	Financial Section
50	Report on Related Party Transactions



Company Profile



PF KB saw
a year-on-year
increase in the
number of clients
of **15,5%**.

Penzijní fond Komerční banky, a.s. (hereinafter "PF KB", "Penzijní fond Komerční banky" or the "Company") was formed on 27 July 1994 by Komerční banka, a.s. (hereinafter "Komerční banka"), as a joint stock company providing a retirement benefit scheme with state contributions in accordance with Act 42/1994 Coll., on State Contributory Supplementary Pension Insurance.

Penzijní fond Komerční banky provides long-term highly effective management of its clients' funds. PF KB focuses on the policy holders' stable appreciation of funds and effectively manages its expenses. For this reason, PF KB pursues a conservative investment strategy. In the business segment, it further strengthens the significance of distribution channels within the Komerční banka Group. Concurrently, it has been improving the quality of services for the policy holders and employers, as well as the partners from among the agency companies on an ongoing basis.

Market Position of the Company

At the end of 2006, there were more than 3.6 million policy holders in the retirement benefit schemes in the Czech Republic. The dynamics of the growth of the market remains on a high level, although it slightly slowed down from more than 11 percent in 2005 to almost 10 percent in 2006. Penzijní fond Komerční banky saw a year-on-year increase in the number of clients of 15.5 percent. In 2006, more than 90,000 new policy holders concluded their retirement benefit policies with PF KB. The dynamic growth of PF KB thus exceeded the growth of the market. Measured in terms of the number of policy holders, the market share thus increased to 11.5 percent.

Measured in terms of the funds provided by the policy holders, the market share once again increased to 13.7 percent. The increase in the number of policy holders in prior years also sped up the increase in the funds invested by the policy holders. PF KB continues to provide a corresponding level of appreciation in respect of the policy holders' funds, which predominantly attracts new prospective customers while stabilising the existing policy holders.

PF KB also takes a leading position in applying information technologies to its administration and communication with retirement benefit policy holders. This, coupled with other development trends, facilitates more effective administration of the retirement benefit scheme with the aim of achieving the appropriate level of services provided to policy holders. The availability of information and an open approach to the public are among the key features of the Company's business activities.

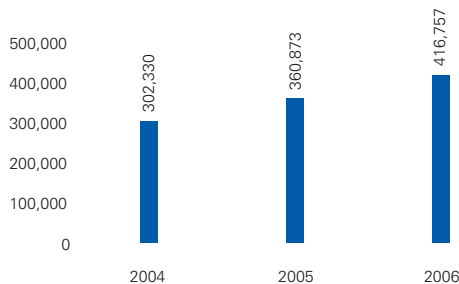
In 2006, the successful results of the Company were markedly supported by the reputation of Komerční banka, a.s. and other companies from the Komerční banka and Société Générale Groups.

Selected Financial Highlights

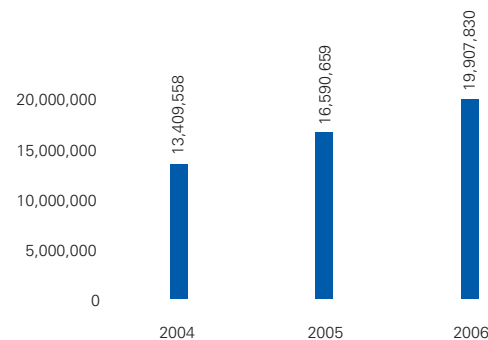
	Unit	2006
Total assets	CZK thousand	19,907,830
Share capital	CZK thousand	200,000
Equity	CZK thousand	1,060,060
Profit/loss	CZK thousand	527,979
Profit after tax	CZK thousand	528,754
Market share (number of policy holders)	%	11.5
Market share (managed funds)	%	13.7
Amount of transactions (managed funds)	CZK thousand	18,771,591
Number of concluded contracts (number of active clients)	piece	416,757
Number of employees	persons	58
Rating (Moody's)		Aa1.cz



Development of the Number of Policy Holders

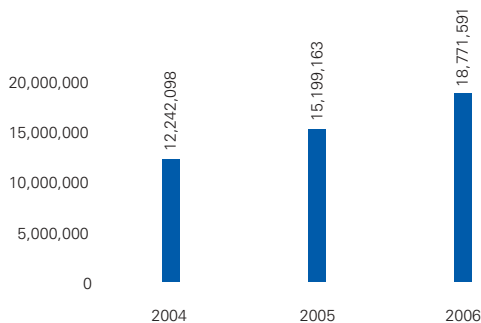


Development of Total Assets (CZK thousand)

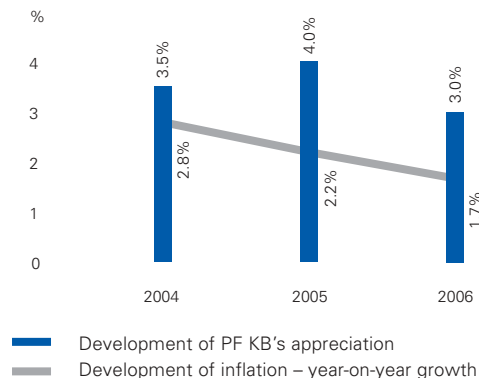


The total amount of assets increased by 20 percent to almost CZK 20 billion.

Development of Policy Holders' Funds (CZK thousand)



Development of PF KB Appreciation and Year-on-year Inflation



Foreword of the Chairman of the Board of Directors

Ladies and Gentlemen, Retirement Benefit Policy Holders, and Business Partners,

It is with honour that I present to you the Annual Report of Penzijní fond Komerční banky, a.s. In 2006, we managed to fulfil the ambitious business and financial objectives which were set for 2006 and we are thus able to continue achieving the successful results of prior years.

Taking advantage of its growth potential, the retirement benefits market increased by 10 percent, with the total number of policy holders reaching more than 3.6 million. The amount of policy holders' funds, which are managed by the 10 pension funds currently active on the market, increased by 20 percent to CZK 136 billion. More and more people are becoming fully aware of the importance of savings in pension funds as they do not want to rely on the state financed pension system. Undoubtedly, the debates on the necessity of the pension system reform resulting from the anticipated demographic development in the Czech Republic also contributed to the increase in the number of policy holders.

I am very pleased, and concurrently bounded by the fact that PF KB significantly contributed to the total number of new clients in the segment. In 2006, PF KB concluded more than 91,000 new retirement benefit policies; the total of policy holders thus increased by 15.5 percent to a total of 416,757. The market share thus increased to 11.5 percent, which ranks us fourth among the competition of 10 pension funds. We managed to exceed the dynamics of the market, thereby continuing the trend initiated in prior years. The total amount of assets increased by 20 percent to approximately CZK 20 billion in 2006, which means an increase of the market share to 13.7 percent, thus placing us in fourth position on the market, which corresponds to our position in terms of the number of policy holders. The dynamic growth of assets of the Company is further supported by the ever-increasing cooperation with employers. We record more than 8,000 employers that provide contributions to the retirement benefit scheme to almost 30 percent of our policy holders.

In 2004 and 2005, PF KB achieved excellent financial results, driven, among other things, by the outstanding growth of the Czech equity market. The profit for 2006 was in line with the trend in the entire retirement benefit scheme segment where the generated profit decreased year-on-year. This decrease was principally due to the significant slow-down of capital market growth in the Czech Republic. PF KB generated a profit of CZK 529 million for the year ended 31 December 2006. The generated profit enabled the General Meeting to decide on appreciating clients' funds at 3 percent p.a. for 2006. The real appreciation of the funds of the policy holders again significantly exceeds the inflation level, which amounted to 1.7 percent for 2006.

At the start of 2006, PF KB was awarded a significant rating which reflects the results of 2006. The reputable rating agency Moody's awarded the Company a national rating of Aa1.cz. The rating predominantly reflects the conservative investment strategy of the fund as well as its effective operation and advanced structure. In addition, the rating reflects PF KB's ability to meet annual commitments made to its policy holders within its investment portfolio. The awarded rating is the highest rating that can be obtained by a pension fund in the Czech Republic and it is a significant signal for employers who consider providing retirement benefit contributions to their employees and for existing and future policy holders. Maintaining this standard of excellence for our clients in the future is a challenge willingly accepted by PF KB.

An increase of the market share to 13.7 percent, measured in terms of the amount of assets, placed PF KB in fourth position on the market.



The principal aim of PF KB, and my personal aim in my new position as Chairman of the Board of Directors and Managing Director, is to further improve our services and securely and efficiently manage our policy holders' funds. To fulfil these aims, we will predominantly use the experience and opportunities provided by PF KB's shareholder, Komerční banka, a.s., the international Société Générale financial group, our employees, external business partners, including employers, and last but not least, suggestions and comments of the policy holders.

In conclusion, I would like to thank all our clients for their trust, all employers who contribute to retirement benefit schemes, and all business partners for their continuous encouragement. Believe that the cooperation of all the above who contributed to the success of PF KB, will bring further development of PF KB into a modern and efficient company.

I wish you and our Company much success in 2007.

Pavel Jiráček
Chairman of the Board of Directors and Managing Director

Report of the Board of Directors



Our objective for 2007 is to achieve

470,000

active policy holders.

Strategy of the Fund's Development and the Outlook for 2007

The strategy of PF KB in 2006 was to continue strengthening its market share in terms of the number of policy holders and the amount of managed funds. The Company managed to fulfil this aim in terms of the number of policy holders and exceed it in terms of the amount of managed funds. The strategy for 2007 is to further increase the share on the ever-increasing market, which should result in achieving 470,000 active policy holders and over CZK 22 billion in managed funds. We will focus on markedly strengthening our cooperation with Komerční banka's branches and other subsidiary and fellow subsidiary companies from within the Komerční banka and Société Générale financial groups, especially with Modrá pyramida stavební spořitelna, a.s. This will enable us to provide advantageous offers of other financial products and services to policy holders. We will continue to attract new policy holders in cooperation with key external partners that provide clients with comprehensive and quality financial advisory services. With regard to employers recruiting from among corporate and budget-driven organisations, we will predominantly use Komerční banka's client potential that has a significant market share in large, medium-sized and small companies. Regarding the investment strategy, we will increase the diversification of investments while decreasing the volatility and risk level of the portfolio. This will provide our policy holders with secure and competitive appreciation of invested funds. As in the previous year, we will focus on effectively managing operating costs. We are ready to actively participate in the preparation and implementation of the changes in the retirement benefit system which is based on the segregation of client assets and funds that should contribute to further transparency of the system, enhancing confidence in the retirement benefit system and the making the retirement benefit schemes more attractive.

Major Events in 2006

Undoubtedly, the key event in 2006 involved exceeding our ambitious business plan. Among eleven competitors, every sixth new policy holder opted for PF KB. During 2006, a total of 91,000 new retirement benefit policies were concluded.

Concurrently, the commission system of PF KB was introduced, including approval authorities. Pursuant to an analysis of assets and liabilities, a new investment strategy was prepared which will be implemented during 2007. In the information technology field, databases were transformed to safer, more advanced and more efficient settings.

On 20 February 2007, the rating agency Moody's awarded PF KB with a rating of Aa1.cz. This positive rating reflects the Company's conservative investment strategy, efficient operations and the advanced structure. The rating also reflects the ability of PF KB to meet its annual commitments made to policy holders within its investment portfolio.

Market Share

One key parameter which is used to assess a retirement benefit scheme provider is the volume of managed funds, or the amount of policy holder funds. The amount of CZK 18.8 billion of managed funds ranks PF KB in fourth place among retirement benefit scheme providers and holds a 13 percent market share.

In 2006, PF KB was one retirement benefit scheme provider which was able to significantly increase the number of new policy holders. The total of new concluded policies in 2006 exceeded the stated 91,000 and 416,757 active policy holders as of 31 December 2006, which means that PF KB holds an 11.5 percent market share.

PF KB is considered to be a very stable company which manages policy holders' funding with due care and diligence. The extensive network of Komerční banka's branches and contractual partners provides quality services to existing policy holders without unnecessary administration and offers a high level of accessibility. Policy holders can also safely access and change the basic parameters of their policies via the Internet.

The business departments of Komerční banka and the contractual partners of PF KB have made their own significant contributions to the achieved position of Penzijní fond Komerční banky, all of them seeking to provide PF KB's policy holders with quality services and professional advisory services.



The rating agency
Moody's awarded
PF KB with a rating
of Aa1.cz.



The retirement benefit scheme is appropriately supplemented by offerings of other KB products.

Business Activities

Penzijní fond Komerční banky uses all available distribution channels for concluding new policies. During 2006, the number of policies concluded at Komerční banka's branches through the web application as well as the number of policy holders who required access to their accounts via the Internet significantly increased.

PF KB's retirement benefit scheme is appropriately supplemented by offerings of other KB products designed to provide potential clients with comprehensive services. These offers are primarily successful in tenders invited by employers.

Marketing campaigns that are annually presented by PF KB reflect the seasonal demand for the product in spring and autumn and at the year-end. In advertising and promoting the retirement benefit scheme, PF KB uses the marketing and presentation experience of the parent company. Penzijní fond Komerční banky and the retirement benefit scheme are also actively presented to the highest possible degree at meetings with Komerční banka's clients.

Information Technology

During the year ended 31 December 2006, the Company continued optimising its IT system and operation with the objective of improving the services provided to our clients and making them more effective. The services provided to our clients further improved and we created conditions for providing quality services to an increasing number of policy holders in the future.

Our database has registered approximately 350,000 new documents related to policies with our policy holders. Concurrently, the Company received 5.2 million policy holder contributions whose aggregate amount exceeded CZK 3.9 billion. More than 120,000 policy holders received contributions from their employers. In 2006, the contributions from employers amounted to almost CZK 718 million. In the area of State Subsidies to Pension Funds ("SDPF"), we claimed over 4.7 million state contributions amounting to more than CZK 467 million. We paid almost 26,000 benefits totalling nearly CZK 1.3 billion. The number of documents stored in our electronic archives increased to 2.46 million in 2006.

In support of the on-line sale and services to policy holders, as in 2005, during the year ended 31 December 2006 the Company routinely used an internet application which facilitates on-line access to the Company's database from within KB's whole branch network, including KB's Call Centre. This provides optimum servicing to our clients throughout the Czech Republic and provides access to the Company's database for those policy holders who have access to the Internet, therefore, maintaining contact with the Company using this highly valuable channel. The number of policy holders interested in this service is continuously growing, thus reinforcing our decision to develop this comfortable and user-friendly channel which allows our policy holders' to stay in contact with our Company. In parallel, clients have the opportunity to obtain a retirement benefit policy via the Internet at www.pfkb.cz.

In 2006, we concurrently strengthened our security infrastructure and further minimised risks of possible abuse targeted at policy holders' personal data. We focus on their trust, therefore, our attitude to security issues is not limited to physical protection of internet access, but also includes the preparation of security procedures and assurance of the overall security of the information system.

In 2006, a significant contribution in respect of record-keeping and processing of data included the migration of the production information system from Informix to Oracle. The more robust and more efficient database environment provides new functional and technological properties which strengthened the possibilities in the operating area going forward. In addition, we are in possession of a high quality testing environment where we test the application software before its introduction to operations, thereby strengthening the overall security of the information system.

The introduction of the Oracle database is part of the strategy of the ongoing gradual innovation of the application program equipment.

The most significant novelty in the development of the application program equipment is the introduction of SIPO services and Tax Optimum for our policy holders. The increasing number of registered policy holders indicates the correctness of our decision and interest of our clients in these services. We will continue in this trend of providing quality services to our policy holders in the future.



PF KB paid 26,000
benefits totalling CZK

1.3 billion
in 2006.



PF KB's management was strengthened by managers with experience from KB's environment.

Human Resources

In 2006, PF KB continued to rely on a fairly stabilised and highly-qualified team to conduct its activities. The average headcount in 2006 was 56 employees. Given the need to bolster the team of managers and enhance the way the fund is run, in the final quarter of 2006 and the opening quarter of 2007 far-reaching changes were made to the management, which benefited from the arrival of managers brandishing first-hand experience of Komerční banka, a.s. In the light of changes to the business strategy and because of the rising demands being placed on the running of the investment portfolio, the new management was tasked with the smoother adaptation of structure PF KB to the various distribution channels. These processes were brought about by the change of the Managing Director and the Chairman of the Board of Directors in October 2006, election of a new Vice-Chairman of the Board of Directors in December 2006 and continued by the completion of the Board of Directors to the current composition in 2007. The names of the members of the senior management and the changes during 2006 are listed in the following section. A strong point with respect to human resources is predominantly the team cooperation of all employees and the management. The clear advantage enjoyed by PF KB's team relates to extensive and long-term experience and the willingness to work intensively. As such, both our staff and management can be viewed as being one of the stabilising factors in Penzijní fond Komerční banky and the condition of the further successful development of the Company.

Comments on the Financial Results

The year ended 31 December 2006 was a year of continued dynamic trends in both business and economic areas. The significant increase in the number of policy holders in the last three years served as a principal basis for the increase in the on-balance sheet economic indicators of the Company. The Company's assets showed a year-on-year increase of CZK 3.3 billion to CZK 19.9 billion, representing a 20 percent increase as compared to 2005. The basis for the increase in PF KB's assets were the funds carried for the benefit of policy holders, which increased by 23.5 percent to CZK 18.8 billion.

In 2006, the Company generated a net profit of CZK 529 million. The Company's results were positively impacted by the stringent control over the expenses budget and the investment strategy which was adopted by PF KB as a result of the slower growth of the local equity market as compared to prior years.

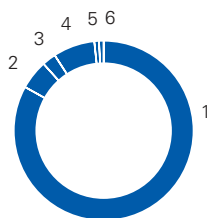
In 2006, active portfolio administration was undertaken by Investiční kapitálová společnost KB, a.s.

The portfolio structure was adjusted during the year predominantly with respect to the development of the Czech equity market. The average proportion of debt securities and treasury bills was approximately 91 percent of the portfolio during the year. The proportion of shares was approximately 4–5 percent (the structure of the portfolio as of 31 December 2006 is presented in the Overview of the Placement of PF KB's Funds).

The generated profit will make it possible to appreciate clients' funds at 3.0 percent p.a.



Overview of the Placement of Funds – their placement as of 31 December 2006



	(CZK thousand)	(%)
1 Debt securities	16,011,154	83.17
2 Treasury bills	997,008	5.18
3 Shares and participation certificates	498,795	2.59
4 Financial assets (bank accounts)	1,428,951	7.42
5 Non-operating real estate	167,959	0.87
6 Other investments	148,247	0.77
TOTAL	19,252,114	100.00

PF KB generated
a net profit of CZK
529 million.

Statutory Bodies



Board of Directors

Pavel Jiráček (1966)

Chairman of the Board of Directors and Managing Director (since 1 October 2006)

Graduate of the Prague University of Economics, Faculty of National Economy (1991). Employed by the Company since 2005.

Professional experience: 16 years



Vojtěch Kubec (1955)

Vice-Chairman of the Board of Directors and Director of the Sales Division (since 18 December 2006)

Graduate of Prague Technical University – focus on Engineering Technology (1979). Employed by the Company since 1996.

Professional experience: 26 years



Radek Cmíral (1973)

Member of the Board of Directors and Director of the Finance Division (since 1 March 2007)

Graduate of the Prague University of Economics, Faculty of National Economy (1998). Employed by the Company since 2007.

Professional experience: 10 years

Kamil Kočí (1962)

Member of the Board of Directors and the Head of the Project Management Department (since 1 March 2007)
Graduate of Prague Technical University – focus on Economics and Management (1985). Employed by the Company since 1994.
Professional experience: 22 years



Miloš Rýznar (1964)

Member of the Board of Directors and Sales Director (since 15 December 2006)
Graduate of the Prague Technical University, Faculty of Transportation and Communications (1987). Employed by the Company since 2006.
Professional experience: 20 years



Changes in the Composition of the Board of Directors

Milan Kantor (1958)	Chairman of the Board of Directors and Managing Director (until 31 August 2006)
Antonín Kopřiva (1968)	Member of the Board of Directors and Sales Director (until 28 February 2007)
Vojtěch Kubec (1955)	Member of the Board of Directors and Sales Director (until 17 December 2006)
Kamil Kočí (1962)	Member of the Board of Directors and Director of the Finance Division (until 28 February 2007)

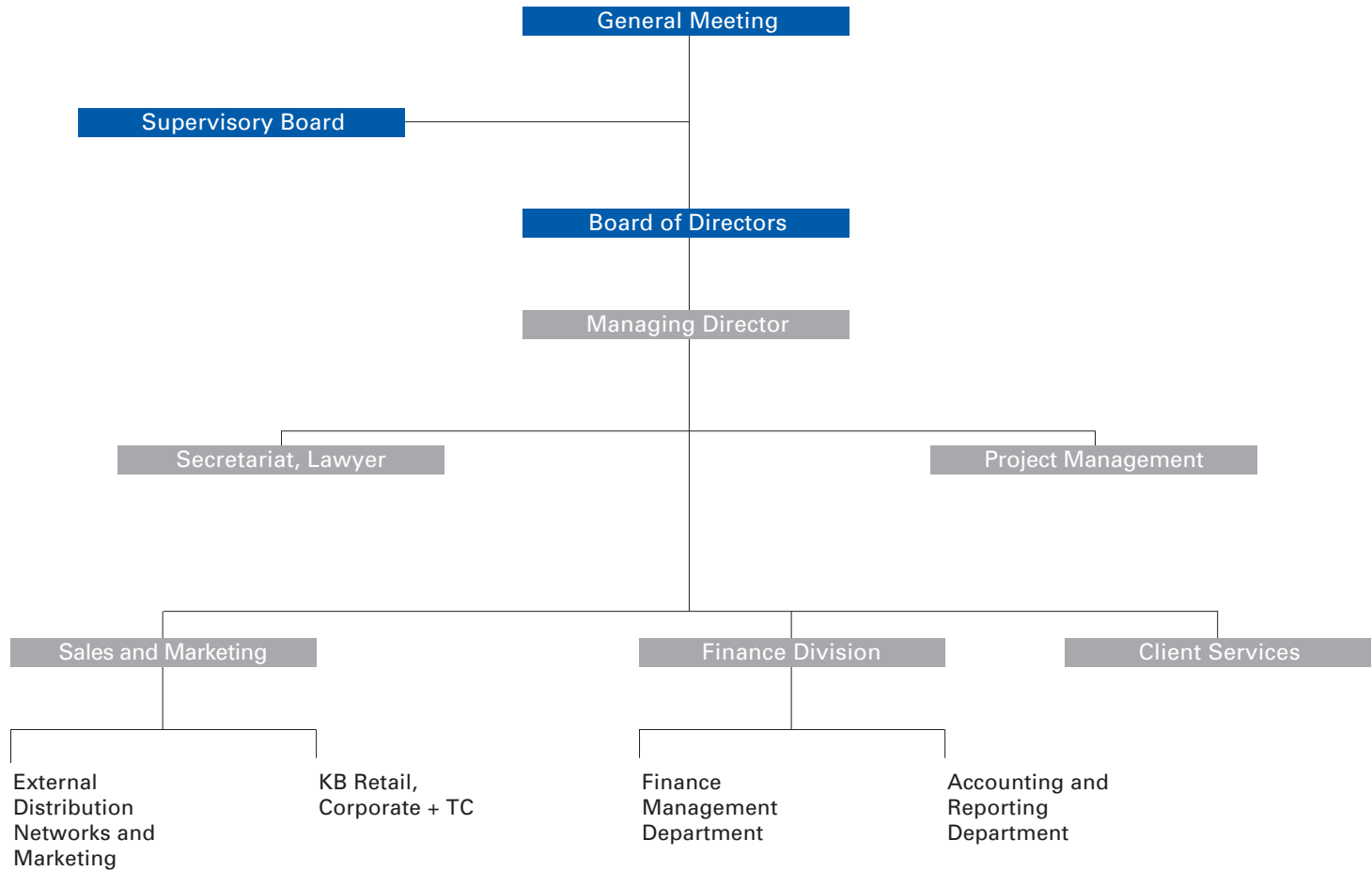
Supervisory Board

Petr Slabý	Chairman of the Supervisory Board
Pavel Čejka	Vice-Chairman of the Supervisory Board
David Formánek	Member of the Supervisory Board
Philippe Delacarte	Member of the Supervisory Board
Iva Jiráková	Member of the Supervisory Board
Dagmar Lomecká	Member of the Supervisory Board

Changes in the Composition of the Supervisory Board

Ladislav Petrásek (1943)	Member of the Supervisory Board (until 20 January 2006)
Philippe Delacarte (1966)	Member of the Supervisory Board (until 10 January 2007)
David Formánek (1968)	Member of the Supervisory Board (until 21 August 2006)

Organisational Structure



Ownership Structure



Shareholder	Ownership percentage (%)
Komerční banka, a.s.	100

General Meetings in 2006

Through a resolution dated 28 April 2006, Komerční banka, a.s., as the sole shareholder of Penzijní fond Komerční banky, a.s., dealt with all the matters that are included within the remit of the General Meeting. The sole shareholder specifically approved the Board of Directors' Report on the Company's Performance and Financial Position as of and for the year ended 31 December 2005, and made a decision on the allocation of the profit following the approval of the annual financial statements for the year ended 31 December 2005. The share of profit approved by the General Meeting for allocation to the retirement benefit policy holders enabled the Company to credit the individual accounts of policy holders with a yield of 4.0 percent p.a. for 2005.

On 14 August 2006, the General Meeting elected Vojtěch Kubec and Kamil Kočí as members of the Board of Directors.

On 7 December 2006, the General Meeting approved the membership of Miloš Rýznar in the Board of Directors.

Report of the Supervisory Board

The Supervisory Board, as the oversight body of Penzijní fond Komerční banky, a.s., oversaw the performance of the Board of Directors and the implementation of the Company's business activities in 2006. The Supervisory Board carried out tasks arising from the relevant statutory provisions and the Articles of Association of the Company. It regularly reviewed whether the Company's activities complied with generally binding legal regulations, resolutions adopted by the General Meeting, Articles of Association, Statute and the Pension Plan of the Company and with the interest of the retirement benefit scheme policy holders and the Company's sole shareholder. During 2006, the Supervisory Board regularly received information about the Company's activities.

In 2006, the Supervisory Board held five regular and one extraordinary meeting. In addition to the activities referred to above, the Supervisory Board focused on the review of the fulfilment of the planned business and financial results of 2006, the investment strategy of PF KB, reviewed the measures prepared for improving the efficiency of the internal processes of PF KB, initiated the review of PF KB's Articles of Association with respect to their compliance with applicable legislation and continuously provided the Board of Directors with suggestions, recommendations and proposals of measures leading to the improvement of PF KB's activities. On 4 August 2006, the Supervisory Board elected Pavel Čejka, a member of the Supervisory Board, as the Vice-Chairman of the Supervisory Board.

The Supervisory Board reviewed the Report on Related Party Transactions for the year ended 31 December 2006 prepared in compliance with Section 66a (9) of the Commercial Code. Based on the submitted documentation, the Report states that Penzijní fond Komerční banky, a. s. incurred no detriment in the reporting period from 1 January 2006 to 31 December 2006 in respect of the contracts and agreements concluded between related parties.

The Supervisory Board, after reviewing the financial statements of Penzijní fond Komerční banky, a.s. for the year ended 31 December 2006 and pursuant to the independent auditor's report, states that the records and accounting books were maintained in a clearly supportable manner and in compliance with generally binding regulations applicable to accounting. The financial statements prepared on the basis of these accounting records give a true and fair view of the performance and financial position of Penzijní fond Komerční banky, a.s.

The auditor, Deloitte Audit s.r.o., audited the financial statements of Penzijní fond Komerční banky, a.s. and issued an unqualified opinion.

Reflecting these facts, the Supervisory Board recommends that the sole shareholder approve the financial statements for the year ended 31 December 2006.

The Supervisory Board reviewed the proposal of the Board of Directors on the allocation of the net profit of CZK 528,723,972 and recommends that the sole shareholder approve the proposal as follows:

Proposal for the Allocation of the Profit for 2006

	Units	Proposal
Profit to be allocated by the General Meeting	CZK	528,753,972.05
Reserve fund (5%)	CZK	26,437,698.60
Social fund	CZK	400,000.00
Equity programme	CZK	1,300 000.00
Profit for retirement benefit beneficiaries	CZK	956,459.37
Subsidy of the special purpose reserve	CZK	0.00
Dividends	CZK	15,000,000.00
Retained earnings	CZK	0.00
Profit to be distributed to policy holders	CZK	484,659,814.08
Percentage of the profit distributed to policy holders	%	91.66
Use of the retained earnings	CZK	9,500,000.00
Profit to be distributed to policy holders	CZK	494,159,814.08



Petr Slabý
Chairman of the Supervisory Board

Auditor's Report

Deloitte.

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Karolinská 654/2
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File 24349
Id Nr. 49620592
Tax Id Nr.: CZ49620592

Independent Auditor's Report to the Shareholder of Penzijní fond Komerční banky, a.s.

Having its registered office at: Lucemburská 1170/7, Prague 3, 130 11
Identification number: 618 60 018

Principal activities: Collection of funds from retirement benefit policyholders and the State for the benefit of policyholders,
management of the collected funds for the purpose of their reliable appreciation, payment of retirement benefits to policyholders

Report on the Financial Statements

Based upon our audit, we issued the following audit report dated on 2 March 2007 on the financial statements which are included in this annual report on pages 24 to 49:

"We have audited the accompanying financial statements of Penzijní fond Komerční banky, a.s. which comprise the balance sheet as of 31 December 2006, and the profit and loss account and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Penzijní fond Komerční banky, a.s. as of 31 December 2006, and of its financial performance for the year then ended in accordance with accounting regulations applicable in the Czech Republic.”

Report on the Related Party Transactions Report

We have also reviewed the factual accuracy of the information included in the related party transactions report of Penzijní fond Komerční banky, a.s. for the year ended 31 December 2006 which is included in this annual report on pages 50 to 52. This related party transactions report is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.

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

Nothing has come to our attention based on our review that indicates that the information contained in the related party transactions report of Penzijní fond Komerční banky, a.s. for the year ended 31 December 2006 contains material factual misstatements.

Report on the Annual Report

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

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

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

In Prague on 14 June 2007

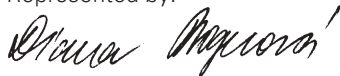


Audit firm:

Deloitte Audit s.r.o.

Certificate no. 79

Represented by:



Diana Rogerová, authorised employee

Statutory auditor:



Diana Rogerová, certificate no. 2045

Sworn Statement

Penzijní fond Komerční banky, a.s. declares that all information and data included in this annual report is true and complete. Moreover, PF KB declares that this document reflects all matters that are of relevance to the decision-making of retirement benefit policy holders and potential policy holders.

Penzijní fond Komerční banky, a.s. additionally declares that no adverse changes in PF KB's financial position or any other changes that may have an impact on the accurate and correct assessment of PF KB's financial position occurred prior to the date on which the annual report was prepared.

In Prague on 15 May 2007

Signed on behalf of the Board of Directors by:



Pavel Jiráček
Chairman of the Board of Directors and Managing Director



Radek Cmíral
Member of the Board of Directors and Director of the Finance Division

Financial Section



26	Balance Sheet as of 31 December 2006
28	Off Balance Sheet Accounts as of 31 December 2006
30	Profit and Loss Statement for the year ended 31 December 2006
31	Statement of Changes in Equity for the year ended 31 December 2006
32	Notes to the Financial Statements for the year ended 31 December 2006
50	Report on Related Party Transactions

Balance Sheet as of 31 December 2006

CZK thousand			2006		2005
Item no.	Name of item	Note	Gross	Adjustment	Net
	Assets	1			
1.	Cash in hand, deposits with central banks	2	26	0	26
1.1.	Cash in hand	3	26	0	26
1.2.	Deposits with central banks	4	0	0	0
2.	Government zero-coupon bonds and other securities eligible for refinancing with the CNB	5	0	0	0
2.1.	Government securities	6	0	0	0
2.2.	Other securities	7	0	0	0
3.	Amounts due from banks and savings banks	8	1,428,951	0	1,428,951
3.1.	– payable on demand	9	1,428,951	0	1,428,951
3.2.	– other receivables incl. term deposits over seven days	10	0	0	0
4.	Amounts due from non-banking entities	11	73,123	73,123	0
4.1.	– payable on demand	12	0	0	0
4.2.	– other receivables	13	73,123	73,123	0
5.	Debt securities	14	17,008,161	0	17,008,161
5.1.	– issued by government entities	15	14,963,128	0	14,963,128
5.2.	– issued by other entities	16	2,045,033	0	2,045,033
6.	Shares, participation certificates and other investments	17	498,795	0	498,795
6.1.	Shares	18	498,795	0	498,795
6.2.	Participation certificates and other investments	19	0	0	0
7.	Investments in associated undertakings	20	0	0	0
7.1.	– in banks	21	0	0	0
7.2.	– in other entities	22	0	0	0
8.	Investments in subsidiary undertakings	23	0	0	0
8.1.	– in banks	24	0	0	0
8.2.	– in other entities	25	0	0	0
9.	Intangible assets	26	47,362	35,020	12,342
9.1.	Start-up costs	27	0	0	0
9.2.	Goodwill	28	0	0	0
9.3.	Other intangible assets	29	43,863	35,020	8,843
9.4.	Acquisition of intangible assets and advances paid	30	3,499	0	3,499
10.	Tangible assets	31	406,876	73,305	333,571
10.1.	Land and buildings for operating activities	32	177,805	26,571	151,234
10.2.	Other tangible assets	33	229,071	46,734	182,337
10.2.1.	Operating tangible fixed assets (w/o buildings and land)	34	56,892	43,447	13,445
10.2.2.	Acquisition of tangible fixed assets and advances paid	35	931	0	931
10.2.3.	Lands and buildings for non-operating activities	36	154,674	3,287	151,387
10.2.4.	Non-operating tangible fixed assets (w/o buildings and land)	37	16,574	0	16,574
10.2.5.	Acquisition of tangible fixed assets (non-operating) and advances paid	38	0	0	0
11.	Other assets	39	159,223	324	158,899
11.1.	Other cash values	40	132	0	132
11.2.	Trade receivables and receivables from employees	41	9,105	324	8,781
11.3.	State receivables – state contribution	42	132,190	0	132,190
11.4.	State receivables – tax receivables	43	15,997	0	15,997
11.5.	Receivables from securities trading (w/o unpaid securities)	44	60	0	60
11.6.	Inventory	45	0	0	0
11.7.	Estimated assets	46	1,739	0	1,739
12.	Receivables from shareholders nad partners	47	0	0	0
13.	Prepayments and accrued income	48	467,085	0	467,085
13.1.	Prepayments	49	467,085	0	467,085
13.2.	Accrued income	50	0	0	0
	Total assets	51	20,089,602	181,772	19,907,830

CZK thousand				
Item no.	Name of item	Note	2006	2005
	Liabilities	52		
1.	Amounts due to banks and savings banks	53	0	0
1.1.	– payable on demand	54	0	0
1.2.	– other liabilities	55	0	0
2.	Amounts due to non-banking clients	56	0	0
3.	Payables from debt securities	57	0	0
3.1.	Issued debt securities	58	0	0
3.2.	Other payables from debt securities	59	0	0
4.	Other liabilities	60	18,842,156	15,295,756
4.1.	Trade creditors	61	41,778	52,737
4.2.	Payables to employees	62	1,630	1,533
4.3.	Social security commitments	63	900	884
4.4.	Payables to state – state contributions	64	0	(46)
4.5.	Payables to state – tax liabilities	65	12,132	32,542
4.6.	Payables from securities trading	66	0	0
4.7.	Estimated liabilities and other liabilities	67	14,125	8,943
4.8.	Funds of retirement benefit policy holders	68	18,771,591	15,199,163
4.8.1.	– policy holders' and state contributions	69	16,650,257	13,323,700
4.8.2.	– funds for the payment of pensions	70	55,189	46,920
4.8.3.	– yields from policy holders' contributions	71	1,963,472	1,622,527
4.8.4.	– unallocated contributions of retirement benefit policy holders	72	77,842	186,505
4.8.5.	– payables from awarded outstanding lump-sum settlements	73	24,831	19,511
5.	Accrued expenses and deferred income	74	1,885	9
5.1.	Accrued expenses	75	1,885	0
5.2.	Deferred income	76	0	9
6.	Reserves	77	3,729	2,597
6.1.	Reserves for pensions and other related payables	78	3,729	2,597
6.2.	Reserves for taxes	79	0	0
6.3.	Other reserves	80	0	0
7.	Subordinated liabilities	81	0	0
8.	Share capital	82	200,000	200,000
	of which: share capital paid up	83	200,000	200,000
9.	Treasury shares	84	0	0
10.	Share premium	85	0	0
11.	Reserve funds and other funds from profit	86	256,290	225,473
11.1.	Mandatory reserve funds	87	183,389	152,344
11.2.	Reserve fund for treasury shares	88	0	0
11.3.	Other reserve funds	89	0	0
11.4.	Other funds from profit	90	72,901	73,129
11.4.1.	of which: pension reserve fund	91	71,492	71,801
12.	Revaluation reserve	92	0	0
13.	Capital funds	93	0	0
13.1.	Shareholders' capital contributions	94	0	0
13.2.	Other capital funds	95	0	0
14.	Gains or losses arising from revaluation	96	65,516	253,721
14.1.	Gains or losses arising from the revaluation of assets and liabilities	97	65,516	253,721
14.2.	Gains or losses arising from the revaluation of hedging derivatives	98	0	0
14.3.	Gains or losses arising from the conversion of investments	99	0	0
15.	Retained earnings or accumulated losses	100	9,500	(7,807)
15.1.	Retained earnings	101	9,500	(7,807)
15.2.	Accumulated losses	102	0	0
15.3.	Profit/(loss) to be approved	103	0	0
16.	Profit or loss for the accounting period	104	528,754	620,910
	Total liabilities	105	19,907,830	16,590,659

Off Balance Sheet Accounts as of 31 December 2006

CZK thousand			
Item no.	Name of item	2006	2005
Off balance sheet assets			
1.	Committed facilities and guarantees granted	0	0
	a) commitments	0	0
	b) guarantees and warranties	0	0
	c) guarantees from bills of exchange	0	0
	d) guarantees from letters of credit	0	0
2.	Pledges granted	0	0
	a) real estate pledges	0	0
	b) cash pledges	0	0
	c) securities	0	0
	d) other	0	0
3.	Receivables from spot transactions	0	0
	a) interest rate instruments	0	0
	b) currency instruments	0	0
	c) equity instruments	0	0
	d) commodity instruments	0	0
4.	Receivables from term transactions	0	0
	a) interest rate instruments	0	0
	b) currency instruments	0	0
	c) equity instruments	0	0
	d) commodity instruments	0	0
	e) credit instruments	0	0
5.	Receivables from option contracts	0	0
	a) interest rate instruments	0	0
	b) currency instruments	0	0
	c) equity instruments	0	0
	d) commodity instruments	0	0
	e) credit instruments	0	0
6.	Receivables written off	0	0
7.	Assets provided into custody, administration and safe-keeping	0	0
	of which: securities	0	0
8.	Assets provided for management	18,935,907	15,712,765
	of which: securities	17,506,956	15,482,891

CZK thousand			
Item no.	Name of item	2006	2005
Off balance sheet liabilities			
1.	Committed facilities and guarantees received	0	0
	a) commitments	0	0
	b) guarantees and warranties	0	0
	c) guarantees from bills of exchange	0	0
	d) guarantees from letters of credit	0	0
2.	Pledges accepted	0	0
	a) real estate pledges	0	0
	b) cash pledges	0	0
	c) securities	0	0
	d) others	0	0
	e) collateral – securities	0	0
3.	Payables from spot transactions	0	0
	a) interest rate instruments	0	0
	b) currency instruments	0	0
	c) equity instruments	0	0
	d) commodity instruments	0	0
4.	Payables from term transaction	0	0
	a) interest rate instruments	0	0
	b) currency instruments	0	0
	c) equity instruments	0	0
	d) commodity instruments	0	0
	e) credit instruments	0	0
5.	Payables from option contracts	0	0
	a) interest rate instruments	0	0
	b) currency instruments	0	0
	c) equity instruments	0	0
	d) commodity instruments	0	0
	e) credit instruments	0	0
6.	Assets received into custody	0	0
	of which: securities	0	0
7.	Assets received for management	0	0
	of which: securities	0	0

Profit and Loss Statement

for the year ended 31 December 2006

CZK thousand				
Item no.	Name of item	Note	2006	2005
1.	Interest income and similar income	1	515,380	422,653
	of which: interest income from debt securities	2	505,228	416,473
2.	Interest expenses and similar expenses	3	0	0
	of which: interest expenses from debt securities	4	0	0
3.	Income from shares and other holdings	5	33,452	17,511
4.	Fees and commission income	6	0	0
5.	Fees and commission expenses	7	(145,081)	(107,634)
	of which: commission from acquisition activities		(87,404)	(56,385)
6.	Net profit/(loss) from financial operations	8	241,723	425,148
7.	Other operating income	9	29,118	17,691
	income from non financial placement of policyholders' funds	10	11,072	13,321
8.	Other operating expenses	11	(7,638)	(3,088)
	income from non financial placement of policyholders' funds	12	(975)	(1,367)
9.	Administrative costs	13	(130,437)	(122,110)
9.1.	Staff costs	14	(43,665)	(37,076)
9.1.1.	Salaries and wages incl. remuneration of board members	15	(31,143)	(26,660)
9.1.2.	Social security and health insurance	16	(10,405)	(8,934)
9.1.3.	Other social costs	17	(2,117)	(1,482)
9.2.	Other administrative costs	18	(86,772)	(85,034)
9.2.1.	Marketing costs	19	(31,536)	(37,559)
9.2.2.	Administrative costs including consumed material and utilities expenses	20	(55,236)	(47,475)
10.	Use of reserves and provisions for tangible and intangible assets	21	0	0
	of which: non financial placement of policyholders' funds	22	0	0
10.1.	Use of reserves for tangible assets	23	0	0
10.2.	Use of provisions for tangible assets	24	0	0
10.3.	Use of provisions for intangible assets	25	0	0
11.	Depreciation, creation of reserves and provisions	26	(14,586)	(15,377)
	of which: non financial placement of policyholders' funds	27	0	0
11.1.	Depreciation of tangible assets	28	(8,727)	(7,934)
11.2.	Creation of reserves for tangible assets	29	0	0
11.3.	Creation of provisions for tangible assets	30	(1,674)	(1,614)
11.4.	Amortisation of intangible assets	31	(4,185)	(5,829)
11.5.	Creation of provisions for intangible assets	32	0	0
12.	Use of provisions and reserves for receivables and guarantees	33	7,875	0
12.1.	Use of provisions for receivables and guarantees	34	7,875	0
12.2.	Use of reserves for receivables and commitments from guarantees	35	0	0
12.3.	Profit from transferred receivables and guarantees	36	0	0
13.	Write-offs, creation of reserves and provisions for receivables and guarantees	37	(481)	0
13.1.	Creation of provision for receivables and commitments from guarantees	38	0	0
13.2.	Creation of reserves for guarantees	39	0	0
13.3.	Write-offs of receivables and commitments from guarantees	40	(481)	0
14.	Use of provisions for investments in subsidiaries and associates	41	0	0
15.	Creation of provisions for investments in subsidiaries and associates	42	0	0
16.	Use of other reserves including pension reserves	43	798	687
17.	Creation of other reserves including pension reserves	44	(1,929)	(1,495)
18.	Use of other provisions	45	0	0
19.	Creation of other provisions and write-offs of financial investments	46	(215)	(1,404)
20.	Profit/(loss) from ordinary activities before tax	47	527,979	632,582
21.	Extraordinary income	48	0	0
22.	Extraordinary costs	49	0	0
23.	Profit or loss from extraordinary activities before tax	50	0	0
24.	Income tax	51	775	(11,672)
25.	Share of profit or loss from associates	52	0	0
26.	Profit or loss for the period after taxation	53	528,754	620,910

Statement of Changes in Equity

for the year ended 31 December 2006

CZK thousand			
Item no.	Name of item	2006	2005
1.	Share capital		
	Opening balance	200,000	200,000
	Increase	0	0
	Decrease	0	0
	Conversion of convertible bonds to shares	0	0
	Exercise of options and warrants	0	0
	Closing balance	200,000	200,000
2.	Treasury shares	0	0
3.	Share premium fund		
	Opening balance	0	0
	Increase	0	0
	Decrease	0	0
	Closing balance	0	0
4.	Reserve funds		
	Opening balance	152,344	130,357
	Obligatory allocation	31,045	21,987
	Other increase	0	0
	Decrease	0	0
	Closing balance	183,389	152,344
5.	Other funds from profit		
	Opening balance	73,129	73,839
	Increase	2,501	938
	Decrease	2,729	1,648
	Closing balance	72,901	73,129
6.	Gains or losses from revaluation not included in profit or loss		
	Opening balance	253,721	254,864
	Increase	9,852	1,492
	Decrease	198,057	2,635
	Closing balance	65,516	253,721
7.	Retained earnings		
	Opening balance	(7,807)	1,000
	Increase	18,382	75
	Decrease	1,075	8,882
	Closing balance	9,500	(7,807)
8.	Accumulated losses brought forward		
	Opening balance	0	0
	Increase	0	0
	Decrease	0	0
	Closing balance	0	0
9.	Net profit/(loss) for the period	528,754	620,910
10.	Dividends	0	0
	Directors' fees	0	0
	Equity	1,060,060	1,292,297

Notes to the Financial Statements for the year ended 31 December 2006

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 licence in respect of the incorporation and operations of the pension fund on 24 November 1994.

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

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

Shareholder	Ownership percentage (%)
Komerční banka, a.s.	100
Total	100

The Company is primarily engaged in providing retirement benefit schemes under Act 42/1994 Coll. on Retirement Benefit Schemes with State Contribution and Changes in Several Acts related to its Implementation, as amended by Act 170/1999 Coll. The Company conducts its business solely on the territory of the Czech Republic.

1.2. Changes and Amendments to the Register of Companies

During the year ended 31 December 2006, changes in the Board of Directors and the Supervisory Board, described in greater detail in Note 1.5., were recorded to the Register of Companies.

1.3. Adjustments of Articles of Association

In the year ended 31 December 2006, the Articles of Association were adjusted predominantly in respect of the updating of the organisational rules and revised approval authorities.

1.4. Organisational Structure

The Company's organisational structure in 2006 was as follows:

Department of the Managing Director

Finance Department

Sales Department

Retirement Benefit Scheme Management and IT Department

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

1.5. Board of Directors and Supervisory Board

During the year ended 31 December 2006, the following changes were made to the composition of the Board of Directors and Supervisory Board:

	Position	Name
Board of Directors	Chairman	Milan Kantor (until 31 August 2006)
		Pavel Jiráček (since 13 September 2006)
	Vice-Chairman	Pavel Jiráček (until 12 September 2006)
	Member	Vojtěch Kubec (since 18 December 2006)
		Miloš Rýznar (since 15 December 2006)
Supervisory Board	Vice-Chairman	Ladislav Petrášek (until 20 January 2006)
	Member	Iva Jiráčková (since 30 June 2006)

Composition of the Boards as of 31 December 2006:

	Position	Name
Board of Directors	Chairman	Pavel Jirák
	Vice-Chairman	Vojtěch Kubec
	Member	Kamil Kočí
	Member	Antonín Kopřiva
	Member	Miloš Rýznar
Supervisory Board	Chairman	Petr Slabý
	Member	David Formánek
	Member	Philippe Delacarte
	Member	Pavel Čejka
	Member	Dagmar Lomecká
	Member	Iva Jiráková

2. Accounting policies and general accounting principles

The Company's accounting records are maintained and the financial statements were prepared in accordance with the Accounting Act 563/1991 Coll., Czech Accounting Standards for reporting entities that maintain their accounts under Notice 501/2002 Coll., as amended, and relevant regulations, guidance notes and notices, specifically the Notice of the Czech Finance Ministry 501/2002 Coll., which provides implementation guidance on certain provisions of the Accounting Act 563/1991 Coll., as amended.

The accounting records are maintained in compliance with general accounting principles, in particular the historical cost valuation basis, 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.

2.1. Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets include assets with an acquisition cost greater than CZK 30,000 and CZK 60,000, 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 30,000 and CZK 60,000 are not treated as tangible and intangible assets, respectively, and are charged through "Consumed purchases" and "Services", respectively.

The cost of fixed asset improvements exceeding CZK 40,000 for the taxation period increases the acquisition cost of the related fixed asset.

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	Depreciation period in years
Buildings and structures	40
Machinery and equipment	4
Vehicles	7
Air-conditioning units	12
Safes and fire resistant cabinets	15
Furniture and fixtures	8, 6 *
Software	4, 5, 10

* For assets put into use subsequent to 1 January 2001.

In accordance with the amended Notice 501/2002 Coll., non-operating assets have no longer been depreciated with effect from 1 January 2004.

Non-operating tangible assets are initially recognised at cost. Pursuant to the requirements set out in Section 33 of Act 42/1994 Coll., the Company remeasures its assets at fair value. Changes in measurement are recorded to the account *"Gains or losses arising from revaluation"* with the exception of a decline in value due to other-than-temporary impairment. Immovable assets are remeasured at market values annually on the basis of independent appraisal reports.

In 2005 and 2006, an independent appraisal report highlighted other-than-temporary impairment of non-operating buildings. The Company recognised an impairment charge equal to the identified impairment. No other than the above tangible and intangible assets were provided for in 2006 and 2005.

2.2. Securities

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

The Company holds securities in the portfolio at fair value through profit or loss, securities available for sale and held at maturity. Securities are initially measured at their cost plus direct transaction costs (fees to securities dealers and exchange markets).

Securities are reported in the balance sheet lines *"Debt securities"* or *"Shares, participation certificates and other holdings"*. Capital gains and losses are reported within the profit and loss statement line *"Net profit/(loss) from financial operations"*.

In accordance with the legislative change in the foreign exchange gains or losses accounting methodology from 1 January 2005, the Company reclassified the exchange gains or losses arising from the translation of bank accounts in foreign currency and foreign currency securities held by the Company as of 31 December 2004 (-CZK 8,807 thousand) from the *"Gains or losses arising from revaluation"* to *"Retained earnings"* or *"Accumulated loss brought forward"*.

Securities at Fair Value through Profit or Loss and Securities Available for Sale

Securities at fair value through profit or loss are financial assets (equity and debt securities, treasury bills) acquired by the Company for the purpose of generating a profit from fluctuations in prices in the short term, typically defined as one year.

Available-for-sale securities are those financial assets (debt securities) that are not classified as financial assets held for trading or held-to-maturity securities.

From the trade date, the Company remeasures these securities at fair value. Fair value changes are recorded to the account *"Gains or losses arising from revaluation"*. The cost of debt securities is increased over time to reflect the accrued interest income. Interest income includes the accrued coupon and the accrued difference between the nominal value of the security and its amortised cost. The Company accounts for interest income using the effective interest rate method.

Market value is defined as a price published by a market organiser in respect of a security accepted for trading in one of the public markets of the OECD countries or countries that entered into special purpose agreements with the International Monetary Fund on lending associated with the Fund's general agreements on borrowings; the price of a security published by a market maker who is either a bank or an investment institution which has been licensed by the relevant authorities to carry on its business activities and is subject to regulation according to Czech legislation, EU Regulation No. 93/6/ES or a similar regulation effective in the country in which the financial institution is domiciled.

If the fair value cannot be established as equal to the market value, the fair value approximates the "adjusted" value of the security. The adjusted value of the security is equal to:

- Share of an entity's equity balance if the security represents a share;
- Share of a mutual fund's equity balance if the security represents a participation certificate; or
- Present value of the security if it represents a treasury bill, debt security or bill of exchange.

If the "adjusted" value concept cannot be used, the Company refers to the relevant guidance given in Regulation 270/2004 Coll., on the determination of fair values of assets and liabilities held by collective investment funds and the determination of the actual values of shares or participation certificates of collective investment funds.

Securities Held to Maturity

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. These securities are carried at the accrued value using the effective interest rate method.

The Company assesses on a regular basis whether there is any objective evidence that a security held to maturity may be impaired. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount which is equal to the present value of the expected future cash flows discounted at the financial instrument's original effective interest rate. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of the expected future cash flows discounted at the financial instrument's original effective interest rate. When impairment of assets is identified, the Company recognises provisions through the profit and loss statement line "*Creation of other provisions*".

2.3. Inventory

Purchased inventory is valued at acquisition costs. Acquisition costs include the purchase price and indirect acquisition costs such as custom fees, freight costs and storage fees during transportation. The Company carried no internally developed inventory. Inventory is issued out of stock using the FIFO (first in, first out) method. The Company recognises inventories as accruals.

2.4. Loans and Receivables

The Company issued and received no loans for the years ended 31 December 2006 and 2005.

Receivables are stated at amortised cost net of provisions. Provisions 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 recognises provisioning charges in respect of past due receivables, receivables from the issuers of debt securities arising from outstanding coupons and nominal values. The Company makes a full provision against outstanding coupons. Default interest on outstanding coupons is not recognised as a component of receivables on the face of the balance sheet and is recorded as a contingent gain off balance sheet. The Company monitors, in the supporting accounting sub-ledgers, charges for provisions that are allowable for tax purposes in accordance with the Provisioning Act 593/1992 Coll., and charges for non-tax deductible provisions.

2.5. Pension Policy Costs

The Company amortised pension policy costs on a straight line basis over four years for the years ended 31 December 2002, 2001 and 2000. In the year ended 31 December 2003, the calculation of the average life of a pension policy was updated and led to an extension of the period over which pension policy acquisition costs are amortised to eight years. The Company continued amortising pension policy costs on the same basis in 2005 and 2006.

2.6. Provisioning and Reserving Policies

Provisions are made against assets based on the count results to the extent that the values of the assets are lower than their carrying values and this impairment is temporary.

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

In the year ended 31 December 2006, the Company continued to carry an actuarial reserve for commitments arising from retirement benefit policies.

2.7. Foreign Currency Translation

Transactions denominated in foreign currencies during the year are recorded at the exchange rate used by the bank and re-translated using the rate of the Czech National Bank.

Assets and liabilities denominated in foreign currencies are re-translated into Czech crowns using the exchange rate prevailing on the date of the transaction.

The Company recorded no foreign currency receivables, loans or financial borrowings for the years ended 31 December 2006 and 2005. As of 31 December 2006, the Company held financial assets in a foreign currency (EUR).

At the balance sheet date, financial assets in a foreign currency are re-translated using the effective exchange rate notified by the Czech National Bank as of that date. Any resulting foreign currency translation differences are recorded through expenses and income as appropriate.

2.8. Finance Leases

The Company entered into no finance lease agreements for the years ended 31 December 2006 and 2005.

2.9. Taxation

Taxation is calculated in accordance with the provisions of the relevant legislation of the Czech Republic, based on the profit or loss recognised in the profit and loss statement prepared under Czech Accounting Standards.

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 for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax. The principal temporary differences arise from depreciation of tangible fixed assets, specific and general provisions for loans, securities revaluation and tax losses carried forward. Deferred tax assets in respect of unutilised tax losses carried forward and other temporary differences are recognised to the extent that it is probable that future taxable profits will be available against which the tax assets can be utilised.

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 difference between the sum of funds in the so called "personal accounts of pension beneficiaries" and the anticipated aggregate long-term payable under pensions represents the valorisation to pension beneficiaries and is covered by the pension reserve fund (the Company's statutory fund). The aggregate long-term payable under pensions was not discounted in the accounting books in the years ended 31 December 2006 and 2005, 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 equalisation fund which is created from profits and decreased to reflect valorisations of pensions awarded to pension beneficiaries.

2.11. Year-on-Year Changes in Valuation, Depreciation and Accounting Policies

There were no year-on-year changes in the accounting policies during the year ended 31 December 2006.

3. Structure of share capital and changes in share capital during 2006

Structure of Share Capital as of 31 December 2006

Type of share	Number of shares (pcs)	Nominal value (CZK thousand)	Total nominal value of the issue (CZK thousand)
Registered share	2,000	100	200,000
Total	2,000	100	200,000

Equity Interests Held by Individuals and Legal Entities

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

The shares are not readily tradable, transfers of shares to third parties are subject to approval by a general meeting of shareholders. No changes were made to the balance of share capital during the year ended 31 December 2006.

4. Amounts due from banks

CZK thousand	2006	2005
Current accounts	17,881	8,648
Term placements	1,411,070	221,226
Balance at 31 December	1,428,951	229,874

5. Amounts due from non-banking entities

CZK thousand	2006	2005
Receivables	73,123	79,265
Provisions	(73,123)	(79,265)
Balance at 31 December	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. There was a year-on-year decrease in these receivables as the receivable relating to Desta a.s. of CZK 6,143 was collected.

6. Securities

CZK thousand	2006	2005
Total debt securities including treasury bills	17,008,161	15,155,982
– Available for sale	17,008,161	15,155,982
Total shares and participation certificates	498,795	326,909
– Available for sale	498,795	326,909
Total	17,506,956	15,482,891

CZK thousand	Amortised cost	Market value 2006	Market value 2005
Securities available for sale	17,170,745	17,506,956	15,482,891
Debt securities issued by banks	1,518,752	1,454,236	1,745,995
Debt securities issued by corporations	579,103	590,797	1,043,355
Debt securities issued by Government institutions	13,585,724	13,966,120	8,838,402
Treasury bills	997,094	997,008	3,528,230
Shares for sale	490,072	498,795	326,909

The proportion of debt securities to the aggregate balance of securities was 97.2 percent as of 31 December 2006.

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 percent of the aggregate nominal value of securities issued by the same issuer. This limitation does not apply to bonds listed in Section 3 (2 ab) (specifically bonds issued by 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 securities with controlling or significant influence for the years ended 31 December 2006 and 2005. All securities are traded on the stock exchange.

7. Tangible and intangible fixed assets

Intangible Fixed Assets

Cost

CZK thousand	Balance at	Additions	Disposals	Balance at
	31 December			31 December
	2005			2006
Software	35,102	8,559	0	43,661
Low value intangible FA	202	0	0	202
Acquisition of intangible FA	1,522	10,536	(8,559)	3,499
Total	36,826	19,095	(8,559)	47,362

Accumulated Amortisation

CZK thousand	Balance at	Additions	Disposals	Balance at
	31 December			31 December
	2005			2006
Software	(30,633)	(4,185)	0	(34,818)
Low value intangible FA	(202)	0	0	(202)
Total	(30,835)	(4,185)	0	(35,020)

Net Book Value

CZK thousand	2005	2006
Software	4,469	8,843
Low value intangible FA	0	0
Acquisition of intangible FA	1,522	3,499
Total	5,991	12,342

Amortisation of Intangible Fixed Assets Charged to Expenses

CZK thousand	2005	2006
Amortisation of intangible fixed assets	5 829	4 185

Tangible Fixed Assets

Cost

CZK thousand	Balance at 31 December 2005	Additions	Disposals	Transfers	Revaluation gains or losses	Balance at 31 December 2006
Land	20,871	0	(88)	0	(237)	20,546
– Operating	12,000	0	0	0	0	12,000
– Non-operating	8,871	0	(88)	0	(237)	8,546
Buildings, halls and structures	315,245	0	(4,432)	0	1,120	311,933
– Operating	165,805	0	0	0	0	165,805
– Non-operating	149,440	0	(4,432)	0	1,120	146,128
Individual movable assets	68,925	8,104	(2,459)	796	(1,961)	73,405
– Operating	50,156	8,104	(2,225)	796	0	56,831
– Non-operating	18,769	0	(234)	0	(1,961)	16,574
– Machinery and equipment – 1st depreciation group	37,588	7,645	(1,378)	796	0	44,651
– Vehicles – 1st depreciation group	8,361	17	(1,017)	0	0	7,361
– Furniture and fixtures – 2nd depreciation group	21,533	42	(1)	0	(1,961)	19,613
– Other equipment – 3rd depreciation group	1,244	400	(63)	0	0	1,581
– Other equipment – 4th depreciation group	199	0	0	0	0	199
Other tangible fixed assets						
(Low value tangible fixed assets)	1,152	0	(295)	(796)	0	61
Investments under construction	6,991	2,043	(8,103)	0	0	931
– Operating	6,991	2,043	(8,103)	0	0	931
– Non-operating	0	0	0	0	0	0
Total	413,184	10,147	(15,377)	0	(1,078)	406,876

Accumulated Depreciation and Provisions

CZK thousand	Balance at 31 December 2005	Additions	Disposals	Transfers	Balance at 31 December 2006
Buildings, halls and structures	(22,343)	(4,228)	0	0	(26,571)
– Operating	(22,343)	(4,228)	0	0	(26,571)
– Non-operating	0	0	0	0	0
Individual movable assets	(40,280)	(4,535)	2,225	(796)	(43,386)
– Operating	(40,280)	(4,535)	2,225	(796)	(43,386)
– Non-operating	0	0	0	0	0
– Machinery and equipment – 1st depreciation group	(32,744)	(1,178)	1,145	(796)	(33,573)
– Vehicles – 1st depreciation group	(3,583)	(2,220)	1,017	0	(4,786)
– Furniture and fixtures – 2nd depreciation group	(3,559)	(980)	0	0	(4,539)
– Other equipment – 3rd depreciation group	(394)	(157)	63	0	(488)
– Other equipment – 4th depreciation group	0	0	0	0	0
Other tangible fixed assets (Low value tangible fixed assets)	(1,152)	0	295	796	(61)
Provision against non-operating assets due to other-than-temporary impairment	(1,614)	(1,673)	0	0	(3,287)
Total	(65,389)	(10,436)	2,520	0	(73,305)

Net Book Value

CZK thousand	2005	2006
Land	20,871	20,546
– Operating	12,000	12,000
– Non-operating	8,871	8,546
Buildings, halls and structures	291,288	282,075
– Operating	143,462	139,234
– Non-operating	147,826	142,841
Individual movable assets	28,645	30,019
– Operating	9,876	13,445
– Non-operating	18,769	16,574
– Machinery and equipment – 1st depreciation group	4,844	11,078
– Vehicles – 1st depreciation group	4,778	2,575
– Furniture and fixtures – 2nd depreciation group	17,974	15,074
– Other equipment – 3rd depreciation group	850	1,093
– Other equipment – 4th depreciation group	199	199
Other tangible fixed assets (Low value tangible fixed assets)	0	0
Investments under construction	6,991	931
– Operating	6,991	931
– Non-operating	0	0
Total	347,795	333,571

Depreciation of Tangible Fixed Assets Charged to Expenses

In the year ended 31 December 2006, depreciation of tangible assets amounted to CZK 8,727 thousand (2005: CZK 7,934 thousand).

Aggregate Low Value Tangible Assets not Reported on the Balance Sheet

CZK thousand	2005	2006
Low value tangible assets not reported on the balance sheet	12,004	11,888

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

8. Other assets

CZK thousand	2005	2006
Trade receivables and receivables from employees	10,572	9,105
State contribution	102,126	132,190
Due from the state budget (tax)	6,913	15,997
Receivables from securities trading	101,805	60
Other cash assets	168	132
Provisions	(1,842)	(324)
Estimated receivables	188	1,739
Balance at 31 December	219,930	158,899

The balance receivable arising from state contribution pursuant to Section 7 of Act 42/1994 Coll., on Retirement Benefit Schemes was CZK 132,190 thousand and CZK 102,126 thousand as of 31 December 2006 and 2005, respectively. Receivables from securities trading are composed of receivables from the portfolio administrator.

In 2005, receivables from securities trading were composed of receivables arising from ex-coupons of debt securities.

9. Prepayments and accrued income

CZK thousand	2006	2005
Prepayments and accrued income	467,085	304,147
Prepayments (deferred expenses)	467,085	304,145
– in respect of acquisition commissions	464,380	298,158
– other	2,705	5,987
Accrued income	0	2
– other	0	2

The increase in deferred expenses in respect of acquisition commissions from 2005 to 2006 was largely due to larger commissions paid to the acquirers.

10. Loans received from banks and clients

The Company carried no received loans as of 31 December 2006 and 2005.

11. Other liabilities

CZK thousand	2006	2005
Trade payables, payables to employees and estimated payables	57,533	63,213
Due to the State Budget, payables from social security	13,032	33,380
Cash in personal accounts including state contribution not yet collected	18,771,591	15,199,163
Balance at 31 December	18,842,156	15,295,756

12. Reserves

CZK thousand	Balance at 31 December 2005	Charges	Use/ Release	Balance at 31 December 2006
Other reserves				
– Reserve for pensions	2,597	1,929	797	3,729
Total	2,597	1,929	797	3,729

13. Shareholder's equity

The balance of the Company's equity was CZK 1,060,060 thousand and CZK 1,292,297 thousand as of 31 December 2006 and 2005, respectively.

Following the decision of the sole shareholder, the profit of CZK 620,910 thousand for the year ended 31 December 2005 was distributed as follows: a mandatory allocation of CZK 31,045 thousand to the Company's reserve fund, an allocation of CZK 539,067 thousand to the policyholders, an allocation of CZK 1,647 thousand to the social fund, CZK 798 thousand was paid as a contribution to the equalisation fund for pensions and the profit for the payment of dividends to the shareholder amounted to CZK 31,046 thousand, settlement of accumulated loss, including the offset of retained earnings of CZK 7,807 thousand, allocation to retained earnings was CZK 9,500 thousand.

14. Gains or losses arising from revaluation

CZK thousand	2004	Change in the balance	2005	Change in the balance	2006
Shares	214,980	(121,084)	93,896	(85,173)	8,723
Debt securities and treasury bills	85,332	172,362	257,694	(111,860)	145,834
Financial assets	75	(75)	0	0	0
Non-operating assets	(32,108)	(52,407)	(84,515)	(1,078)	(85,593)
Deferred tax	(13,414)	60	(13,354)	9,906	(3,448)
Total	254,865	(1,144)	253,721	(188,205)	65,516

15. Write-offs of non-statute barred receivables and financial investments

The Company wrote off trade receivables in the aggregate amount of CZK 481 thousand in the year ended 31 December 2006 (no receivables were written off in the year ended 31 December 2005). The most significant receivable is the write-off of the Sandbox receivable of CZK 455 thousand.

16. Interest income

CZK thousand	2006	2005
Interest income on current accounts and term placements	10,152	6,180
Interest income on securities	505,228	416,473
Total interest income	515,380	422,653

In the years ended 31 December 2006 and 2005, the Company incurred no interest expenses. The year-on-year increase in net interest income is attributable to the increased size of the interest rate portfolio.

17. Income from shares and other holdings

Income from shares and other holdings principally comprises income from dividends in respect of the shares held in the available-for-sale portfolio.

18. Net commission and fee expense

CZK thousand	2006	2005
Commission and fee expense	145,081	107,634
of which: portfolio administration expenses	53,337	47,801
Net commission and fee expense	145,081	107,634

The increase in the commission and fee expense from 2005 to 2006 is principally due to the increase of the Company's acquisition activities (approximately 91,000 new contracts) and an increased commissioning percentage.

19. Net profit/(loss) from financial operations

CZK thousand	2006	2005
Profit on trading with equities	230,392	419,410
Profit on trading with debt securities and treasury bills	11,351	3,103
FX gains/(losses)	(20)	2,635
Net profit/(loss) from financial operations	241,723	425,148

The aggregate decrease in the net profit from financial operations from 2005 to 2006 was predominantly attributable to the unfavourable development on the Czech capital market during 2006.

20. Analysis of operating and extraordinary expenses and income

Other Operating Income and Income from Non-Operating Immovable Assets

CZK thousand	2006	2005
Income from the transfer of assets	8,690	160
Rental income from real estate	11,072	13,321
Other	9,356	4,210
Total other operating income	29,118	17,691

CZK thousand	2006	2005
Costs of asset transfers	4,789	725
Costs of leasehold real estate	975	1,367
Other corrections of prior years	176	960
Damage, penalties and fines	1,698	36
Total other operating expenses	7,638	3,088

21. Administrative expenses

Staff Costs and Number of Employees

2006

CZK thousand	Number	Wages and salaries	Social security and health insurance contributions	Other costs	Total staff costs
Staff	49	17,650	6,065	1,240	24,955
Management	9	12,496	4,124	877	17,497
Outsourcing agreements	0	922	216	0	1,138
Supervisory Board	6	75	0	0	75
Total		31,143	10,405	2,117	43,665

2005

CZK thousand	Number	Wages and salaries	Social security and health insurance contributions	Other costs	Total staff costs
Staff	50	15,301	5,207	1,254	21,762
Management	8	10,592	3,568	228	14,388
Outsourcing agreements	0	684	159	0	843
Supervisory Board	6	83	0	0	83
Total		26,660	8,934	1,482	37,076

The number of employees is based on the average re-calculated headcount. The category of management includes the Managing Director, Divisional Directors and Deputy Directors.

Other Administrative Expenses

CZK thousand	2006	2005
Total other administrative expenses	86,772	85,034
Sales costs (net of commissions for acquisition activities) including cooperation contracts	43,095	43,369
Consumed purchases	3,566	3,796
SW and HW services	9,146	8,989
Audit, advisory, translations, annual report, depositary	7,705	10,643
Telephone, postal charges, statements of personal accounts	15,487	9,890
Other	6,525	6,636
Taxes and fees	1,248	1,711

The line "Other" principally includes other services from external suppliers relating to operating real estate of CZK 3,827 thousand (2005: CZK 2,996 thousand) and repair and maintenance costs of CZK 1,180 thousand (2005: CZK 1,680 thousand).

22. Income tax on ordinary activities, deferred tax liabilities and assets

Corporate Income Tax Charge

CZK thousand	2006	2005
Profit before tax	527,979	632,582
Items increasing taxable profit	17,886	16,295
Item decreasing taxable profit	542,750	430,257
Tax base after adjustments	3,115	218,620
Due tax using the 5 percent rate	156	10,931
Tax relief	18	18
Due tax, net of tax relief	138	10,913
Standalone tax base	0	2,782
Tax on the standalone tax base	0	417
Tax from previous years	(285)	(169)
Total tax liability	(147)	11,161

Corporate Income Tax Charge

CZK thousand	2006	2005
Due tax	(147)	11,161
Deferred tax	(628)	511
Total	(775)	11,672

Deferred Taxation Asset (Liability)

CZK thousand	2006	2005
Opening balance	(14,702)	(14,251)
Decrease/increase – profit and loss statement	628	(511)
Decrease/increase – revaluation differences	9,906	60
Balance at 31 December	(4,168)	(14,702)

CZK thousand	2006	2005
Deferred tax asset	4,567	4,390
Provisions against receivables and reserves	16	2
Estimated balance for fees and bonuses	107	82
Provisions against assets	164	81
Gains or losses from the revaluation of buildings	4,280	4,225
Deferred tax liability	(8,735)	(19,092)
Differences in net book values of tangible and intangible fixed assets	(1,007)	(1,513)
Gains or losses from the revaluation of securities	(7,728)	(17,579)
Total deferred tax at 31 December	(4,168)	(14,702)

23. Additional information on retirement benefit schemes with state contribution

CZK thousand	2006	2005
Number of retirement benefit policy holders (individuals)	416,757	360,873
Number of benefits paid, including transfers for the period		
– One-off compensation	13,414	13,451
– Lump-sum settlement	4,654	4,755
– Pensions (number of pension beneficiaries to date)	1,993	1,089
– Transfers to other funds	5,706	4,796
Amount of paid benefits, including transfers in CZK thousand	1,278,002	1,160,042
– One-off compensation	949,561	861,343
– Lump-sum settlement	133,813	126,464
– Pensions	30,904	24,034
– Transfers to other pension funds	163,724	148,201
Depositary of the fund	Česká spořitelna, a.s.	Česká spořitelna, a.s.
% appreciation of invested funds from profit:		
– profit allocation (Net of state contribution)	*	4.0

* The figure will be available following the allocation of the profit for the year ended 31 December 2006.

24. 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. It is the policy of management of the Company to manage the exposure to fluctuations in net interest income arising from changes in interest rates through the gaps in individual groups of assets and liabilities. Those assets and liabilities that do not have a contractual maturity date or are not interest-bearing are grouped in the "undefined" category.

CZK thousand	On demand	Up to 3 months	3 months to 1 year	1 year to 2 years	2 years to 4 years	4 years to 5 years	Over 5 years	Maturity undefined	Total
Cash and amounts due from banks	1,428,977	0	0	0	0	0	0	0	1,428,977
Debt securities available for sale	0	1,651,213	1,859,046	1,984,121	3,962,255	1,531,902	6,019,624	0	17,008,161
Shares available for sale	0	0	0	0	0	0	0	498,795	498,795
Tangible and intangible fixed assets	0	0	0	0	0	0	0	345,913	345,913
Other assets	0	0	0	0	0	0	0	158,899	158,899
Prepayments and accrued income	0	0	0	0	0	0	0	467,085	467,085
Total assets	1,428,977	1,651,213	1,859,046	1,984,121	3,962,255	1,531,902	6,019,624	1,470,692	19,907,830
Other liabilities	0	0	0	0	0	0	0	70,565	70,565
Funds of policy holders	0	0	0	0	0	0	0	18,771,591	18,771,591
Accrued expenses	0	0	0	0	0	0	0	1,885	1,885
Reserves	0	0	0	0	0	0	0	3,729	3,729
Equity	0	0	0	0	0	0	0	200,000	200,000
Reserve funds and other funds from profit	0	0	0	0	0	0	0	256,290	256,290
Gains or losses arising from revaluation	0	0	0	0	0	0	0	65,516	65,516
Retained earnings brought forward	0	0	0	0	0	0	0	9,500	9,500
Profit for the period	0	0	0	0	0	0	0	528,754	528,754
Total liabilities	0	0	0	0	0	0	0	19,907,830	19,907,830
Net on balance sheet interest rate exposure at 31 December 2006	1,428,977	1,651,213	1,859,046	1,984,121	3,962,255	1,531,902	6,019,624	(18,437,138)	0

More than 90 percent 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 PVBP (price value basis point).

The active management of the portfolio's average duration is of vital importance to the fulfilment 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 and a projected cash flow in connection with the development of the Company's on balance sheet liabilities.

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.

25. Liquidity risk

Liquidity risk is a measure of the extent to which the Company will not have enough available sources to meet its commitments associated with financial contracts. 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 2006.

CZK thousand	On demand	Up to 3 months	3 months to 1 year	1 year to 2 years	2 years to 4 years	4 years to 5 years	Over 5 years	Maturity undefined	Total
Cash and amounts due from banks	1,428,977	0	0	0	0	0	0	0	1,428,977
Debt securities available for sale	0	997,008	1,160,859	1,984,121	4,113,598	1,531,902	7,220,673	0	17,008,161
Debt securities held to maturity	0	0	0	0	0	0	0	0	0
Shares available for sale	0	0	0	0	0	0	0	498,795	498,795
Tangible and intangible fixed assets	0	0	0	0	0	0	0	345,913	345,913
Other assets	0	142,902	15,997	0	0	0	0	0	158,899
Prepayments and accrued income	0	0	0	0	0	0	0	467,085	467,085
Total assets	1,428,977	1,139,910	1,176,856	1,984,121	4,113,598	1,531,902	7,220,673	1,311,793	19,907,830
Other liabilities	0	61,693	8,872	0	0	0	0	0	70,565
Funds of policy holders	24,831	137,578	17,833	15,155	4,612	1,731	10,450	18,559,401	18,771,591
Accrued expenses	0	0	0	0	0	0	0	1,885	1,885
Reserves	0	0	956	0	0	0	0	2,773	3,729
Equity	0	0	0	0	0	0	0	200,000	200,000
Reserve funds and other funds from profit	0	0	0	0	0	0	0	256,290	256,290
Gains or losses arising from revaluation	0	0	0	0	0	0	0	65,516	65,516
Retained earnings brought forward	0	0	0	0	0	0	0	9,500	9,500
Profit for the period	0	0	0	0	0	0	0	528,754	528,754
Total liabilities	24,831	199,271	27,661	15,155	4,612	1,731	10,450	19,624,119	19,907,830
Net on balance sheet liquidity exposure at 31 December 2006	1,404,146	940,639	1,149,195	1,968,966	4,108,986	1,530,171	7,210,223	(18,312,326)	0

26. Total assets and liabilities denominated in foreign currencies retranslated into CZK, foreign currency risk measurement

Assets and Liabilities Denominated in Foreign Currencies

CZK thousand	EUR	USD	Total
Bank accounts	26	0	26
Total	26	0	26

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. To benefit specifically from short-term growth potentials of foreign markets with fixed-income earning instruments, the Company additionally invested in government bonds denominated in EUR, USD and PLN during the year. As of 31 December 2006, the Company did not hold any bonds denominated in a foreign currency. The volume of these investments is principally restricted by a cap on foreign currency exposures undertaken by the Company in investing in foreign currency instruments. The foreign currency risk of the Company is measured on an aggregate basis reflecting correlations of currencies as well as through the sum of foreign currency risks of individual currencies included in the Company's portfolio. The Company's foreign currency risk is measured on a daily basis as a minimum. The limit set in respect of the Company's foreign currency risks (confidence level of 95 percent, one-year period) is 1.5 percent of the portfolio.

27. Loans and guarantees provided to the members of executive, management or supervisory bodies

The Company provided no loans to the members of its executive, management or supervisory bodies during the years ended 31 December 2006 and 2005.

28. Outstanding term transactions

As of 31 December 2006, the term transactions with a settlement date in 2007 totalled CZK 111,070 thousand (CZK 221,226 thousand as of 31 December 2005). The Company's off balance sheet accounts for the year ended 31 December 2006 reflect no outstanding transactions with securities.

29. Related party transactions

Assets and Liabilities

CZK thousand		
Assets		
Komerční banka, a.s.	89,842	Commission for acquisition activities, deferred expenses balance
Modrá pyramida stavební spořitelna, a.s.	19,857	Commission for acquisition activities, deferred expenses balance
Komerční pojišťovna, a.s.	2	Commission for acquisition activities, deferred expenses balance
ESSOX s.r.o.	130	Commission for acquisition activities, deferred expenses balance
Liabilities		
Komerční banka, a.s.	3,350	Outstanding invoices before maturity
	233	Financial advisory, estimated payable

Expenses and Income

CZK thousand		
Expenses		
Komerční banka, a.s.	24	Banking fees
	16,956	Commission paid to the branches of Komerční banka, a.s.
	23,443	For the use of the trade mark, promotion campaign
Modrá pyramida stavební spořitelna, a.s.	3,273	Commission for acquisition activities and for cooperation contracts
Komerční pojišťovna, a.s.	65	Commission for acquisition activities and for cooperation contracts
ESSOX s.r.o.	19	Commission for acquisition activities and for cooperation contracts
Income		
Komerční banka, a.s.	50	Income from the sharing of the subsidiaries' data

30. Assets accepted by the Company from third parties and managed by the Company on a third party's account

The Company carried no assets accepted from third parties and managed by the Company on a third party's account as of 31 December 2006 and 2005.

31. Off balance sheet commitments, assets under administration and contingent liabilities

The Company's off balance sheet accounts reflect the balance of a portfolio received for administration amounting to CZK 17,506,956 thousand. In addition, the Company retains off balance sheet default interest of CZK 3,746 thousand arising from the default of the issuer of the Desta bond. The Company's off balance sheet accounts do not reflect any transactions with securities where the trade date is in 2006 and the settlement date is in 2007.

The Company reports no off balance sheet commitments.

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

32. Post balance sheet events

On 5 February 2007, the incorrectly stated part of Prague regarding the registered office of the Company was corrected in the corporate details held at the Register of Companies (Prague 2 was replaced with the correct information – Prague 3).

With effect from 1 March 2007, the organisational structure was changed as follows:

The Managing Director and secretariat;

Finance Department;

Sales and Marketing Department; and

Client Service.

On 10 January 2007, Mr Philippe Delacarte resigned from the position of the member of the Supervisory Board. As of 28 February 2007, Mr Antonín Kopřiva discontinued his membership in the Board of Directors. Mr Radek Cmíral became a new member of the Board of Directors with effect from 1 March 2007.

Report on Related Party Transactions

for the year ended 31 December 2006

(hereinafter the "report on relations")

Penzijní fond Komerční banky, a.s. having its registered office address at Lucemburská 1170/7, Prague 3, Corporate ID: 61860018, incorporated in the Register of Companies, Section B, File 2865, maintained at the Municipal Commercial Court in Prague (hereinafter the "Company"), is part of a business group (holding company) in which the following relations between the Company and its controlling entity and further between the Company and other entities controlled by the same controlling entity (hereinafter the "related entities") exist.

This report on relations between the entities stated below was prepared in accordance with the provision of Section 66a (9) of Act 513/1991 Coll., as amended (the Commercial Code) for the year ended 31 December 2006, that is, from 1 January 2006 to 31 December 2006 (hereinafter the "reporting period").

I. Introduction

In the period from 1 January 2006 to 31 December 2006, the Company was a member of the Société Générale S.A. Group, having its registered office address at 29, BLD Haussmann, 75009 Paris, France, registration number in the French Register of Companies: R.C.S. Paris B552120222 (1955 B 12022) (hereinafter "SG" or "SG Paris").

During the reporting period, the Company entered into arrangements with the following related entities:

Company	Registered office address	SG's share of the voting power
Komerční banka, a.s.	Na Příkopě 33/969, Prague 1	60.35 %
Investiční kapitálová společnost KB, a.s.	Dlouhá 34/713, Prague 1	100 %
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.	Bělehradská 128, Prague 2	100 %

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)	Contractual party	Performance of the Company	Counter-performance	Damage incurred by the Company
1 purchase agreement – purchase of treasury bills	Komerční banka, a.s., Na Příkopě 33/969, Prague 1	cash consideration	treasury bills	none
1 purchase agreement – sale of treasury bills	Komerční banka, a.s., Na Příkopě 33/969, Prague 1	treasury bills	cash consideration	none
23 purchase agreements – purchase of shares	Komerční banka, a.s., Na Příkopě 33/969, Prague 1	cash consideration	sale of shares	none
22 purchase agreements – sale of shares	Komerční banka, a.s., Na Příkopě 33/969, Prague 1	sale of shares	cash consideration	none
18 purchase agreements	Komerční banka, a.s., Na Příkopě 33/969, Prague 1	cash consideration	purchase of bonds	none
Agreement on cooperation on the bank advisors MEM Extra Liga competition	Komerční banka, a.s., Na Příkopě 33/969, Prague 1	cash consideration and provision of prizes for the competition	organisation and conducting of the competition	none
4 contracts for the best vendor of the retirement benefit scheme in the MEM segment	Komerční banka, a.s., Na Příkopě 33/969, Prague 1	cash consideration and provision of certificates	sale of retirement benefit schemes	none
ALM Financial Advisory	Komerční banka, a.s., Na Příkopě 33/969, Prague 1	cash consideration	financial advisory	none
Contract for the provision of services (sharing of data from subsidiaries)	Komerční banka, a.s., Na Příkopě 33/969, Prague 1	provision of data	cash consideration	none
Contract for the sale of movable assets	Komerční banka, a.s., Na Příkopě 33/969, Prague 1	cash consideration	sale of movable assets	none
Advertising including the rebilled performance of the Komerční banka, a.s. suppliers *	Komerční banka, a.s., Na Příkopě 33/969, Prague 1	cash consideration	advertising, promotion, printing	none
Framework contract for cooperation	Komerční pojišťovna, a.s. Karolinská 1/650, Prague 8	cash consideration	provision of life insurance	none
Mandate contract including amendment	ESSO X s.r.o., Senovážné náměstí 231/7, České Budějovice	consideration	mediation of retirement benefit schemes	none
Contract for the cooperation in retirement benefit schemes	ESSO X s.r.o., Senovážné náměstí 231/7, České Budějovice	commission	Mediation of the conclusion of retirement benefit scheme policies	none

* There is no written agreement.

II. Performance Received and Provided during the Reporting Period under Contracts Entered into in Prior Reporting Periods

Type of agreement (or subject matter of the agreement if not obvious from the name of the agreement)	Contractual party	Performance of the Company	Counter-performance	Damage incurred by the Company
Licence agreement – use of the trade mark of Komerční banka, a.s.	Komerční banka, a.s., Na Příkopě 33/969, Prague 1	cash consideration	provision of trade mark rights	none
Personal data processing agreement – Amendment no. 1	Komerční banka, a.s., Na Příkopě 33/969, Prague 1	provision of information set by the agreement	processing of personal data according to law	none
Personal data processing agreement	Komerční banka, a.s., Na Příkopě 33/969, Prague 1	provision of information set by the agreement	processing of personal data according to law	none
Agreement on the use of Komerční banka's distribution network including Amendment no. 1 thereto – cooperation with regard to retirement benefit schemes	Komerční banka, a.s., Na Příkopě 33/969, Prague 1	fees	provision of a distribution network	none

Type of agreement (or subject matter of the agreement if not obvious from the name of the agreement)	Contractual party	Performance of the Company	Counter-performance	Damage incurred by the Company
Agreement on the assignment of a mandate for a payment point – payment of retirement benefits through Komerční banka's branches including Amendment no. 1 thereto	Komerční banka, a.s., Na Příkopě 33/969, Prague 1	fees	mediation of the payment of benefits	none
2 agreements on provision of safes	Komerční banka, a.s., Na Příkopě 33/969, Prague 1	fees	provision of safes	none
Agreement on cooperation with regard to retirement benefit schemes including Amendments nos. 1–4 thereto	Komerční pojišťovna, a.s. Karolinská 1/650, Prague 8	commission	mediation of retirement benefit policies	none
Personal data processing agreement	Komerční pojišťovna, a.s. Karolinská 1/650, Prague 8	fees	processing of personal data according to law	none
Mandate agreement	Komerční pojišťovna, a.s. Karolinská 1/650, Prague 8	consideration	mediation of retirement benefit policies	none
Asset management agreement including Amendments nos. 1 and 4 thereto – management of the Company's assets	Investiční kapitálová společnost KB, a.s. Dlouhá 34/713, Prague 1	cash consideration	asset management	none
Personal data processing agreement	ESSOX s.r.o., Senovážné náměstí 231/7, České Budějovice	non-cash consideration	processing of personal data according to law	none
Mandate agreement including the Amendment thereto	Modrá pyramida stavební spořitelna, a.s. (MPSS), Bělehradská 128, Prague 2	consideration	mediation of retirement benefit policies	none
Contract for the cooperation in retirement benefit schemes, including Amendments nos. 1–4 thereto	Modrá pyramida stavební spořitelna, a.s. (MPSS), Bělehradská 128, Prague 2	commission	mediation of retirement benefit policies	none
Personal data processing agreement	Modrá pyramida stavební spořitelna, a.s. (MPSS), Bělehradská 128, Prague 2	non-cash consideration	processing of personal data according to law	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 paid dividends of CZK 31,045,512 to Komerční banka, a.s.

C. Measures Taken or Implemented by the Company in the Interest of or at the Initiative 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 initiative of related entities.

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 19 March 2007



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

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