COMMERZBANK

Partnership is not just a word

Annual report as at 31st December 2008

Contents

Management Report for the business year 2008

»Even though 2008 posed a great challenge for the Commerzbank AG, Bratislava Branch, we succeeded in steering safely through the critical period and managed to take advantage of the situation to strengthen our position.«

In 2008, the global economy went through a complicated period. The economic downturn that began in 2007 in a number of countries around the world further deepened.

Nevertheless, assessments of the effects of the economic crisis show that Slovakia is perceived as one of the lowest-risk countries in Central and Eastern Europe.

The recession has mainly affected Slovakia's foreign trade because the Slovak economy is very sensitive to decreases in global demand, the economic activity in the eurozone in particular.

Even though 2008 posed a great challenge for the Commerzbank AG, Bratislava Branch, we succeeded in steering safely through the critical period and managed to take advantage of the situation to strengthen our position.
Earnings before taxes grew to nearly SKK 33 million, a 57% year-on-year increase. This result mainly stems from a rise in interest earnings and collected fees, particularly those related to payments.

Amounts receivable from clients increased by 6% on the year before, where the branch can pride itself on a high-quality loan portfolio with no classified loans. Despite the effects of the financial crisis, the Commerzbank AG, Bratislava Branch did not change its strategy on the Slovak market and continued to focus on services targeting corporate clients from the small and medium enterprise sector.

Even through it is difficult to forecast the development in 2009, it is expected that economic growth in the Slovak Republic will be significantly lower due to the situation elsewhere in the world, which will unavoidably affect all segments of the economy.

The Bratislava Branch is a part of the Commerzbank Group. Following its acquisition of Dresdner Bank Commerzbank becomes the second largest bank in Germany and the biggest German bank operating in Central and Eastern Europe. This position provides a solid foundation for success in the current complicated times.

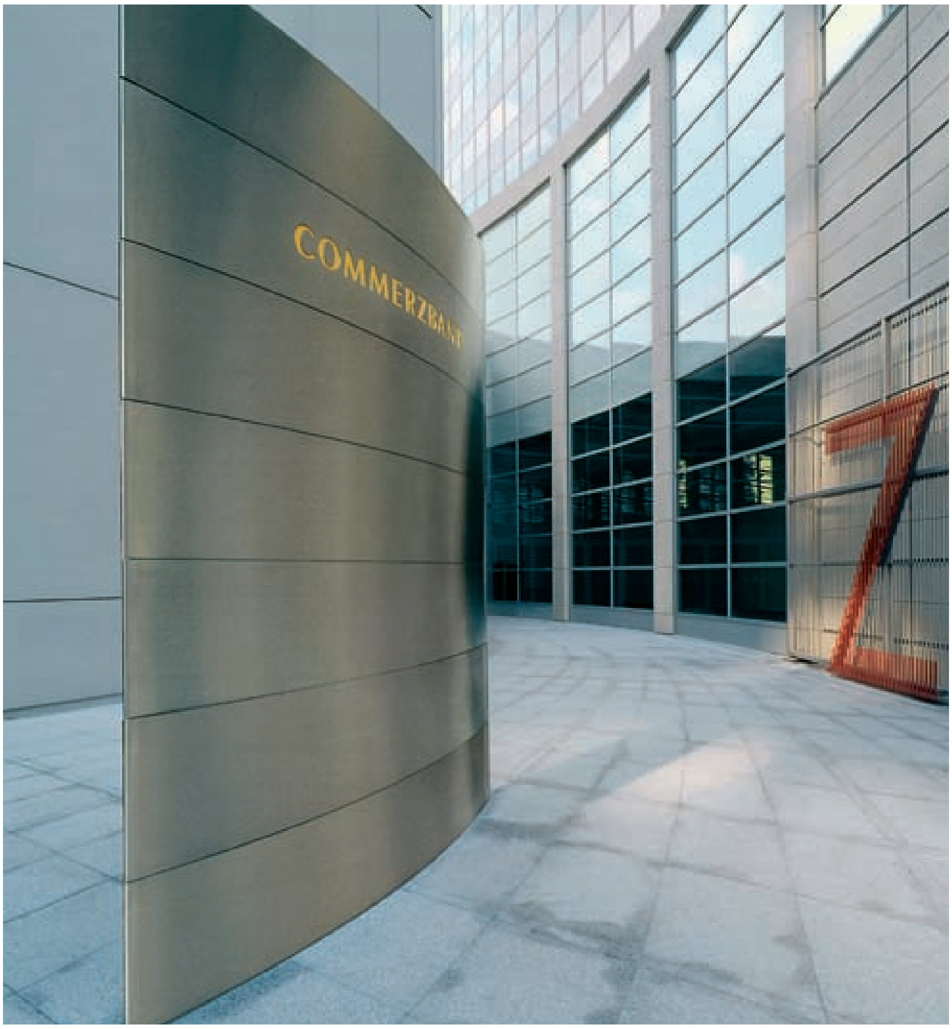
Peter David

Commerzbank AG

Commerzbank worldwide

As a large, integrated bank, **Commerzbank** is one of Europe's leading financial institutions and the second-largest in Germany. Since its acquisition of Dresdner Bank in January 2009, Commerzbank has grown to become Germany's leading bank for private and corporate customers. Today, the new Commerzbank serves a total of more than 14 million private and corporate customers.

Commerzbank is a competent service provider for private and business customers as well as small and mid-sized companies, while also serving numerous large and multinational corporate customers. In some branches private-banking facilities exist for wealthy private customers.



In the nineties, the bank primarily expanded its presence in Central and Eastern Europe.

Nowadays it has the largest network of offices from all German banks in this region and due to its acquisition of Dresdner Bank is the largest German bank in Central and Eastern Europe.

In order to complement its operational outlets in Prague, Bratislava, Budapest and Moscow, it maintains representative offices in Almaty, Belgrade, Bucharest, Kiev, Minsk, Novosibirsk, Tashkent and Zagreb. In Poland, it is active through the significant BRE Bank, in which it holds a controlling stake of 72%. In south-East Europe, Commerzbank has strengthened its position through participation in local ProCredit banks. In addition to contributing expertise and experience, Commerzbank, as the commercial partner of these institutions also handles international payments and foreign commercial business.

Our units in Central and Eastern Europe segment can look back on a positive performance last year. Our proximity to customers has paid off particularly well.

We reinforced our capabilities in cross-border business by expanding our trade finance offering. This gives local customers access to the wider range of products of the Commerzbank Group.

Commerzbank in Slovakia

Commerzbank AG entered Slovakia in 1995 opening a Representative Office in Bratislava, which was transformed into the fully licensed branch Commerzbank AG, pobočka zahraničnej banky, Bratislava in December 2003.

Commerzbank in Slovakia is focused mainly on corporate clients, providing a comprehensive line of products customized to meet the needs of individual customers, and ranging from standard daily banking services to complex structured financings. The Bank's local operations are closely connected to the global network of the Commerzbank Group, providing its clients with the international know-how and greater opportunities to operate in the world markets.

With our focus on international enterpreneurship, our strong know-how across a variety of industry sectors, and our comprehensive range of products, we offer better, more innovative and prompt financing solutions.

For a better comfort of our clients we have spread our offices in Slovakia. We have been operating also in Kosice (since 2007). Commerzbank offices in Bratislava and Košice are the first contact address, which German firms use by entering the Slovak market and which local firms use if they aim to widen their ativities in Europe.

In November 2007 mBank, subsidiary of BRE Bank and part of Commerzbank Group, launched operations in Slovakia. Transfactor Slovakia, a.s., which is also a part of Commerzbank Group has been operating on Slovak market since 1996.

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Report on Verifying Consistency of the Annual Report with the Financial Statements,

as required by § 23 of Act No. 540/2007 Coll. (Addendum to the Auditor's Report)

To the management of COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky, Bratislava

We have audited the accompanying financial statements of Aktiengesellschaft, pobočka zahraničnej banky, Bratislava ("the Branch") at 31 December 2009 presented on pages 10 – 57, on which we issued an unqualified Auditor's Report on 30 March 2009 which is published on page 9.
In accordance with the Act No. 431/2002 Coll. on Accounting, as amended, we also verified whether accounting information included in the Branch's annual report at 31 December 2009 is consistent with the audited financial statements referred to above.

Statutory Body's Responsibility for the Annual Report
The Branch's statutory body is responsible for the preparation, accuracy, and completeness of the annual report in accordance with the Slovak Accounting Act.

Auditor's Responsibility for Verifying Consistency of the Annual Report with the Financial Statements
Our responsibility is to express an opinion on whether the accounting information presented in the annual report is consistent, in all material respects, with the information in the Branch´s audited financial statements. We conducted the verification in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the verification to obtain reasonable assurance whether the annual report is free from accounting information that would significantly differ from the information stated in the financial statements.

The scope of work includes performing procedures to verify that the accounting information presented in the annual report is consistent with the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Branch´s preparation and fair presentation of the annual report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch´s internal controls. We did not verify those data and information in the annual report that were not derived from the financial statements.

We believe that the procedures performed provide a sufficient and appropriate basis for our opinion.

Opinion
In our opinion, the accounting information presented in the Branch´s annual report prepared for the year ended on 31 December 2009 is consistent, in all material respects, with the audited financial statements referred to above.

The maintenance and integrity of the Branch's website is the responsibility of its Management; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No. 161
PricewaterhouseCoopers Slovensko s.r.o.

Ing. Mária Frühwaldová
SKAU licence No. 047

Bratislava, 11 May 2009

The company's ID (IČO) No. 35739347.
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.

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Independent auditor’s report

To the management of COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky, Bratislava:

We have audited the accompanying financial statements of COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky, Bratislava (“the Branch“), which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body’s Responsibility for the Financial Statements

Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. 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 International Standards on Auditing. 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 present fairly, in all material respects, the financial position of COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky, Bratislava as of 31 December 2008, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No.: 161

PricewaterhouseCoopers Slovensko s.r.o.

Mária Frühwaldová
SKAU licence No.: 47

30 March 2009

Translation note
This version of our report is a translation from the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

The company’s ID (IČO) No. 35739347. Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021. VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021. Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro. The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.

Financial statements

Income statement

SKK thousands	Note	Year ended 31.12.2008	31.12.2007
Interest and similar income	5.1	366 742	282 768
Interest expense and similar charges	5.2	(302 910)	(240 094)
Net interest income		**63 832**	**42 674**
Fee and commission income	6.1	57 271	53 069
Fee and commission expense	6.2	(789)	(6 400)
Net fee and commission income		**56 482**	**46 669**
Net trading income	7	877	819
Impairment charge for credit losses	8	(18 232)	5 295
Administrative expenses	9	(66 958)	(71 231)
Other operating expenses	10	(3 165)	(3 271)
Profit before income tax and distributions to holders of puttable equity		**32 836**	**20 955**
Income tax		(9 412)	1 537
Profit before distributions to holders of puttable equity		**23 424**	**22 492**
Distributions to holders of puttable equity		(19 280)	-
Increase in nett assets attributable to Commerzbank AG		**4 144**	**22 492**
Remeasurment of net assets attributable to Commerzbank AG		(4 144)	(19 427)
Profit for the year		**0**	**3 065**

Balance sheet

SKK thousands	Note	31.12.2008	31.12.2007
Assets			
Cash and balances with central banks	11	791 662	3 751 010
Loans to banks	12	1 109 167	1 127 700
Loans to customers	14	4 426 692	4 187 663
Derivative financial instruments	13	16 604	8 252
Intangible assets	15	5 115	5 932
Property, plant and equipment	16	4 205	4 889
Deferred income tax assets	22	-	1 537
Other assets	18	2 398	3 234
Total assets		**6 355 843**	**9 090 217**
Liabilities			
Deposits from banks	19	4 540 398	7 115 808
Due to customers	20	1 755 541	1 929 449
Derivative financial instruments	13	16 000	7 625
Current income tax liabilities	22	7 637	-
Deferred income tax liabilities	22	238	-
Provisions for liabilities and charges	23	4 534	-
Other liabilities	21	10 082	17 908
Net assets attributable to Commerzbank AG	2.19	21 413	19 427
Total liabilities		**6 355 843**	**9 090 217**

Statement of changes in equity

SKK thousands	Equity attributable to Commerzbank AG
Equity at 1 January 2007	**(5 953)**
Increase in net assets attributable to Commerzbank AG from operations	22 492
Remeasurement of net assets attributable to Commerzbank AG	(19 427)
Total profit and total recognised income for the year	**3 065**
Capital contribution from Commerzbank AG (2006 loss compensation)	2 888
Equity at 31 December 2007	-
Equity at 1 January 2008	-
Increase in net assets attributable to Commerzbank AG from operations	4 144
Remeasurement of net assets attributable to Commerzbank AG	(4 144)
Total profit and total recognised income for the year	-
Equity at 31 December 2008	-

Note: In accordance with the policy in note 2.19, the net assets attributable to Commerzbank AG are classified as liability since their settlement is controlled by Commerzbank AG.

Cash flow statement

SKK thousands	Note	Year ended 31.12.2008	31.12.2007
Cash flows from operating activities			
Interest and similar income received	5.1	358 469	280 137
Interest paid	5.2	(298 247)	(239 255)
Fee and commission receipts	6	57 642	44 430
Net trading and other income received	7	877	819
Cash payments to employees and suppliers		(67 337)	(73 070)
Cash flows from operating profits before changes in operating assets and liabilities		**51 404**	**13 061**
Changes in operating assets and liabilities:			
- Net (increase)/decrease in derivative financial instruments		23	(48)
- Net increase in loans and advances to customers		(244 464)	(942 100)
- Net increase in other assets		(98)	(203)
- Net (decrease)/increase in deposits from other banks		(2 570 127)	4 016 193
- Net increase/(decrease) in amounts due to the customers		(173 854)	661 002
- Net (decrease)/increase in other liabilities		(18 050)	14 600
Net cash flows (used in)/from operating activities		**(2 955 166)**	**3 762 505**
Net cash flows (used in)/from financing activities			
Net increase/(decrease) in net assets attributable to Commerzbank AG		(19 280)	2 889
Cash flows from investing activities			
Acquisition of intangible assets	15	(3 771)	(2 158)
Proceeds from sale of intangible assets	15	1 645	1 024
Acquisition of tangible assets	16	(1 408)	(2 191)
Proceeds from sale of tangible assets	16	100	1 859
Net cash flows used in investing activities		**(3 434)**	**(1 466)**
Net (decrease)/increase in cash and cash equivalents		**(2 977 880)**	**3 763 928**
Cash and cash equivalents at beginning of year		4 878 709	1 114 781
Cash and cash equivalent at end of year	24	**1 900 829**	**4 878 709**

Notes to the financial statements

1 General Information

COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky, Bratislava ("the Branch") provides corporate banking services in the Slovak Republic.

The Branch is domiciled in Slovakia. The address of its registered office is Rajská 15/A, 811 08 Bratislava. Corporate identification number (IČO) is 30847737; tax identification number (IČ DPH): SK 2021751061.

The Branch was established by the resolution of its founder on 18 August 2003 and registered in the Commercial Register on 24 September 2003. The Branch was established as an organisational branch of a foreign legal entity, COMMERZBANK AG seated in Frankfurt am Main and entered in the commercial register at the county court, Frankfurt am Main, under HRB 32000, Germany. The Branch obtained a banking license on 12 August 2003 by the Licensing and enforcement department of the National Bank of Slovakia based on banking license by the Authority Bundesanstalt für Finanzdienstleistungsaufsicht Graurheindorfer Str. 108, 53117 Bonn. The Branch began its business activity on 18 August 2003.

Principal business activities carried out and permitted by the banking license are:

- granting loans
- accepting deposits
- domestic and cross-border money transfers (payment transactions and clearing),
- issuing and administering means of payment
- providing advisory services and banking information, financial mediation,
- doing business on its own or on the client's account with money market financial instruments, capital market financial instruments and precious metal coins, commemorative banknotes and coins,
- providing guarantees, opening and confirming letters of credit,
- providing investing services
- exchange services

Business activities permitted by the banking license but not carried out are:

- processing banknotes and coins,
- financial leasing,
- administering client's receivables and securities on their account, including related advisory services,
- depositing securities or items, renting safe deposit boxes.

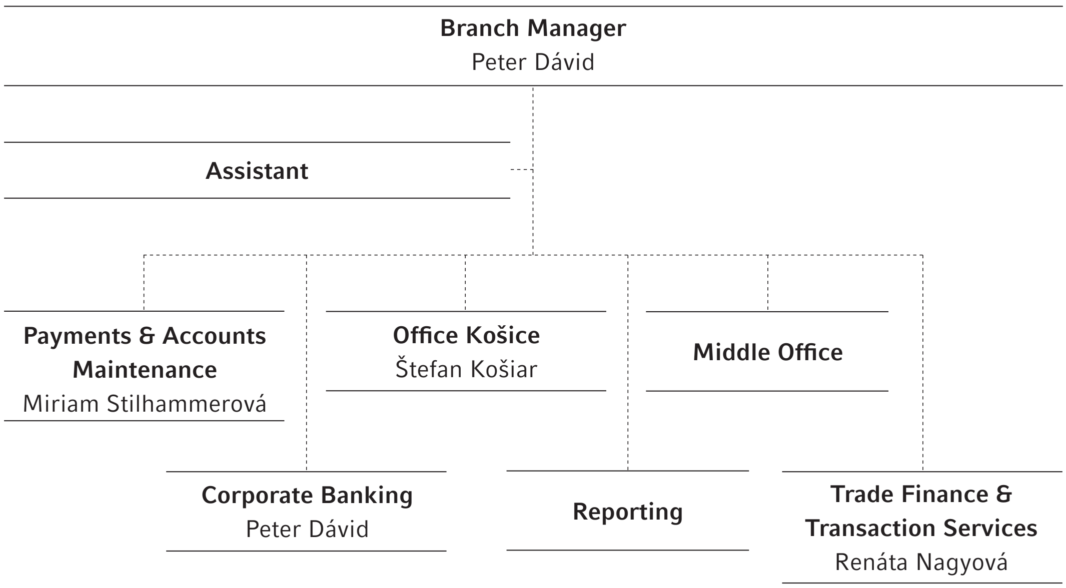
The average number of staff was 18 in 2008 (2007: 17).

The Branch is not an unlimited liability partner in any other company.

These financial statements have been prepared on a going-concern basis as ordinary financial statements at 31 December 2008 and approved for issue by the Branch statutory representative on 30 March 2009 (ref. to Code of Accounting 431/2002 par. 17a). The financial statements as at 31 December 2007 have been approved by the management on 30 March 2008.

1.1 Statutory, supervisory, managing bodies and the organisation chart as at 31 December 2008

Name	Position
Head of branch	
Peter Dávid (since October 2007)	Head of Branch
Martin Horváth (till October 2007)	Head of Branch
General power of representation:	
Miriam Stilhammerová	Proxy
Peter Dávid (since 7 June 2006 till October 2007)	Proxy
Renata Nagyová	Proxy
Board of directors of Commerzbank AG:	
Martin Blessing (since May 2008)	Chairman
Markus Beumer (since January 2008)	Member
Frank Annuscheit (since January 2008)	Member
Wolfgang Hartmann	Member
Dr. Achim Kassow	Member
Dr. Stefan Schmittmann (since November 2008)	Member
Dr. Eric Strutz	Member
Michael Reuther	Member
Supervisory board of Commerzbank AG:	
Klaus-Peter Müller	Chairman
Uwe Tschäge	Deputy Chairman
Hans-Hermann Altenschmidt	Member
Dott. Sergio Balbinot	Member
Dr. Walter Seipp	Member
Herbert Bludau-Hoffmann	Member
Astrid Evers	Member
Uwe Foullong	Member
Daniel Hampel	Member
Dr.-Ing. Otto Happel	Member
Sonja Kasischke	Member
Dr.-Ing. Burckhard Bergmann	Member
Karin van Brummelen	Member
Friedrich Lürssen	Member
Prof. Dr.-Ing.Dr.-Ing.E.h. Hans-Peter Keitel	Member
Prof. h.c. (CHN) Dr.rer.oec. Ulrich Middelmann	Member
Klaus Müller-Gebel	Member
Alexandra Krieger	Member
Barbara Priester	Member
Dr. Marcus Schenck	Member
Dr. –Ing. E.h. Heinrich Weiss	Member



1.1 Shareholders information of Commerzbank Aktiengesellschaft as at 31 December 2008

	Shares of capital held
Institutional investors*	67.6%
Allianz	18.8 %
Generali	6.3%
Private investors	7.3%

* of which 10% domestic (German)

Stock exchange listings

Germany:	Europe:	North America:
Berlin	London	Sponsored ADR (CRZBY)
Bremen	Switzerland	CUSIP: 202597308
Düsseldorf		
Frankfurt		
Hamburg		
Hanover		
Munich		
Stuttgart		
Xetra		

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Branch's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities and all derivative contracts at fair value.

(a) Framework for preparation

The preparation of financial statements in conformity with EU IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Branch's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(b) Standards, amendments to published standards and interpretations that were adopted by the Branch in 2008.

IFRIC 11, IFRS 2 - Group and Treasury Share Transactions. The interpretation contains guidelines on the following issues: an entity grants its employees rights to its equity instruments that may or must be repurchased from a third party in order to settle obligations towards the employees; or an entity or its owner grants the entity's employees rights to the entity's equity instruments. The Branch adopted IFRIC 11 from 1 January 2008 in accordance with its effective date prescribed by the IASB but before the effective date required by the European Union Commission Regulation No. 611/2007.

Reclassification of Financial Assets—Amendments to IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures and a subsequent amendment, Reclassification of Financial Assets: Effective Date and Transition. The amendments allow entities the options (a) to reclassify a financial asset out of the held to trading category if, in rare circumstances, the asset is no longer held for the purpose of selling or repurchasing it in the near term; and (b) to reclassify an available-for-sale asset or an asset held for trading to the loans and receivables category, if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity (subject to the asset otherwise meeting the definition of loans and receivables). The amendments are applicable with retrospective effect from 1 July 2008 for any reclassifications made before 1 November 2008; the reclassifications allowed by the amendments may not be applied before 1 July 2008. Any reclassification of a financial asset made in periods beginning on or after 1 November 2008 takes effect only from the date when the reclassification is made. The Branch did not make any such reclassifications.

IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The Interpretation contains guidance on when refunds or reductions in future contributions may be regarded as available for the purposes of the asset ceiling test in IAS 19, Employee Benefits. The Branch adopted IFRIC 14 from 1 January 2008 in accordance with its effective date prescribed by the IASB but before the effective date required by the EU Commission Regulation No. 1263/2008.

(c) Standards, amendments to published standards and interpretations that are effective for financial statements prepared in accordance with IFRS but were not endorsed by the European Union.

IFRIC 12, Service Concession Arrangements. The interpretation contains guidance on applying the existing standards by service providers in public-to-private service concession arrangements. The interpretation is effective for financial statements prepared in accordance with IFRS for annual periods beginning on or after 1 January 2008 but has not been endorsed by the European Union by the date of authorising these financial statements for issue.

(d) Standards, amendments to standards and interpretations that are mandatory for the Branch's accounting periods beginning on or after 1 January 2009 or later periods and which the Branch has not early adopted.

IFRS 8, Operating Segments (adopted by the EU Commission Regulation No. 1358/2007; effective for annual periods beginning on or after 1 January 2009). The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. Management does not expect IFRS 8 to affect the Branch's financial statements.

Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment (effective for annual periods beginning on or after 1 January 2009; adopted by the EU Commission Regulation No. 53/2009). The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. The Branch does not expect the amendment to affect its financial statements.

IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009; adopted by the EU Commission Regulation No. 1260/2008). The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Branch does not expect the amendment to the standard to have a material effect on its financial statements.

IAS 1, Presentation of Financial Statements (adopted by the EU Commission Regulation No. 53/2009; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Branch expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009; the revised standard has not been adopted by the EU yet). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously “minority interests”) even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Branch does not expect the amended standard to have a material effect on its financial statements.

Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment (issued in January 2008; effective for annual periods beginning on or after 1 January 2009; adopted by the EU Commission Regulation No. 1261/2008). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Branch does not expect the amendment to have a material effect on its financial statements.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009; the revised standard has not been adopted by the EU yet). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. IFRS 3 is not relevant to the Branch as it does not expect a business combination to occur.

IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008 for financial statements prepared under IFRS; adopted by the EU Commission Regulation No. 1262/2008 with an effective date postponed to annual periods beginning after 31 December 2008; early adoption permitted). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Branch operations because does not operate any loyalty programmes.

IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009; the interpretation has not been adopted by the EU yet). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. IFRIC 15 is not relevant to the Branch operations because it does not have any agreements for the construction of real estate.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008; the interpretation has not been adopted by the EU yet). The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 does not have any impact on these financial statements as the Branch does not apply hedge accounting.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment (issued in May 2008; effective for annual periods beginning on or after 1 January 2009; adopted by the EU Commission Regulation No. 69/2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. The amendments will not have any impact on the Branch's financial statements.

Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009; the amendment has not been adopted by the EU yet). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment is not expected to have any impact on the financial statements as the Branch does not apply hedge accounting.

Improvements to International Financial Reporting Standards (issued in May 2008 and adopted by the EU Commission Regulation No. 70/2009). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Branch does not expect the amendments to have any material effect on its financial statements.

IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009; the interpretation has not been adopted by the EU yet). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 is not relevant to the Branch operations because it does not distribute non-cash assets to owners.

IFRS 1, First-time Adoption of International Financial Reporting Standards (amendment issued in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; the amended standard has not been adopted by the EU yet). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The Branch concluded that the revised standard does not have any effect on its financial statements.

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009; the interpretation has not been adopted by the EU yet). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Branch financial statements.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2009; the amendment has not been adopted by the EU yet). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity will be required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Branch's financial statements.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Branch operates ("The functional currency"), which is SKK.

The financial statements are presented in thousands SKK, which is the Branch's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.3 Financial assets and financial liabilities

The Branch classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss (FVPL)

This category is represented by financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

Financial assets and financial liabilities are designated at fair value through profit or loss when:

- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortized cost such as loans and advances to customers or banks and debt securities in issue;
- Certain investments, such as equity investments, that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss;

(b) Loans and receivables (LaR)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available for sales; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. Loans and receivables are carried at amortised cost using the effective interest method, net of impairment provisions.

There was no asset classified as held-to-maturity (HTM) or as available-for-sale (AFS) during the years 2008 and 2007.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Branch has transferred substantially all risks and rewards of ownership and certain other conditions are met. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

The Branch classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (FVPL) and liabilities at amortised cost.

Regular way purchases and sales of financial assets are accounted for at trade date.

The table below shows the analysis by categories of assets and liabilities:

SKK thousand	31.12.2008	31.12.2007
Financial Assets		
Financial assets at fair value through profit or loss (FVPL) – trading	16 604	8 252
Loans and receivables(LAR)	6 328 746	9 068 673
Total financial assets	**6 345 350**	**9 076 925**
Other assets*	10 493	13 292
Total assets	**6 355 843**	**9 090 217**
Financial liabilities		
Financial liabilities at fair value through profit or loss (FVPL) – trading	16 000	7 625
Other financial liabilities at amortised cost	6 305 215	9 062 253
Net assets attributable to CommerzbankAG at present value of redemption amount	21 413	19 427
Total financial liabilities	**6 342 628**	**9 089 305**
Other liabilities	13 215	912
Total liabilities	**6 355 843**	**9 090 217**

* The Branch could not classify some classes of assets as financial assets (Intangible assets, Property and equipment, deferred tax asset, etc.). For the detail see tables "Classes vs categories at 31 December 2007" and „Classes vs categories at 31 December 2008" in Note 2 on page 22 and 23.

Classes vs categories as at 31 December 2008:

Classes / Categories SKK thousand	FVPL trading	FVPL (designated)	LAR	Other financial liabilities	Others assets/ liabilities	Total
Assets						
Cash and balances with central banks	-	-	791 662	-	-	791 662
Loans and advances to banks	-	-	1 109 167	-	-	1 109 167
Loans and advances to customers	-	-	4 426 692	-	-	4 426 692
Derivative financial instruments	16 604	-	-	-	-	16 604
Intangible assets	-	-	-	-	5 115	5 115
Property, plant and equipment	-	-	-	-	4 205	4 205
Deferred tax assets	-	-	-	-	-	-
Other assets	-	-	1 225	-	1 173	2 398
Total assets	**16 604**	**-**	**6 328 746**	**-**	**10 493**	**6 355 843**

Classes / Categories SKK thousand	FVPL trading	FVPL (designated)	LAR	Other financial liabilities	Others assets/ liabilities	Total
Liabilities						
Deposits from banks	-	-	-	4 540 398	-	4 540 398
Due to customers	-	-	-	1 755 541	-	1 755 541
Derivative financial instruments	16 000	-	-	-	-	16 000
Current income tax liabilities	-	-	-	-	7 637	7 637
Deferred income tax liablities	-	-	-	-	238	238
Provisions for liabilities and charges	-	-	-	-	4 534	4 534
Other liabilities	-	-	-	9 276	806	10 082
Net assets attributable to Commerzbank AG	-	21 413	-	-	-	21 413
Total liabilities	**16 000**	**21 413**	**-**	**6 305 215**	**13 215**	**6 355 843**

Classes vs categories as at 31 December 2007:

Classes / Categories SKK thousand	FVPL trading	FVPL (designated)	LAR	Other financial liabilities	Others assets/ liabilities	Total
Assets						
Cash and balances with central banks	-	-	3 751 010	-	-	3 751 010
Loans and advances to banks	-	-	1 127 700	-	-	1 127 700
Loans and advances to customers	-	-	4 187 663	-	-	4 187 663
Derivative financial instruments	8 252	-	-	-	-	8 252
Intangible assets	-	-	-	-	5 932	5 932
Property, plant and equipment	-	-	-	-	4 889	4 889
Deferred tax assets	-	-	-	-	1 537	1 537
Other assets	-	-	2 300	-	934	3 234
Total assets	**8 252**	**-**	**9 068 673**	**-**	**13 292**	**9 090 217**
Liabilities						
Deposits from banks	**-**	**-**	**-**	**7 115 808**	**-**	**7 115 808**
Due to customers	-	-	-	1 929 449	-	1 929 449
Derivative financial instruments	7 625	-	-	-	-	7 625
Current income tax liabilities	-	-	-	-	-	-
Deferred income tax liablities	-	-	-	-	-	-
Provisions for liabilities and charges	-	-	-	-	-	-
Other liabilities	-	-	-	16 996	912	17 908
Net assets attributable to Commerzbank AG	-	19 427	-	-	-	19 427
Total liabilities	**7 625**	**19 427**	**-**	**9 062 253**	**912**	**9 090 217**

2.4 Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.5 Derivative financial instruments
Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at the fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Branch's Derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement under net trading income.

2.6 Interest income and expense
Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within interest income and interest expense in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipt through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Branch estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.7 Fee and commission income
Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment and administration fees for the loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Fees for the clients settlement transactions are mostly booked at the time of transaction services provided.

2.8 Repurchase agreements
Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

2.9 Impairment of financial assets
(a) Assets carried at amortised cost
The Branch assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Branch uses to determine that there is objective evidence of an impairment loss include:

- delinquency in contractual payments of principal or interest;
- cash flow difficulties experienced by the borrower;
- breach of loan covenants or conditions;
- initiation of bankruptcy proceedings;
- deterioration of the borrower's competitive position;
- deterioration in the value of collateral; and
- downgrading below investment grade level.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Branch may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the bases of similar credit risk characteristics (i.e., on the bases of the grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors´ ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement in impairment charge for credit losses.

2.10 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives.

Amortisation of assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- software 3 - 4 years

2.11 Property and equipment

All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Branch and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the operating expenses during the financial period in which they are incurred.

Depreciation of assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- safes 12 years
- leasehold improvements over the period of lease
- furniture 2 - 6 years
- hardware 2 - 4 years

The assets´ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the income statement.

2.12 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 Leases

The Branch is a lessee.

Leases of property, plant and equipment where the Branch has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the leases' commencement date at the lower of the fair value of the lease property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations net of finance charges are included in other payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the assets useful life.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.14 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash and balances with central banks, obligatory minimum reserves and loans and advances to banks. Minimum obligatory reserves for each month are calculated at the rate 2% from the deposits on call, term deposits and received loans denominated in SKK and foreign currencies.

2.15 Provisions

Provisions for legal claims are recognised when the Branch has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.16 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Branch's liabilities under such guarantees are measured at the higher of the initial measurement, less amortization calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management.

Any increase in the liability relating to guarantees is taken to the income statement under other operating expenses.

2.17 Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions and tax losses carried forward. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The tax effects of income tax losses available for carry-forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

2.18 Borrowings

Borrowings, including deposits from banks and amounts due to customers, are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. The borrowings represent deposits from banks and due to customers.

2.19 Net assets attributable to Commerzbank AG

As the Branch is part of the legal entity Commerzbank AG, there is a regular transfer of annual profit or loss at the request of Commerzbank AG, the amount is based on German GAAP profit or loss. Difference between accumulated transfers from or to Commerzbank AG and accumulated earnings is considered to be part of FVPL portfolio. Consequently, net assets attributable to Commerzbank AG are remeasured at present value of redemption amount and considered as payable on demand, since the settlement is fully controlled by Commerzbank AG.

3 Financial risk management

3.1 Volatility in financial markets and loan provisions

A sharp rise in foreclosures in the US subprime mortgage market occurred in 2007. The effects have spread beyond the US housing market as global investors were forced to re-evaluate the risks they were taking, resulting in increased volatility and lower liquidity in the fixed income, equity, and derivative markets. This financial crisis impacted the global real economy in 2008, which also resulted in significantly slower economic growth in the Slovak republic.

The deteriorating situation in the financial markets may affect the ability of the Branch to borrow to finance its loan portfolio, affect the value of its loan portfolio or cause premature customer deposit withdrawals. Under IFRS, a decline in the fair value of a financial asset below its amortised cost that results from an increase in the risk free interest rate is generally not evidence of impairment. According to IFRS, provisions for loans cover only losses for which objective evidence of their occurrence exists while it is prohibited to create provisions for losses which will only be incurred in the future as a result of future events regardless of how probable these future events and losses are.

The management of the Branch cannot reliably estimate the impact of any further worsening of the financial crisis and deterioration of the country’s economic situation on the future financial position of the Branch.

3.2 Business and risk strategy

The risk strategy has to take into account the objectives and plans of the credit institutions material business activities as set forth in the business strategy. Responsibility for the determination of these strategies cannot be delegated. The management is required to ensure the implementation of the strategies. The level of detail contained in the strategies depends on the scope and complexity, as well as the risk content of the planned business activities.

The Board of Managing Directors reviews the business and risk strategies once per year and adjusts them as appropriate; the respective risk strategy is provided to the risk committee of the supervisory board for discussion. After presentation in the risk committee the risk strategy is available on request in ZMO for each member of the supervisory board.

Commerzbank defines risk as the danger of possible losses or lost profits, which may be caused by internal or external factors. For risk-management purposes, Commerzbank distinguishes between quantifiable and unquantifiable types of risk. All **quantifiable risks** are part of Commerzbank's overall risk strategy in accordance with MaRisk (Minimum requirements for the risk management of credit institutions by BaFin) requirements and the economic capital approach. The individual risks are:

1. C**redit risk:** the risk of losses or lost profits due to defaults (default or deterioration in creditworthiness) of counterparties and also the change in this risk. Apart from this traditional risk, credit risk also covers country risk and issuer risk as well as counterparty risk and settlement risk arising from trading activities.
2. **Market Risk:** the potential negative change in value of the Bank's positions as a result of changes in market prices (interest rates, spreads, currency and equity prices), their derivatives or parameters which influence prices (volatilities, correlations)
3. **Liquidity risk:** (cash liquidity risk): the risk of the Bank not being able to meet its current and future payment commitments, or of not being able to do so on time (Funding risk).

The **unquantifiable risks** are subjected to qualitative monitoring in connection with pillar II of the Basel Accord and MaRisk.

Crucial figures for assisting the Branch in managing risk are:

1. **Expected loss (EL):** this is determined for default and operational risk and is based on the relevant risk parameters under Basel II.
2. **Value at Risk (VaR)**
3. **Risk appetite:** the expected loss (EL) constitutes the average economic result from credit- or operational risks, whereas Unexpected Loss (UL) and risk taking capability calculation are based on extreme, highly unlikely events. For a bank, the disclosure of a profit considerably lower than planned, or even of a loss, can already have serious consequences. Therefore the operative risk management is complemented by the concept of risk appetite. It is an intermediate measure between EL and UL and calculates whether an unusual accumulation of losses due to risks, which realise once in five years or once in ten years could erase the planned profit of the Group or single segments.
4. **Economic capital** – Unexpected loss (UL)

3.3 Strategy in using financial instruments

By their nature, the Branch's activities are principally related to the use of financial instruments including derivatives. The Branch accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Branch seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Branch also seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances; the Branch also enters into guarantees and other commitments such as letters of credits.

The Branch also trades in financial instruments where it takes positions in over-the-counter instruments, including derivatives, to take advantage of short-term market movements in currency and interest rates. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. Foreign exchange and interest rate exposures are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

3.4 Credit Risk

3.4.1 Credit risk strategy

The credit-risk strategy describes the planned lending activities. The starting point in this respect is a critical analysis of the strengths and weaknesses of the current credit portfolio. Complemented by a forward-looking evaluation of the opportunities and risks in the target markets, this provides the framework for the definition of a risk/return oriented target portfolio together with the related planning of measures. Among others, relevant considerations in this process are the bank's business segments, industries, geographical diversification, and the distribution on the borrowers' risk classes. In general, the credit risk strategy makes a statement in which industries the bank likes to expand business and in which industries it aims to decrease its stake. Besides, concrete procedures how to realize these goals are to be mentioned within the scope of the strategy, e.g. how to reach at a well-diversified credit portfolio.

Fundamental risk identification includes a regular monitoring of market developments with regard to assumptions and credit risk environment which have been fundament for specification of credit risk strategy (e.g. country risk and industry outlook). This is to identify requirements for adoption of targets (e.g. systematic risk monitoring and communication). In principle, the existing credit risk strategy will be revised each year in line with the bank's general medium-term planning. The main target is to achieve an active and efficient portfolio management with a pro-active use of modern instruments, e.g. credit derivatives and secondary markets via the mark-to-market of classical credits.

3.4.2 Credit risk measurement

In measuring credit risk of loan and advances to customers and counterparty banks the Branch reflect three parameters:

1) **Probability of defaults (PD)**: PD denotes the probability of customer's default, PD is derived from the rating systems.
2) **Exposure at Default (EaD)** is an estimate for the outstanding debt at the day of the default. EaD is derived by aggregating the various types of credit (e.g. unused lines, guarantees, letters of credit, etc.).
3) **Loss given default (LGD)** reflects the percentage of the EAD that is actually lost.

While the PD denotes the probability of a customer's default, EAD and LGD provide the necessary information to calculate the amount of the associated losses.

The expected loss (EL) is the product of the expected exposure at default (EAD), the probability of default (PD) and the percentage loss given default (LGD):

EL = PD x EaD x LGD

3.4.3 Internal rating

a) Rating procedure by customer categories

Corporate banking: These Commerzbank rating procedures are likewise based on mathematical/statistical models, using logit regression analyses, combined with expert-based methods. In the corporate banking segment, the PD rating with three different models is applied to the Commerzbank corporate customer portfolio. The models are differentiated according to two criteria, i.e. size of turnover and regional registered office of a company. In terms of their structural design, which includes six sub-analyses, among others a fully automated financial statements analysis, the models are identical. The necessary data are collected in cooperation between the relationship manager and the risk managers who also determine the definitive rating.

Financial Institutions: The Commerzbank rating procedure for banks is based on a mathematical/statistical model with expert-based enhancements. The rating procedure for banks is subdivided according to regions into five different models: one model for developed markets and four models for emerging markets (Asia, Middle East and Africa, South America, Eastern Europe). Within the procedure, the default probability of the analysed bank is determined on the basis of six sub-analyses.

b) Country rating

The risk assessment for countries is based on an internal rating model, which uses data on the economic capacity and political stability of a country. The new rating method for countries determines not only a one-year default probability for sovereigns and countries, but also a sovereign rating (PD rating of the country) and a country rating (basis for transfer risk component of third-party borrowers). The country rating method is based on a mathematical/statistical model supplemented by expert knowledge and is divided into two different approaches: first, an industrialised countries' model and second, an emerging markets model.

c) Exposure rating

In connection with all rating procedures, Commerzbank not only determines a creditworthiness rating but also an exposure rating which considers transaction-specific features, such as collateral, credit types and further qualitative criteria. To determine the exposure rating, the expected loss (EL) is calculated as a percentage of the exposure at default (EaD). Thus, the expected loss of a customer's total exposure is set in proportion to all credit lines. Similar to the default probability in connection with the assessment of a customer's creditworthiness, this loss percentage is assigned to a rating class via the bank's master scale. This establishes a direct comparability of the PD rating and the exposure rating with regard to the risk contents.

3.4.4 Commerzbank rating master scale

Within the scope of the enhancement of its rating procedures, Commerzbank introduced a rating scale with uniform application for the bank as a whole in early 2005. The master scale is an unambiguous translation table between a metric % value (the PD of the customer or the EL of the transaction) and an ordinal rating class in Commerzbank notation. The rating of a customer can be expressed as both PD and rating class – one can be translated into the other.

This also applies for the EL. The following characteristics apply for the master scale with respect to all procedures (short description):

Commerzbank AG rating	PD and EL mid-point as percentage	PD and EL range as percentage	S & P	IFD Scale
1,0	0	0	AAA	Investment grade
1,2	0.01	0 – 0.02		
1,4	0.02	0.02 – 0.03	AA +	
1,6	0.04	0.03 – 0.05	AA, AA -	
1,8	0.07	0.05 – 0.08	A +, A,	
2,0	0.11	0.08 – 0.13	A -	
2,2	0.17	0.13 – 0.21	BBB +	
2,4	0.26	0.21 – 0.31	BBB	
2,6	**0.39**	**0.31 – 0.47**		
2,8	0.57	0.47 – 0.68	BBB -	
3,0	**0.81**	**0.68 – 0.96**	**BB +**	**Non-investment grade**
3,2	**1.14**	**0.96 – 1.34**	**BB**	
3,4	1.56	1.34 – 1.81		
3,6	2.10	1.81 – 2.40	BB -	
3,8	2.74	2.40 – 3.10	B +	
4,0	3.50	3.10 – 3.90		
4,2	4.35	3.90 – 4.86	B	
4,4	5.42	4.86 – 6.04		
4,6	6.74	6.04 – 7.52		
4,8	**8.39**	**7.52 – 9.35**	**B -**	
5,0	**10.43**	**9.35 – 11.64**		
5,2	**12.98**	**11.64 – 14.48**	**CCC +**	
5,4	**16.15**	**14.48 – 18.01**		
5,6	**20.09**	**18.01 – 22.41**	**CCC to CC -**	
5,8	**25.00**	**22.41 – 30.00**		
6,1	**100.00**	**Imminent insolvency**	**C, D-I, D-II**	**Default**
6,2	**100.00**	**Restructuring**		
6,3	**100.00**	**Restructuring with recapitalization/ partial waiver of claims**		
6,4	**100.00**	**Cancellation without insolvency**		
6,5	**100.00**	**Insolvency**		

The scale applies for all segments and rating procedures of the Commerzbank group.

It remains constant over time, i.e. is not adapted regularly to changed framework conditions (economic situation, etc.). PD and EL are shown on a single scale, the master scale comprises 25 rating classes for non-defaulted customers and 5 classes for defaulted customers. The 25 non-default classes are classified in order of a descending creditworthiness from “1.0” to “5.8”, in steps of 0.2. The default classes are classified from “6.1” to “6.5”, depending on the reason for the default, in steps of 0.1.

For purposes of orientation, the assignment of the Commerzbank master scale ratings to the ratings established by external rating agencies as well as the so-called “IFD-Skala” of the “Initiative Finanzstandort Deutschland” have been published.

A direct reconciliation is not possible however, because for external ratings the observed default rates fluctuate from year to year and sometimes even between different portfolios.

3.4.5 Credit risk limit control and mitigation policies

The Branch structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of Directors. The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

a) Collateral

The Branch employs a range of policies and practices to mitigate risk. The principal collateral types for loans and advances are:

- Charges over business assets such as premises, inventory
- Guarantees
- Mortgages over residential properties,
- Treasury Bills

b) Derivatives

The Branch maintains strict control limits on net open derivative positions (i.e. the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Branch (ie, assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments.

3.4.6 Impairment and provisioning policies

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Branch:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

With the EU's approval of the amended IAS 39 early in 2005, binding IFRS rules apply for risk provisioning. Building upon these rules, the Branch adopted measures to harmonize IFRS risk provisioning on the basis of the Basel II parameters. Under IFRS the credit portfolio is divided into significant and non-significant exposures. This classification serves as a basis for the different categories of loan loss provisions: Specific loan loss provisions (SLLP), portfolio loan loss provisions impaired and non-impaired (Port-LLP) and general loan loss provisions (GLLP).

a) Specific loan loss provision (SLLP)

The amount of provisioning required for defaulted loans is gauged by the unsecured part of the exposure and an assessment of the individual borrower's future ability to pay. In international credit business, the economic and political situation of the country is also reflected in the overall assessment of a borrower. Specific loan loss provisions are therefore calculated on the basis of expected cash flows from collaterals and repayments.

b) General loan loss provisions (GLLP)

The loan portfolio comprises all on-balance transactions as well as financial guarantees and other liabilities (e.g. loan commitments). Loans for which there is no objective indication of an impairment on an individual basis are divided into groups of loans with similar loss risk profiles (e.g. with regard to the type of asset/collateral or industry affiliation) – homogeneous partial portfolios and investigated for impairment together. A distinction can be made here between the following two cases:

1. There is no objective indication of impairment from the outset.

2. An objective indication of impairment exists, but individual investigation yields the result that the loan must be assessed as being non-impaired.

The scope of the GLLP therefore includes all loans for which one of the following criteria is met:

- a default has not yet been identified in the individual case
- no objective indications of an impairment have been established in the individual case
- no allowances need to be formed due to the collateral provided.

When it comes to determining the impairment loss in the homogeneous partial portfolios, the following formula, based on the Basel II parameters, is used:

IL = IA* PD*LGD*LIP

According to the "Incurred Loss" (IL) model, an allowance can only be formed when there are objective indications (trigger events) that the impairment already arose as the result of an event that occurred following initial recognition of the asset and this loss has consequences for the estimated future cash flows.

The "utilisation" (IA) corresponds to the amortised cost of financial instruments in the loans and claims category at the end of the month.

The "loss given default" (LGD) parameter is measured as the extent of the loss as a percentage of the expected gross lending at the time the borrow defaults. The LGD estimates must be based on historical collection quotas, not simply on the estimated market value of the collateral. Risk-reducing effects of financial guarantees are taken into account in the LGD estimate.

The "probability of default" (PD) risk component represents the probability of a loan default.

The "loss identification period" (LIP) maps the average period between when the loan event occurs for the borrower and when the bank recognises/provides for the loss.

3.4.7 Maximum exposure to credit risk before collateral held or other credit enhancements

The table below represents a worse case scenario of credit risk exposure to the Branch at 31 December 2008 and 2007, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out below are based on net carrying amounts as reported in the balance sheet.

SKK thousand	Maximun exposure	
Class	31.12.2008	31.12.2007
Cash and balances with central banks	**791 662**	**3 751 010**
Loans to banks	1 109 167	1 127 700
- Commercial loans	19 150	41 791
- Nostro accounts &Overdrafts	31 733	88 134
- Term loans	928 463	997 775
- Intercompany nostro accounts settlement	129 821	-
Loans to customers	4 426 692	4 187 663
- Commercial loans	3 449 178	3 386 673
- Overdrafts	719 822	579 059
- Term loans	257 692	221 931
Derivative financial instruments	16 604	8 252
Other assets	2 398	3 234
Loan commitments	1 111 000	1 273 585
Guarantees and standby letters of credit	361 356	230 313
Total at 31 December	**7 818 879**	**10 581 757**

3.4.8 Financial assets

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate guarantees. The Branch didn't assess any loan at 31 December 2008 as impaired. Derivatives were not classified as impaired or past due during the years 2007 and 2008.

Financial assets are summarised as follows:

At 31 December 2008

SKK thousand	To banks (LAR)	To customers (LAR)	Cash and other receivables (LAR)	FVPL (trading)	Total
Financial assets:					
Neither past due nor impaired	1 896 224	4 426 692	5 830	16 604	6 345 350
Past due but not impaired	-	-	-	-	0
Total	**1 896 224**	**4 426 692**	**5 830**	**16 604**	**6 345 350**

At 31 December 2007

SKK thousand	To banks (LAR)	To customers (LAR)	Cash and other receivables (LAR)	FVPL (trading)	Total
Financial assets:					
Neither past due nor impaired	4 845 991	4 187 663	11 656	8 252	9 053 562
Past due but not impaired	23 328	-	35	-	23 363
Total	**4 869 319**	**4 187 663**	**11 691**	**8 252**	**9 076 925**

Loans to banks (LAR) as at 31 December 2008 include SKK 787,057 thousand due from National bank of Slovakia (as at 31 December 2007: SKK 3,741,620 thousand).

From aging point of view, past due receivables were all less than 30 days overdue.

a) Loans neither past due nor impaired

The internal credit rating master scale doesn't apply for every Branch's loans or receivable. These are mainly loans and receivables to related parties and other financial institutions where the Branch has their accounts (nostros or loros). Recognition of credit risk by these counterparties is defined by Moody's or Standard and Poors rating. Credit ratings to related parties were taken from Commerzbank Aktiengeselshaft group's rating.

The tables below summarize loans and receivables where Branch does not apply internal credit rating system:

SKK thousand		31 December 2008			
Related parties		Nostro/Loro	Intercompany nostro accounts settlement	Term loans	Moody's/S&P
of which:	Commerzbank, Prague Branch	224	7	928 463	Aa3 / A
	Commerzbank (Budapest) R.t., Budapest	204	-	-	Aa3 / A
	Commerzbank, New York Branch	-	119 775	-	Aa3 / A
	Commerzbank, Frankfurt	8 491	10 032	-	Aa3 / A
	Commerzbank Paris	16 813	-	-	Aa3 / A
	BRE Bank S.A., Warsaw	462	-	-	Aa3 / A
Other banks					
	Slovenská sporitelňa, a.s.	675	-	-	/ A
	Unicredit Bank Slovakia, a.s.	2 035	7	-	/ A+
	Tatrabanka, a.s.	124	-	-	/ A-
	HSBC Bank PLC London	2 319	-	-	Aa2 / AA-
	Credit Suisse Zurich	386	-	-	/ A+
Total		**31 733**	**129 821**	**928 463**	

SKK thousand		31 December 2007			
Related parties		Nostro/Loro	Intercompany nostro accounts settlement	Term loans	Moody's/S&P
of which:	Commerzbank, Prague Branch	33 613	-	997 776	Aa3 / A
	Commerzbank (Budapest) R.t., Budapest	44 808	-	-	Aa3 / A
	Commerzbank, New York Branch	4 616	-	-	Aa3 / A
	Commerzbank, Frankfurt	-	-	-	Aa3 / A
	Commerzbank Paris	-	-	-	Aa3 / A
	BRE Bank S.A., Warsaw	490	-	-	/ BBB
Other banks				-	
	Slovenská sporitelňa, a.s.	279	-	-	A2 /
	Unicredit Bank Slovakia, a.s.	3 233	-	-	Aa2 / A+
	Tatrabanka, a.s.	529	-	-	/ A
	HSBC Bank PLC London	386	-	-	Aa2 / AA-
	Credit Suisse Zurich	180	-	-	Aa2 / AA-
Total		**88 134**	**0**	**997 776**	

Loans summarized by the internal rating grade and class and product:

At 31 December 2008

SKK thousand	Loans neither past due nor impaired						
	To banks		To customers				
Internal rating scale	Commercial Loans	Overdrafts	Commercial Loans	Term Loans	FVPL (trading)	Total Loans to banks	Total Loans to customers
Investment grade	19 150	438 809	2 840 146	257 692	16 604	19 150	3 536 647
Non-investment grade	-	280 715	609 032			0	889 747
Default or non-rated	-	298	-			0	298
Total	**19 150**	**719 822**	**3 449 178**	**257 692**	**16 604**	**19 150**	**4 426 692**

At 31 December 2007

SKK thousand	Loans neither past due nor impaired						
	To banks		To customers				
Internal rating scale	Commercial Loans	Overdrafts	Commercial Loans	Term Loans	FVPL (trading)	Total Loans to banks	Total Loans to customers
Investment grade	18 463	304 555	2 917 798	221 931	5 675*	18 463	3 444 284
Non-investment grade	-	274 484	468 875	-	-	0	743 359
Default or non-rated	-	20	-	-	2 577	0	20
Total	**18 463**	**579 059**	**3 386 673**	**221 931**	**8 252**	**18 463**	**4 187 663**

Position of FVPL (trading) reflects open position against related party Commerzbank, Prague Branch where overall rating for Commerzbank group has been applied.

For description of collateral see Note 3.3.5.

b) Financial assets past due but not impaired

The Branch doesn't hold any loans or receivables past due at 31 December 2008. The Branch doesn't hold any collaterals to loans and receivables which are past due.

At 31 December 2007

SKK thousand	Loans past due but not impaired				Other financial assets
	To banks	To customers			
Internal rating scale	Commercial Loans	Overdrafts	Commercial Loans	Term Loans	
Past due up to 30 days	**23 328**	**-**	**-**	**-**	**23 328**

The Branch didn't classify loan past due less than 30 as impaired due to the fact that only interest payments (SKK 274 thousand) were past due at 31 December 2007, not principal (SKK 23,054 thousand). Overdue interest payments were paid in February 2008.

c) Loans individually impaired

The Branch didn't classify any loan or receivable as impaired at 31 December 2008 as well as at 31 December 2007.

3.4.9 Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit – which represent irrevocable assurances that the Branch will make payments in the event that a customer cannot meet its obligations to third parties – carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Branch on behalf of a customer authorising a third party to draw drafts on the Branch up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Branch is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Branch monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

3.4.10 Concentration of risks of financial assets with credit risk exposure

The following tables break down the Branch's main credit exposures at their carrying amount, as categorised by geographical regions as of industry sectors. The Branch has allocated exposures to regions based on the country of domicile of counterparties.

a) Geographical sectors

Geographical sector risk concentrations within assets and off-balance items were as follows:

K 31. decembru 2008

	Slovakia		Other EU Countries		Others	
SKK thousand	Carrying amount	%	Carrying amount	%	Carrying amount	%
Cash and balances with central banks	787 057	15,08	3 582	0,35	1 023	0,72
Loans and advances to banks	**2 841**	**0,05**	**964 696**	**97,95**	**141 630**	**98,96**
- Nostro accounts &Overdrafts	2 834		26 195		2 704	
- Commercial loans	-		-		19 150	
- Term loans	-		928 463		-	
- Intercompany nostro accounts settlement	7		10 038		119 776	
Loans and advances to customers	**4 426 690**	**84,83**	**0**	**-**	**2**	**-**
- Overdrafts	719 820		-		2	
- Commercial loans	3 449 178		-		-	
- Term loans	257 692		-		-	
Derivative financial instruments	-	-	16 604	1,70	-	-
Other assets	1 931	0,04	10	-	457	0,32
Total	**5 218 519**	**100,00**	**984 892**	**100,00**	**143 112**	**100,00**
Loan commitments	1 111 000	-	-	-	-	-
Guarantees and standby letters of credit	259 556	-	101 800	-	-	-

At 31 December 2007

SKK thousand	Slovakia Carrying amount	%	Other EU Countries Carrying amount	%	Others Carrying amount	%
Cash and balances with central banks	3 747 461	47,18	2 524	0,23	1 025	3,30
Loans and advances to banks	**4 040**	**0,05**	**1 095 536**	**99,26**	**28 124**	**90,54**
- Nostro accounts &Overdrafts	4 040		79 298		4 796	
- Commercial loans	-		18 463		23 328	
- Term loans	-		997 775		-	
- Intercompany nostro accounts settlement	-		-		-	
Loans and advances to customers	**4 187 659**	**52,72**	**4**	**-**	**0**	**-**
- Overdrafts	579 055		4		-	
- Commercial loans	3 386 673		-		-	
- Term loans	221 931		-		-	
Derivative financial instruments	2 583	0,03	5 669	0,51	-	
Other assets	1 310	0,02	10	0,00	1 914	6,16
Total	**7 943 053**	**100**	**1 103 743**	**100**	**31 063**	**100**
Loan commitments	1 273 585	-	-	-	-	-
Guarantees and standby letters of credit	59 904	-	80 000	-	90 409	-

b) Industry sectors

Industry segmentation within the Loans and advances class was as follows:

At 31 December 2008

SKK thousand	Financial Institution	Leasing	Other Financial Companies	Manufacturing	Other Industries & Individuals
Loans and advances to banks	**1 109 167**	**0**	**0**	**0**	**0**
- Nostro accounts &Overdrafts	31 733	-	-	-	-
- Commercial loans	19 150	-	-	-	-
- Term loans	928 463	-	-	-	-
- Intercompany nostro accounts settlement	129 821	-	-	-	-
Loans and advances to customers	**0**	**977 882**	**1 037 877**	**2 031 333**	**379 600**
- Overdrafts	-	143 762	**3 863**	**296 838**	**275 359**
- Commercial loans	-	834 120	776 322	1 734 495	104 241
- Term loans	-	-	257 692	-	-
Derivative financial instruments	16 604	-	-	-	-
Other assets	498	229	18	15	1 638
Total	**1 126 269**	**978 111**	**1 037 895**	**2 031 348**	**381 238**

At 31 December 2007

SKK thousand	Financial Institution	Leasing	Other Financial Companies	Manufacturing	Other Industries & Individuals
Loans and advances to banks	**1 127 700**	**-**	**-**	**-**	**-**
- Nostro accounts &Overdrafts	88 134	-	-	-	-
- Commercial loans	41 791	-	-	-	-
- Term loans	997 775	-	-	-	-
- Intercompany nostro accounts settlement	-	-	-	-	-
Loans and advances to customers	**-**	**1 163 220**	**2 360 323**	**529 525**	**134 595**
- Overdrafts	-	59 155	**120 026**	**265 282**	**134 595**
- Commercial loans	-	1 104 065	2 018 366	264 243	-
- Term loans	-	-	221 931	-	-
Derivative financial instruments	5 669	-	-	6	2 577
Other assets	1 958	-	5	7	1 264
Total	**1 135 327**	**1 163 220**	**2 360 328**	**529 538**	**138 436**

3.5 Market risk

The Branch takes on exposure to market risks. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The Branch applies a value at risk methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis.

3.5.1 Market risk measurement techniques

Value at risk – VaR

The daily market value at risk measure (VAR) is an estimate, with a confidence level set at 97.5 % of the potential loss that might arise if the current positions were to be held unchanged for one business day. The measurement is structured so that daily losses exceeding the VAR figure should occur, on average, not more than once every 60 calendar days. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation.

As VAR constitutes an integral part of the Branch's market risk control regime, VAR limits are established by the management for all trading and banking operations; actual exposure against limits is reviewed daily by management. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Trading portfolio VaR by risk type

VaR by trading and banking book:

	12 months at 31 December 2008		
	Average	Maximum	Minimum
Foreign exchange risk	43	145	9
Interest rate risk	1	1	2

	12 months at 31 December 2007		
	Average	Maximum	Minimum
Foreign exchange risk	67	302	8
Interest rate risk	12	450	1

Stress testing

Commerzbank looks at both the VaR and Stress Test to better quantify the Bank's Risk Exposure. Due to the extreme volatility of the the markets this year our VaR model shows an extraordinary amount of VaR overdrafts. This is due to the nature of the model using "Historical Simulation" This is the reason why we also use the Stress Test to assist in providing a more complete picture of our risks that can not be provided using just VaR. It plays an important role in understanding the Bank's Risk in volatile times we are experiencing since it calculates the worst possible loss scenario for the bank.

These figures are reported alongside the VaR figures on a Daily basis to the Mananagement and Commerzbank AG Treasury. In 2008 the Stress Test Risk never exceeded the Branch's limit of 400 thousand EUR. The average utilization was 5,34% for the year.

3.5.2 Liquidity risk

The Branch is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs and other calls on cash-settled derivatives. The Branch does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. Liquidity tables are calculated using foreign exchange spot rates.

3.5.2.1 Non-derivative cash flows

The table below presents the cash flows payable by the Branch under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows including future interests payable from interest bearing liabilities.

At 31 December 2008

SKK thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over5 years	Total
Liabilities						
Deposits from banks	2 140 051	669 698	1 328 889	466 120	13 670	**4 618 428**
Due to customers	1 755 084	91	356	490	-	**1 756 021**
Net assets attributable to Commerzbank AG	21 413	-	-	-	-	**21 413**
Other liabilities	10 082	-	-	-	-	**10 082**
Total balance sheet liabilites	**3 926 630**	**669 789**	**1 329 245**	**466 610**	**13 670**	**6 405 944**
Total off-balance sheet items (see Note 3.4.2.3)	**888 176**	**179 841**	**131 150**	**273 189**	**-**	**1 472 356**
Total	**4 814 806**	**849 630**	**1 460 395**	**739 799**	**13 670**	**7 878 300**

At 31 December 2007

SKK thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over5 years	Total
Liabilities						
Deposits from banks	5 751 646	240 037	392 985	932 736	27 391	**7 344 795**
Due to customers	1 926 253	5 027	-	-	-	**1 931 280**
Net assets attributable to Commerzbank AG	19 427	-	-	-	-	**19 427**
Other liabilities	17 468	47	211	225	-	**17 951**
Total balance sheet liabilities	**7 714 794**	**245 111**	**393 196**	**932 961**	**27 391**	**9 313 453**
Total off-balance sheet items (see Note 3.4.2.3)	**787 031**	**539 558**	**8 046**	**79 277**	**89 986**	**1 503 898**
Total	**8 501 825**	**784 669**	**401 242**	**1 012 238**	**117 377**	**10 817 351**

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Branch. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interesting-bearing liabilities as they mature are important factors in assessing the liquidity of the Branch and its exposure to changes in interest rates and exchange rates.

3.5.2.2 Derivative cash flows

The table below analyses the Group's derivative financial instruments that will be settled on a netto basis (note 13) into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual discounted cash flows.

At 31 December 2008

SKK thousand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Total
Derivatives held for trading					
Foreign exchange derivatives - forwards	-	-	-	-	0
Foreign exchange derivatives - swaps	-	604	-	-	604
Total	**0**	**604**	**0**	**0**	**604**

At 31 December 2008

SKK thousand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Total
Derivatives held for trading					
Foreign exchange derivatives - forwards	13	23	59	-	95
Foreign exchange derivatives - swaps	-	9	523	-	532
Total	**13**	**32**	**582**	**0**	**627**

3.5.2.3 Off-balance sheet items

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Branch does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

At 31 December 2008

SKK thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over5 years	Total
Loan commitments	797 030	97 940	109 012	107 018	-	1 111 000
of which: non-cancellable	254	79 224	4 032	104 758	-	**188 268**
Guarantees and standby letters of credit	91 146	81 901	22 138	166 171	-	**361 356**
Total	**888 176**	**179 841**	**131 150**	**273 189**	**-**	**1 472 356**

At 31 December 2007

SKK thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over5 years	Total
Loan commitments	**733 534**	**372 555**	**4 643**	**72 867**	**89 986**	**1 273 585**
of which: non-cancellable	-	273 581	-	46 496	81 025	**401 102**
Guarantees and standby letters of credit	53 497	167 003	3 403	6 410	-	**230 313**
Total	**787 031**	**539 558**	**8 046**	**79 277**	**89 986**	**1 503 898**

3.6 Fair values of financial assets and liabilities

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Branch's balance sheet at their fair value. Bid prices are used to estimate fair values of assets, whereas offer prices are applied for liabilities.

SKK thousand	Carrying value 2008	Fair value 2008
Financial assets		
Loans to banks	1 109 167	1 109 167
Loans to customers	4 426 692	4 353 261
Financial liabilities		
Deposits from banks	4 540 398	4 509 682
Due to customers	1 755 541	1 755 518
Net assets attributable to Commerzbank AG	**21 413**	**21 413**

SKK thousand	Carrying value 2007	Fair value 2007
Financial assets		
Loans to banks	1 127 700	1 127 700
Loans to customers	4 187 663	4 069 068
Financial liabilities		
Deposits from banks	7 115 808	7 028 025
Due to customers	1 929 449	1 929 449
Net assets attributable to Commerzbank AG	**19 427**	**19 427**

(a) Due from other banks

Due from other banks includes inter-bank placements and items in the course of collection.

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(b) Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates plus credit spread to determine fair value (from 0,15% to 2,50%).

(c) Deposits and borrowings

The estimated fair value of deposits with no stated maturity is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

The following tables compare the carrying amounts of categories and fair values of classes of assets and liabilities:

SKK thousand	At 31 December 2008						
	Carrying Value	Fair Value					
		Derivative financial instruments	Loans & advances to banks	Loans & advances to customers	Cash & balances with central banks	Other assets	Total
Financial Assets							
Financial assets at fair value through profit or loss (FVPL)	16 604	16 604	-	-	-	-	16 604
Loans and receivables(LAR)	6 328 746	-	1 109 167	4 353 261	791 662	1 225	6 255 315
Held to maturity (HTM)	-	-	-	-	-	-	0
Available for sale (AFS)	-	-	-	-	-	-	0
Total financial assets	**6 345 350**	**16 604**	**1 109 167**	**4 353 261**	**791 662**	**1 225**	**6 271 919**
Other assets	10 493	-	-	-	-	10 493	10 493
Total Assets	**6 355 843**	**16 604**	**1 109 167**	**4 353 261**	**791 662**	**11 718**	**6 282 412**

	Carrying Value	Fair Value					
		Derivative financial instruments	Deposits from banks	Due to customers	Net assets attribute to Commerzbank AG	Other liabilities/ Reserves	Total
Financial liabilities							
Financial liabilities at fair value through profit or loss (FVPL)	37 413	16 000	-	-	21 413	-	37 413
Financial liabilities at amortised cost	6 305 215	-	4 509 682	1 755 518	-	9 276	6 274 476
Total financial liabilities	**6 342 628**	**16 000**	**4 509 682**	**1 755 518**	**21 413**	**9 276**	**6 311 889**
Other liabilities	13 215	-	-	-	-	13 215	13 215
Total liabilities	**6 355 843**	**16 000**	**4 509 682**	**1 755 518**	**21 413**	**22 491**	**6 325 104**

SKK thousand	At 31 December 2007						
	Carrying Value	Fair Value					
		Derivative financial instruments	Loans & advances to banks	Loans & advances to customers	Cash & balances with central banks	Other assets	Total
Financial Assets							
Financial assets at fair value through profit or loss (FVPL)	8 252	8 252	-	-	-	-	8 252
Loans and receivables(LAR)	9 068 673	-	1 127 700	4 069 068	3 751 010	2 300	8 950 078
Held to maturity (HTM)	-	-	-	-	-	-	0
Available for sale (AFS)	-	-	-	-	-	-	0
Total financial assets	**9 076 925**	**8 252**	**1 127 700**	**4 069 068**	**3 751 010**	**2 300**	**8 958 330**
Other assets	13 292	-	-	-	-	13 292	13 292
Total Assets	**9 090 217**	**8 252**	**1 127 700**	**4 069 068**	**3 751 010**	**15 592**	**8 971 622**

	Carrying Value	Fair Value					
		Derivative financial instruments	Deposits from banks	Due to customers	Net assets attribute to Commerzbank AG	Other liabilities/ Reserves	Total
Financial liabilities							
Financial liabilities at fair value through profit or loss (FVPL)	27 052	7 625	-	-	19 427	-	27 052
Financial liabilities at amortised cost	9 062 253	-	7 028 025	1 929 449	-	16 982	8 974 456
Total financial liabilities	**9 089 305**	**7 625**	**7 028 025**	**1 929 449**	**19 427**	**16 982**	**9 001 508**
Other liabilities	912	-	-	-	-	912	912
Total liabilities	**9 090 217**	**7 625**	**7 028 025**	**1 929 449**	**19 427**	**17 894**	**9 002 420**

The reconciliation of classes vs categories as at 31 December 2008 and 31 December 2007 is presented in Note 2.3.

3.7 Capital management

As the Branch is operating under united European licence, there is no externally imposed capital requirement and all the capital requirements are consolidated in Commerzbank AG. All the objectives of management, control and reporting to regulator are executed by the Headquarters of Commerzbank AG Frankfurt am Main.

4 Critical accounting estimates and judgments

The Branch makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans

The Branch reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Branch makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been a adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. If the net present value of estimated cash flows changes by 5%, the provision would change by SKK 186 thousand at 31 December 2007. This estimate is not applicable for 2008 as there is no impaired loan recognized on the balance sheet.

(b) Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices.

The estimated fair value of derivatives is derived from exchange rates of NBS as per balance sheet day and discounted amount of estimated cash flows, using zero-coupon yield curves. Changing the assumptions not supported by observable market data to a reasonably possible alternative would not result in a significantly different profit, total assets or total liabilities.

(c) Net assets attributable to head office

The net liability is classified as ‘at fair value through profit or loss’ under IAS 39 (revised 2003). It should be measured at fair value, being the present value of the expected redemption amount. It is impractical to determine the exact fair value of this liability as it is unknown when and if Commerzbank AG will withdraw from the Branch. The Branch’s accounting policy for determining this amount, applied as a practical expedient, is disclosed in Note 2. The Branch’s standalone net assets determined in accordance with the EU IFRS are SKK 21,413 thousand at 31 December 2008 (2007: 19,427). This amount would have been payable if Commerzbank AG had exercised its redemption right at the balance sheet date.

5 Net interest income

5.1 Interest income

SKK thousand	2008	2007
Loans and advances:	**277 872**	**196 582**
- to banks	37 621	34 871
- to customers	240 251	161 711
Reverse repos	85 747	82 285
Placements with central banks	3 123	3 901
Total interest income	**366 742**	**282 768**

The interest income for years 2008 and 2007 was realized from category of loans and receivables.

5.2 Interest expense

SKK thousand	2008	2007
Deposits from banks	249 817	195 193
Due to customers	53 093	44 901
Total interest expense	302 910	240 094
Interest expenses from financial leases	**33**	**50**

6 Net fee and commission income

6.1 Fee and commission income

SKK thousand	2008	2007
Payment transactions	47 831	38 190
Credit related fees and commissions	223	574
Guarantees	2 289	1 755
Documentary business	4 170	10 255
Sub-limits	1 483	1 498
Other fees	1 275	797
Total	**57 271**	**53 069**

6.2 Fee and commission expense

SKK thousand	2008	2007
Guarantees paid for the transfer of the credit risk	311	5 854
Payment transactions	98	116
Other fees paid	380	430
Total	**789**	**6 400**

Fee income and expense for years 2008 and 2007 resulted from financial assets and financial liabilities that are not at FVPL.

7 Net trading income

SKK thousand	2008	2007
Foreign exchange:		
- translation gains less losses of trading assets and liabilities from open deals	(75)	54
- translation gains less losses of trading assets and liabilities from matured deals	388	451
- transaction gains less losses	564	314
Nett gain/losses	**877**	**819**

Foreign exchange net trading income includes gains and losses from items measures at FVPL, spot and forward contracts, and translated foreign currency assets and liabilities.

8 Impairment charge for credit losses

SKK thousand	2008	2007
Loans and advances to customers - Provisions (Note 14)	(13 740)	5 544
Reimbursed provisions covered by intracompany guarantee	52	-
Total Provisions	**(13 688)**	**5 544**
Contingent liabilities provision - guarantees	(899)	-
Contingent liabilities provision – letters of credit	(78)	-
Contingent liabilities provision – cancellable loan commitments	(3 272)	-
Contingent liabilities provision – non-cancellable loan commitments	(285)	-
Total contingent liabilities provision	(4 534)	-
Direct write off	(10)	(249)
Total	**(10)**	**(249)**
Total impairment charge	**(18 232)**	**5 295**

In 2008 the provisions for loans to customers and provisions for contingent liabilities have been created as General Loan Loss Provisions described in par. 3.3.6.

9 Administrative expenses

SKK thousand	2008	2007
Staff costs:	**17 067**	**16 870**
- wages and salaries	13 127	13 546
- social and health insurance	3 940	3 324
Other administrative expenses:	**49 891**	**54 361**
- outsourced back-office activities	15 728	16 365
- head office charges	7 325	6 727
- IT costs	8 967	9 342
- advisory and consultancy services	2 376	5 301
- advertising and public relations	1 366	1 424
- other services	3 466	3 642
- depreciation	4 931	5 631
- other	5 732	5 929
Total administrative expenses	**66 958**	**71 231**

In 2008, the other administrative expenses from transactions with related parties were SKK 25 288 thousand (2007: 31 224 thousand).

In 2008 the costs for audit were SKK 1 164 thousand (in 2007: SKK 1 141 thousand) and for tax advisory provided by the auditing company SKK 506 thousand (in 2007: SKK 250 thousand).

In 2008 SKK 35 thousand as regular contributions were made to the state to fund the national pension plan (2007: SKK 44 thousand).

10 Other operating expenses

SKK thousand	2008	2007
Operating lease rentals expense	3 165	3 271
Total	**3 165**	**3 271**

11 Cash and balances with central banks

SKK thousand	31.12.2008	31.12.2007
Cash in hand	4 605	9 390
Reverse repo transactions with National Bank of Slovakia	418 465	3 514 613
Mandatory reserve deposits with National Bank of Slovakia	255 247	44 829
Other balances with National Bank of Slovakia	113 345	182 178
Total	**791 662**	**3 751 010**

Cash in hand is non-interest-bearing. The yield on mandatory reserve deposits yield 1.5 % p.a. at the end of 2008 (2007: 1.5 % p.a.).

There are treasury bill collaterals for reverse repo transactions with National Bank of Slovakia in the fair value of SKK 418 204 thousand as per 31 December 2008 (31 December 2007: SKK 3 512 540 thousand).

12 Loans and advances to banks

SKK thousand	31.12.2008	31.12.2007
Placements with other banks	928 463	997 775
Loans and advances to other banks	50 883	129 925
Intercompany nostro accounts	129 821	-
Total	1 109 167	1 127 700
Current	**1 109 167**	**1 127 700**

13 Derivative financial instruments

The Branch uses the following derivative instruments for non-hedging purposes:

Currency forwards represent commitments to purchase foreign and domestic currency.

Currency swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. No exchange of principal takes place.

The notional amounts of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market rates relative to their terms. The fair values of derivative instruments held are set out below.

31.12. 2008	Contract/ notional amount	Fair values	
SKK thousand		Assets	Liabilities
Currency swaps	199 034	16 604	16 000
Currency forwards		-	-
Total derivatives	**199 034**	**16 604**	**16 000**
Current		16 604	16 000

31.12. 2007	Contract/ notional amount	Fair values	
SKK thousand		Assets	Liabilities
Currency swaps	209 681	8 048	(7 516)
Currency forwards	64 676	204	(109)
Total derivatives	**274 357**	**8 252**	**(7 625)**
Current		8 252	7 625

14 Loans to customers

SKK thousand	31.12.2008	31.12.2007
Gross loans and advances	4 440 432	4 187 663
Less: allowance for impairment	(13 740)	-
Net	**4 426 692**	**4 187 663**
Current	3 803 276	3 271 425
Non-current	623 416	916 238

Allowance for impairment	
Balance at 1 January 2007	**5 555**
Release of provision for loan impairment	(5 555)
Balance 31. December 2007	**0**
Balance at 1 January 2008	**0**
Release of provision for loan impairment	-
Allocation of provision for loan impairment	13 740
Balance 31. December 2008	**13 740**

15 Intangible assets

SKK thousand	Software acquired	Assets not yet available for use	Total
NBV at 1 January 2008	4 287	1 645	5 932
Additions	2 832	939	3 771
Disposals	-	(1 645)	(1 645)
Amortisation	(2 943)	-	(2 943)
NBV at 31 December 2008	**4 176**	**939**	**5 115**
Balance at 31 December 2008			
Acquisition cost	17 515	939	18 454
Accumulated amortisation	(13 339)	-	(13 339)
Net book amount	**4 176**	**939**	**5 115**

SKK thousand	Software acquired	Assets not yet available for use	Total
Balance at 1 January 2007			
Acquisition cost	10 520	1 535	12 055
Accumulated amortisation	(4 617)	-	(4 617)
NBV at 1 January 2007	**5 903**	**1 535**	**7 438**
Additions	1 024	1 134	2 158
Disposals	-	(1 024)	(1 024)
Amortisation	**(2 640)**	**-**	**(2 640)**
NBV at 31 December 2007	**4 287**	**1 645**	**5 932**
Balance at 31 December 2007			
Acquisition cost	11 544	1 645	13 189
Accumulated amortisation	(7 257)	-	(7 257)
Net book amount	**4 287**	**1 645**	**5 932**

16 Property, plant and equipment

SKK thousand	Computer equipment	Leasehold improvement	Furniture	Safes	Assets not yet available for use	Financial lease assets	Total
NBV at 1 January 2008	2 262	747	589	476	100	715	4 889
Additions	341		43			1 024	1 408
Disposals					(100)		(100)
Depreciation	(839)	(456)	(289)	(88)		(320)	(1992)
NBV at 31 December 2008	**1 764**	**291**	**343**	**388**	**0**	**1 419**	**4 205**
Balance at 31 December 2008							
Acquisition cost	7 827	2 846	3 732	815	-	3 826	19 046
Accumulated depreciation	(6 063)	(2 555)	(3 389)	(427)	-	(2 407)	(14 841)
Net book amount	**1 764**	**291**	**343**	**388**	**0**	**1 419**	**4 205**

SKK thousand	Computer equipment	Leasehold improvement	Furniture	Safes	Assets not yet available for use	Financial lease assets	Total
Balance at 1 January 2007							
Acquisition cost	5 697	2 846	3 551	761	1 749	2 803	17 407
Accumulated amortisation	(4 720)	(586)	(2 822)	(254)	-	(1 477)	(9 859)
NBV at 1 January 2007	**977**	**2 260**	**729**	**507**	**1 749**	**1 326**	**7 548**
Additions	1 849	110	78	54	442	-	2 533
Disposals	-	(110)	-	-	(2 091)	-	(2 201)
Transfers	(60)	-	60	-	-	-	0
Depreciation	(504)	(1 513)	(278)	(85)	-	(611)	(2 991)
NBV at 31 December 2007	**2 262**	**747**	**589**	**476**	**100**	**715**	**4 889**
Balance at 31 December 2007							
Acquisition cost	7 486	2 846	3 689	815	100	2 803	17 739
Accumulated depreciation	(5 224)	(2 099)	(3 100)	(339)	-	(2 088)	(12 850)
Net book amount	**2 262**	**747**	**589**	**476**	**100**	**715**	**4 889**

16.1 Insurance

The insurance of non-current tangible assets is part of the International Insurance Programme for Property Insurance of COMMERZBANK AG concluded in Slovakia. It includes the insurance of the Branch's own non-current tangible assets, low value non-current tangible assets, office equipment, and a set of electronic equipment with the total insured value of approximately SKK 13 million (2007: SKK 13 million). The insurance covers the compensation for damages caused by:

a) natural disasters; and
b) theft, burglary, and assault with robbery.

At the same time, the Branch has also insured leased tangible assets (cars covered by both general liability and accident insurance). The insurance premium totals about SKK 124 thousand per annum (2007: SKK 80 thousand).

Sets of non-current intangible assets are not insured separately.

17 Leases

17.1 Financial leases

Net book value of the property and equipment (cars and copy machine) acquired under the financial leasing was SKK 1 419 thousand at 31 December 2008 (2007: SKK 715 thousand). The liabilities from financial leasing are reported within other liabilities (note 21).

Break down of finance lease liabilities

At 31 December 2008

	Minimum lease payments	Present value of the minimum lease payments
No later than 1 year	439	433
Later than 1 year and no later than 5 years	455	432
Total	**894**	**865**

At 31 December 2007

	Minimum lease payments	Present value of the minimum lease payments
No later than 1 year	281	267
Later than 1 year and no later than 5 years	225	194
Total	**506**	**461**

17.2 Operating leases

The future minimum operating lease commitments under non-cancellable leases (rent) are as follows:

At 31 December 2008

	31.12.2008	31.12.2007
No later than 1 year	3 519	2 699
Later than 1 year and no later than 5 years	2 095	275
Total	**5 614**	**2 974**

18 Other assets

SKK thousand	31.12.2008	31.12.2007
Financial assets - LAR	1 225	2 300
of which: Accrued income	1 028	1 963
Vouchers	119	99
Other receivables	78	238
Non-financial assets	**1173**	**934**
of which: Prepayments	635	698
Other	538	236
Total	**2 398**	**3 234**

There were not any assets overdue at 31 December 2008 (2007:SKK 35 thousand).

19 Deposits from banks

SKK thousand	31.12.2008	31.12.2007
Current accounts	128 294	9 950
Term deposits	4 391 828	7 013 209
National Bank of Slovakia clearing settlement	11 292	85 179
Intercompany nostro accounts settlement	8 984	7 470
Total	**4 540 398**	**7 115 808**
Current	4 107 444	6 312 057
Non-current	432 954	803 751

20 Due to customers

SKK thousand	31.12.2008	31.12.2007
Current accounts	713 253	390 548
Term deposits	1 042 288	1 538 901
Total	**1 755 541**	**1 929 449**
Current	1 755 086	1 929 449
Non-current	455	-

21 Other liabilities

SKK thousand	31.12.2008	31.12.2007
Other financial liabilities	**9 276**	**16 996**
of which: Accruals	6 407	8 627
National Bank of Slovakia clearing settlement (2007 balance was reclassified to deposits from banks)	-	-
Intercompany nostro accounts settlement (2007 balance was reclassified to deposits from banks)	-	-
Other	2 869	8 369
Other non- financial liabilities	806	912
Total	**10 082**	**17 908**
Current	10 082	17 691
Non-current	-	217

There were no other liabilities overdue.

Next table summarizes release from and allocation to the social fund, which is included in Other non-financial liabilities above:

SKK thousand	31.12.2008	31.12.2007
Opening balance	**20**	**76**
Release	(69)	(122)
Allocation	100	66
Closing balance	**51**	**20**

Social fund is presented in liabilities since it represents a commitment of the Branch to the group of its employees.

22 Income tax

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a tax rate of 19 % (2007: 19 %).

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

SKK thousand	31.12.2008	31.12.2007
Deferred income tax liabilities	-	
- leasing	4	20
- depreciation	234	102
Total	**238**	**122**
Deferred income tax assets		
- tax losses carried forward	-	190
- impact on transition from local GAAP to IFRS	-	1 469
Total	**0**	**1 659**

SKK thousand	31.12.2008	31.12.2007
Profit before taxes	**32,836**	**20,955**
Tax calculated at a tax rate of 19%	6,239	3,981
Other tax non-deductible expenses (permanent differences)	3,176	199
Income not subject to tax (permanent differences)	(3)	(96)
Initial recognition of deferred tax asset	-	(2,547)
Income tax expense	**9,412**	**1,537**

Note there are available tax losses carried forward from the previous years as follows:

SKK thousand	31.12.2008	31.12.2007
2003 (expiration 2008)	-	-
2004 (expiration 2009)	-	446
2005 (expiration 2010)	-	555
Total	**0**	**1 001**

The tax effects of income tax losses available for carry-forward have not previously been recognised in the past as a asset due to the fact that sufficient future taxable profits which would be available to use against these losses were not probable. The situation has changed in 2007 and the tax effects of income tax losses available for carry-forward have been recognised for the first time in 2007.

23 Provisions for liabilities and charges

The Branch's provisions for contingent liabilities were as follows:

SKK thousand	31.12.2008	31.12.2007
Financial guarantees provision	899	-
Letters of credit provision	78	-
Non-cancellable loan commitments provision	285	-
Cancellable loan commitments provision	3 272	-
Total	**4 534**	**0**

Movements in financial guarantees provisions were as follows:

Balance at 1 January 2008	
Allocation	899
Release	-
Balance 31. December 2008	**899**

Movements in letters of credit provisions were as follows:

Balance at 1 January 2008	
Allocation	78
Release	-
Balance 31. December 2008	**78**

Movements in non-cancellable loan commitments provisions were as follows:

Balance at 1 January 2008	
Allocation	285
Release	-
Balance 31 December 2008	**285**

Movements in cancellable loan commitments provisions were as follows:

Balance at 1 January 2008	
Allocation	3 272
Release	-
Balance 31 December 2008	**3 272**

The Branch has created general loan loss provisions for off-balance sheet items in accordance with Basel II parameters as described in the Note 3.3.6 impairment and provisioning policies.

24 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprises the following balances with less than 3 months maturity from the date of acquisition.

SKK thousand	31.12.2008	31.12.2007
Cash	4 605	9 391
Balances with central banks	787 057	3 741 618
Due from other banks	979 346	1 127 700
Intercompany nostro accounts	129 821	-
Total	**1 900 829**	**4 878 709**

Regulatory reserves included in balances with central banks are calculated as per regulatory requirements (2% of Due to customers balance). Branch is required to hold the regulatory reserves as an average balance for the period of one month.

The average daily balance for December 2008 was required at a level of SKK 187 512 thousand. The actual balance as at 31 December 2008 was SKK 255,247 thousand (see Note 11). Cumulated volume of obligatory reserves for December 2008 was SKK 5 812 871 thousands (187 512 * 31 days). Actual cumulated volume of obligatory reserves was SKK 5 812 871 thousands.

The average daily balance for December 2007 was required at a level of SKK 127,360 thousand. The actual balance as at 31 December 2007 was SKK 44,829 thousand (see Note 11). Cumulated volume of obligatory reserves for December 2007 was SKK 3 948 169 thousands (127,360 * 31 days). Actual cumulated volume of obligatory reserves was SKK 3 948 322 thousands.

25 Contingent liabilities and commitments

At 31 December 2008, the Branch had the following contractual amounts of off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:

SKK thousand	Fair value 31.12.2008	Carrying value 31.12.2008	Fair value 31.12.2007	Carrying value 31.12.2007
Loan commitments	-	1 111 000	-	1 273 585
of which: non-cancellable	-	188 268	-	401 102
Guarantees	(119)	344 411	(43)	139 904
Standby letters of credit	465	16 945	1 875	90 409
Total	**346**	**1 472 356**	**1 832**	**1 503 898**

26 Related-party transactions and balances

The following table shows the balances with other entities of the group and the rest of Bank. All of them are entities under common control except for Transfactor a.s. which belongs to category of other related parties.

SKK thousand		31.12.2008	31.12.2007
Loans and advances to banks and customers		**1 565 784**	**1 423 260**
of which:	Commerzbank, Prague Branch	928 694	1 031 389
	Commerzbank, Paris Branch	16 812	-
	Commerzbank (Budapest) R.t., Budapest	204	44 808
	Commerzbank, New York Branch	119 775	4 616
	Commerzbank, Frankfurt	18 523	-
	BRE Bank S.A., Warsaw	462	490
	Transfactor a.s.	481 314	341 957
Deposits from banks and customers		**4 528 545**	**7 022 009**
of which:	Commerzbank, Prague Branch	4 392 859	7 013 212
	Commerzbank (Budapest) R.t., Budapest	8 478	-
	Commerzbank, New York Branch	112 709	
	Commerzbank, Frankfurt	14 499	6 655
	Commerzbank, Paris Branch	-	2 142
	Transfactor a.s.	-	-
Guarantees issued		**101 800**	**80 000**
of which:	Commerzbank, Frankfurt	80 000	80 000
	Commerzbank (Budapest) R.t., Budapest	1 800	-
	Commerzbank, Duesseldorf	20 000	-
Derivative financial instruments (fair value)		**16 604**	**3 048**
of which:	Commerzbank, Prague Branch - assets	16 604	5 669
of which:	Commerzbank, Prague Branch - liabilities	-	(2 621)
Other assets		**26**	**9**
Commerzbank, Frankfurt		8	9
Transfactor a.s.		18	-
Loan commitments		**220 439**	**231 371**
Transfactor a.s		220 439	231 371
Net assets attributable to Commerzbank AG		**21 413**	**17 890**
of which:	Commerzbank, Frankfurt	21 413	17 890

Above mentioned transactions with related parties have been concluded under standard market conditions.

No provisions have been recognised in respect of loans given to related parties.

SKK thousand		31.12.2008	31.12.2007
Interest income earned		**51 652**	**32 747**
of which:	Commerzbank, Prague Branch	34 680	31 249
	Commerzbank, Frankfurt	419	517
	Commerzbank, Paris Branch	24	186
	Commerzbank (Budapest) R.t., Budapest	38	41
	BRE Bank S.A., Warsaw	2	8
	Transfactor a.s.	16 489	746
Interest expense		**249 785**	**195 172**
of which:	Commerzbank, Prague Branch	246 382	192 357
	Commerzbank, Frankfurt	3 368	2 744
	BRE Bank S.A., Warsaw	5	19
	Commerzbank, New York Branch	6	17
	Commerzbank (Budapest) R.t., Budapest	24	35
	Transfactor a.s.	-	-
Fee and commission income		**2 284**	**1 900**
of which:	Commerzbank, Frankfurt	2 000	1 894
	Transfactor a.s.	284	6
Fee and commission expenses		**311**	**5 854**
of which:	Commerzbank, Frankfurt	311	5 854
Administrative expenses		**25 288**	**31 224**
of which:	Commerzbank, Frankfurt	11 119	12 806
	Commerzbank, Prague Branch	14 169	18 418
Other operating expenses		**200**	**201**
of which:	Commerzbank, Prague Branch	200	201

In 2008 the statutory representatives of the Branch were paid wages and salaries of SKK 4 450 thousand (2007: SKK 4 495 thousand), social and health insurance paid by the Branch amounted to SKK 650 thousand (2007: SKK 648 thousand). The statutory representatives of the Branch include its director and proxy holders (as at 31 December 2008 and 31 December 2007: 3 employees).

Banking transactions

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. The loans and advances to related companies are unsecured, carry variable interest rates and are repayable on demand.

Administrative expenses

The Branch has outsourced to Commerzbank Prague Branch the following activities: key management and other management levels, back office, payment and settlement, loan administration, human resources and accounting, IT, marketing and risk management.

27 Events after the balance sheet date

There have been no post-balance-sheet events that would require adjustment or disclosure in the financial statements for the year ended 31 December 2008.

....

Name and signature of the Branch's statutory representative

....

Name and signature of the person responsible for the preparation of the financial statements

....

Name and signature of the person responsible for accounting

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