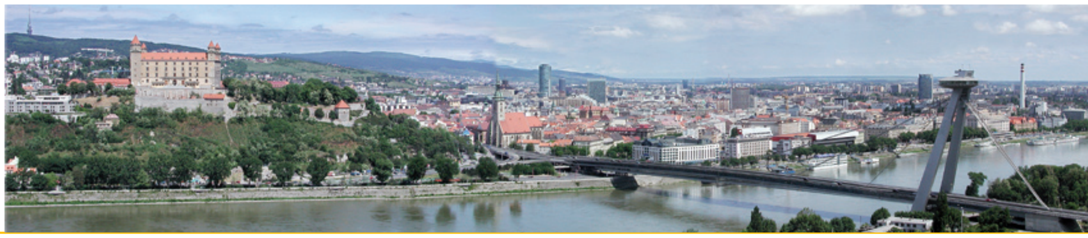
| annual report 2007 |

COMMERZBANK BRATISLAVA

COMMERZBANK



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management report for business year 2007

2007 was a year of further rapid economic progress and the acceleration of economic growth in Slovakia. This good macro-economic environment had a favourable effect on the activity of the branch last year.

2007 was the most successful year so far for Commerzbank AG, pobočka Bratislava (Commerzbank AG, Bratislava branch) since it was established in 2003. The branch continued in its business activity specialising in the provision of bank services exclusively to corporate clients and its activity developed successfully in all spheres. The bank's office in Košice, opened in autumn 2006 having since fully started up its activity and its results have fully met expectations.

The branch has fulfilled its planned economic parameters while there was a significant rise in total revenues, and a rise in the total balance and volume of receivables to clients. A positive factor is that it has been able to maintain a high quality credit portfolio. The most marked growth of revenues was recorded from charges and commission, and from documentary transactions.

The Branch's annual profit for the year ending 31 December 2007 calculated in accordance with German GAAP totalling 21 506 thousand SKK was paid in full to Commerzbank AG in February 2008.

Further growth of revenues is planned in 2008 as well as the profitability of the branch. We intend to continue improving the quality of our services to clients and make greater headway in the large and medium company sector.

Peter Dávid,
Branch manager

PricewaterhouseCoopers Slovensko, s.r.o.
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky, Bratislava ("the Branch"), which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky, Bratislava as of 31 December 2007, 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.

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Mária Frühwaldová
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Slovenská komora audítorov
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PricewaterhouseCoopers Slovensko, s.r.o.

28 March 2008

income statement

SKK thousand	Note	Year ended 31 December	
		2007	2006
Interest and similar income	5	282,768	209,776
Interest expense and similar charges	5	(240,094)	(168,864)
Net interest income		**42,674**	**40,912**
Fee and commission income	6	53,069	28,785
Fee and commission expense	6	(6,400)	(602)
Net fee and commission income		**46,669**	**28,183**
Net trading income	7	819	2,894
Impairment charge for credit losses	8	5,544	(5,555)
Administrative expenses	9	(71,231)	(60,301)
Other operating expenses	10	(3,520)	(3,010)
Operating profit		**20,955**	**3,123**
Profit before income tax		**20,955**	**3,123**
Income tax	22	1,537	-
Change in net assets attributable to participants		**22,492**	**3,123**

balance sheet

SKK thousand	Note	At 31 December	
		2007	**2006 Restated**
Assets			
Cash and balances with central banks	11	3,751,010	465,328
Loans to banks	12	1,127,700	649,453
Loans to customers	14	4,187,663	3,237,886
Derivative financial instruments	13	8,252	3,591
Intangible assets	15	5,932	7,438
Property, plant and equipment	16	4,889	7,548
Deferred income tax assets	22	1,537	-
Other assets	18	3,234	1,311
Total assets		**9,090,217**	**4,372,555**
Liabilities			
Deposits from banks	19	7,023,159	2,939,668
Due to customers	20	1,929,449	1,268,817
Derivative financial instruments	13	7,625	3,012
Net assets attributable to Commerzbank AG	2	19,427	-
Other liabilities	21	110,557	167,011
Total liabilities		**9,090,217**	**4,378,508**
Equity			
Retained earnings attributable to Commerzbank AG	2	-	(5,953)
Total equity		-	(5,953)
Total liabilities and equity		**9,090,217**	**4,372,555**

statement of changes in equity

SKK thousand	Note	Net assets attributable to Commerzbank AG
At 1 January 2006		**(12,735)**
Loss 2005 compensation - settlement from Commerzbank AG		3,658
Net assets attributable to Commerzbank AG - 2006	2	3,124
At 31 December 2006		**(5,953)**
At 1 January 2007		**(5,953)**
Loss 2006 compensation - settlement from Commerzbank AG		2,888
Net assets attributable to Commerzbank AG - 2007	2	22,492
Remeasurement of net assets attributable to Commarzbank AG		(19,427)
At 31 December 2007		**-**

cash flow statement

SKK thousand	Note	2007	2006
Cash flows from operating activities			
Interest and similar income received		280,137	204,221
Interest paid		(239,255)	(168,864)
Fee and commission receipts		44,430	28,183
Net trading and other income	7	819	2,894
Cash payments to employees and suppliers		(73,319)	(56,622)
Cash flows from operating profits before changes in operating assets and liabilities		**12,812**	**9,812**
Changes in operating assets and liabilities:			
- Net increase in derivative financial instruments		(48)	(481)
- Net (increase)/decrease in loans and advances to customers		(941,851)	(817,207)
- Net (decrease)/increase in other assets		(203)	56,345
- Net decrease in deposits from other banks		4,082,282	(2,836,078)
- Net increase in amounts due to the customers		661,002	585,177
- Net (decrease)/increase in other liabilities		(51,489)	124,874
Net Cash flows (used in)/from operating activities		**3,749,693**	**(2,887,370)**
Net Cash flows (used in)/from financing activities			
Net increase in net assets attributable to Commerzbank AG		2,889	3,659
Cash flows from investing activities			
Acquisition of intangible assets	15	(2,158)	(1,943)
Proceeds from sale of intangible assets		1,024	268
Acquisition of tangible assets	16	(2,191)	(3,944)
Proceeds from sale of tangible assets		1,859	-
Net Cash flows used in investing activities		**(1,466)**	**(5,619)**
Net (decrease)/increase in cash and cash equivalents		**3,763,928**	**(2,879,518)**
Cash and cash equivalents at beginning of year	23	1,114,781	3,994,299
Cash and cash equivalent at end of year		**4,878,709**	**1,114,781**

The notes on pages 11 to 58 are an integral part of these financial statements

notes to the financial statement

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 as follows: Rajská 15/A, 811 08 Bratislava. Corporate identification number (IČO) is 30847737; tax identification number (IČ DPH): SK 2021751061.

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

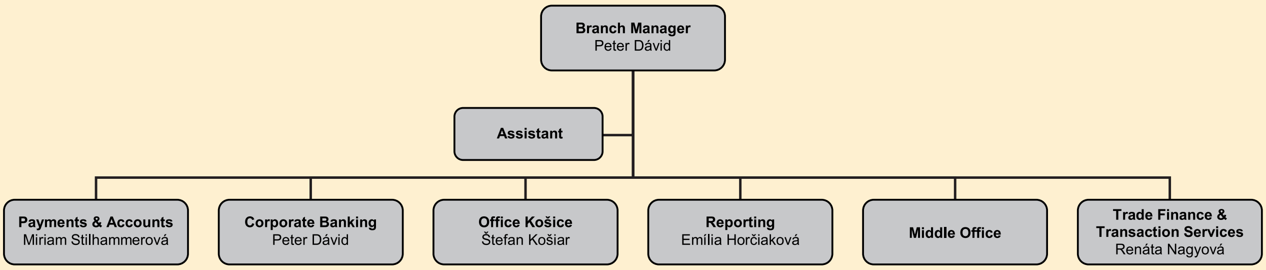
The average number of staff was 17 in 2007 (2006: 15).

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

These financial statements have been prepared on a going-concern basis as ordinary financial statements at 31 December 2007 and approved for issue by the Branch statutory representative on 30 March 2008 (ref. to Code of Accounting 431/2002 par. 17a). The financial statements as at 31 December 2006 have been approved by the management on 30 March 2007.

1.1 Statutory, supervisory, managing bodies and the organisation chart as at 31 December 2007

Name	Position
Head of Branch:	
Peter Dávid (since October 2007)	Head of Branch
Martin Horváth (till October 2007)	Head of Branch
General Power of Representation:	
Miriam Stilhammerová	Proxy
Peter Dávid (od 7. júna 2006 do októbra 2007)	Proxy
Erik Conrad (do júna 2007)	Proxy
Board of Directors of Commerzbank AG:	
Klaus-Peter Müller	Chairman
Martin Blessing	Member
Wolfgang Hartmann	Member
Dr. Achim Kassow	Member
Bernd Knobloch	Member
Dr. Eric Strutz	Member
Michael Reuther	Member
Nicholas Teller	Member
Supervisory Board of Commerzbank AG:	
Dr. Walter Seipp	Honorary Chairman
Dr.h.c. Martin Kohlhaussen	Chairman
Uwe Tschäge	Deputy Chairman
Hans-Hermann Altenschmidt	Member
Dott. Sergio Balbinot	Member
Herbert Bludau-Hoffmann	Member
Astrid Evers	Member
Uwe Foullong	Member
Daniel Hampel	Member
Dr.-Ing. Otto Happel	Member
Dr. jur. Heiner Hasford	Member
Sonja Kasischke	Member
Wolfgang Kirsch	Member
Friedrich Lürssen	Member
Werner Malkhoff	Member
Prof. h.c. (CHN) Dr.rer.oec. Ulrich Middelmann	Member
Klaus Müller-Gebel	Member
Dr. Sabine Reiner	Member
Prof. Dr. Jürgen F. Strube	Member
Dr. Klaus Sturany	Member
Dr. –Ing. E.h. Heinrich Weiss	Member



1.2 Shareholders information of Commerzbank Aktiengesellschaft as at 31 December 2007

	Shares of capital held
Institutional investors*	75,9 %
Generali	8,6 %
Private investors	15,5 %

* of which 12% domestic

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 (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities and all derivative contracts at fair value.

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

(a) Framework for preparation

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

The application of the standards, amendments and interpretations listed below that are effective for accounting period ending 31 December 2007 did not result in substantial changes to the Branch's accounting policies.

The application of IFRS 7 influenced the extent and the form of disclosed information about financial instruments, mainly the description of risk management related to those instruments. On a basis of request of amendment to IAS 1, information about capital management was disclosed.

- IFRS 7, Financial instruments: Disclosures;
- IAS 1, Presentation of financial statement (Amendment);
- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective 1 March 2006);
- IFRIC 8, Scope of IFRS 2 (effective 1 May 2006);
- IFRIC 9, Reassessment of embedded derivatives (effective 1 January 2006);
- IFRIC 10, Interim Financial Reporting and Impairment (effective 1 November 2006).

Further, the Branch has chosen not to early adopt the following standards and interpretations that were approved by European Union but not yet effective for accounting periods beginning on 1 January 2007:

- IFRIC 11 - Group and Treasury Share Transactions (effective 1 March 2007);
- IFRS 8, Operating segments (effective 16 November 2007)

The Branch has not also used revised standards and new interpretation, which have not been approved by the European Union yet:

IAS 23, Borrowing Costs;
IAS 27, Consolidated and Separate Financial Statements;
IAS 32 and IAS 1 Amendment, Puttable financial instruments and obligations arising on liquidation, IAS 1, Presentation of financial statement (other updates);
IFRS 3, Business Combinations;
IFRS 2 Amendment, Share-based Payment Vesting Conditions and Cancellations;
IFRIC 12, Service Concession Arrangements;
IFRIC 13, Customer Loyalty Programmes; and
IFRIC 14, The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction.

Currently the Branch's management assess the impact of application of these interpretations and standards on the Branch's financial statements.

(b) IFRS / IAS accounting and reporting developments

Certain new standards and interpretations have been published that are mandatory for the Branch's accounting periods beginning on or after 1 January 2008 or later periods and which the Branch has not early adopted:

- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009)

  The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. Management is currently assessing what impact the standard will have on segment disclosures in the Branch's financial statements.

- IAS 32 and IAS 1 Amendment - Puttable financial instruments and obligations arising on liquidation (effective from 1 January 2009)

  The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability. The Branch is currently assessing the impact of the amendment on its financial statements which may be significant.

- IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009). IFRIC 11, IFRS 2 – Branch Treasury Share Transactions (effective 1 March 2007)

  The revised IAS 23 was issued in March 2007. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Branch is currently assessing the impact of the amended standard on its financial statements.

- IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009)

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

- IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009)

  The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously minority interests) even if this results in the non-controlling interests having a deficit balance. The current standard requires excess losses to be allocated to the owners of the parent, except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses. The revised standard also specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. Any investment retained in the former subsidiary will have to be measured at its fair value at the date when control is lost. The current standard requires the carrying amount of an investment retained in the former subsidiary to be regarded as its cost on initial measurement of the financial asset in accordance with IAS 39, Financial Instruments: Recognition and Measurement. There is no impact of the amended standard expected on the financial statements of the Branch.

- IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009)

  The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or on the same basis as US GAAP (at fair value). The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The disclosures required to be made in relation to contingent consideration will be enhanced. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Branch is currently assessing the impact of the amended standard on its financial statements.

- Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment (issued in January 2008; effective for annual periods beginning on or after 1 January 2008)

  The amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Branch is currently assessing the impact of the amendment on its financial statements.

- IFRIC 11, IFRS 2 – Group and Branch Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)

- IFRIC 13, ‚Customer loyalty programmes' (issued in June 2007; effective for annual periods beginning on or after 1 July 2008)
  IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Branch is currently assessing the impact of the Interpretation on its financial statements.

(c) Other new standards or interpretations

The Branch has not early adopted the following other new standards or interpretations:

- IFRIC 11, IFRS 2 - Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007);
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008);
- IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008).

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

2.2 Foreign currency translation

(a) Functional and presentation currency

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

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

(b) Transactions and balances

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

2.3 Financial assets and financial liabilities

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

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

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

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

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

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

(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.

There was no asset classified as held-to-maturity (HTM) or as available-for-sale (AFS) during the years 2007 and 2006.

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

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

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

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

	At 31 December	
SKK thousand	2007	2006
Financial Assets		
Financial assets at fair value through profit or loss (FVPL)	8,252	3,591
Loans and receivables(LAR)	9,056,982	4,349,214
Other financial assets	11,691	3,916
Total financial assets	**9,076,925**	**4,356,721**
Other assets*	13,292	15,834
Total assets	**9,090,217**	**4,372,555**
Financial liabilities		
Financial liabilities at fair value through profit or loss (FVPL)	27,052	3,012
Other financial liabilities at amortised cost	9,062,253	4,372,834
Total financial liabilities	**9,089,305**	**4,375,846**
Other liabilities	912	2,662
Total liabilities	**9,090,217**	**4,378,508**

* The Branch couldn't classify some classes of assets as financial assets (Intangible assets, Property and equipment, deferred tax asset, etc.). For the detail see tables "Classes vs categories at 31 December 2006" and „Classes vs categories at 31 December 2007" on page 12 and 13.

Classes vs categories as at 31 December 2007:

Classes / Categories SKK thousand	FVPL trading	FVPL	LAR	Other financial assets/ liabilities	Others assets/ liabilities	Total
Assets					-	
Cash and balances with central banks	-	-	3,741,619	9,391	-	3,751,010
Loans and advances to banks	-	-	1,127,700	-	-	1,127,700
Loans and advances to customers	-	-	4,187,663	-	-	4,187,663
Derivative financial instruments	8,252	-	-	-		8,252
Intangible assets	-	-	-	-	5,932	5,932
Property, plant and equipment	-	-	-	-	4,889	4,889
Deferred tax assets	-	-	-	-	1,537	1,537
Other assets	-	-	-	2,300	934	3,234
Total assets	**8,252**	**-**	**9,056,982**	**11,691**	**13,292**	**9,090,217**
Liabilities		-				
Deposits from banks	-	-	-	7,023,159	-	7,023,159
Due to customers	-	-	-	1,929,449	-	1,929,449
Derivative financial instruments	7,625	-	-	-	-	7,625
Net assets attributable to Commerzbank AG	-	19,427	-	-	-	19,427
Other liabilities	-	-	-	109,645	612	110,557
Total liabilities	**7,625**	**19,427**	**-**	**9,062,253**	**612**	**9,090,217**

Classes vs categories as at 31 December 2006:

Classes / Categories SKK thousand	FVPL trading	LAR	Other financial assets/ liabilities	Others assets/ liabilities	Total
Assets					
Cash and balances with central banks	-	461,875	3,453	-	465,328
Loans and advances to banks	-	649,453	-	-	649,453
Loans and advances to customers	-	3,237,886	-	-	3,237,886
Derivative financial instruments	3,591	-	-	-	3,591
Intangible assets	-	-	-	7,438	7,438
Property, plant and equipment	-	-	-	7,548	7,548
Other assets	-	-	463	848	1,311
Total assets	**3,591**	**4,349,214**	**3,916**	**15,834**	**4,372,555**
Liabilities					
Deposits from banks	-	-	2,939,668	-	2,939,668
Due to customers	-	-	1,268,817	-	1,268,817
Derivative financial instruments	3,012	-	-	-	3,012
Net assets attributable to Commerzbank AG	-	-	-	-	-
Other liabilities	-	-	164,349	2,662	167,011
Total liabilities	**3,012**	**-**	**4,372,834**	**2,662**	**4,378,508**

2.4 Offsetting financial instruments

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

2.5 Derivative financial instruments

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

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

2.6 Interest income and expense

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

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

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

2.7 Fee and commission income

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

2.8 Repurchase agreements

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

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

- delinquency in contractual payments of principal or interest;

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

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

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

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

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

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

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

2.10 Intangible assets

Computer software

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

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

- software 3 - 4 years

2.11 Property and equipment

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

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

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

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

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

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

2.12 Impairment of non-financial assets

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

2.13 Leases

The Branch is a lessee.

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

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

2.14 Cash and cash equivalents

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

2.15 Provisions

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

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

2.16 Financial guarantee contracts

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

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

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

2.17 Deferred income tax

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

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

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

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

2.18 Borrowings

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

2.19 Net assets attributable to Commerzbank AG

As the Branch is part of the consolidating entity Commerzbank AG, there is a regular transfer of annual profit or loss at the request of Commerzbank AG, the amount is based on German GAAP profit or loss. Difference between accumulated transfers from or to Commerzbank AG and accumulated earnings is considered to be part of FVPL portfolio. Consequently, net assets attributable to Commerzbank AG is revaluated at fair value and considered as payable on demand.

3 financial risk management

3.1 Business and risk strategy

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

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

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

1. Credit risk: the risk of losses or lost profits due to defaults (default or deterioration in creditworthiness) of counterparties and also the change in this risk. Apart from this traditional risk, credit risk also covers country risk and issuer risk as well as counterparty risk and settlement risk arising from trading activities.

2. Market Risk: the potential negative change in value of the Bank's positions as a result of changes in market prices (interest rates, spreads, currency and equity prices), their derivatives or parameters which influence prices (volatilities, correlations)

3. Liquidity risk: (cash liquidity risk): the risk of the Bank not being able to meet its current and future payment commitments, or of not being able to do so on time (Funding risk).

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

Crucial figures for assisting the Branch in managing risk are:

1. Expected loss (EL): this is determined for default and operational risk and is based on the relevant risk parameters under Basel II.

2. Value at Risk (VaR)

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

4. Economic capital - Unexpected loss (UL)

3.2 Strategy in using financial instruments

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

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

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

3.3 Credit Risk

3.3.1 Credit risk strategy

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

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

3.3.2 Credit risk measurement

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

1) Probability of defaults (PD): PD denotes the probability of customer's default, PD is derived from the rating systems.

2) Exposure at Default (EaD) is an estimate for the outstanding debt at the day of the default. EaD is derived by aggregating the various types of credit (e.g. unused lines, guarantees, letters of credit, etc.).

3) Loss given default (LGD) reflects the percentage of the EAD that is actually lost.

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

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

EL = PD x EaD x LGD

3.3.3 Internal rating

a) Rating procedure by customer categories

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

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

b) Country rating

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

c) Exposure rating

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

3.3.4 Commerzbank rating master scale

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

This also applies for the EL. The following characteristics apply for the master scale with respect to all procedures (short description). *See the table on the next page.*

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

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

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

3.3.5 Credit risk limit control and mitigation policies

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

a) Collateral

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

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

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	2,1	1,81 - 2,40	BB -	
3,8	2,74	2,40 - 3,10	B +	
4,0	3,5	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 waiving of claims		
6,4	100,00	Cancellation without insolvency		
6,5	100,00	Insolvency		

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

b) Derivatives

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

3.3.6 Impairment and provisioning policies

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

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

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

a) Specific loan loss provision (SLLP)

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

b) Portfolio loan loss provisions impaired and non-impaired (Port-LLP)

Starting point for the calculation is Expected loss (EL) on basis Basel II parameters. The application of the loss identification period factor (LLP factor) transforms the EL into an incurred loss (IL). The LLP factor is used to represent the time lag between the customer's actual default (IA) and the identification of the default by the bank (LGD).

Port-LLP impaired is calculated similar to Port-LLP non-impaired:

IL = IA* LGD

As the exposures are classified as default, PD is 1. Furthermore the LIP-factor is not used as the default has already been detected by the bank.

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

The table below represents a worse case scenario of credit risk exposure to the Branch at 31 December 2007 and 2006, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out below are based on net carrying amounts as reported in the balance sheet.

SKK thousand	Maximum exposure	
Class	**2007**	**2006**
Cash and balances with central banks	3,751,009	465,328
Loans to banks	1,127,700	649 453
- Commercial loans	41,791	60,352
- Overdrafts	88,134	12,564
- Term loans	997,775	576,537
Loans to customers	4,187,663	3,237,886
- Commercial loans	3,386,673	2,804,533
- Overdrafts	579,059	425,227
- Term loans	221,931	8,126
Derivative financial instruments	8,252	3,591
Other assets	3,235	1,311
Loan commitments	1,273,585	1,238,688
Financial guarantees	139,904	843,613
Total At 31 December	**10,491,348**	**6,439,870**

3.3.8 Financial assets

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate guarantees. The Branch didn't assess any loan at 31 December 2007 as impaired. Derivatives were not classified as impaired or past due during the years 2006 and 2007. Financial assets are summarised as follows:

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

At 31 December 2007

SKK thousand	To banks (LAR)	To customers (LAR)	Other financial assets	FVPL (trading)	Total
Financial assets:					
Neither past due nor impaired	4,845,991	4,187,663	2,265	8,252	9,044,171
Past due but not impaired	23,328	-	35	-	23,363
Total	**4,869,319**	**4,187,663**	**2,300**	**8,252**	**9,067,534**

At 31 December 2006

SKK thousand	To banks (LAR)	To customers (LAR)	Other financial assets	FVPL (trading)	Total
Financial assets:					
Neither past due nor impaired	1,111,328	3,234,175	694	3,591	4,349,788
Past due but not impaired	-	-	-	-	-
Impaired	-	9,266	-	-	9,266
Individually impaired	-	9,266	-	-	9,266
Total	**1,111,328**	**3,243,411**	**694**	**3,591**	**4,359,054**
Less: Provisions	-	(5,555)	-	-	(5,555)
Net	**1,111,328**	**3,237,886**	**694**	**3,591**	**4,353,499**

a) Loans neither past due nor impaired

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

The tables below summarize loans and receivables where branch doesn't apply internal credit rating system:

SKK thousand	31 December 2007		
Related parties	**Nostro/Loro**	**Term loans**	**Moody's/S&P**
of which:			
Commerzbank, Prague branch	33,613	997,776	A a 3 / A
Commerzbank (Budapest) R.t., Budapest	44,808	-	A a 3 / A
Commerzbank, New York branch	4,616	-	A a 3 / A
Commerzbank, Frankfurt	-	-	A a 3 / A
Commerzbank Paris	-	-	A a 3 / A
BRE Bank S.A., Warsaw	490	-	/ BBB
Other banks			
Slovenská sporiteľňa, a.s.	279	-	A2 /
Unicredit Bank Slovakia, a.s.	3 233	-	A a 2 / A+
Tatrabanka, a.s.	529	-	/ A
HSBC Bank PLC London	386	-	A a 2 / AA-
Credit Suisse Zürich	180	-	A a 2 / AA-
Total	**88,134**	**997,776**	

SKK thousand	31 December 2006		
Related parties	**Nostro/Loro**	**Term loans**	**Moody's/S&P**
of which:			
Commerzbank, Prague branch	2,575	576,537	A2 / A-
Commerzbank (Budapest) R.t., Budapest	-	-	A2 / A-
Commerzbank, New York branch	1,386	-	A2 / A-
Commerzbank, Frankfurt	697	-	A2 / A-
Commerzbank Paris	3,473	-	A2 / A-
BRE Bank S.A., Warsaw	138	-	/ BBB
Other banks			
Slovenská sporitelna, a.s.	449	-	A1 /
Unicredit Bank Slovakia, a.s.	2,307	-	A a 2 / A+
Tatrabanka, a.s.	394	-	-
HSBC Bank PLC London	1,143	-	A a 2 / AA-
Credit Suisse Zurich	-	-	A a 3 / A+
Total	**12,562**	**576,537**	

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

At 31 December 2007

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

At 31 December 2006

SKK thousand	Loans neither past due nor impaired						
	To banks	To customers					
Internal rating scale	**Commercial Loans**	**Overdrafts**	**Commercial Loans**	**Term Loans**	**FVPL (trading)**	**Total Loans to banks**	**Total Loans to customers**
Investment grade	56,810	392,183	2,537,663	8,126	3,591*	56,810	2,937,972
Non-investment grade	3,543	29,296	266,870	-	-	3,543	296,166
Default or non-rated	-	38	-	-	-	-	38
Total	**60,353**	**421,517**	**2,804,533**	**8,126**	**3,591**	**60,353**	**3,234,176**

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

b) Financial assets past due but not impaired

Gross amount of loans by class to customers and banks that were past due but not impaired were as follows:

At 31 December 2007

SKK thousand	Loans past due but not impaired				Other financial assets
	To banks	To customers			
	Commercial Loans	Overdrafts	Commercial Loans	Term Loans	
Past due up to 30 days	23,328	-	-	-	**23,238**

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

At 31 December 2006 there weren't any loans and receivables past due.

c) Loans individually impaired

The Branch didn't classify any loan or receivable as impaired at 31 December 2007. The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Branch as security, was as follows at 31 December 2006:

At 31 December 2006

SKK thousand	Loans and advances individually impaired			
	To banks	To customers		
	Commercial Loans	Term Loans	Overdrafts	Commercial Loans
Individually impaired loans	-	-	9,266	-

The Branch holds as collateral for impaired loan several types of collateral: promissory note, mortgage over residential property, letter of comfort.

The impaired loan was paid back in November 2007.

3.3.9 Credit-related commitments

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

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

3.3.10 Concentration of risks of financial assets with credit risk exposure

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

a) Geographical sectors

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

At 31 December 2007

	Slovakia		Other EU Countries		Others	
SKK thousand	Carrying amount	%	Carrying amount	%	Carrying amount	%
Cash and balances with central banks	3,747,461	47.18	2,524	0.23	1,024	3.30
Loans and advances to banks	4,040	0.05	1,095,536	99.26	28,124	90.54
- Overdrafts	4,040	-	79,298	-	4,796	-
- Commercial loans	-	-	18,463	-	23,328	-
- Term loans	-	-	997,775	-	-	-
Loans and advances to customers	4,187,659	52.72	4	0.00	-	-
- Overdrafts	579,055	-	4	-	-	-
- Commercial loans	3,386,673	-		-	-	-
- Term loans	221,931	-		-	-	-
Derivative financial instruments	2,583	0.03	5,669	0.51	-	-
Other assets	1,310	0.02	10	0.00	1,915	6.16
Total	**7,943,053**	**100.00**	**1,103,743**	**100.00**	**31,063**	**100.00**
Loan commitments	1,273,585	-	-	-	-	-
Guarantees and standby letters of credit	59,904	-	80,000	-	90,409	-

At 31 December 2006

SKK thousand	Slovakia Carrying amount	%	Other EU Countries Carrying amount	%	Others Carrying amount	%
Cash and balances with central banks	463,870	14.48	1,053	0.10	405	0.29
Loans and advances to banks	3,150	0.10	641,374	63.23	4,929	3.51
- Overdrafts	3,150	-	8,027	-	1,386	-
- Commercial loans	-	-	56,810	-	3,543	-
- Term loans	-	-	576,537	-	-	-
Loans and advances to customers	2,734,657	85.39	368,264	36.30	134,965	96.10
- Overdrafts	290,257	-	5	-	134,965	-
- Commercial loans	2,436,274	-	368,259	-	-	-
- Term loans	8,126	-	-	-	-	-
Derivative financial instruments	-	-	3,591	0.35	-	-
Other assets	1,021	0.03	154	0.02	136	0.10
Total	**3,217,684**	**100.00**	**1,014,435**	**100.00**	**140,435**	**100.00**
Loan commitments	1,237,052	-	1,636	-	-	-
Guarantees and standby letters of credit	812,413	-	31,200	-	58,188	-

b) Industry sectors

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

At 31 December 2007

SKK thousand	Financial Institution	Leasing	Other Financial Companies	Manufacturing	Other Industries & Individuals
Loans and advances to banks	1,127,700	-	-	-	-
- Overdrafts	88,134	-	-	-	-
- Commercial loans	41,791	-	-	-	-
- Term loans	997,775	-	-	-	-
Loans and advances to customers	-	1,163,220	2,360,322	529,525	134,595
- Overdrafts		59,155	120,026	265,282	134,595
- Commercial loans		1,104,065	2,018,365	264,243	-
- Term loans			221,931	-	-
Derivative financial instruments	5,669	-	-	6	2,577
Other assets	1,959	-	5	7	1,264
Total	**1,135,328**	**1,163,220**	**2,360,327**	**529,538**	**138,436**

At 31 December 2006

SKK thousand	Financial Institution	Leasing	Other Financial Companies	Telecommu-nication	Manufactu-ring	Other Industries & Individuals
Loans and advances to banks	649,453	-	-	-	-	-
- Overdrafts	12,564	-	-	-	-	-
- Commercial loans	60,353	-	-	-	-	-
- Term loans	576,536	-	-	-	-	-
Loans and advances to customers	-	905,965	1,559,621	308,819	278,053	185,428
- Overdrafts	-	38,895	8		200,897	185,428
- Commercial loans	-	858 944	1,559,613	308,819	77,156	-
- Term loans	-	8,126	-	-	-	-
Derivative financial instruments	3,591	-	-	-	-	-
Other assets	189	20	-	-	3	1,099
Total	**653,233**	**905,985**	**1,559,621**	**308,819**	**278,056**	**186,527**

3.4 Market risk

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

3.4.1 Market risk measurement techniques

Value at risk – VaR

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

As VAR constitutes an integral part of the Branch's market risk control regime, VAR limits are established by the management for all trading and banking operations; actual exposure against limits is reviewed daily by management. Average daily VAR for the Branch was SKK 68 thousand for foreign exchange risk and SKK 12 thousand for interest rate risk in 2007 (SKK 17 thousand for foreign exchange risk and SKK 17 thousand for interest rate risk in 2006). However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Trading portfolio VaR by risk type

VaR by trading and banking book:

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

	12 months at 31 December 2006		
	Average	Maximum	Minimum
Foreign exchange risk	17	95	2
Interest rate risk	17	198	-

3.4.2 Liquidity risk

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

3.4.2.1 Non-derivative cash flows

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

At 31 December 2007

SKK thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Liabilities						
Deposits from banks	5,650,931	238,367	383,738	843,176	21,477	7,137,689
Due to customers	1,925,314	4,977	-	-	-	1,930,291
Net assets attributable to Commerzbank AG	19,427	-	-	-	-	19,427
Other liabilities	110,117	47	211	225	-	110,600
Total liabilities	**7,705,789**	**243,391**	**383,949**	**843,401**	**21,477**	**9,198,007**

At 31 December 2006

SKK thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Liabilities						
Deposits from banks	1,883,021	451,254	268,078	350,049	34,086	2,986 488
Due to customers	1,263,799	5,035	-	-	-	1,268,834
Other liabilities	166,351	53	236	565		167,205
Total liabilities	**3,313,171**	**456,342**	**268,314**	**350,614**	**34,086**	**4,422,527**

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

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

3.4.2.2 Derivative cash flows

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

At 31 December 2007

SKK thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Total
FX swaps					
- outflow	-	-	(12,126)	(196,939)	(209,065)
- inflow	-	-	12,136	197,545	209,681
FX forwards					
- outflow	(6,723)	(19,514)	(36,321)	(2,002)	(64,580)
- inflow	6,733	19,543	36,375	2,025	64,676
Total outflow	**(6,723)**	**(19,514)**	**(48,447)**	**(198,961)**	**(273,645)**
Total inflow	**6,733**	**19,543**	**48,511**	**199,570**	**274,357**
Net liquidity gap	**10**	**29**	**64**	**609**	**712**

At 31 December 2006

SKK thousand	1 - 3 months	1 - 5 years	Total
FX swaps			
- outflow	(11,939)	(196,408)	(208,347)
- inflow	11,965	197,014	208,979
Total outflow	**(11,939)**	**(196,408)**	**(208,347)**
Total inflow	**11,965**	**197,014**	**208,979**
Net liquidity gap	**26**	**606**	**632**

3.4.2.3 Off-balance sheet items

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

At 31 December 2007

SKK thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Loan commitments	733,534	372,555	4,643	72,867	89,986	1,273,585
of which: cancellable	-	273,581	-	46,496	81,025	401,102
Financial guarantees	52,728	80,560	205	6,410	-	139,903
Total	**786,262**	**453,115**	**4,848**	**79,277**	**89,986**	**1,413,488**

At 31 December 2006

SKK thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Loan commitments	881,998	60,094	1,800	294,796	-	1,238,688
of which: cancellable	-	-	1,800	147,812	-	149,612
Financial guarantees	34,629	31,000	28,689	748,992	303	843,613
Total	**916,627**	**91,094**	**30,489**	**1,043,788**	**303**	**2,082,301**

3.5 Fair values of financial assets and liabilities

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

SKK thousand	Carrying value 2007	Fair value 2007
Financial assets		
Loans to banks	1,127,700	1,127,700
Loans to customers	4,187,663	4,069,068
Financial liabilities		
Deposits from banks	7,023,159	6,935,376
Due to customers	1,929,449	1,929,449
Net assets attributable to Commerzbank AG	19,427	19,427

SKK thousand	Carrying value 2006	Fair value 2006
Financial assets		
Loans to banks	649,453	649,453
Loans to customers	3,237,886	3,168,334
Financial liabilities		
Deposits from banks	2,939,668	2,906,160
Due to customers	1,268,817	1,268,817

(a) Due from other banks

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

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

(b) Loans and advances to customers

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

(c) Deposits and borrowings

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

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

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

SKK thousand	At 31 December 2007						
	Carrying Value	Fair Value					
		Derivatives financial instruments	Loans & advances to banks	Loans & advances to customers	Cash & balances with central banks	Other assets and deferred tax asset	Total
Financial Assets							
Financial assets at fair value through profit or loss (FVPL)	8,252	8,252	-	-	-	-	8,252
Loans and receivables(LAR)	9,056,982	-	1,127,700	4,069,068	3,741,620	-	8,938,388
Held to maturity (HTM)	-	-	-	-	-	-	-
Available for sale (AFS)	-	-	-	-	-	-	-
Other financial assets	11,691	-	-	-	9,390	2,300	11,690
Total financial assets	**9,076,925**	**8,252**	**1,127,700**	**4,069,068**	**3,751,010**	**2,300**	**8,958,330**
Other assets	13,292	-	-	-	-	13,292	13,292
Total Assets	**9,090,217**	**8,252**	**1,127,700**	**4,069,068**	**3,751,010**	**15,592**	**8,971,622**

	Carrying Value	Fair Value					
		Derivatives financial instruments	Deposits from banks	Due to customers	Net assets attribute to Commerzbank AG	Other liabilities	Total
Financial liabilities							
Financial liabilities at fair value through profit or loss (FVPL)	25,515	7,625	-	-	19,427	-	27,052
Financial liabilities at amortised cost	9,053,722	-	6,935,376	1,929,449	-	109,631	8,974,456
Total financial liabilities	**9,080,774**	**7,625**	**6,935,376**	**1,929,449**	**19,427**	**109,631**	**9,001,508**
Other liabilities	9,443	-	-	-	-	912	912
Total liabilities	**9,090,217**	**7,625**	**6,935,376**	**1,929,449**	**19,427**	**110,543**	**9,002,420**

SKK thousand	At 31 December 2006						
	Carrying Value	Fair Value					
		Derivatives financial instruments	Loans & advances to banks	Loans & advances to customers	Cash & balances with central banks	Other Assets	Total
Financial Assets							
Financial assets at fair value through profit or loss (FVPL)	3,591	3,591	-	-	-	-	3,591
Loans and receivables(LAR)	4,349,214	-	649,453	3,168,334	461,875	-	4,279,662
Held to maturity (HTM)	-	-	-	-	-	-	-
Available for sale (AFS)	-	-	-	-	-	-	-
Other financial assets	3,916	-	-	-	3,453	463	3,916
Total financial assets	**4,356,721**	**3,591**	**649,453**	**3,168,334**	**465,328**	**463**	**4,287,169**
Other assets	15,834	-	-	-	-	15,834	15,834
Total Assets	**4,372,555**	**3,591**	**649,453**	**3,168,334**	**465,328**	**16,297**	**4,303,003**

	Carrying Value	Fair Value				
		Derivatives financial instruments	Deposits from banks	Due to customers	Other liabilities	Total
Financial liabilities						
Financial liabilities at fair value through profit or loss (FVPL)	3,012	3,012	-	-	-	3,012
Financial liabilities in amortised cost	4,372,834	-	2,906,160	1,268,817	164,312	4,339,289
Total financial liabilities	**4,375,846**	**3,012**	**2,906,160**	**1,268,817**	**164,312**	**4,342,301**
Other liabilities	2,662	-	-	-	2,662	2,662
Total liabilities	**4,378,508**	**3,012**	**2,906,160**	**1,268,817**	**166,974**	**4,344,963**

3.6 Capital management

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

4 critical accounting estimates and judgments

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

(a) Impairment losses on loans

The Branch reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Branch makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been a adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extend that the if the net present value of estimated cash flows changes by 5%, the provision would change by SKK 186 thousand.

(b) Fair value of derivatives

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

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

(c) Net assets attributable to participants.

The net liability is classified as ‚at fair value through profit or loss‘ under IAS 39 (revised 2003). It should be measured at fair value, being the present value of the expected redemption amount. It is impractical to determine the exact fair value of this liability as it is unknown when and if Commerzbank AG will withdraw from the Branch. The Branch‘s accounting policy for determining this amount, applied as a practical expedient, is disclosed in Note 2. The Branch‘s standalone net assets determined in accordance with the EU IFRS are SKK 19,427 thousand at 31 December 2007 (2006: nil). This amount would have been payable if Commerzbank AG had exercised its redemption right at the balance sheet date.

5 net interest income

5.1 Interest income

SKK thousand	2007	2006
Loans and advances:		
- to banks	34,871	11,866
- to customers	161,711	137,963
	196,582	**149,829**
Reverse repos	82,285	57,400
Other	3,901	2,547
Total interest income	**282,768**	**209,776**

The interest income for years 2007 and 2006 was realized from category of loans and receivables

5.2 Interest expense

SKK thousand	2007	2006
Deposits from banks	195,193	146,595
Due to customers	44,901	22,269
Total interest expense	**240,094**	**168,864**
Interest expenses from financial leases	50	48

As there are no financial assets classified as impaired, Interest income accrued on impaired financial assets was SKK nil at 31 December 2007 (2006: SKK 893 thousand).

6 net fee and commission income

6.1 Fee and commission income

SKK thousand	2007	2006
Payment transactions	38,190	23,089
Credit related fees and commissions	574	25
Guarantees	1,755	2,128
Documentary business	10,255	2,162
Sub-limits	1,498	964
Other fees	797	417
	53,069	**28,785**

6.2 Fee and commission expense

SKK thousand	2007	2006
Guarantees paid for the transfer of the credit risk	5,854	-
Payment transactions	116	175
Other fees paid	430	427
	6,400	**602**

Fee income and expense for years 2007 and 2006 resulted from financial assets and financial liabilities that are not at FVPL.

7 net trading income

SKK thousand	2007	2006
Foreign exchange:		
- translation gains less losses of trading assets and liabilities	54	582
- transaction gains less losses	765	2,312
	819	**2,894**

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

8 impairment charge for credit losses

SKK thousand	2007	2006
Loans and advances to customers (Note 14)	5,544	(5,555)
	5,544	**(5,555)**

9 administrative expenses

SKK thousand	2007	2006
Staff costs:		
- wages and salaries	13,546	11,560
- social and health insurance	3,324	2,874
	16,870	**14,434**
Other administrative expenses:		
- outsourced back-office activities	16,365	13,225
- head office charges	6,727	6,400
- IT costs	9,342	9,696
- advisory and consultancy services	5,301	2,521
- advertising and public relations	1,424	961
- other services	3,642	3,100
- depreciation	5,631	5,352
- other	5,929	4,612
	54,361	45,867
Total administrative expenses	**71,231**	**60,301**

In 2007, the other administrative expenses of transactions with related parties were SKK 31,224 thousand (2006: 29,148 thousand).

In 2007 the costs for audit were SKK 1,141 thousand (in 2006: SKK 695 thousand) and for tax advisory provided by the auditing company SKK 250 thousand (in 2006: SKK 212 thousand).

10 other operating expenses

SKK thousand	2007	2006
Direct write off	249	-
Operating lease rentals	3,272	3,010
Total	**3,521**	**3,010**

11 cash and balances with central banks

SKK thousand	2007	2006
Cash in hand	9,390	3,453
Balances with central bank other than mandatory reserve deposits	3,696,791	426,727
Mandatory reserve deposits with central banks	44,829	35,148
	3,751,010	**465,328**

Cash-in-hand is non-interest-bearing. The yield on mandatory reserve deposits yield 1.5 % p.a. at the end of 2007 (2006: 1.5 % p.a.).

There are treasury bills collaterals for reverse repo transaction with National Bank of Slovakia in the fair value of SKK 3,512,540 thousand as per 31 December 2007 (31 December 2006: SKK 426,727 thousand).

12 loans and advances to banks

SKK thousand	2007	2006
Placements with other banks	997,775	581,865
Loans and advances to other banks	129,925	67,588
	1,127,700	**649,453**
Current	1,127,700	649,453

13 derivative financial instruments

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

Currency forwards represent commitments to purchase foreign and domestic currency.

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

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

The fair values of derivative instruments held are set out below.

At 31 December 2007

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

At 31 December 2006

SKK thousand	Contract/ notional amount	Fair values	
		Assets	Liabilities
Currency swaps	101,154	3,591	(3,012)
Currency forwards	-	-	-
Total derivatives	**101,154**	**3,591**	**(3,012)**
Current		3,591	(3,012)

14 loans to customers

SKK thousand	2007	2006
Gross loans and advances	4,187,663	3,243,441
Less: allowance for impairment	-	(5,555)
Net	**4,187,663**	**3,237,886**
Current	3,271,425	2,773,595
Non-current	916,238	464,291

Allowance for impairment

Balance at 1 January 2006	**0**
Provision for loan impairment	5,555
At 31 December 2006	**5,555**
Balance at 1 January 2007	**5,555**
Release of provision for loan impairment	(5,544)
Exchange differences	(11)
At 31 December 2007	**-**

15 intangible assets

SKK thousand	Software acquired	Assets not yet available for use	Total
Balance at 1 January 2006	**8,015**	**268**	**8,283**
NBV at 1 January 2006	8,015	268	8,283
Additions	408	1,535	1,943
Disposals	-	(268)	(268)
Amortisation charge	(2,520)	-	(2,520)
NBV at 31 December 2006	**5,903**	**1,535**	**7,438**
Balance at 31 December 2006			
Acquisition cost	10,520	1,535	12,055
Accumulated amortisation	4,617	-	4,617
Net book amount	**5,903**	**1,535**	**7,438**
NBV at 1 January 2007	5,903	1,535	7,438
Additions	1,024	1,134	2,158
Disposals	-	(1,024)	(1,024)
Amortisation	(2,640)	-	(2,640)
NBV at 31 December 2007	**4,287**	**1,645**	**5,932**
Balance at 31 December 2007			
Acquisition cost	11,544	1,645	13,189
Accumulated amortisation	(7,257)	-	(7,257)
Net book amount	**4,287**	**1,645**	**5,932**

16 property, equipment

SKK thousand	Computer equip-ment	Leasehold improve-ment	Furniture	Safes	Assets not yet available for use	Leasehold improve-ments	Total
Balance at 1 January 2006	**2,073**	**2,475**	**476**	**610**	**-**	**802**	**6,436**
Additions	692	-	482	-	1,749	1,021	3,944
Depreciation	(1,788)	(215)	(229)	(103)	-	(497)	(2,832)
NBV at 31 December 2006	**977**	**2,260**	**729**	**507**	**1,749**	**1,326**	**7,548**
Balance at 31 December 2006							
Acquisition cost	6,995	2,846	3,606	761	1,749	2,803	18,760
Accumulated depreciation	(6,018)	(586)	(2,877)	(254)	-	(1,477)	(11,212)
Net book amount	**977**	**2,260**	**729**	**507**	**1,749**	**1,326**	**7,548**
NBV at 1 January 2007	**977**	**2,260**	**729**	**507**	**1,749**	**1,326**	**7,548**
Additions	1,849	110	78	54	442	-	2,533
Disposals	-	(110)	-	-	(2,091)	-	(2,201)
Transfers	(60)	-	60	-	-	-	-
Depreciation	(504)	(1 513)	(278)	(85)	-	(611)	(2,991)
NBV at 31 December 2007	**2,262**	**747**	**589**	**476**	**100**	**715**	**4,889**
Balance at 31 December 2007							
Acquisition cost	7,486	2,846	3,689	815	100	2,803	17,739
Accumulated depreciation	(5,224)	(2,099)	(3,100)	(339)	-	(2 088)	(12,850)
Net book amount	**2,262**	**747**	**589**	**476**	**100**	**715**	**4,889**

16.1 Insurance

The insurance of non-current tangible assets is part of the International Insurance Programme for Property Insurance of COMMERZBANK AG concluded in Slovakia. It includes the insurance of the Branch's own non-current tangible assets, low value non-current tangible assets, office equipment, and a set of electronic equipment with the total insured value of approximately SKK 13 million (2006: SKK 13 million). The insurance covers the compensation for damages caused by:

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

At the same time, the Branch has also insured leased tangible assets (cars covered by both general liability and accident insurance). The insurance premium totals about SKK 80 thousand per annum (2006: SKK 80 thousand).

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

17 leases

17.1 Financial leases

Net book value of the property and equipment (cars and copy machine) acquired under the financial leasing was SKK 715 thousand at 31 December 2007 (2006: SKK 1,326 thousand). The liabilities from financial leasing are reported within other liabilities (note 21).

Break down of finance lease liabilities

At 31 December 2007

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

At 31 December 2006

	Minimum lease payments	Present value of the minimum lease payments
No later than 1 year	298	282
Later than 1 year and no later than 5 years	490	399
Total	**788**	**681**

17.2 Operating leases

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

At 31 December 2007

	At 31 December 2007	At 31 December 2006
No later than 1 year	2,699	3,582
Later than 1 year and no later than 5 years	275	2,817
Total	**2,974**	**6,399**

18 other assets

SKK thousand	2007	2006
Other financial assets	**2,300**	**463**
of which:		
Accrued income	1,963	242
Other	337	221
Other non-financial assets	**935**	**848**
of which:		
Prepayments	698	539
Other	237	309
	3,235	**1,311**
Current	3,235	1,311

There were assets overdue of SKK 35 thousands as at 31 December 2007 (2006: SKK nil).

19 deposits from banks

SKK thousand	2007	2006
Current accounts	9,950	14,176
Term deposits	7,013,209	2,925,492
	7,023,159	**2,939,668**
Current	6,219,408	2,580,155
Non-current	803,751	359,513

20 due to customers

SKK thousand	2007	2006
Current accounts	390,548	291,329
Term deposits	1,538,901	977,488
	1,929,449	**1,268,817**
Current	1,929,449	1,268,817
Non-current	-	-

21 other liabilities

SKK thousand	2007	2006
Other financial liabilities	**109,645**	**164,349**
of which:		
Accruals	8,627	4,447
National Bank of Slovakia clearing settlement	85,179	136,440
Intercompany nostro accounts settlement	7,530	12,567
Other	8,309	10,895
Other non-financial liabilities	**912**	**2,662**
	110,557	**167,011**
Current	110,339	166,546
Non-current	218	465

There were no other liabilities overdue.

Next table summarize release and allocation of the social fund:

SKK thousand	2007	2006
Opening balance	**76**	**63**
Release	(122)	(30)
Allocation	66	43
Closing balance	**20**	**76**

22 income tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 19 % (2006: 19 %).

The movement on deferred income tax, which was not recognised before 31 December 2007 as realisation of the net asset was not probable, is as follows:

SKK thousand	2007	2006
At 1 January	**5,701**	**6,273**
- depreciation	(66)	(20)
- tax losses carried forward	(4,044)	(375)
- establishment costs	(112)	(149)
- leasing	58	(28)
At 31 December	**1,537**	**5,701**

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

SKK thousand	2007	2006
Deferred income tax liabilities		
- leasing	20	78
- depreciation	102	36
	122	**114**
Deferred income tax assets		
- establishment costs	-	112
- tax losses carried forward	190	4,234
- impact on transition from local GAAP to IFRS	1,469	1,469
	1,659	**5,815**

Note: the Branch did not recognize deferred tax asset at 31 December 2006. Deferred tax asset was recognized for the first time at 31 December 2007.

SKK thousand	2007	2006
Profit/(loss) before taxes	**20,955**	**3,123**
Tax calculated at a tax rate of 19%	3,981	593
- tax non-deductible expenses (permanent differences)	279	252
- income not subject to tax (permanent differences)	(96)	(273)
- initial recognition of deferred tax asset	(2,547)	-
Income tax expense	**1,537**	**572**

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

SKK thousand	2007	2006
2003 (expiration 2008)	-	15,065
2004 (expiration 2009)	446	6,667
2005 (expiration 2010)	555	555
	1,001	**22,287**

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

23 cash and cash equivalents

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

SKK thousand	2007	2006
Cash	9,391	3,453
Balances with central banks	3,741,618	461,875
Due from other banks	1,127,700	649,453
	4,878,709	**1,114,781**

Regulatory reserves included in balances with central banks are calculated as per regulatory requirements (2% of Due to customers balance). The amount is reassessed each month on the base of the Due to customers balance two months previously. The Branch is required then to hold the regulatory reserves for the period of one month.

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

The average daily balance for December 2006 was required at a level of SKK 87,874 thousand. The actual balance as at
31 December 2006 was SKK 35,148 thousand (see Note 11). Cumulated volume of obligatory reserves for December 2006 was SKK 2,724,088 thousands (87,874 * 31 days). Actual cumulated volume of obligatory reserves was
SKK 2,726,900 thousands.

24 contingent liabilities and commitments

At 31 December 2007, the Branch had the following contractual amounts of off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:

SKK thousand	2007	2006
Loan commitments	1,273,585	1,238,688
Guarantees and standby letters of credit	230,313	902,801
	1,503,898	**2,141,489**

25 related-party transactions and balances

The following table shows the balances with other entities of the group and the rest of Bank.

SKK thousand	2007	2006
Loans and advances to banks	**1,081,303**	**584,807**
of which:		
Commerzbank, Prague branch	1,031,389	579,113
Commerzbank, Paris branch	-	3,473
Commerzbank (Budapest) R.t., Budapest	44,808	-
Commerzbank, New York branch	4,616	1,386
Commerzbank, Frankfurt	-	697
BRE Bank S.A., Warsaw	490	138
Deposits from banks	**7,022,009**	**2,937,916**
of which:		
Commerzbank, Prague branch	7,013,212	2,925,492
Commerzbank (Budapest) R.t., Budapest	-	6,242
Commerzbank, Frankfurt	6,655	6,182
Commerzbank, Paris branch	2,142	-
Guarantees issued	**80,000**	**31,200**
of which:		
Commerzbank, Frankfurt	80,000	30,000
Commerzbank (Budapest) R.t., Budapest	-	1,200
Derivative financial instruments (fair value)	**3,048**	**3,591**
of which:		
Commerzbank, Prague branch - assets	5,669	3,591
Commerzbank, Prague branch - liabilities	(2,621)	-
Net assets attributable to Commerzbank AG	**17,890**	**(5,953)**
of which: Commerzbank, Frankfurt	17,890	(5,953)

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

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

SKK thousand	2007	2006
Interest income earned	**32,001**	**8,825**
of which:		
Commerzbank, Prague branch	31,249	8,463
Commerzbank, Frankfurt	517	271
Commerzbank, Paris branch	186	71
Commerzbank (Budapest) R.t., Budapest	41	20
BRE Bank S.A., Warsaw	8	-
Interest expense	**195,172**	**146,563**
of which:		
Commerzbank, Prague branch	192,357	144,633
Commerzbank, Frankfurt	2,744	1,897
BRE Bank S.A., Warsaw	19	15
Commerzbank, New York branch	17	14
Commerzbank (Budapest) R.t., Budapest	35	4
Fee and commission income	**1,894**	**1,294**
of which:		
Commerzbank, Frankfurt	1,894	1,294
Fee and commission expenses	**5,854**	**-**
of which:		
Commerzbank, Frankfurt	5,854	-
Administrative expenses	**31,224**	**29,148**
of which:		
Commerzbank, Frankfurt	12,806	15,923
Commerzbank, Prague branch *	18,418	13,225
Other operating expenses	**201**	**200**
of which: Commerzbank, Prague branch	201	200

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

In 2007 the statutory representatives of the Branch were paid wages and salaries of SKK 4,495 thousand (2006: SKK 4,160 thousand) , social and health insurance paid by the Branch amounted to SKK 648 thousand (2006: SKK 626 thousand). The statutory representatives of the Branch includes its director and proxy holders (as at 31 December 2007 total of 3 employees, 31 December 2006: 3).

26 disclosure of prior period errors

Net assets attributable to Commerzbank AG versus Equity

The Branch has reclassified net profit for the current period and accumulated deficit as at and for the year ended 31 December 2006 as net assets attributable to Commerzbank AG in the comparative information shown in these financial statements. This correction had an impact that there is no longer any equity reported (for further explanations see note 4 c Critical accounting estimates and note 2 - Net assets attributable to Commerzbank AG).

	At 1 January 2006		At 31 December 2006	
SKK thousand	Original Amount	Restated Amount	Original Amount	Restated Amount
Equity	(38,980)	(12,735)	(35,857)	(5,953)
Net assets attributable to Commerzbank AG	(26,245)	-	(29,904)	-

27 events after the balance sheet date

There have been no post-balance-sheet events that would require adjustment or disclosure in the financial statements for the year ended 31 December 2007.

Date	Signature of the statutory representative	Person responsible for the financial statements preparation	Person responsible for accounting
	P. D.	Vladimír Kugler	Eva Collardová
14 March 2008	Peter Dávid	Vladimír Kugler	Ing. Eva Collardová MBA