COMMERZBANK

Partnership is not just a word

Annual report for the year 2009

Contents

2009 Bank Management Report

»Last year posed a great challenge for the COMMERZBANK AG, pobočka zahraničnej banky, Bratislava. Despite the economic environment, we further expanded our position in cross-border bank services for Slovak exporters in 2009 and considerably boosted revenues in this area. We managed to increase our customer-base by 15%.«

2009 was a difficult year due to the continuing global financial crisis. The economic downturn that began already in 2007 in a number of countries around the world further deepened, spreading into the Slovak Republic. The Slovak economy dropped by 4,7 % in 2009.

Last year posed a great challenge for the Commerzbank AG, pobočka zahraničnej banky, Bratislava. Despite the economic environment, we further expanded our position in cross-border bank services for Slovak exporters in 2009 – relating in particular to guarantees securing international trading transactions – and considerably boosted revenues in this area. We managed to increase our customer-base by 15% due to the introduction of EUR. Revenues from currency conversions and foreign payments decreased. Interest income remained on the same level as in 2008.

Even though the Slovak Republic was less affected by the crisis than most Central & Eastern European countries, we restructured our lending portfolio in favour of medium-sized companies and significantly reduced it overall. Loan loss provisions were kept to a low level following the successful restructuring of individual credit exposures. The emphasis was also on reducing risks and costs, optimizing funding and liquidity. In 2009 we also successfully finished the implementation of EUR.

The merger of Commerzbank and Dresdner Bank in May 2009 became an important milestone in the history of Commerzbank. A significant step in the integration of Dresdner Bank was the launch of our new brand identity presented by the Chairman of the Board of Managing Directors Martin Blessing at the end of October 2009. The central image of the new brand identity is our new logo, which consists of three main elements: the name “Commerzbank” with the new modern font, the lively yellow colour and the three-dimensional ribbon and it hereby combines the elements of the both banks. Our new brand promise, “Achieving more together”, encapsulates our core values of “partnership” and “performance”and describes what we stand for and what we promise to our customers. Introducing of the new logo on a step-by-step basis will last till October 2010.

In 2010 Commerzbank AG, Bratislava Branch will build on our position on the Slovak market in Corporate Banking segment by adding new products. We also see opportunities to offer German midsized companies - customers of the former Dresdner Bank – the extensive products and services of Commerzbank in Slovakia and in the Czech Republic. Some of them became our clients already.

All the other planned measures are still aimed at reducing risks, optimizing portfolio and creating an efficient platform for profitable growth beyond the end of the global financial and economic crisis.

Peter Dávid

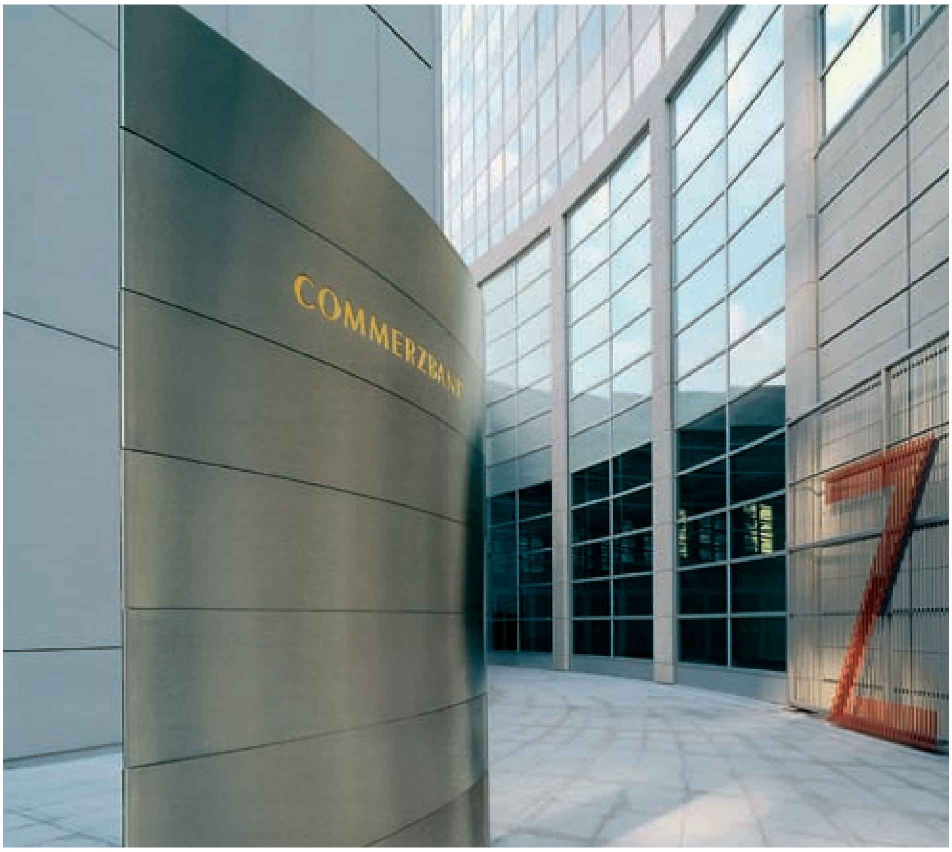
Commerzbank AG

Commerzbank worldwide

As a large, integrated bank, Commerzbank is one of Europe's leading financial institutions and the second-largest in Germany and is operating more than 130 years on global financial markets. With the merging of Dresdner Bank into Commerzbank in May 2009, a new leading bank is formed: the new Commerzbank as a strong universal bank.

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

In the nineties, the bank substantially expanded its presence in Central and Eastern Europe. Nowadays it has the largest branch network 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.



The Central & Eastern Europe segment comprises BRE Bank in Poland (operating in the Czech Republic under the brand “mBank”), Ukraine’s Bank Forum, Russia’s Commerzbank (Eurasija) SAO, Hungary’s Commerzbank ZRT, branches in the Czech Republic and Slovakia, and investments in seven microfinance banks and Russia’s Promsvyazbank. These are grouped together under a management holding company, which acts as the operational management unit, as the interface between the local units and the central departments in Germany and as the strategic decision-maker. Commerzbank units are the contact points for local business in Central and Eastern Europe, as well as for cross-border activities of its domestic and international customers.

The Central and Eastern Europe region suffered considerably in 2009 from the tough economic conditions and the financial crisis, which had an impact on the segment’s results too. Business in Central Europe was relatively stable and benefited towards the end of the last year from the slight financial market recovery.

Commerzbank in Slovakia

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

Commerzbank in Slovakia is focused mainly on corporate clients, predominantly on German ones, but it also offers banking services to large and midsized Slovak firms. Commerzbank is providing a comprehensive line of products customized to meet the needs of individual customers, ranging from standard daily banking services to complex structured financings. The Commerzbank’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 its focus on international enterpreneurship, strong know-how across a variety of industry sectors, and a comprehensive range of products, the bank offers better, more innovative and prompt financing solutions.

In order to better serve the needs of its clients Commerzbank has expanded its branch network in Slovakia and has established a branch in Kosice (2006). 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.

There are another companies operating on Slovak market, which are part of Commerzbank Group – mBank (subsidiary of BRE Bank) (2007) and Transfactor Slovakia (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, pobocka zahranicnej banky, Bratislava

We have audited the accompanying financial statements of COMMERZBANK Aktiengesellschaft, pobocka zahranicnej banky, Bratislava („the Branch") at 31 December 2009 presented on pages 10 - 54, on which we issued an unqualified Auditor's Report on 29 March 2010 which is published on page 9. In accordance with the Act No. 431/2002 Coli. 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 au itors 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, Bratislava 26 April 2010

Ing. Mária Frühwaldová
SKAU licence No. 047

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Independent auditor‘s report

To the management of COMMERZBANK Aktiengesellschaft, pobocka zahranicnej banky, Bratislava:

We have audited the accompanying financial statements of COMMERZBANK Aktiengesellschaft, pobocka zahranicnej banky, Bratislava („the Branch“), which comprise the balance sheet as at 31 December 2009, 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, pobocka zahranicnej banky, Bratislava as of 31 December 2009, 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.
Licencia SKAU č. 161, 29. march 2010

Ing. Mária Frühwaldová
Licencia SKAU č. 47

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

Statement of comprehensive income

EUR thousands	Note	Year ended 31.12.2009	31.12.2008
Interest and similar income	5.1	4 998	11 752
Interest expense and similar charges	5.2	(3 030)	(9 793)
Net interest income		**1 968**	**1 959**
Loan impairment charges	6	(817)	(605)
Net interest income after loan impairment charges		**1 151**	**1 354**
Fee and commission income	7.1	590	1 833
Fee and commission expense	7.2	(20)	(26)
Net fee and commission income		**570**	**1 807**
Net trading income	8	10	28
Personnel expenses	9	(634)	(545)
General and administrative expenses	11	(1 201)	(1 467)
Depreciation and amortisation expenses	10	(140)	(158)
Other operating expenses	12	(335)	(101)
Profit/(loss) before income tax and distributions to Commerzbank head office		**(579)**	**918**
Income tax	13	(130)	(301)
Profit/(loss) before distributions to Commerzbank head office		**(709)**	**617**
Distributions to Commerzbank head office		(733)	(641)
Increase/(Decrease) in net assets from profit/(loss) attributable to Commerzbank head office		**(699)**	**(24)**
Remeasurement of net assets from profit/(loss) attributable to Commerzbank head office		**699**	**24**
Net profit of the year attributable to Commerzbank head office		**-**	**-**
Total comprehensive income for the year attributable to Commerzbank head office		**-**	**-**

Statement of financial position

EUR thousands	Note	31.12.2009	31.12.2008
ASSETS			
Cash and balances with central banks	14	268	26 278
Loans to banks	15	45 002	36 818
Loans to customers	17	121 238	146 939
Derivative financial instruments	16	18	551
Intangible assets	18	103	170
Property, plant and equipment	19	113	140
Other assets	21	361	80
Total assets		**167 103**	**210 976**
LIABILITIES			
Deposits from banks	22	108 099	150 714
Due to customers	23	57 882	58 273
Derivative financial instruments	16	18	531
Current income tax liabilities	26	103	254
Deferred income tax liabilities	25	9	8
Provisions for liabilities and charges	27	328	150
Other liabilities	24	652	335
Net assets attributable to Commerzbank AG	2.20, 4	12	711
Total liabilities		**167 103**	**210 976**

Statement of cash flows

		Year ended	
EUR thousands	**Note**	**31.12.2009**	**31.12.2008**
Profit/(loss) before income tax and distributions to Commerzbank head office		**(579)**	**918**
Non-cash positions in net profit and adjustments to reconcile net profit with net cash provided by operating activities:			
Write-downs, depreciation, adjustments and changes in provisions	6, 10, 12	1 187	765
Change in other non-cash positions	8	20	(1)
Other adjustments (net interest and fee income)	5, 7	(2 538)	(3 766)
Sub-total		**(1 910)**	**(2 084)**
Change in assets and liabilities from operating activities after correction for non-cash components:			
Claims on customers		24 029	(22 428)
Other assets from operating activities		(14)	(8)
Liabilities to banks		(41 879)	(60 972)
Liabilities to customers		(375)	854
Other liabilities from operating activities		202	(503)
Fee and commission received		697	1 857
Interest received		5 802	11 406
Interest paid		(3 781)	(9 589)
Income tax paid		(560)	-
Translation to presentation currency, net of tax		-	130
Net cash provided by operating activities		**(17 789)**	**(81 337)**
Proceeds from the sale of:			
Fixed assets	18, 19	-	-
Payments for the acquisition of:			
Fixed assets	18, 19	(46)	(114)
Net cash used by investing activities		**(46)**	**(114)**
Settlement of losses / (distributions) to Commerzbank head office		9	(640)
Net cash provided by financing activities		**9**	**(640)**
Net decrease in cash and cash equivalents		(17 826)	(82 091)
Cash and cash equivalents at the end of the previous period	28	63 096	145 187
Cash and cash equivalents at the end of the period	**28**	**45 270**	**63 096**

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 from 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.

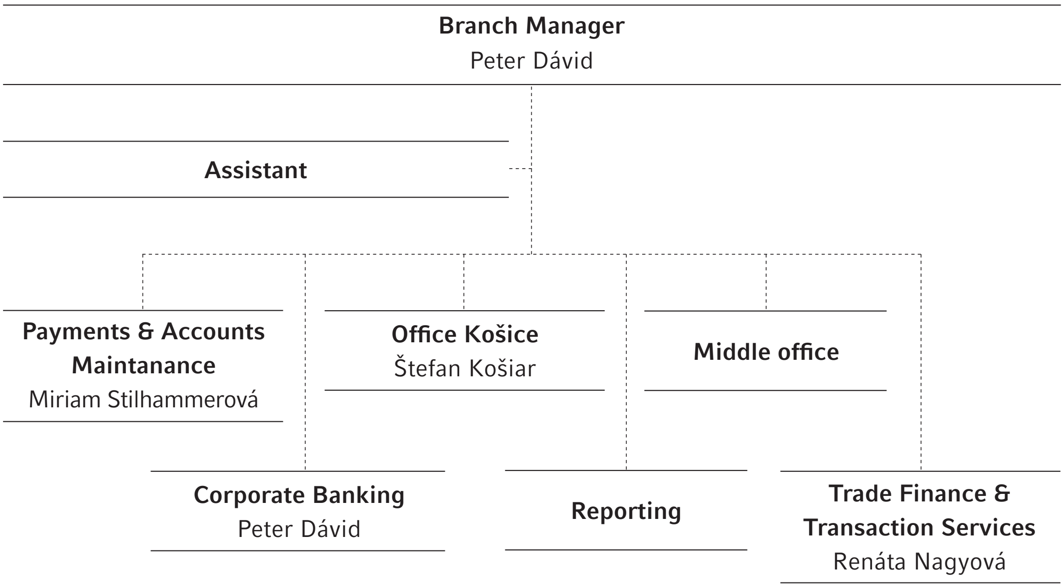
The average number of staff was 17 in 2009 (2008: 18).

The Branch is not a separate legal person and 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 2009 and approved for issue by the Branch statutory representative on xx March 2010 (ref. to Code of Accounting 431/2002 par. 17a). The financial statements as at 31 December 2008 have been approved by the management on 30 March 2009.

1.1 Statutory, supervisory, managing bodies and the organisation chart as at 31 December 2009

Name	Position
HEAD OF BRANCH:	
Peter Dávid	Head of Branch
GENERAL POWER OF REPRESENTATION:	
Miriam Stilhammerová	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
Dr. Achim Kassow	Member
Dr. Stefan Schmittmann (since November 2008)	Member
Dr. Eric Strutz	Member
Michael Reuther	Member
Ulrich Sieber (since June 2009)	Member
Jochen Klösges (since June 2009)	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	Honorary Chairman
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
Dr. Nikolaus von Bomhard	Member
Prof. Dr.-Ing.Dr.-Ing.E.h. Hans-Peter Keitel	Member
Prof. h.c. (CHN) Dr.rer.oec. Ulrich Middelmann	Member
Dr. H.c. Edgar Meister	Member
Alexandra Krieger	Member
Barbara Priester	Member
Dr. Marcus Schenck	Member
Dr. Helmut Perlet	Member



1.2 Shareholders information of Commerzbank Aktiengesellschaft as at 31 December 2009

	Shares of capital held
Institutional investors	54%
Government of Germany	25%
Allianz	10 %
Generali	5 %
Private investors	6 %

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). Additional information required by national regulations is included where appropriate.

The Branch consistently applied the accounting methods and the general accounting principles. The change in functional currency resulted from a consistent application of the IFRS principles described in Note 2.2 due to the Euro adoption by Slovakia as described below.

Until 31 December 2008 the Branch used Slovak crowns (SKK) as functional and presentation currency. As of 1 January 2009, Slovakia adopted the Euro as the single legal tender in the country.

The Branch converted individual items of assets and liabilities to Euros using the official conversion rate of EUR 1 = SKK 30.1260. At January 1, 2009, exchange differences from converting the statement of financial position accounts to Euros (EUR 161 thousands) and their rounding were recognised in the Statement of comprehensive income. The comparatives of individual items of the Statement of comprehensive income for 2008 were translated using the average foreign exchange rates for 2008.

The Branch performed the conversion in compliance with Slovak law.

Data for the previous accounting period was converted into Euros as follows:

- assets and liabilities were translated using the official conversion rate and were rounded to whole Euros and
- income and expenses were translated at 2008 average exchange rate.

Statement of financial position as at 1 January 2008 is not affected by the conversion to Euro and the inclusion of Statement of comprehensive income replacing the Income statement and is therefore not represented in these financial statements.

The financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows and the notes.

The financial statements have been prepared under the historical cost convention, except for all derivative contracts, which have been measured at fair value.

The Branch classifies its expenses by the nature of expense method.

The financial statements are presented in EUR, which is the Branch's presentation currency. The figures shown in the financial statements are stated in EUR thousands.

The disclosures on risks from financial instruments are presented in the financial risk management report contained in Note 3.

The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities. Cash and cash equivalents include highly liquid investments. Note 28 shows in which item of the statement of financial position cash and cash equivalents are included.

The cash flows from operating activities are determined by using the indirect method. Net income is therefore adjusted by non-cash items, such as changes in provisions, as well as changes from receivables and liabilities. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated. Interest received or paid are classified as operating cash flows.

The cash flows from investing and financing activities are determined by using the direct method.

(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. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Branch's financial statements therefore present the financial position and results fairly. 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 on or after January 2009

The following standards, amendments and interpretations, which became effective in 2009 are relevant to the Branch:

Interpretation	Content	Applicable for financial years beginning on/after
IFRS 7	Improving disclosures about financial instruments	1 January 2009
IAS 1	Presentation of financial statements	1 January 2009

- **Amendments to IFRS 7, Financial instruments: Disclosures**
  The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the statement of comprehensive income of the Branch.

- **IAS 1 (revised), Presentation of financial statement**
  A revised version of IAS 1 was issued in September 2007. It prohibits the presentation of items of income and expenses (that is, non-owner changes in equity) in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity in a statement of comprehensive income. Since the Commerzbank head office has full control over the net assets of the Branch and full obligation to cover any net asset deficit, there is not equity of the Branch, therefore no Statement of changes in equity is prepared by the Branch and the Statement of comprehensive income is balanced to zero.

The following interpretations became effective in 2009, but were not relevant for the Branch's operations:

Interpretation	Content	Applicable for financial years beginning on/after
IFRS 2	Share-based payment – Vesting conditions and cancellations	1 January 2009
IFRS 8	Operating segments	1 January 2009
IAS 23	Borrowing costs	1 January 2009
IAS 32 a IAS 1	Puttable financial instruments and obligations arising on liquidation	1 January 2009
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 16	Hedges of a net investment in a foreign operation	1 October 2008

- **IFRS 2, Share-based payment – Vesting conditions and cancellations**
  The IASB published an amendment to IFRS 2, Share-based payment, in January 2008. The changes pertain mainly to the definition of vesting conditions and the regulations for the cancellation of a plan by a party other than the company. These changes clarify that vesting conditions are solely service and performance conditions. As a result of the amended definition of vesting conditions, non-vesting conditions should now be considered when estimating the fair value of the equity instrument granted. In addition, the standard describes the posting type if the vesting conditions and non-vesting conditions are not fulfilled. IFRS 2 is not relevant to the Branch's operations.

- **IFRS 8, Operating segments**
  IFRS 8 was issued in November 2006 and excluding early adoption would first be required to be applied to the Branch's accounting period beginning on 1 January 2009. The standard replaces IAS 14, Segment reporting, with its requirement to determine primary and secondary reporting segments. IFRS 8 is not relevant for the disclosures because Branch operates only in single segment.

- **IAS 23, Borrowing costs**
  A revised version of IAS 23 was issued in March 2007. It eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for their intended use. IAS 23 is not relevant for the Branch's operation.

- **IAS 32 and IAS 1, Puttable financial instruments and obligations arising on liquidation**
  The IASB amended IAS 32 in February 2008. It now requires some financial instruments that meet the definition of a financial liability to be classified as equity. Puttable financial instruments that represent a residual interest in the net assets of the entity are now classified as equity provided that specified conditions are met. Similar to those requirements is the exception to the definition of a financial liability for instruments that entitle the holder to a pro rata share of the net assets of an entity only on liquidation. The adoption of the IAS 32 amendment does not have any effects to the Branch.

- **IFRIC 13, Customer loyalty programmes**
  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. 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's operations because Branch does not operate any loyalty programme.

- **IFRIC 16, Hedges of a net investment in a foreign operation**
  This interpretation clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency. IFRIC 16 is not relevant to the Branch's operations.

(c) Standards and interpretations issued but not yet effective

The following standards and interpretations have been issued and are mandatory for the Branch's accounting periods beginning on or after 1 January 2009 or later periods and are expected to be relevant to the Branch:

Interpretation	Content	Applicable for financial years beginning on/after
IFRS 9	Financial instruments part 1: Classification and measurement	1 January 2013

- **IFRS 9, Financial instruments part 1: Classification and measurement**
  IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:
  - Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
  - An instrument is subsequently measured at amortised cost only if its is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
  - All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
  - While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. However, this Standard has not yet been adopted by the European Union and hence cannot be applied by the Branch.

(d) Early adoption of standards

The Branch did not early-adopt new or amended standards in 2009.

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 was SKK in 2008 and EUR in 2009.

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

(b) Transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition, non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

All foreign exchange gains and losses recognised in the statement of comprehensive income are presented net within the corresponding item.

2.3 Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) are reclassified in the financial statements as pledged assets when the transferee has the right by contract to sell or repledge the collateral, the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. Securities purchased under agreements to resell (reverse repos) are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

2.4 Financial assets and financial liabilities

2.4.1 Financial assets

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 comprises the two sub-categories: financial assets classified as held for trading and financial assets designated by the Branch as at fair value through profit or loss upon initial recognition.

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. They are recognised in the statement of financial position as Financial derivatives.

Financial instruments included in this category are recognised initially at fair value, transaction costs are taken directly to the statement of comprehensive income. Gains and losses arising from changes in fair value are included directly in the statement of comprehensive income . The instruments are derecognised when the rights to receive cash flows have expired or the Branch has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

(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 initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the statement of financial position as loans and advances to banks or customers. Interest on loans in included in the statement of comprehensive income and is reported as Interest and similar income. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statement of comprehensive income as Loan impairment charges.

c) Held-to-maturity financial assets & Available-for-sale financial assets

There was no asset classified as held-to-maturity (HTM) or as available-for-sale (AFS) during the years 2009 and 2008.

2.4.2 Financial liabilities

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. Financial liabilities are derecognised when extinguished.

(a) Financial liabilities at fair value through profit or loss

A financial liability is classified as held for trading if is acquired or incurred principally for the purpose of selling or repurchasing it 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 categorised as held for trading unless they are designated and effective as hedging instruments.

(b) Other liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised costs. Financial liabilities measured at amortised cost include deposits from banks or customers.

2.4.3 Determination of fair value

Derivatives are represented only by over-the-counter (OTC) derivatives. The fair value is determined using observable market data and valuation methods that are commonly accepted in the financial markets, such as present value techniques. The fair value of foreign exchange forwards is generally based on current forward exchange rates.

The fair values of irrevocable loan commitments correspond to their carrying amounts.

2.4.4 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.5 Classes of financial instruments

The Branch classifies the financial instruments into classes that reflect the nature and take into account the characteristics of those financial instruments.

Classes vs categories as at 31 December 2009:

Classes / Categories UR thousand	FVPL trading	LAR	Other financial assets/ liabilities	Others assets/ liabilities	Total
Assets					
Cash and balances with central banks		268			268
Loans and advances to banks		45 002			45 002
Loans and advances to customers		121 238			121 238
Derivative financial instruments	18				18
Intangible assets				103	103
Property, plant and equipment				113	113
Other assets			33	328	361
Total assets	**18**	**166 508**	**33**	**544**	**167 103**
Liabilities					
Deposits from banks			108 099		108 099
Due to customers			57 882		57 882
Derivative financial instruments	18				18
Current income tax liabilities				103	103
Deferred income tax liabilities				9	9
Provisions for liabilities and charges				328	328
Other liabilities			524	128	652
Net assets attributable to Commerzbank AG				**12**	**12**
Total liabilities	**18**	**-**	**166 505**	**580**	**167 103**

Classes vs categories as at 31 December 2008:

Classes / Categories UR thousand	FVPL trading	LAR	Other financial assets/ liabilities	Others assets/ liabilities	Total
Assets					
Cash and balances with central banks	-	26 278	-	-	26 278
Loans and advances to banks	-	36 818	-	-	36 818
Loans and advances to customers	-	146 939	-	-	146 939
Derivative financial instruments	551	-	-	-	551
Intangible assets	-	-	-	170	170
Property, plant and equipment	-	-	-	140	140
Other assets	-	41	-	39	80
Total assets	**551**	**210 076**	**0**	**349**	**210 976**

Classes vs categories as at 31 December 2008:

Classes / Categories UR thousand	FVPL trading	LAR	Other financial assets/ liabilities	Others assets/ liabilities	Total
Liabilities					
Deposits from banks	-	-	150 714	-	150 714
Due to customers	-	-	58 273	-	58 273
Derivative financial instruments	531	-	-	-	531
Current income tax liabilities	-	-	-	254	254
Deferred income tax liabilities	-	-	-	8	8
Provisions for liabilities and charges	-	-	-	150	150
Other liabilities	-	-	308	27	335
Net assets attributable to Commerzbank AG	**-**	**-**	**-**	**711**	**711**
Total liabilities	**531**	**-**	**209 295**	**1 150**	**210 976**

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

2.7 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within interest income and interest expense in the statement of comprehensive income 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.

2.8 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 and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Branch has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

The Branch assesses at each reporting 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:

(a) significant financial difficulty of the obligor,
(b) a breach of contract, such as a default or delinquency in interest or principal payments,
(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider,
(d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation,
(e) the disappearance of an active market for that financial asset because of financial difficulties, or
(f) observable data indicating there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
   (i) adverse changes in the payment status of borrowers in the portfolio, and
   (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and 12 months, in exceptional cases, longer periods are warranted.

The Branch first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Branch determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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 statement of comprehensive income. 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. Impairment charges relating to loans and advances to customers are classified in loan impairment charges.

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 statement of comprehensive income in impairment charge for credit losses.

(b) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated again.

2.10 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). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. No non-financial assets were identified as impaired in 2009 and 2008.

2.11 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.

2.12 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 their fair value. Fair values are obtained from quoted market prices in active markets and valuation techniques (for example for swaps and currency transactions, including discounted cash flow models). All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2.13 Leases

Leases are accounted for in accordance with IAS 17 and IFRIC 4. They are divided into finance leases and operating leases.

The Branch is a lessee.

(a) operating lease

Leases where a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(b) finance lease

Leases of assets 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 deposits from customers The interest element of the finance cost is charged to the statement of comprehensive income 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 asset's useful life.

2.14 Staff costs, pensions and social fund

Staff costs are included in Administrative expense and they also include management emoluments.

The Branch makes contributions on behalf of its employees to a defined contribution pension plan. Contributions paid by the Branch are accounted for directly as an expense.

Regular contributions are made to the State to fund the national pension plan.

The Branch creates a social fund to finance the social needs of its employees and employees' benefit programme according to the local legislation. Allocation is recognised in the statement of comprehensive income and the fund is recognised as a liaibility.

2.15 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 asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets 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. No property, plant and equipment were impaired as at 31 December 2009 (in 2008: nil).

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

2.16 Intangible assets

Intangible assets comprise separately identifiable intangible items arising from computer software licences and other intangible assets. Intangible assets are recognised at cost. Intangible assets with a definite useful life are amortized using the straight-line method over their estimated useful economic life, at each reporting date, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. Impairment loss is recognized if the carrying amount exceeds the recoverable amount.

The estimated useful live of software is 3 – 4 years.

2.17 Income tax

(a) Current income tax

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense for the period.

Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position.

(b) Deferred income tax

Deferred income tax is provided in full, using the 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 reporting 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 loss carry-forwards.

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 carry-forwards of unused losses or unused tax credits 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 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. The Branch recognises no provisions for future operating losses.

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.
2.19 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. The fair value of a financial guarantee at the time of signature equals the agreed premium. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Branch's liabilities from such guarantees are measured at the higher of the initial amount, less amortization of fees recognised, and the best estimate of the amount required to settle the guarantee. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

2.20 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 total external assets and total external liabilities is considered to be a non-financial asset / liability. 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.

2.21 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

3 Financial risk management

The Branch's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Branch's risk management are to identify all key risks for the Branch, measure these risks and manage the risk positions. The Branch regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The aim of the Branch is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Branch's financial performance.

The Branch defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk management is carried out by central departments under policies approved by the Board of Directors. Risk departments identify and evaluate financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The risks arising from financial instruments to which the Branch is exposed are financial risks, which includes credit risk, liquidity risk, market risk and operational risk.

3.1 Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Branch's customers, clients or market counterparties fail to fulfil their contractual obligations to the Branch. Credit risk arises mainly from commercial loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees and letters of credit.

The Branch is also exposed to other credit risks arising from exposures from its trading activities (trading exposures), including derivatives and settlement balances with market counterparties and reverse repurchase loans.

Credit risk is the single largest risk for the business of the Branch, management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Board of Directors.

3.1.1 Credit risk measurement

Loans and advances (incl. loan commitments and guarantees)

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring.

In order to support the quantification of the credit risk, different models are applied. These rating and scoring models are in use for all the credit portfolio and form the basis for measuring default risks. In measuring credit risk of loan and advances at a counterparty level, the Branch considers three components:

(i) the probability of default (PD) by the client or counterparty on its contractual obligations
(ii) current exposures to the counterparty and its likely future development, from which the Branch derive the exposure at default (EAD), and
(iii) the likely recovery ratio on the defaulted obligations (the loss given default) (LGD).

The models are reviewed regularly.

These credit risk measurements, which reflect expected loss, are required by the Basel Committee on Banking Regulations and the Supervisory Practices (the Basel Committee) and are embedded in the daily operational management of the Branch.

(i) Probability of default

The Branch assesses the probability of default of individual counterparties over the next 12 months using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgement. They are validated, where appropriate, by comparison with externally available data. The rating method comprises of 25 rating levels for loans not in default and five default classes. The master scale assigns each rating category exactly one range of probabilities of default, which is stable over time.

The rating methods are subject to regular validation and recalibration so that they reflect the latest projection in the light of all actually observed defaults.

The internal ratings scale and mapping of external ratings are as follows:

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		

(ii) Exposure of default

EAD is based on the amounts the Branch expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Branch includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

(iii) Loss given default

Loss given default represents the expectation of the Branch of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type of claim and availability of collateral or other credit support.

The measurement of exposure at default and loss given default is based on the risk parameters standard under Basel II.

3.1.2 Credit risk limit control and mitigation policies

The Branch manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and countries.

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, when considered necessary. 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.

Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

(a) Collateral

The Branch employs a range of policies and practices to mitigate credit risk. The Branch implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Charges over business assets such as premises, inventory and accounts receivable;
- Guarantees;
- Mortgages over residential properties.

Longer-term finance and lending to corporate entities are generally secured. In addition, in order to minimise the credit loss the Branch seeks additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

(b Lending limits (for derivative and loan books)

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. The amount subject to credit risk is limited to expected future net cash inflows of instruments, which in relation to derivatives are only a 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.

(c) Financial commitments (for credit related commitments and loan books)

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit are collateralised by underlyings to which they relate and therefore carry less risk than a direct loan.

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 (often referred to as financial covenants).

The Branch monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3.1.3 Impairment and provisioning policies

The internal rating system described in Note 3.1.1 focus on expected credit losses – that is, taking into account the risk of future events giving rise to losses.

a) Specific loan loss provision (SLLP)

In contrast, impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment.

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.

The balances of Property, plan and equipment and Intangible assets are not included.

The table above represents a worse case scenario of credit risk exposure to the Branch at 31 December 2009 and 2008, 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 statement of financial position.

EUR thousand	Maximum exposure	
Class	31.12.2009	31.12.2008
Cash and balances with central banks	**268**	**26 278**
Loans to banks	45 002	36 818
- Commercial loans	-	636
- Nostro accounts and other balances	1 102	1 054
- Term loans	43 864	30 819
- Cash in transit	36	4 309
Loans to customers	121 238	146 939
- Commercial loans (after allowance for impairment)	93 166	114 491
- Overdrafts	17 377	23 894
- Term loans	10 673	8 554
- Cash in transit	22	-
Derivative financial instruments	18	551
Other assets	361	80
Total on-balance sheet assets	**166 887**	**210 666**
Loan commitments	70 749	36 878
Guarantees and standby letters of credit	15 784	11 995
Total	**253 420**	**259 539**

3.1.5 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following tables break down the Branch's main credit exposures at their carrying amount (without taking into account any collateral held or other credit support), as categorised by geographical regions as of 31 December 2009. For this table, the Branch has allocated exposures to regions based on the country of domicile of counterparties. For on-balance-sheet assets, the exposures set out below are based on net carrying amounts as reported in the statement of financial position.

Financial assets as at 31 December 2009:

EUR thousand	Slovakia	European Union	Other countries	Total
Cash and balances with central banks	232	8	28	268
Loans and advances to banks	107	44 775	120	45 002
- Nostro accounts and other balances	71	991	120	1 102
- Term loans	-	43 864	-	43 864
- Cash in transit	36	-	-	36
Loans and advances to customers	121 236	2	-	121 238
- Overdrafts	17 377	-	-	17 377
- Commercial loans (after allowance for impairment)	93 166	-	-	93 166
- Term loans	10 673	-	-	10 673
- Cash in transit	20	2	-	22
Derivative financial instruments		18	-	18
Other financial assets	32	-	1	33
Total	**121 607**	**44 803**	**149**	**166 559**
Loan commitments	70 749			70 749
Guarantees and standby letters of credit	**10 965**	**4 786**	**33**	**15 784**

Financial assets as at 31 December 2008:

EUR thousand	Slovakia	European Union	Other countries	Total
Cash and balances with central banks	26 126	119	33	26 278
Loans and advances to banks	94	32 022	4 702	36 818
- Nostro accounts &Overdrafts	94	870	90	1054
- Commercial loans	-	-	636	636
- Term loans	-	30 819	-	30 819
- Cash in transit	-	333	3 976	4 309
Loans and advances to customers	146 939	-	0	146 939
- Overdrafts	23 894	-	-	23 894
- Commercial loans	114 491	-	-	114 491
- Term loans	8 554	-	-	8 554
Derivative financial instruments	-	551	-	551
Other financial assets	25	0	16	41
Total	**173 184**	**32 692**	**4 751**	**210 627**
Loan commitments	36 878	-	-	36 878
Guarantees and standby letters of credit	**8 616**	**3 379**	**-**	**11 995**

(b) Industry sectors

The following table breaks down the credit exposures of the Branch at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors of the counterparties. For on-balance-sheet assets, the exposures set out below are based on net carrying amounts as reported in the statement of financial position.

Financial assets as at 31 December 2009:

EUR thousand	Financial Institution	Leasing	Other Financial Companies	Manufacturing	Other Industries & Individuals	Total
Loans and advances to banks	45 002	-	-	-	-	45 002
- Nostro accounts and other balances	1 102	-	-	-	-	1 102
- Term loans	43 864	-	-	-	-	43 864
- Cash in transit	36	-	-	-	-	36
Loans and advances to customers	-	14 204	29 774	60 342	16 918	121 238
- Overdrafts	-	1 272	2 354	9 904	3 847	17 377
- Commercial loans (after allowance for impairment)	-	12 932	16 747	50 438	13 049	93 166
- Term loans	-	-	10 673	-	-	10 673
- Cash in transit	-	-	-	-	22	22
Derivative financial instruments	18	-	-	-		18
Other financial assets	-	-	-	-	33	33
Total	**45 020**	**14 204**	**29 774**	**60 342**	**16 951**	**166 291**
Loan commitments		3 808	15 823	14 515	36 603	70 749
Guarantees and standby letters of credit	4 819	26		4 299	6 640	15 784

Cash and balances with central bank are not included.

Financial assets as at 31 December 2008:

EUR thousand	Financial Institution	Leasing	Other Financial Companies	Manufacturing	Other Industries & Individuals	Total
Loans and advances to banks	36 818	-	-	-	-	36 818
- Nostro accounts and other balances	1 054	-	-	-	-	1 054
- Commercial loans	636	-	-	-	-	636
- Term loans	30 819	-	-	-	-	30 819
- Cash in transit	4 309	-	-	-	-	4 309
Loans and advances to customers	-	32 460	34 451	67 428	12 600	146 939
- Overdrafts	-	4 772	128	9 854	9 140	23 894
- Commercial loans	-	27 688	25 769	57 574	3 460	114 491
- Term loans	-	-	8 554	-	-	8 554
Derivative financial instruments	551	-	-	-	-	551
Other assets	17	-	1	-	23	41
Total	**37 386**	**32 460**	**34 452**	**67 428**	**12 623**	**184 349**
Loan commitments		23 891	621	6 589	5 777	36 878
Guarantees and standby letters of credit	3 379	26		6 788	1 802	11 995

Cash and balances with central bank are not included.

3.1.6 Financial assets

Financial assets as at 31 December 2009:

EUR thousand	Loans and advances to banks	Loans and advances to customers	Cash and other receivables	Derivative financial instruments	Total
Financial assets:					
Neither past due nor impaired	45 002	120 586	301	18	165 907
Impaired	-	1 976	-	-	1 976
GLLP – Loan loss provisions	-	(514)	-	n/a	(514)
SLLP – Loan loss provisions	-	(810)	-	n/a	(810)
Total	**45 002**	**121 238**	**301**	**18**	**166 559**

Financial assets as at 31 December 2008:

EUR thousand	Loans and advances to banks	Loans and advances to customers	Cash and other receivables	Derivative financial instruments	Total
Financial assets:					
Neither past due nor impaired	62 943	147 395	194	551	211 083
GLLP – Loan loss provisions	-	(456)	-	n/a	(456)
Total	**62 943**	**146 939**	**194**	**551**	**210 627**

The total impairment charge for loans and advances is EUR 1 324 thousand (in 2008: EUR 456 thousand) of which EUR 810 thousand (in 2008: -) represent the impairment charged to individually impaired loans and the remaining amount of EUR 514 thousand (in 2008: EUR 456 thousand) represent the portfolio allowance. Further information on the impairment allowance for loans and advances to banks and to customers is provided in Notes 15 and 17.

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 Poor's rating. Credit ratings to related parties were taken from Commerzbank Aktiengesellshaft group's rating.

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

EUR thousand	31 December 2009			
	Nostro/Loro	Cash in transit	Term loans	Moody's/S&P
Related parties:				
of which: Commerzbank, Prague Branch	157		43 864	Aa3 / A
Commerzbank, New York Branch	10			Aa3 / A
Commerzbank, Frankfurt	742	-	-	Aa3 / A
BRE Bank S.A., Warsaw	12			Baa1 /
Other banks:				
Slovenská sporiteľňa, a.s.	-			- / A-pi
Unicredit Bank Slovakia, a.s.	65			A3 / -
Tatrabanka, a.s.	7			A2 /
HSBC Bank PLC London	91			Aa2 / AA
Credit Suisse Zurich	18			Aa2 / A
Cash in transit:		36		
Total	**1 102**	**36**	**43 864**	

EUR thousand		31 December 2008			
		Nostro/Loro	Cash in transit	Term loans	Moody's/S&P
Related parties:					
of which:	Commerzbank, Prague Branch	7	-	30 819	Aa3 / A
	Commerzbank (Budapest) R.t., Budapest	7	-	-	Aa3 / A
	Commerzbank, New York Branch	-	3 976	-	Aa3 / A
	Commerzbank, Frankfurt	282	333	-	Aa3 / A
	Commerzbank Paris	558	-	-	Aa3 / A
	BRE Bank S.A., Warsaw	16	-	-	Aa3 / A
Other banks:					
	Slovenská sporitelňa, a.s.	22	-	-	/ A
	Unicredit Bank Slovakia, a.s.	68	-	-	/ A+
	Tatrabanka, a.s.	4	-	-	/ A-
	HSBC Bank PLC London	77	-	-	Aa2 / AA-
	Credit Suisse Zurich	13	-	-	/ A+
Total		**1054**	**4 309**	**30 819**	

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

At 31 December 2009

EUR thousand	Loans neither past due nor impaired					
	To customers					
Internal rating scale	Overdrafts	Commercial Loans	Term Loans	Cash in transit	Total Loans to customers	Derivative financial instruments
Investment grade	8 674	36 750	10 673	-	56 097	**18**
Non-investment grade	6 545	54 531	-	-	61 076	-
Default – restructured and fully collateralised	1 663	1 720	-	-	3 383	-
Non – rated	8	-	-	22	30	
Total	**16 890**	**93 001**	**10 673**	**22**	**120 586**	**18**

As at 31 December 2009, the Branch had no loans to banks that would be internally rated.

At 31 December 2008

EUR thousand	Loans neither past due nor impaired					
	To banks	To customers				
Internal rating scale	Commercial Loans	Overdrafts	Commercial Loans	Term Loans	Total Loans to customers	Derivative financial instruments
Investment grade	636	14 566	94 731	8 554	117 851	551
Non-investment grade	-	9 318	20 216	-	29 534	-
Default – restructured and fully collateralised	-	-	-	-	--	-
Non – rated	-	10	-	-	10	-
Total	**636**	**23 894**	**114 947**	**8 554**	**147 395**	**551**

Derivative financial instruments are all with Commerzbank, Prague Branch and overall rating for Commerzbank group has been applied.

For description of collateral see Note 3.1.2.

b) Financial assets past due but not impaired

The Branch did not hold any loans or receivables past due but not impaired at 31 December 2009 and 2008.

c) Loans individually impaired

Loans individually impaired	31.12.2009	31.12.2008
Brutto:	**1 976**	-
of which: overdrafts	488	-
commercial loans	1 488	-
SLLP – loan loss provisions	(810)	-
Total	**1 166**	-

Above mentioned individually impaired loans are collaterised by obtained guarantees from holding company, mortgage over residential properties and bills of exchange.

The fair value of assets received as collateral for loans individually impaired can be analysed as follows:

	31.12.2009	31.12.2008
Land and buildings	362	-
Total	362	-

d) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that indicate that payment will most likely continues. Restructuring is most commonly applied to term loans – in particular, customer finance loans.

Loans and advances renegotiated	2009	2008
Non-impaired after restructuring – would otherwise have been impaired	3 383	-
Total	**3 383**	-

The amount of loans restructured during 2009 was EUR 2 986 thousand (in 2008: EUR -).

3.2 Market risk

The Branch takes exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest and foreign exchange rates. The Branch separates exposures to market risk into either trading or non-trading portfolios.

3.2.1 Market risk measurement techniques

(a) Value at risk – VaR

The Branch applies a value at risk (VAR) methodology to its portfolios 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 Boards sets limits on the value for risk that may be accepted, which are monitored on a daily basis.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the maximum amount the Branch might lose, but only to a certain level of confidence (97.5%). There is therefore a specified statistical probability (2.5%) that actual loss could be greater than the VAR estimate. The VAR model assumes a certain holding period until positions can be closed (1 day). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over 60-day periods in the past.

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.

The quality of the VAR model is continuously monitored by back-testing the VAR results.

(b) stress testing

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. Branch measures both the VaR and Stress Test to better quantify the Risk. Due to the extreme volatility of the markets in 2009 VaR model shows an extraordinary amount of VaR breaches. This is due to the nature of the model using „Historical Simulation"

These figures are reported alongside the VaR figures on a Daily basis to the Management and Commerzbank AG Treasury. In 2009 and 2008 the Stress Test Risk never exceeded the Branch's limit of 400 thousand EUR. The average utilization was 3.9% for the year. (in 2008: 5.34%)

3.2.2 VaR Summary for 2009 and 2008

EUR thousand	12 months at 31 December 2009		
	Average	Maximum	Minimum
Foreign exchange risk	3	8	1
Interest rate risk	2	21	-

EUR thousand	12 months at 31 December 2008		
	Average	Maximum	Minimum
Foreign exchange risk	1	5	-
Interest rate risk	-	-	-

3.2.3 Foreign exchange risk

The Branch takes exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The limits are set on the level of exposure by currency, which are monitored daily.

3.2.4 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Branch takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the even that unexpected movements arise. The limits of VaR are set up and monitored daily.

3.3 Liquidity risk

Liquidity risk is the risk that the Branch is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows.

3.3.1 Liquidity risk management process

Liquidity management process, that is monitored by a separate team, includes:

- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers.
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements.

3.3.2 Funding approach

Sources of liquidity are regularly reviewed by a separate team.

3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows receivable by the Branch under non-derivative financial assets by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows including future interests receivable from interest bearing assets.

At 31 December 2009

EUR thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets						
Deposits in banks	43 768	1 234	-	-	-	45 002
Due from customers	77 524	20 895	7 333	10 873	4 613	121 238
Other assets	33					33
Total balance sheet assets	**121 325**	**22 129**	**7 333**	**10 873**	**4 613**	**166 273**
Total off-balance sheet items	**150**	**-**	**-**	**-**	**-**	**150**
Total	**121 475**	**22 129**	**7 333**	**10 873**	**4 613**	**166 423**

At 31 December 2008

EUR thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets						
Deposits in banks	36 182	636	-	-	-	36 818
Due from customers	56 715	18 219	51 311	17 321	3 373	146 939
Net assets attributable to Commerzbank AG	-	-	-	-	-	-
Other assets	41	-	-	-	-	41
Total balance sheet assets	**92 938**	**18 855**	**51 311**	**17 321**	**3 373**	**183 798**
Total off-balance sheet items	**-**	**-**	**-**	**-**	**-**	**-**
Total	**92 938**	**18 855**	**51 311**	**17 321**	**3 373**	**183 798**

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

At 31 December 2009

EUR thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Liabilities						
Deposits from banks	64 848	23 400	7 462	11 356	2 085	**109 151**
Due to customers	57 360	495	12	20	-	**57 887**
Net assets attributable to Commerzbank AG	-	-	-	12	-	**12**
Other liabilities	524	-	-	-	-	**524**
Total balance sheet liabilities	**122 732**	**23 895**	**7 474**	**11 388**	**2 085**	**167 540**
Total off-balance sheet items	**22 116**	**14 357**	**6 415**	**43 742**	**53**	**86 683**
Total	**144 848**	**38 252**	**13 889**	**55 130**	**2 138**	**254 257**

At 31 December 2008

EUR thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Liabilities						
Deposits from banks	71 037	22 230	44 111	15 472	454	**153 304**
Due to customers	58 258	3	12	16	-	**58 289**
Net assets attributable to Commerzbank AG	711	-	-	-	-	**711**
Other liabilities	308					**308**
Total balance sheet liabilities	**130 314**	**22 233**	**44 123**	**15 488**	**454**	**212 612**
Total off-balance sheet items	**29 482**	**5 970**	**4 353**	**9 068**	**-**	**48 873**
Total	**159 796**	**28 203**	**48 476**	**24 556**	**454**	**261 485**

3.3.4 Liquidity ratio

The Branch is obliged to adhere to National Bank regulations regarding the liquidity, namely to ratio of liquid assets (sum of liquid assets to sum of volatile liabilities). The ratio as per 31 December 2009 reached value of 1.77 (in 2008: 1.64).

3.3.5 Derivative cash flows

The table below analyses the Branch's derivative financial instruments (Note 16) into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2009

EUR thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Derivatives held for trading					
Foreign exchange derivatives – swaps	-	-	-	-	-
Total	-	-	-	-	-

As the total derivative position is completely closed back to back compensated value is 0 and it is shown in time interval of 3-12 months.

At 31 December 2008

EUR thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Derivatives held for trading					
Foreign exchange derivatives – swaps	-	20	-	-	20
Total	**-**	**20**	**-**	**-**	**20**

3.3.6 Commitments and contingent liabilities

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 2009

EUR thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Loan commitments	20 152	14 324	2 234	33 986	53	**70 749**
of which: non-cancellable	1 018	-	684	33 798	-	**35 500**
Guarantees and standby letters of credit	1 814	33	4 181	9 756	-	**15 784**
Total	**21 966**	**14 357**	**6 415**	**43 742**	**53**	**86 533**

At 31 December 2008

EUR thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Loan commitments	26 457	3 251	3 619	3 551	-	**36 878**
of which: non-cancellable	8	2 630	134	3 477	-	**6 249**
Guarantees and standby letters of credit	3 025	2 719	735	5 516	-	**11 995**
Total	**29 482**	**5 970**	**4 354**	**9 067**	**0**	**48 873**

3.4 Fair values of financial assets and liabilities

(a) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, unobservable inputs reflect the market assumptions of the Branch. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the OTC derivative contracts. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Branch considers relevant and observable market prices in its valuations where possible.

(b) Financial instruments not measured at fair value

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Branch's statement of financial position at their fair value.

EUR thousand 31. 12. 2009	Carrying value	Fair value – Level 1	Fair value – Level 2	Fair value – Level 3
Financial Assets				
Loans to banks	45 002		45 002	
Loans to customers	121 238			118 888
Financial liabilities				
Deposits from banks	108 099		107 305	
Due to customers	57 882		57 881	

EUR thousand 31. 12. 2008	Carrying value	Fair value – Level 1	Fair value – Level 2	Fair value – Level 3
Financial Assets				
Loans to banks	36 818		36 818	
Loans to customers	146 939			144 502
Financial liabilities				
Deposits from banks	150 713		149 694	
Due to customers	58 273		58 273	

Fair value recognition is determined by different type and quality of market information. In accordance with IFRS 7 fair value of branch's financial instruments is recognized on level 2 using market inputs other than quoted prices included in level 1 that are observable for the asset or liability directly or indirectly. Fair value of financial instruments is determined by using own valuation techniques. Fair values of loans to customers are classified as lever 3 since it includes the estimates of recoverability which are not observable on market.

Bid prices are used to estimate fair values of financial assets held, whereas asking prices are applied for financial liabilities held.

(i) Due from other banks

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

The fair value of inter-bank placements and overnight deposits is based on discounted cash flows using current market rates.

(ii) 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 0,17% to 5,01% p.a.).

(iii) Deposits and borrowings

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

The estimated fair value of deposits and other borrowings without quoted market prices is based on discounted cash flows using current market rates.

(c) Financial instruments measured at fair value

Derivative financial instruments are recognized at Fair value – level 2.

See Notes 2.4 and 2.12

3.4.1 Financial assets and liabilities not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Branch's statement of financial position at their fair value:

EUR thousand	At 31 December 2009					
		Fair Value				
	Carrying Value	Loans & advances to banks	Loans & advances to customers	Cash & balances with central banks	Other financial assets	Total
Financial assets						
Loans and receivables(LAR)	166 541	45 002	118 888	268	33	164 191

		Fair Value			
	Carrying Value	Deposits from banks	Due to customers	Other financial liabilities	Total
Financial liabilities					
Financial liabilities at amortised cost	166 505	107 305	57 881	524	165 710

EUR thousand	At 31 December 2009					
		Fair Value				
	Carrying Value	Loans & advances to banks	Loans & advances to customers	Cash & balances with central banks	Other financial assets	Total
Financial assets						
Loans and receivables(LAR)	210 076	36 818	144 502	26 278	41	207 639

		Fair Value			
	Carrying Value	Deposits from banks	Due to customers	Other financial liabilities	Total
Financial liabilities					
Financial liabilities at amortised cost	209 295	149 694	58 273	308	208 275

3.5 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 financial statements of the Branch and its financial result are influenced by accounting policies, assumptions, estimates and management judgements, which necessarily have to be made in the course of preparation of the financial statements.

The Branch makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standards. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and management's judgements for certain items are especially critical for the results and financial situation of the Branch due to their materiality.

(a) Impairment losses on loans

The Branch reviews its loan portfolio to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Branch makes judgments as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan. 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 of loans.

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 of loans assessed individually for impairment changes by 5%, the provision would change by EUR 59 thousand at 31 December 2009. If the net present value of estimated cash flows of loans assessed on a portfolio basis for impairment changes by 5%, the provision would change by EUR 30 thousand at 31 December 2009.

5 Net interest income

5.1 Interest income

EUR thousand	31.12.2009	31.12.2008
Loans and advances:	**4 946**	**8 912**
- to banks	314	1 235
- to customers	4 632	7 677
Reverse repos	6	2 740
Placements with central banks	46	100
Total interest income	**4 998**	**11 752**

The interest income for years 2009 and 2008 was realized from category of loans and receivables. Interest income includes 69 thousand EUR (in 2008: -) of interest income accrued on impaired financial assets. This represents the unwinding of discounting in accordance with IAS 39.

5.2 Interest expense

EUR thousand	31.12.2009	31.12.2008
Deposits from banks	2 786	8 096
Due to customers	244	1 697
Total interest expense	3 030	9 793
Interest expenses from financial leases	**2**	**1**

6 Loan impairment charges

EUR thousand	31.12.2009	31.12.2008
Loan impairment charges		
Increase of impairment	**888**	**607**
of which:		
Allocation of provision for loan impairment – SLLP	810	-
Allocation of provision for loan impairment – GLLP	60	456
Allocation of provision for liabilities and charges – financial guarantees	12	30
Allocation of provision for liabilities and charges - non-cancellable loan commitments	4	9
Allocation of provision for liabilities and charges - cancellable loan commitments	-	109
Allocation of provision for liabilities and charges – letters of credit	-	3
Allocation to credit risk guarantee	2	
Directly written off loans and receivables	**1**	**-**
Reversal of impairment	**(72)**	**(2)**
of which:		
Release of provision for loan impairment - GLLP	(2)	-
Release of provision for liabilities and charges - cancellable loan commitments	(67)	-
Release of provision for liabilities and charges – letters of credit	(3)	-
Release of credit risk guarantee		(2)
Total loan impairment charges	**817**	**605**

7 Net fee and commission income

7.1 Fee and commission income

EUR thousand	31.12.2009	31.12.2008
Payment transactions	329	1 529
Credit related fees and commissions	20	7
Guarantees	106	73
Documentary business	68	133
Sub-limits	41	50
Other fees	26	41
Total	**590**	**1 833**

7.2 Fee and commission expense

EUR thousand	31.12.2009	31.12.2008
Guarantees paid for the transfer of the credit risk	-	11
Payment transactions	2	3
Other fees paid	18	12
Total	**20**	**26**

8 Net gains/(losses) on financial instruments classified as held for trading

EUR thousand	31.12.2009	31.12.2008
Foreign exchange:	-	
- translation gains less losses of trading assets and liabilities from open deals	(20)	(2)
- translation gains less losses of trading assets and liabilities from matured deals	1	12
- transaction gains less losses	29	18
Net gain / (loss)	**10**	**28**

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

9 Personnel expenses

EUR thousand	31.12.2009	31.12.2008
Wages and salaries	498	419
Social security costs	136	126
Total	**634**	**545**

In 2009 EUR 1 thousand as regular contributions were made to the supplementary pension scheme (in 2008: EUR 1 thousand) and EUR 89 thousand as contributions to state pension scheme (in 2008: EUR 82 thousand).

10 Depreciation and amortisation

EUR thousand	31.12.2009	31.12.2008
Depreciation of property, plant and equipment	59	64
Amortisation of software	81	94
Total	**140**	**158**

11 General and administrative expenses

EUR thousand	31.12.2009	31.12.2008
Outsourced back-office activities	439	522
Head office charges	250	245
IT operating and project costs	89	286
Advisory and consultancy services	82	76
Advertising and public relations	43	44
Other services	91	111
Other	207	183
Total	**1 201**	**1467**

In 2009, the other administrative expenses from transactions with related parties were EUR 693 thousand (in 2008: EUR 839 thousand).

In 2009 the costs for audit were EUR 39 thousand (in 2008: EUR 37 thousand) and for tax advisory provided by the auditing company EUR 14 thousand (in 2008: EUR 16 thousand).

12 Other operating expenses

EUR thousand	31.12.2009	31.12.2008
Operating lease rentals expense	104	101
Provisions for potential liability	231	-
Total	**335**	**101**

13 Income tax expense

EUR thousand	31.12.2009	31.12.2008
Current taxes on income for the reporting period	103	245
Current taxes referring to previous periods	26	-
Total current tax	**129**	**245**

EUR thousand	31.12.2009	31.12.2008
Deferred tax (Note 25)	1	56
Total deferred tax	**1**	**56**
Income tax expense	**130**	**301**

The income tax rate applicable is 19% (in 2008: 19%).

Further information about deferred income tax is presented in Note 25.

EUR thousand	31.12.2009	31.12.2008
Profit/(Loss) before taxes	**(555)**	**(918)**
Tax calculated at a tax rate of 19%	(105)	174
Expenses not deductible for tax purposes (permanent differences)	257	101
Income not subject to tax (permanent differences)	(22)	-
Exchange differences	-	26
Income tax expense	**130**	**301**

14 Cash and balances with central banks

EUR thousand	31.12.2009	31.12.2008
Cash in hand	266	153
Reverse repo transactions with National Bank of Slovakia	-	13 891
Mandatory deposits reserve with National Bank of Slovakia	2	8 472
Other balances with National Bank of Slovakia	-	3 762
Total	**268**	**26 278**

Cash in hand is non-interest-bearing. The yield on mandatory deposits reserve was 1.00 % p.a. at the end of 2009 (in 2008: 1.5 % p.a.).

In 2009 there are no treasury bill collaterals for reverse repo transactions with National Bank of Slovakia. The fair value of treasury bill collaterals as per 31 December 2008 was EUR 13 882 thousand.

15 Loans and advances to banks

EUR thousand	31.12.2009	31.12.2008
Loans and advances to banks:		
- Term loans	43 864	30 819
- Commercial loans	-	1 054
- Nostro accounts and other balances	1 102	636
Cash in transit	36	4 309
Total	**45 002**	**36 818**
Current	45 002	36 818

16 Derivative financial instruments

The Branch uses the following derivative instruments:

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 statement of financial position 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. 2009	Contract/ notional amount	Fair values	
EUR thousand		Assets	Liabilities
Currency swaps	383	18	18
Total derivatives	**383**	**18**	**18**
Current		18	18

31.12. 2008	Contract/ notional amount	Fair values	
EUR thousand		Assets	Liabilities
Currency swaps	6 607	551	531
Total derivatives	**6 607**	**551**	**531**
Current		551	531

17 Loans to customers

EUR thousand	31.12.2009	31.12.2008
Loans to customers	121 238	146 939
- Commercial loans	93 166	114 491
- Overdrafts	17 377	23 894
- Term loans	10 673	8 554
- Cash in transit	22	-
Gross loans and advances	122 562	147 395
Less: allowance for impairment (GLLP)	(514)	(456)
allowance for impairment (SLLP)	(810)	-
Net	**121 238**	**146 939**
Current	105 751	126 246
Non-current	15 487	20 693

Allowance for impairment

	SLLP	GLLP
Balance at 1 January 2008	-	-
Release of provision for loan impairment	-	-
Allocation of provision for loan impairment	-	456
Balance 31 December 2008	**-**	**456**

	SLLP	GLLP
Balance at 1 January 2009	-	456
Release of provision for loan impairment	-	(2)
Allocation of provision for loan impairment	810	60
Balance 31 December 2009	**810**	**514**

18 Intangible assets

EUR thousand	Software acquired	Assets not yet available for use	Total
NBV at 1 January 2009	139	31	170
Additions	45	-	45
Reclassified to software		(31)	(31)
Amortisation	(81)	-	(81)
NBV at 31 December 2009	**103**	**-**	**103**
Balance at 31 December 2009			
Acquisition cost	522	-	522
Accumulated amortisation	(419)	-	(419)
Net book amount	**103**	**-**	**103**

EUR thousand	Software acquired	Assets not yet available for use	Total
NBV at 1 January 2008	142	55	197
Additions	94	31	125
Reclassified to software		(55)	(55)
Amortisation	(94)		(94)
Translation differences	(3)		(3)
NBV at 31 December 2008	**139**	**31**	**170**
Balance at 31 December 2008			
Acquisition cost	581	31	612
Accumulated amortisation	(442)		(442)
Net book amount	**139**	**31**	**170**

19 Property, plant and equipment

EUR thousand	Computer equipment	Leasehold improvement	Furniture	Safes	Assets not yet available for use	Financial lease assets	Total
NBV at 1 January 2009	58	10	11	13	-	48	140
Additions	3		1			28	32
Disposals							0
Depreciation	(26)	(6)	(5)	(3)		(19)	(59)
NBV at 31 December 2009	**35**	**4**	**7**	**10**	**-**	**57**	**113**
Balance at 31 December 2009							
Acquisition cost	262	94	125	27	-	156	664
Accumulated depreciation	(227)	(90)	(118)	(17)	-	(99)	(551)
Net book amount	**35**	**4**	**7**	**10**	**-**	**57**	**113**

EUR thousand	Computer equipment	Leasehold improvement	Furniture	Safes	Assets not yet available for use	Financial lease assets	Total
NBV at 1 January 2008	75	25	20	16	3	24	163
Additions	11		1			34	46
Disposals					(3)		(3)
Depreciation	(27)	(14)	(10)	(3)		(10)	(64)
Translation differences	(2)						(2)
NBV at 31 December 2008	**57**	**11**	**11**	**13**	**-**	**48**	**140**
Balance at 31 December 2008							
Acquisition cost	260	94	124	27	-	127	632
Accumulated depreciation	(202)	(84)	(113)	(14)	-	(79)	(492)
Net book amount	**58**	**10**	**11**	**13**	**-**	**48**	**140**

19.1 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 EUR 432 thousand (2008: EUR 432 thousand). 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 EUR 5 thousand per annum (2008: EUR 4 thousand).

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

20 Leases

20.1 Financial leases

Net book value of the property and equipment (cars and copy machine) acquired under the financial leasing was EUR 58 thousand at 31 December 2009 (2008: EUR 48 thousand). The liabilities from financial leasing are reported within due to customers (note 23).

Break down of finance lease liabilities.

At 31 December 2009

EUR thousand	Minimum lease payments	Present value of the minimum lease payments
No later than 1 year	16	16
Later than 1 year and no later than 5 years	20	19
Total	**36**	**35**

At 31 December 2008

EUR thousand	Minimum lease payments	Present value of the minimum lease payments
No later than 1 year	15	14
Later than 1 year and no later than 5 years	15	14
Total	**30**	**28**

20.2 Operating leases

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

At 31 December 2009

EUR thousand	31.12.2009	31.12.2008
No later than 1 year	119	117
Later than 1 year and no later than 5 years	41	69
Total	**160**	**186**

21 Other assets

EUR thousand	31.12.2009	31.12.2008
Financial assets – LAR	33	41
of which: Accrued income	22	34
Vouchers	11	4
Other receivables	-	3
Non-financial assets	**328**	**39**
of which: Prepayments	22	21
Payments in advance to the tax authority	280	-
Other	26	18
Total	**361**	**80**

There were not any assets overdue at 31 December 2009 and at 31 December 2008.

22 Deposits from banks

EUR thousand	31.12.2009	31.12.2008
Current accounts	383	4 259
Term deposits	107 401	145 782
National Bank of Slovakia clearing settlement	17	375
Cash in transit	298	298
Total	**108 099**	**150 714**
Current	95 545	136 343
Non-current	12 554	14 371

Deposits from banks only include financial instruments classified as financial liabilities at amortised cost.

23 Due to customers

EUR thousand	31.12.2009	31.12.2008
Current accounts	13 985	23 676
Term deposits	43 864	34 597
Other liabilities to customers and temporary items	33	-
Total	**57 882**	**58 273**
Current	57 863	58 258
Non-current	19	15

Deposits due to customers only include financial instruments classified as financial liabilities at amortised cost.

24 Other liabilities

EUR thousand	31.12.2009	31.12.2008
Other financial liabilities	524	308
of which: Accruals	249	213
Other	275	95
Other non- financial liabilities	128	27
Total	**652**	**335**
Current	652	335

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:

EUR thousand	2009	2008
Opening balance at 1 January	**2**	**1**
Release	(3)	(2)
Allocation	2	3
Closing balance at 31 December	**1**	**2**

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

25 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities. The deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 19% (2008: 19%).

The movement on the deferred income tax account is as follows:

EUR thousand	2009	2008
At 1 January		
Statement of comprehensive income charge	1	56
At 31 December	**1**	**56**

Deferred income tax liabilities are attributable to the following items:

EUR thousand	31.12.2009	31.12.2008
Deferred income tax liabilities		
- leasing	1	0
- depreciation	8	8
Total	**9**	**8**

EUR thousand	31.12.2009	31.12.2008
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	11	9
- Deferred tax liability to be recovered within 12 months	(2)	(1)

The deferred tax charge in the statement of comprehensive income comprises the following temporary differences:

EUR thousand	31.12.2009	31.12.2008
- tax losses carried forward	-	(6)
- impact on transition from local GAAP to IFRS	-	(46)
- leasing	(1)	1
- depreciation	-	(5)
Total	**(1)**	**(56)**

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

26 Current income tax liabilities

EUR thousand	31.12.2009	31.12.2008
- Current income tax liabilities	103	254
Total	**103**	**254**

The tax authorities may at any time inspect the books and records of the Branch within a maximum period of five years subsequent to the reported tax year, under certain circumstances of up to ten years, and may impose additional tax assessments and penalties. The Branch's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

The Branch has no other tax-related contingent liabilities and contingent assets in accordance with IAS 37. Also, there are no changes resulting from changes in tax rates or tax laws after the reporting period.

27 Provisions for liabilities and charges

EUR thousand	31.12.2009	31.12.2008
Financial guarantees provision	42	30
Letters of credit provision	-	3
Non-cancellable loan commitments provision	13	9
Cancellable loan commitments provision	42	108
Provisions for potential liability	231	-
Total	**328**	**150**

Movements in financial guarantees provisions were as follows:

Balance at 1 January 2009	30
Allocation	12
Balance 31. December 2009	**42**

Movements in letters of credit provisions were as follows:

Balance at 1 January 2009	3
Release	(3)
Balance 31. December 2009	**-**

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

Balance at 1 January 2009	9
Allocation	4
Balance 31. December 2009	**13**

Movements in cancellable loan commitments provisions were as follows:

Balance at 1 January 2009	109
Release	(67)
Balance 31. December 2009	**42**

Movements in provisions for potential liability were as follows:

Balance at 1 January 2009	-
Allocation	231
Balance 31. December 2009	**231**

The Branch recognised credit loss provisions for off-balance sheet items in accordance with Basel II parameters as described in the Note 3.1.3 impairment and provisioning policies.

28 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.

EUR thousand	31.12.2009	31.12.2008
Cash	266	153
Balances with central banks	2	26 126
Due from other banks	44 966	32 508
Cash in transit	36	4 309
Total	**45 270**	**63 096**

Regulatory reserves included in balances with central banks were in 2008 calculated as per regulatory requirements (2% of Due to customers balance). Branch was in 2008 required to hold the regulatory reserves as an average balance for the period of one month.

The calculation of minimal reserves in 2009 has been changed since Slovakia's entered into Eurozone. The applications of new rules for minimum reserves are directed in accordance with Regulation (EC) No 1745/2003 of the European Central Bank. The base for calculation of minimum reserves are deposits due to customers and banks and debt securities issued. Reserve ratio of 0% is applying for deposits, debt securities, repos with agreed maturity date over two years. A reserve ratio of 2,0% shall apply to all other liabilities included in the reserve base.

The average daily balance for December 2008 was required at a level of EUR 6 224 thousand. The actual balance as at 31 December 2008 was EUR 8 472 thousand (see Note 14). Cumulated volume of obligatory reserves for December 2008 was EUR 192 951 thousands (6 224 * 31 days). Actual cumulated volume of obligatory reserves was EUR 192 951 thousands.

The average daily balance for period from 8 December 2009 – 19 January 2010 was required at a level of EUR 2 818 thousand. The actual balance as at 31 December 2009 was EUR 2 thousand (see Note 14). Cumulated volume of obligatory reserves for the last period in 2009 was EUR 118 356 thousands (2 818* 42 days). Actual cumulated volume of obligatory reserves was EUR 118 356 thousands.

29 Contingent liabilities and commitments

At 31 December 2009, 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:

EUR thousand	Fair value 31.12.2009	Carrying value 31.12.2009	Fair value 31.12.2008	Carrying value 31.12.2008
Loan commitments	-	70 749	-	36 878
of which: non-cancellable	-		-	6 249
Guarantees	(14)	15 751	(4)	11 432
Standby letters of credit	1	33	15	562
Total	**(13)**	**86 533**	**11**	**48 872**

30 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.

EUR thousand		31.12.2009	31.12.2008
Loans and advances to banks		**44 784**	**35 998**
- Nostro accounts and other balances		920	870
of which:	Commerzbank, Prague Branch	157	8
	Commerzbank, Frankfurt	742	282
	Commerzbank, New York Branch	10	-
	Commerzbank, Paris Branch	-	558
	BRE Bank S.A., Warsaw	11	15
	Commerzbank (Budapest) R.t., Budapest	-	7
- Term loans		43 864	30 819
of which:	Commerzbank, Prague Branch	43 864	30 819
- Cash in transit		-	4 309
of which:	Commerzbank, Frankfurt	-	333
	Commerzbank, New York Branch	-	3 976
Loans and advances to customers		**13 085**	**15 977**
Transfactor a.s.			
of which:	Overdrafts	2 353	128
	Commercial loans	59	7 295
	Term loans	10 673	8 554
Deposits from banks		**108 083**	**150 319**
- Current accounts		383	4 239
of which:	Commerzbank, Prague Branch	1	34
	Commerzbank, Frankfurt	34	183
	Commerzbank, New York Branch	-	3 741
	BRE Bank S.A., Warsaw	338	-
	Commerzbank (Budapest) R.t., Budapest	10	281
- Term deposits		107 402	145 782
of which:	Commerzbank, Prague Branch	107 402	145 782
- Cash in transit		298	298
of which:	Commerzbank, Frankfurt	298	298
Derivative financial instruments		**-**	**1**
of which:	Commerzbank, Prague Branch - assets	18	551
of which:	Commerzbank, Prague Branch - liabilities	-	-
Other assets		**-**	**1**
of which:	Commerzbank, Frankfurt	-	-
	Transfactor a.s.	-	1
Other liabilities		**83**	**-**
of which:	Commerzbank, Prague Branch	56	-
	Commerzbank, Frankfurt	27	-

Net assets attributable to Commerzbank AG		**12**	**711**
of which:	Commerzbank, Frankfurt	12	711
Guarantees received		**4 756**	**3 380**
of which:	Commerzbank, Frankfurt	-	2 656
	Commerzbank, Essen	2 000	-
	Commerzbank,Stuttgart	800	-
	Commerzbank (Budapešť) R.t., Budapešť	250	60
	Commerzbank, Düsseldorf	1 706	664
Loan commitments		**14 184**	**7 317**
Transfactor a.s		14 184	7 317

Above mentioned transactions with related parties have been concluded under standard market conditions. Maturity structure of the Loans and advances to banks and Deposits from banks are disclosed in note 3.3.3.

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

EUR thousand		31.12.2009	31.12.2008
Interest income		**854**	**1 683**
of which:	Commerzbank, Prague Branch	299	1 140
	Commerzbank, Frankfurt	8	14
	Commerzbank, Paris Branch	1	1
	Commerzbank (Budapest) R.t., Budapest	-	1
	BRE Bank S.A., Warsaw	-	-
	Transfactor a.s.	547	527
Interest expense		**2 786**	**8 095**
of which:	Commerzbank, Prague Branch	2 686	7 982
	Commerzbank, Frankfurt	94	112
	BRE Bank S.A., Warsaw	2	-
	Commerzbank, New York Branch	1	-
	Commerzbank (Budapest) R.t., Budapest	3	1
Fee and commission income		**70**	**66**
of which:	Commerzbank, Frankfurt	64	66
	Transfactor a.s.	6	-
Fee and commission expense		**-**	**10**
of which:	Commerzbank, Frankfurt	-	10
General and administrative expenses		**693**	**838**
of which:	Commerzbank, Frankfurt	254	368
	Commerzbank, pobočka Praha	439	470
Other operating expenses		**7**	**6**
of which:	Commerzbank, Prague Branch	7	6

In 2009 the statutory representatives of the Branch were paid wages and salaries of EUR 160 thousand (2008: EUR 148 thousand), social and health insurance paid by the Branch amounted to EUR 20 thousand (2008: EUR 22 thousand). The statutory representatives of the Branch include its director and proxy holders (as at 31 December 2009 and 31 December 2008: 3 employees).

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

31 Events after the date of the statement of financial position

There have been no post-balance-sheet events that would require adjustment to or disclosure in the financial statements for the year ended 31 December 2009.

....

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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