COMMERZBANK

Partnership is not just a word

Annual report for the year 2010

Contents

Bank Management Report for 2010

»In 2010 the world began to slowly recover from the aftermath of the economic crisis. Developments throughout the world also had a significant effect on Slovakia, where the gross domestic product grew by 4.2% year-on-year, in particular due to foreign demand.«

At Commerzbank's Slovak branch, this positive trend was reflected mainly in the area of services for Slovak exporters where we strengthened our position. Although globally 2010 was not an easy year for our branch, we managed to achieve many positive goals. Thanks to positive developments in the automotive and steel industry sectors, we won new customers for operating and investment financing solutions.

Owing to the sustained pressure on cost optimization from corporate clients, we focused intensively on effective liquidity management, in particular in the area of cross-border Cash-Management where we obtained several mandates. We managed to implement cross-border Cash-Management for one of our clients operating in six countries. For the first time, the central account for incoming payments was opened at the Bratislava branch.

Also, clients continued to be highly interested in the bank's intensive support in the area of documentary transactions, e.g. supplier loans repaid through letters of credit, with insurance provided by export credit agencies.

The satisfaction survey among corporate clients of the Bratislava and Prague branches carried out at the end of 2010 proved high satisfaction with Commerzbank's services among corporate clients, both in Slovakia and the Czech Republic.

In 2011, we expect that Slovakia will continue to recover from the aftermath of the financial crisis. Market development signals a growing trend and higher demand for investments. Based on these indicators, we see the potential in further business cooperation development with Slovak and German medium-sized enterprises, and in enhancing our strengths in the area of foreign trade. We are primarily interested in expanding our product range and improving the quality of services in order to better satisfy our clients' needs.

Peter Dávid

Commerzbank AG

Commerzbank worldwide

Commerzbank is a leading bank for private and corporate customers in Germany. With the segments Private Clients, Mittelstandsbank, Corporates & Markets, Central & Eastern Europe as well as Asset Based Finance, the Bank offers its customers an attractive product portfolio, and is a strong partner for the export-oriented SME sector in Germany and worldwide. With a total of some 1,200 branches, Commerzbank has one of the densest networks of branches among German private banks. It has over 60 sites in more than 50 countries and serves approximately 14 million private clients as well as one million business and corporate clients worldwide.

The segment Central & Eastern Europe comprises the activities of the Polish subsidiary BRE Bank, Bank Forum in the Ukraine, Commerzbank Eurasija in Russia, Commerzbank Zrt. in Hungary, and our branches in the Czech Republic and Slovakia, as well as shareholdings in seven microfinance banks and Russia's Promsvyazbank. The activities are bundled under the umbrella of a management holding company, which functions as

a center of competence, an operational control unit and as the interface between local units and the domestic central departments. The focus of the business activity in Central & Eastern Europe is on private client and corporate client business, as well as on customer-related investment banking.

In 2010, the Central and Eastern Europe Region benefited from a significant improvement in economic conditions. In this market environment, we achieved overall a positive operating result and turnaround in the segment Central & Eastern Europe. In a difficult market environment we were able to satisfy a growing number of customers with our attractive range of products and services. This number increased throughout the year by nearly 460,000, to more than 4 million customers. Commerzbank is thus the leading German bank in Central & Eastern Europe.

Commerzbank in Slovakia

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

Commerzbank in Slovakia is focused mainly on corporate clients, predominantly on German ones, but it also offers banking services to large and midsized Slovak firms.Commerzbank is providing a comprehensive line of products customized to meet the needs of individual customers, ranging from standard daily banking services to complex structured financings. Commerzbank has also extensive know-how in the trade finance business, including the documentary business, letters of credit and export financing, and our greatest advantage is our global network of correspondent banks.

With its focus on international enterpreneurship, strong know-how across a variety of industry sectors, and a comprehensive range of products, the bank offers better, more innovative and prompt financing solutions.

In order to better serve the needs of its clients Commerzbank has expanded its branch network in Slovakia and has established a branch in Kosice (2006). Commerzbank offices in Bratislava and Košice are the first contact address, which German firms use by entering the Slovak market and which local firms use if they aim to widen their ativities in Europe.

There are another companies operating on Slovak market, which are part of Commerzbank Group – mBank (subsidiary of BRE Bank) (2007) and Transfactor Slovakia (1996).

Report on Verifying Consistency of the Annual Report with the Financial Statements, as required by § 23 of Act No. 540/2007 Coll. (Addendum to the Auditor's Report)

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

We have audited the accompanying financial statements of COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky, Bratislava ("the Branch") at 31 December 2010 presented on pages 11–56, on which we issued an unqualified Auditor's Report on 9 March 2011 which is published on page 9.

In accordance with the Act No. 431/2002 Coll. on Accounting, as amended, we also verified whether accounting information included in the Company's annual report at 31 December 2010 is consistent with the audited financial statements referred to above.

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

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

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

We believe that the verification performed provides sufficient and appropriate basis for our opinion.

Opinion
In our opinion, the accounting information presented in the Company's annual report prepared for the year ended on 31 December 2010 is consistent, in all material respects, with the audited financial statements referred to above.

PricewaterhouseCoopers Slovensko, s.r.o

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

Ing. Eva Hupková
SKAU licence No. 672

Bratislava, 20 April 2011

Our report has been prepared in Slovak and in English languages. In all matters of interpretation of information, views or opinions, the Slovak language version of our report takes precedence over the English language version.

PricewaterhouseCoopers Slovensko, s.r.o., Námestie 1. mája 18, 815 32 Bratislava, Slovak Republic
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pwc

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 statement of financial position at 31 December 2010 and the statements of comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management 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 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about 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 controls 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 controls. 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 the Branch at 31 December 2010, its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Slovensko, s.r.o.
PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No.: 161
Date: 9 March 2011

Hupková
Eva Hupková
SKAU licence No.: 672

Slovenská komora audítorov
SKAU
Č. licencie 161
PricewaterhouseCoopers Slovensko, s.r.o.

Our report has been prepared in Slovak and in English languages. In all matters of interpretation of information, views or opinions, the Slovak language version of our report takes precedence over the English language version.

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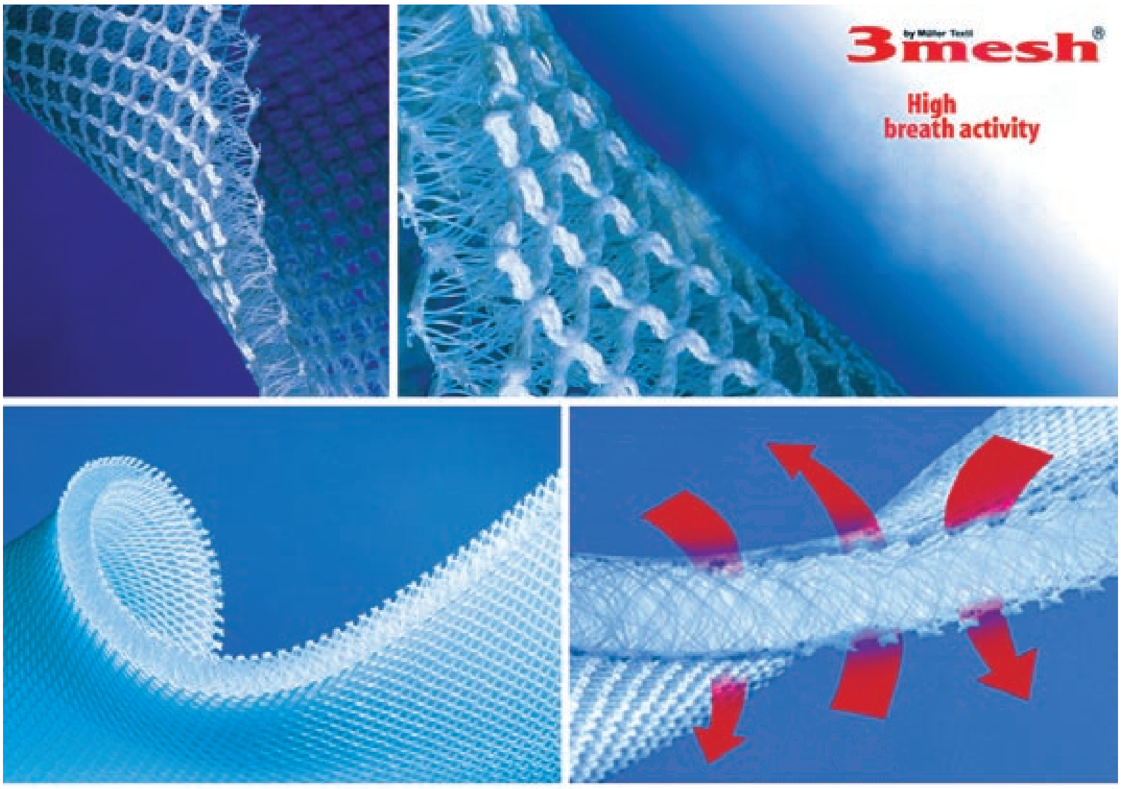


Financing for MULLER TEXTILES SLOVAKIA

After more than two years' effort, we have managed to re-enter the automotive industry – Müller Textil, a German group of companies, through both operating and investment financing of its Slovak subsidiary. We have started conservatively, with only a test volume. The subsidiary in Humenné, one of the most modern plants in the world, fabricating three-dimensional fabrics for automotive and furniture industry, has taken advantage of the recent economic crisis just as several other viable companies from this heavily affected industry. It continued its positive development without major problems, taking over contracts from weaker competitors, thus maintained its growth curve in line with positive economic results even in difficult times.

Štefan Košiar, Head of Košice Office

Financial statements

Statement of comprehensive income

		Year ended	
EUR thousands	**Note**	**31. 12. 2010**	**31. 12. 2009**
Interest and similar income	5.1	3 943	4 998
Interest expense and similar charges	5.2	(1 146)	(3 030)
Net interest income		**2 797**	**1 968**
Loan impairment charges	6	(2 549)	(817)
Net interest income after loan impairment charges		**248**	**1 151**
Fee and commission income	7.1	840	590
Fee and commission expense	7.2	(29)	(20)
Net fee and commission income		**811**	**570**
Net trading income	8	(10)	10
Personnel expenses	9	(611)	(634)
General and administrative expenses	11	(1 428)	(1 201)
Depreciation and amortisation expenses	10	(100)	(140)
Other operating expenses	12	(195)	(335)
Loss before income tax and distributions to Commerzbank head office		**(1 285)**	**(579)**
Income tax	13	(271)	(130)
Loss before distributions to Commerzbank head office		**(1 556)**	**(709)**
Distributions from/(to) Commerzbank head office		742	(733)
Increase/(Decrease) in net assets from loss attributable to Commerzbank head office		**596**	**(699)**
Remeasurement of net assets from loss attributable to Commerzbank head office		**(596)**	**699**
Net profit of the year attributable to Commerzbank head office		**-**	**-**
Total comprehensive income for the year attributable to Commerzbank head office		**-**	**-**

Statement of financial position

EUR thousands	Note	31. 12. 2010	31. 12. 2009
ASSETS			
Cash and balances with central banks	14	201	268
Loans to banks	15	28 003	45 002
Loans to customers	17	97 884	121 238
Derivative financial instruments	16	-	18
Intangible assets	18	85	103
Property, plant and equipment	19	82	113
Other assets	21	237	361
Total assets		**126 492**	**167 103**
LIABILITIES			
Deposits from banks	22	87 767	108 099
Due to customers	23	36 755	57 882
Derivative financial instruments	16	-	18
Current income tax liabilities	26	277	103
Deferred income tax liabilities	25	9	9
Provisions for liabilities and charges	27	694	328
Other liabilities	24	382	652
Net assets attributable to Commerzbank AG	30	608	12
Total liabilities		**126 492**	**167 103**

Statement of cash flows

		Year ended	
EUR thousands	**Note**	**31. 12. 2010**	**31. 12. 2009**
Loss before income tax and distributions to Commerzbank AG head office		**(1 285)**	**(579)**
Non-cash positions in net profit and adjustments to reconcile net profit with net cash provided by operating activities:			
Write-downs, depreciation, adjustments and changes in provisions	10, 17, 27	2 712	1 187
Change in other non-cash positions	8	-	20
Other adjustments (net interest and fee income)	5, 7	(3 608)	(2 538)
Sub-total		**(2 181)**	**(1 910)**
Change in assets and liabilities from operating activities after correction for non-cash components:			
Claims on customers		21 328	24 029
Other assets from operating activities		20	(14)
Liabilities to banks		(21 175)	(41 879)
Liabilities to customers		(21 127)	(375)
Other liabilities from operating activities		(305)	202
Fee and commission received		767	697
Interest received		3 709	5 802
Interest paid		(1 045)	(3 781)
Income tax paid		86	(560)
Translation to presentation currency, net of tax		-	-
Net cash provided by operating activities		**(19 923)**	**(17 789)**
Proceeds from the sale of:			
Property, plant and equipment and intangible assets	18, 19	10	-
Payments for the acquisition of:			
Property, plant and equipment	19	(51)	(46)
Net cash used by investing activities		**(41)**	**(46)**
Settlement of losses by Commerzbank head office		2 898	9
Net cash provided by financing activities		**2 898**	**9**
Net decrease in cash and cash equivalents		**(17 066)**	**(17 826)**
Cash and cash equivalents at the end of the previous period	28	45 270	63 096
Cash and cash equivalents at the end of the period	**28**	**28 204**	**45 270**

Notes to the financial statements

1 General Information

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

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

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

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

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

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

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

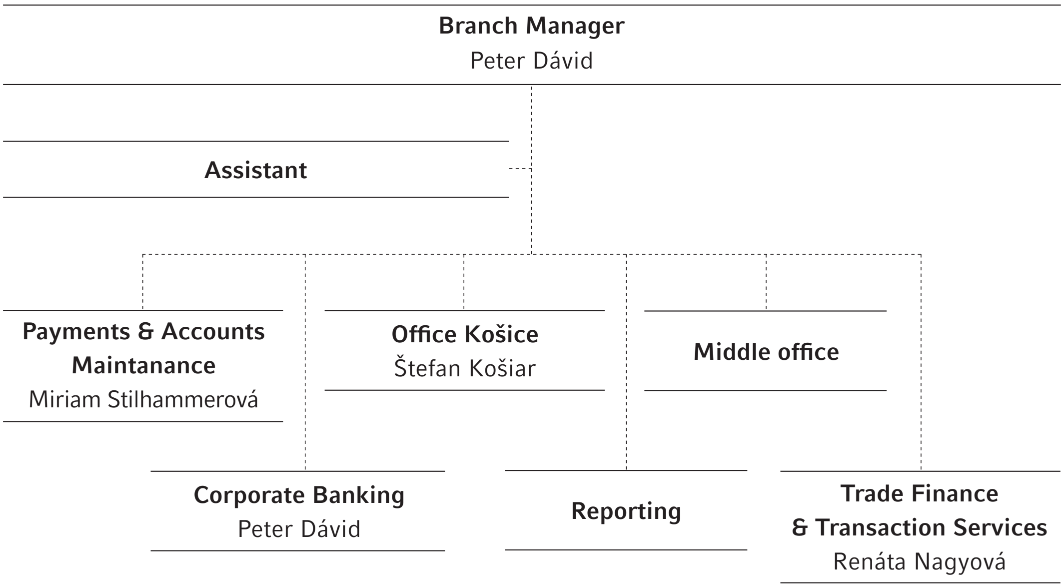
The average number of staff was 18 in 2010 (2009: 17).

The Branch is not a separate legal person and is not an unlimited liability partner in any other company.

These financial statements have been prepared on a going-concern basis as ordinary financial statements at 31 December 2010 and approved for issue by the Branch statutory representative on 9 March 2010 (ref. to Code of Accounting 431/2002 par. 17a). The financial statements as at 31 December 2009 have been approved by the management on 30 March 2010.

1.1 Statutory, supervisory, managing bodies and the organisation chart as at 31 December 2010

Name	Position
HEAD OF BRANCH:	
Peter Dávid, MBA	Head of Branch
GENERAL POWER OF REPRESENTATION:	
Miriam Stilhammerová	Proxy
Renata Nagyová, MBA	Proxy
BOARD OF DIRECTORS OF COMMERZBANK AG:	
Martin Blessing (since May 2008)	Chairman
Markus Beumer (since January 2008)	Member
Frank Annuscheit (since January 2008)	Member
Dr. Achim Kassow	Member
Dr. Stefan Schmittmann (since November 2008)	Member
Dr. Eric Strutz	Member
Michael Reuther	Member
Ulrich Sieber (since June 2009)	Member
Jochen Klösges (since June 2009)	Member
Martin Zielke (since November 2010)	Member
SUPERVISORY BOARD OF COMMERZBANK AG:	
Klaus-Peter Müller	Chairman
Uwe Tschäge	Deputy Chairman
Hans-Hermann Altenschmidt	Member
Dott. Sergio Balbinot	Member
Dr. Walter Seipp	Honorary Chairman
Mark Roach	Member
Astrid Evers	Member
Uwe Foullong	Member
Daniel Hampel	Member
Dr.-Ing. Otto Happel	Member
Sonja Kasischke	Member
Dr.-Ing. Burckhard Bergmann	Member
Karin van Brummelen	Member
Dr. Nikolaus von Bomhard	Member
Prof. Dr.-Ing.Dr.-Ing.E.h. Hans-Peter Keitel	Member
Prof. h.c. (CHN) Dr.rer.oec. Ulrich Middelmann	Member
Dr. H.c. Edgar Meister	Member
Alexandra Krieger	Member
Barbara Priester	Member
Dr. Marcus Schenck	Member
Dr. Helmut Perlet	Member



1.2 Shareholders information of Commerzbank Aktiengesellschaft as at 31 December 2010

	Shares of capital held
Institutional investors	52%
Government of Germany	25%
Allianz	10 %
Generali	5 %
Private investors	8 %

Stock exchange listings

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The Branch's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS) and in accordance with the Slovak Act on Accounting. Additional information required by national regulations is included where appropriate.

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

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

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

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

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

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

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

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

(a) Framework for preparation

The preparation of financial statements in conformity with EU IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Branch's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Branch's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(b) Standards effective for annual periods beginning on or after 1 January 2010

The following new standards and interpretations became effective for the Branch from 1 January 2010:
IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets should be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 did not have an impact on these financial statements.

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

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 requires 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 previous standard required the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary has to be measured at its fair value. IAS 27 did not have an impact on these financial statements.

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

Group Cash-settled Share-based Payment Transactions – Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments did not have a material impact on these financial statements.

Eligible Hedged Items–Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment did not have an impact on these financial statements.

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. In addition, the amendments clarifying classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary published as part of the Annual Improvements to International Financial Reporting Standards, which were issued in May 2008, are effective for annual periods beginning on or after 1 July 2009. The amendments did not have an impact on these financial statements.

Unless otherwise stated above, the amendments and interpretations did not have any significant effect on the Branch financial statements.

(c) New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2011 or later and which Branch has not early adopted.

Classification of Rights Issues – Amendment to IAS 32 (issued on 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The Branch does not expect the amendments to have an effect on its financial statements.

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Branch does not expect the amendments to have any material effect on its financial statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. The Branch does not expect IFRIC 19 to have an effect on its financial statements.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The Branch does not expect the amendments to have any material effect on its financial statements.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7, Financial Instruments: Disclosures. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The Branch does not expect the amendments to have any effect on its financial statements.

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Branch is considering the implications of the standard and analyzing possible impact and the timing of its adoption.

Disclosures-Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011.). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment is not expected to have any impact on the financial statements of the Branch.

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The Branch does not expect the amendments to have any material effect on its financial statements.

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

2.2 Foreign currency translation

(a) Functional and presentation currency

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

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

(b) Transactions and balances

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

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

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

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

2.3 Sale and repurchase agreements

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

2.4 Financial assets and financial liabilities

2.4.1 Financial assets

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

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

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

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

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

(b) Loans and receivables (LaR)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(b) those that the entity upon initial recognition designates as available for sales; or

(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

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

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

There was no asset classified as held-to-maturity (HTM) or as available-for-sale (AFS) during the years 2010 and 2009.

2.4.2 Financial liabilities

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

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

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

(b) Other liabilities measured at amortised cost

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

2.4.3 Determination of fair value

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

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

2.4.4 Derecognition

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

2.5 Classes of financial instruments

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

Classes vs categories as at 31 December 2010:

Classes / Categories UR thousand	FVPL trading	LAR	Other financial assets/ liabilities	Others assets/ liabilities	Total
Assets					
Cash and balances with central banks	-	**201**	-	-	201
Loans and advances to banks	-	**28 003**	-	-	28 003
Loans and advances to customers	-	**97 884**	-	-	97 884
Intangible assets	-	-	-	85	85
Property, plant and equipment	-	-	-	82	82
Other assets	-	-	112	125	237
Total assets	**-**	**126 088**	**112**	**292**	**126 492**
Liabilities					
Deposits from banks	-	-	87 767	-	87 767
Due to customers	-	-	36 755	-	36 755
Current income tax liabilities	-	-	-	277	277
Deferred income tax liabilities	-	-	-	9	9
Provisions for liabilities and charges	-	-	-	694	694
Other liabilities	-	-	232	150	382
Net assets attributable to Commerzbank AG	-	-	-	608	608
Total liabilities	**-**	**-**	**124 754**	**1 738**	**126 492**

Classes vs categories as at 31 December 2009:

Classes / Categories UR thousand	FVPL trading	LAR	Other financial assets/ liabilities	Others assets/ liabilities	Total
Assets					
Cash and balances with central banks	-	268	-	-	268
Loans and advances to banks	-	45 002	-	-	45 002
Loans and advances to customers	-	121 238	-	-	121 238
Derivative financial instruments	18	-	-	-	18
Intangible assets	-	-	-	103	103
Property, plant and equipment	-	-	-	113	113
Other assets	-	-	33	328	361
Total assets	**18**	**166 508**	**33**	**544**	**167 103**

Classes vs categories as at 31 December 2009:

Classes / Categories UR thousand	FVPL trading	LAR	Other financial assets/ liabilities	Others assets/ liabilities	Total
Liabilities					
Deposits from banks	-	-	108 099	-	108 099
Due to customers	-	-	57 882	-	57 882
Derivative financial instruments	18	-	-	-	18
Current income tax liabilities	-	-	-	103	103
Deferred income tax liabilities	-	-	-	9	9
Provisions for liabilities and charges	-	-	-	328	328
Other liabilities	-	-	524	128	652
Net assets attributable to Commerzbank AG	-	-	-	12	12
Total liabilities	**18**	**-**	**166 505**	**580**	**167 103**

2.6 Offsetting financial instruments

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

2.7 Interest income and expense

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

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

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

2.8 Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment and administration fees for the loans that are likely to be drawn down are deferred and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Branch has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

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

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

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

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

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

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

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

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

(b) Renegotiated loans

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

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. No non-financial assets were identified as impaired in 2010 and 2009.

2.11 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash and balances with central banks, obligatory minimum reserves and loans and advances to banks.

2.12 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets and valuation techniques (for example for swaps and currency transactions, including discounted cash flow models). All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2.13 Leases

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

The Branch is a lessee.

(a) operating lease

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

(b) finance lease

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

2.14 Staff costs, pensions and social fund

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

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

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

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

2.15 Property and equipment

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

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

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

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

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property, plant and equipment were impaired as at 31 December 2010 (2009: nil).

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

2.16 Intangible assets

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

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

2.17 Income tax

(a) Current income tax

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

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

(b) Deferred income tax

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

The principal temporary differences arise from depreciation of property and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions and tax loss carry-forwards.

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

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

2.18 Provisions

Provisions for legal claims are recognised when the Branch has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Branch recognises no provisions for future operating losses.

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

2.19 Financial guarantee contracts

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

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

2.20 Related parties

The Branch's related parties are considered to be the following:

- parties, of which the Branch is a subsidiary or an associate, directly or indirectly, and other subsidiaries and associates of these parties; and/or
- members of the Branch's or parent company's statutory and supervisory bodies and management and parties close to such members, including entities in which they have a controlling or significant influence; and/or
- Material transactions and outstanding balances with related parties

2.21 Net assets attributable to Commerzbank AG

As the Branch is part of the legal entity Commerzbank AG, there is a regular transfer of annual profit or loss at the request of Commerzbank AG. The amount is based on German GAAP profit or loss. Difference between total external assets and total external liabilities is considered to be a non-financial asset/liability. Consequently, net assets attributable to Commerzbank AG are remeasured at present value of redemption amount and considered as payable on demand, since the settlement is fully controlled by Commerzbank AG.

2.22 Comparatives

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

3 Financial risk management

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

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

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

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

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

3.1 Credit Risk

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

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

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

3.1.1 Credit risk measurement

Loans and advances (incl. loan commitments and guarantees)

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

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

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

The models are reviewed regularly.

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

(i) Probability of default

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

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

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

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

(ii) Exposure of default

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

(iii) Loss given default

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

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

3.1.2 Credit risk limit control and mitigation policies

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

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

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

(a) Collateral

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

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

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

(b Lending limits (for derivative and loan books)

The Branch maintains strict control limits on net open derivative positions (i.e. the difference between purchase and sale contracts), by both amount and term. The amount subject to credit risk is limited to expected future net cash inflows of instruments, which in relation to derivatives are only a fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements.

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

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Branch is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards (often referred to as financial covenants).

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

3.1.3 Impairment and provisioning policies

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

a) Specific loan loss provision (SLLP)

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

b) General loan loss provisions (GLLP)

The loan portfolio comprises all on-balance transactions as well as financial guarantees and other liabilities (e.g.

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

1. There is no objective indication of impairment from the outset.
2. An objective indication of impairment exists, but individual investigation yields the result that the loan must be assessed as being non-impaired.

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

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

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

Credit risk exposures relating to on-balance sheet and off-balance sheet assets are as follows:

EUR thousand	Maximum exposure	
Class	**31. 12. 2010**	**31. 12. 2009**
Cash and balances with central banks	**201**	**268**
Loans to banks	28 003	45 002
- Nostro accounts and other balances	547	1 102
- Term loans	25 289	43 864
- Cash in transit	2 167	36
Loans to customers	97 884	121 238
- Commercial loans (after allowance for impairment)	80 893	93 166
- Overdrafts	16 956	17 377
- Term loans	-	10 673
- Cash in transit	35	22
Derivative financial instruments	-	18
Other assets	237	361
Total on-balance sheet assets	**126 325**	**166 887**
Loan commitments	80 569	70 749
Guarantees and standby letters of credit	22 909	15 784
Total	**229 803**	**253 420**

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

The table above represents a worse case scenario of credit risk exposure to the Branch at 31 December 2010 and 2009, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

3.1.5 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following tables break down the Branch's main credit exposures at their carrying amount (without taking into account any collateral held or other credit support), as categorised by geographical regions as of 31 December 2010. For this table, the Branch has allocated exposures to regions based on the country of domicile of counterparties. For on-balance-sheet assets, the exposures set out below are based on net carrying amounts as reported in the statement of financial position.

Financial assets as at 31 December 2010:

EUR thousand	Slovakia	European Union	Other countries	Total
Cash and balances with central banks	143	16	42	201
Loans and advances to banks	109	27 768	126	28 003
- Nostro accounts and other balances	108	313	126	547
- Term loans	-	25 289	-	25 289
- Cash in transit	1	2 166	-	2 167
Loans and advances to customers	97 883	-	1	97 884
- Overdrafts	16 956	-	-	16 956
- Commercial loans (after allowance for impairment)	80 893	-	-	80 893
- Cash in transit	35	-	-	35
Other financial assets	111	-	1	112
Total	**98 246**	**27 784**	**170**	**126 200**
Loan commitments	80 569	-	-	80 569
Guarantees and standby letters of credit	9 127	13 666	116	22 909

Financial assets as at 31 December 2009:

EUR thousand	Slovakia	European Union	Other countries	Total
Cash and balances with central banks	232	8	28	268
Loans and advances to banks	107	44 775	120	45 002
- Nostro accounts and other balances	71	911	120	1 102
- Term loans	-	43 864	-	43 864
- Cash in transit	36	-	-	36
Loans and advances to customers	121 236	2	-	121 238
- Overdrafts	17 377	-	-	17 377
- Commercial loans (after allowance for impairment)	93 166	-	-	93 166
- Term loans	10 673	-	-	10 673
- Cash in transit	20	2	-	22
Derivative financial instruments	-	18	-	18
Other financial assets	32	-	1	33
Total	**121 607**	**44 803**	**149**	**166 559**
Loan commitments	70 749	-	-	70 749
Guarantees and standby letters of credit	10 965	4 786	33	15 784

(b) Industry sectors

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

Financial assets as at 31 December 2010:

EUR thousand	Financial Institution	Leasing	Other Financial Companies	Manufacturing	Other Industries & Individuals	Total
Loans and advances to banks	28 003	-	-	-	-	28 003
- Nostro accounts and other balances	547	-	-	-	-	547
- Term loans	25 289	-	-	-	-	25 289
- Cash in transit	2 167	-	-	-	-	2 167
Loans and advances to customers	-	13 481	29 620	12 845	41 937	97 883
- Overdrafts	-	99	3 209	10 761	2 887	16 956
- Commercial loans (after allowance for impairment)	-	13 382	26 411	2 084	39 015	80 892
- Cash in transit	-	-	-	-	35	35
Other financial assets	-	-	-	-	112	112
Total	**28 003**	**13 481**	**29 620**	**12 845**	**42 049**	**125 998**
Loan commitments	-	3 808	5 660	64 091	7 010	80 569
Guarantees and standby letters of credit	13 781	26	-	3 886	5 216	22 909

Cash and balances with central bank are not included.

Financial assets as at 31 December 2009:

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

Cash and balances with central bank are not included.

3.1.6 Financial assets

Financial assets as at 31 December 2010:

EUR thousand	Loans and advances to banks	Loans and advances to customers	Cash and other receivables	Derivative financial instruments	Total
Financial assets:					
Neither past due nor impaired	28 003	96 049	313	-	124 365
Impaired	-	5 419	-	-	5 419
GLLP – Loan loss provisions	-	(183)	-	-	(183)
SLLP – Loan loss provisions	-	(3 401)	-	-	(3 401)
Total	**28 003**	**97 884**	**313**	**-**	**126 200**

Financial assets as at 31 December 2009:

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

The total impairment charge for loans and advances is EUR 3 584 thousand (2009: EUR 1 324 thousand) of which EUR 3 401 thousand (2009: EUR 810 thousand) represent the impairment charged to individually impaired loans and the remaining amount of EUR 183 thousand (2009: EUR 514 thousand) represent the portfolio allowance. Further information on the impairment allowance for loans and advances to banks and to customers is provided in Notes 15 and 17.

a) Loans neither past due nor impaired

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

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

EUR thousand	31 December 2010			
	Nostro/Loro	Cash in transit	Term loans	Moody's/S&P
Related parties:				
of which: Commerzbank, Prague Branch	286	-	25 289	Aa3 / A
Commerzbank, New York Branch	50	-	-	Aa3 / A
Commerzbank, Budapest	8	-	-	Aa3 / A
Commerzbank, Frankfurt	-	2 166	-	Aa3 / A
BRE Bank S.A., Warsaw	20	-	-	Baa1 /
Other banks:				
Unicredit Bank Slovakia, a.s.	82	-	-	A3 / -
Tatrabanka, a.s.	26	-	-	A2 /
HSBC Bank PLC London	28	-	-	Aa2 / AA
Credit Suisse Zurich	47	-	-	Aa2 / A
Cash in transit:	-	1	-	-
Total	**547**	**2 167**	**25 289**	

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

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

At 31 December 2010

EUR thousand	Loans neither past due nor impaired					
		To customers				
Internal rating scale	Overdrafts	Commercial Loans	Term Loans	Other receivable	Total Loans to customers	Derivative financial instruments
Investment grade	3 878	62 000	-	-	65 878	-
Non-investment grade	10 823	19 288	-	-	30 111	-
Default – restructured and fully collateralised	25	-	-	35	60	-
Total	**14 726**	**81 288**	**-**	**35**	**96 049**	**-**

As at 31 December 2010, the Branch had no loans to banks that would be internally rated.

At 31 December 2009

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

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

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

For description of collateral see Note 3.1.2.

b) Financial assets past due but not impaired

The Branch did not hold any loans or receivables past due but not impaired at 31 December 2010 and 2009.

c) Loans individually impaired

Loans individually impaired	31.12.2010	31.12.2009
Brutto:	**5 419**	**1 976**
of which: overdrafts	2 231	488
commercial loans	3 188	1 488
SLLP – loan loss provisions	(3 401)	(810)
Total	**2 018**	**1 166**

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

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

EUR thousand	31. 12. 2010	31. 12. 2009
Land and buildings	358	362
Charges over business assets – technology	267	-
Charges over business assets – supplies	551	-
Charges over business assets – receivables	348	-
Total	**1524**	**362**

d) Loans and advances renegotiated

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

Loans and advances renegotiated	2010	2009
Non-impaired after restructuring – would otherwise have been impaired	-	3 383
Total	**-**	**3 383**

There were no restructured loans during 2010 (2009: EUR 3 383 thousand).

3.2 Market risk

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

3.2.1 Market risk measurement techniques

(a) Value at risk – VaR

The Branch applies a value at risk (VAR) methodology to its portfolios to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value for risk that may be accepted, which are monitored on a daily basis.

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

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

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

(b) stress testing

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. Branch measures both the VaR and Stress Test to better quantify the Risk.

VaR figures and Stress Test results are reported on a Daily basis to the Management and Commerzbank AG Treasury. In 2010 and 2009 the Stress Test Risk never exceeded the Branch's limit of 400 thousand EUR. The average utilization was 6.51% for the year. (2009: 3.9%)

3.2.2 VaR Summary for 2010 and 2009

EUR thousand	12 months at 31 December 2010		
	Average	Maximum	Minimum
Foreign exchange risk	1	5	1
Interest rate risk	5	11	3

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

3.2.3 Foreign exchange risk

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

3.2.4 Interest rate risk

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

3.3 Liquidity risk

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

3.3.1 Liquidity risk management process

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

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

3.3.2 Funding approach

Sources of liquidity are regularly reviewed by a separate team.

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

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

At 31 December 2010

EUR thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets						
Deposits in banks	26 962	1 041	-	-	-	28 003
Due from customers	31 672	50 491	3 636	8 979	3 106	97 884
Other assets	112	-	-	-	-	112
Total balance sheet assets	**58 746**	**51 532**	**3 636**	**8 979**	**3 106**	**125 999**
Total off-balance sheet items	**151**	**-**	**-**	**-**	**-**	**151**
Total	**58 897**	**51 532**	**3 636**	**8 979**	**3 106**	**126 150**

At 31 December 2009

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

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

At 31 December 2010

EUR thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Liabilities						
Deposits from banks	21 476	51 285	1 376	12 648	1 970	88 755
Due to customers	35 699	1 045	11	5	-	36 760
Net assets attributable to Commerzbank AG	608	-	-	-	-	608
Other liabilities	232	-	-	-	-	232
Total balance sheet liabilities	**58 015**	**52 330**	**1 387**	**12 653**	**1 970**	**126 355**
Total off-balance sheet items	**19 518**	**7 166**	**6 053**	**70 883**	**8**	**103 628**
Total	**77 533**	**59 496**	**7 440**	**83 536**	**1 978**	**229 983**

At 31 December 2009

EUR thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Liabilities						
Deposits from banks	64 848	23 400	7 462	11 356	2 085	109 151
Due to customers	57 360	495	12	20	-	57 887
Net assets attributable to Commerzbank AG	-	-	-	12	-	12
Other liabilities	524	-	-	-	-	524
Total balance sheet liabilities	**122 732**	**23 895**	**7 474**	**11 388**	**2 085**	**167 574**
Total off-balance sheet items	**22 116**	**14 357**	**6 415**	**43 742**	**53**	**86 683**
Total	**144 848**	**38 252**	**13 889**	**55 130**	**2 138**	**254 257**

3.3.4 Liquidity ratio

The Branch is obliged to adhere to NBS regulations regarding the liquidity, namely to ratio of liquid assets (sum of liquid assets to sum of volatile liabilities). The ratio as per 31 December 2010 reached value of 1,93 (2009: 1,77).

3.3.5 Commitments and contingent liabilities

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

At 31 December 2010

EUR thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	EUR thousand
Loan commitments	17 603	6 073	1 968	54 925	-	80 569
of which: non-cancellable	1 000	4 022	840	54 897	-	60 759
Guarantees and standby letters of credit	1 765	1 093	4 085	15 958	8	22 909
Total	**19 368**	**7 166**	**6 053**	**70 883**	**8**	**103 478**

At 31 December 2009

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

3.4 Fair values of financial assets and liabilities

(a) Fair value hierarchy

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

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

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

(b) Financial instruments not measured at fair value

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

EUR thousand 31. 12. 2010	Carrying value	Fair value
Financial Assets		
Loans to banks	28 003	28 006
Loans to customers	97 884	97 855
Financial liabilities		
Deposits from banks	87 767	87 945
Due to customers	36 755	36 757

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

Fair value recognition is determined by different type and quality of market information. Fair value of financial instruments is determined by using own valuation techniques.

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

(i) Due from other banks

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

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

(ii) Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates plus credit spread to determine fair value (from 0.4% to 6.9% p.a.).

(iii) Deposits and borrowings

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

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

(c) Financial instruments measured at fair value

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

See Notes 2.4 and 2.12

3.4.1 Financial assets and liabilities not measured at fair value

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

EUR thousand	At 31 December 2010					
	Carrying Value	Fair Value				
		Loans & advances to banks	Loans & advances to customers	Cash & balances with central banks	Other financial assets	Total
Financial assets						
Loans and receivables(LAR)	126 200	28 006	97 855	201	112	126 174

	Carrying Value	Fair Value			
		Deposits from banks	Due to customers	Other financial liabilities	Total
Financial liabilities					
Financial liabilities at amortised cost	124 754	87 946	36 758	232	124 936

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

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

3.5 Capital management

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

4 Critical accounting estimates and judgments

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

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

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

(a) Impairment losses on loans

The Branch reviews its loan portfolio to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Branch makes judgments as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan. This evidence may include observable data indicating that there has been a adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group of loans.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. If the net present value of estimated cash flows of loans assessed individually for impairment changes by 5%, the provision would change by EUR 89 thousand at 31 December 2010 (2009: 59 thousand EUR). If the net present value of estimated cash flows of loans assessed on a portfolio basis for impairment changes by 5%, the provision would change by EUR 29 thousand at 31 December 2010 (2009: 30 thousand EUR).

5 Net interest income

5.1 Interest income

EUR thousand	31. 12. 2010	31. 12. 2009
Loans and advances:	**3 921**	**4 946**
- to banks	70	314
- to customers	3 851	4 632
Reverse repos	-	6
Placements with central banks	22	46
Total interest income	**3 943**	**4 998**

The interest income for years 2010 and 2009 was realized from category of loans and receivables. Interest income includes 462 thousand EUR (2009: 69 thousand EUR) of interest income accrued on impaired financial assets.

5.2 Interest expense

EUR thousand	31. 12. 2010	31. 12. 2009
Deposits from banks	1 113	2 786
Due to customers	33	244
Total interest expense	**1 146**	**3 030**
Interest expenses from financial leases	2	2

6 Loan impairment charges

EUR thousand	31. 12. 2010	31. 12. 2009
Loan impairment charges		
Increase of impairment	**3 183**	**888**
of which:		
Allocation of provision for loan impairment – SLLP	2 857	810
Allocation of provision for loan impairment – GLLP	-	60
Allocation of provision for liabilities and charges – financial guarantees	-	12
Allocation of provision for liabilities and charges – non-cancellable loan commitments	326	4
Allocation of provision for liabilities and charges – guarantees	-	2
Directly written off loans and receivables	**-**	**1**
Reversal of impairment	**(634)**	**(72)**
of which:		
Release of provision for loan impairment – GLLP	(331)	(2)
Release of provision for loan impairment – SLLP	(267)	-
Release of provision for liabilities and charges - cancellable loan commitments	(8)	(67)
Release of provision for liabilities and charges – letters of credit	-	(3)
Release of credit risk guarantee	(28)	-
Total loan impairment charges	**2 549**	**817**

7 Net fee and commission income

7.1 Fee and commission income

EUR thousand	31. 12. 2010	31. 12. 2009
Payment transactions	444	329
Credit related fees and commissions	20	20
Guarantees	185	106
Documentary business	104	68
Other fees	87	67
Total	**840**	**590**

7.2 Fee and commission expense

EUR thousand	31. 12. 2010	31. 12. 2009
Intercompany fees	16	-
Bank charges to the NBS	12	18
Payment transactions	1	2
Total	**29**	**20**

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

EUR thousand	31. 12. 2010	31. 12. 2009
Foreign exchange:		
- translation gains less losses of trading assets and liabilities from open deals	-	(20)
- translation gains less losses of trading assets and liabilities from matured deals	-	1
- transaction gains less losses	(10)	29
Net gain / (loss)	**(10)**	**10**

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

9 Personnel expenses

EUR thousand	31. 12. 2010	31. 12. 2009
Wages and salaries	466	498
Social security costs	145	136
Total	**611**	**634**

In 2010 EUR 1 thousand as regular contributions were made to the supplementary pension scheme (2009: EUR 1 thousand) and EUR 98 thousand as contributions to state pension scheme (2009: EUR 89 thousand).

10 Depreciation and amortisation

EUR thousand	31. 12. 2010	31. 12. 2009
Depreciation of property, plant and equipment	59	59
Amortisation of software	41	81
Total	**100**	**140**

11 General and administrative expenses

EUR thousand	31. 12. 2010	31. 12. 2009
Outsourced back-office activities	699	439
Head office charges	236	250
IT operating and project costs	64	89
Advisory and consultancy services	66	82
Advertising and public relations	53	43
Other services	86	91
Other	224	207
Total	**1 428**	**1 201**

In 2010, the other administrative expenses from transactions with related parties were EUR 974 thousand (2009: EUR 693 thousand).

In 2010 the costs for audit were EUR 36 thousand (in 2009: EUR 39 thousand) and for tax advisory provided by the auditing company EUR 9 thousand (in 2009: EUR 14 thousand).

12 Other operating expenses

EUR thousand	31. 12. 2010	31. 12. 2009
Operating lease rentals expense	104	104
Provisions for potential liability	91	231
Total	**195**	**335**

13 Income tax expense

EUR thousand	31. 12. 2010	31. 12. 2009
Current taxes on income for the reporting period	277	103
Current taxes referring to previous periods	(6)	26
Total current tax	**271**	**129**

EUR thousand	31. 12. 2010	31. 12. 2009
Deferred tax (Note 25)	-	1
Total deferred tax	**-**	**1**
Income tax expense	**271**	**130**

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

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

EUR thousand	31. 12. 2010	31. 12. 2009
Tax calculated at 19 %	**(244)**	**(110)**
Tax effects of:		
– Income not subject to tax	(121)	(21)
– Expenses not deductible for tax purposes	642	235
Adjustment in respect of prior years	(6)	26
Tax charge	**271**	**130**

14 Cash and balances with central banks

EUR thousand	31. 12. 2010	31. 12. 2009
Cash in hand	200	266
Mandatory deposits reserve with NBS	1	2
Total	**201**	**268**

Cash in hand is non-interest-bearing. The yield on mandatory deposits reserve was 1.00% p.a. at the end of 2010 and 2009.

15 Loans and advances to banks

EUR thousand	31. 12. 2010	31. 12. 2009
Loans and advances to banks:		
- Term loans	25 289	43 864
- Nostro accounts and other balances	547	1 102
Cash in transit	2 167	36
Total	**28 003**	**45 002**
Current	28 003	45 002

16 Derivative financial instruments

The Branch uses the following derivative instruments:

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

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

There were no open derivative positions as at 31 December 2010.

31. 12. 2009	Contract/ notional amount	Fair values	
EUR thousand		Assets	Liabilities
Currency swaps	383	18	18
Total derivatives	**383**	**18**	**18**
Current		18	18

17 Loans to customers

EUR thousand	31. 12. 2010	31. 12. 2009
Loans to customers	97 884	121 238
- Commercial loans	80 893	93 166
- Overdrafts	16 956	17 377
- Term loans	-	10 673
- Cash in transit	35	22
Gross loans and advances	101 468	122 562
Less: allowance for impairment (GLLP)	(183)	(514)
allowance for impairment (SLLP)	(3 401)	(810)
Net	**97 884**	**121 238**
Current	85 799	105 751
Non-current	12 085	15 487

Allowance for impairment

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

	SLLP	GLLP
Balance at 1 January 2010	**810**	**514**
Release of provision for loan impairment	(266)	(331)
Allocation of provision for loan impairment	2 857	-
Balance 31 December 2010	**3 401**	**183**

18 Intangible assets

EUR thousand	Software acquired	Assets not yet available for use	Total
NBV at 1 January 2010	103	-	103
Additions	-	24	24
Amortisation	(42)	-	(42)
NBV at 31 December 2010	**61**	**24**	**85**
Balance at 31 December 2010			
Acquisition cost	522	24	546
Accumulated amortisation	(461)	-	(461)
Net book amount	**61**	**24**	**85**

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

19 Property, plant and equipment

EUR thousand	Computer equipment	Leasehold improvement	Furniture	Safes	Assets not yet available for use	Financial lease assets	Total
NBV at 1 January 2010	**35**	**4**	**7**	**10**	**-**	**57**	**113**
Additions	9	-	3	11	5	-	28
Disposals	(10)	-	-	-	-	-	(10)
Depreciation	(15)	(4)	(4)	(2)	-	(24)	(49)
NBV at 31 December 2010	**19**	**-**	**6**	**19**	**5**	**33**	**82**
Balance at 31 December 2010							
Acquisition cost	170	94	128	38	5	155	590
Accumulated depreciation	(151)	(94)	(122)	(19)	-	(122)	(508)
Net book amount	**19**	**-**	**6**	**19**	**5**	**33**	**82**
NBV at 1 January 2009	**58**	**10**	**11**	**13**	**-**	**48**	**140**
Additions	3	-	1	-	-	28	32
Depreciation	(26)	(6)	(5)	(3)	-	(19)	(59)
NBV at 31 December 2009	**35**	**4**	**7**	**10**	**-**	**57**	**113**
Balance at 31 December 2009							
Acquisition cost	262	94	125	27	-	156	664
Accumulated depreciation	(227)	(90)	(118)	(17)	-	(99)	(551)
Net book amount	**35**	**4**	**7**	**10**	**-**	**57**	**113**

19.1 Insurance

The insurance of non-current tangible assets is part of the International Insurance Programme for Property Insurance of COMMERZBANK AG concluded in Slovakia. It includes the insurance of the Branch's own non-current tangible assets, low value non-current tangible assets, office equipment, and a set of electronic equipment with the total insured value of approximately EUR 432 thousand (2009: EUR 432 thousand). The insurance covers the compensation for damages caused by:

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

At the same time, the Branch has also insured leased tangible assets (cars covered by both general liability and accident insurance). The insurance premium totals about EUR 5 thousand per annum (2009: EUR 5 thousand).

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

20 Leases

20.1 Financial leases

Net book value of the property and equipment (cars and copy machine) acquired under the financial leasing was EUR 34 thousand at 31 December 2010 (2009: EUR 58 thousand). The liabilities from financial leasing are reported within due to customers (note 23).

Break down of finance lease liabilities:

At 31 December 2010

EUR thousand	Minimum lease payments	Present value of the minimum lease payments
No later than 1 year	15	15
Later than 1 year and no later than 5 years	5	4
Total	**20**	**19**

At 31 December 2009

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

20.2 Operating leases

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

At 31 December 2010

EUR thousand	31. 12. 2010	31. 12. 2009
No later than 1 year	142	119
Later than 1 year and no later than 5 years	21	41
Total	**163**	**160**

21 Other assets

EUR thousand	31. 12. 2010	31. 12. 2009
Financial assets – LAR	**112**	**33**
of which: Accrued income	102	22
Vouchers	10	11
Non-financial assets	**125**	**328**
of which: Prepayments	13	22
Payments in advance to the tax authority	97	280
Other	15	26
Total	**237**	**361**

There were no assets overdue at 31 December 2010 and 2009.

22 Deposits from banks

EUR thousand	31. 12. 2010	31. 12. 2009
Current accounts	1 220	383
Term deposits	86 544	107 401
NBS clearing settlement	3	17
Cash in transit	-	298
Total	**87 767**	**108 099**
Current	73 984	95 545
Non-current	13 783	12 554

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

23 Due to customers

EUR thousand	31. 12. 2010	31. 12. 2009
Current accounts	21 046	13 985
Term deposits	15 488	43 864
Other liabilities to customers and temporary items	221	33
Total	**36 755**	**57 882**
Current	36 751	57 863
Non-current	4	19

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

24 Other liabilities

EUR thousand	31. 12. 2010	31. 12. 2009
Other financial liabilities	**232**	**524**
of which: Accruals	227	249
Other	5	275
Other non- financial liabilities	**150**	**128**
Total	**382**	**652**
Current	382	652

There were no Other liabilities overdue.

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

EUR thousand	2010	2009
Opening balance at 1 January	**1**	**2**
Release	(3)	(3)
Allocation	3	2
Closing balance at 31 December	**1**	**1**

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

25 Deferred income tax assets and liabilities

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

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 19% (2009: 19%).

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

EUR thousand	2010	2009
At 1 January		
Statement of comprehensive income charge	-	1
At 31 December	**-**	**1**

Deferred income tax is attributable to the following items:

EUR thousand	31. 12. 2010	31. 12. 2009
Deferred income tax assets		
- leasing	(1)	-
Deferred income tax liabilities		
- leasing	-	1
- depreciation	9	8
Total	**8**	**9**

EUR thousand	31. 12. 2010	31. 12. 2009
Deferred income tax assets		
- Deferred tax assets to be recovered after more than 12 months	1	-
- Deferred tax assets to be recovered within 12 months	-	-
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	11	11
- Deferred tax liability to be recovered within 12 months	(2)	(2)

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

EUR thousand	31. 12. 2010	31. 12. 2009
- leasing	(1)	(1)
- depreciation	1	-
Total	**-**	**(1)**

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

26 Current income tax liabilities

EUR thousand	31. 12. 2010	31. 12. 2009
- Current income tax liabilities	277	103
Total	**277**	**103**

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

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

27 Provisions for liabilities and charges

EUR thousand	31. 12. 2010	31. 12. 2009
Financial guarantees provision	14	42
Non-cancellable loan commitments provision	339	13
Cancellable loan commitments provision	34	42
Provisions for potential liability	307	231
Total	**694**	**328**

Movements in financial guarantees provisions were as follows:

Balance at 1 January 2010	42
Release	(28)
Balance 31 December 2010	**14**

There were no movements in letters of credit provisions in 2010.

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

Balance at 1 January 2010	13
Allocation	326
Balance 31 December 2010	**339**

Movements in cancellable loan commitments provisions were as follows:

Balance at 1 January 2010	42
Release	(8)
Balance 31 December 2010	**34**

Movements in provisions for potential liability were as follows:

Balance at 1 January 2010	231
Allocation	76
Balance 31 December 2010	**307**

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

28 Cash and cash equivalents

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

EUR thousand	31. 12. 2010	31. 12. 2009
Cash	200	266
Balances with central banks	1	2
Due from other banks	28 003	44 966
Cash in transit	-	36
Total	**28 204**	**45 270**

The calculation of minimal reserves in 2009 has been changed since Slovakia's entered into Eurozone. The applications of new rules for minimum reserves are directed in accordance with Regulation (EC) No 1745/2003 of the European Central Bank. The base for calculation of minimum reserves are deposits due to customers and banks and debt securities issued. Reserve ratio of 0% is applying for deposits, debt securities, repos with agreed maturity date over two years. A reserve ratio of 2.0% shall apply to all other liabilities included in the reserve base.

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

The average daily balance for period from 8 December 2010 to 18 January 2011 was required at a level of EUR 2 011 thousand per day. The actual balance as at 31 December 2010 was EUR 1 thousand (see Note 14). Cumulated volume of obligatory reserves for the last period in 2010 was EUR 84 456 thousands (2 011* 42 days). Actual cumulated volume of obligatory reserves was EUR 84 456 thousands.

29 Contingent liabilities and commitments

At 31 December 2010, the Branch had the following contractual amounts of off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:

EUR thousand	Fair value 31. 12. 2010	Carrying value 31. 12. 2010	Fair value 31. 12. 2009	Carrying value 31. 12. 2009
Loan commitments	-	80 569	-	70 749
Guarantees	(7)	22 876	(14)	15 751
Standby letters of credit	-	33	1	33
Total	**(7)**	**103 478**	**(13)**	**86 533**

30 Related-party transactions and balances

The following table shows the balances with other entities of the group and the rest of Bank. All of them are entities under common control.

EUR thousand		31. 12. 2010 parent	31. 12. 2010 subsidiaries	31. 12. 2009 parent	31. 12. 2009 subsidiaries
Loans and advances to banks		**27 791**	**28**	**44 773**	**11**
- Nostro accounts and other balances		2 503	28	909	11
of which:	Commerzbank, Prague Branch	286	-	157	-
	Commerzbank, Frankfurt	2 167	-	742	-
	Commerzbank, New York Branch	50	-	10	-
	BRE Bank S.A., Warsaw	-	20	-	11
	Commerzbank (Budapest) R.t., Budapest	-	8	-	-
- Term loans		25 288	-	43 864	-
of which:	Commerzbank, Prague Branch	25 288	-	43 864	-
Deposits from banks		**87 735**	**30**	**107 735**	**348**
- Current accounts		1 190	30	35	348
of which:	Commerzbank, Prague Branch	1	-	1	-
	Commerzbank, Frankfurt	1 189	-	34	-
	BRE Bank S.A., Warsaw	-	30	-	338
	Commerzbank (Budapest) R.t., Budapest	-	-	-	10
- Term deposits		86 545	-	107 402	-
of which:	Commerzbank, Prague Branch	86 545	-	107 402	-
- Cash in transit		-	-	298	-
of which:	Commerzbank, Frankfurt	-	-	298	-
Derivative financial instruments		**-**	**-**	**18**	**-**
of which:	Commerzbank, Prague Branch – assets	-	-	18	-
Other liabilities		**48**	**-**	**83**	**-**
of which:	Commerzbank, Prague Branch	48	-	56	-
	Commerzbank, Frankfurt	-	-	27	-
Net assets attributable to Commerzbank AG		**608**	**-**	**12**	**-**
of which:	Commerzbank, Frankfurt	608	-	12	-
Guarantees received		**13 506**	**100**	**4 506**	**250**
of which:	Commerzbank, Essen	4 000	-	2 000	-
	Commerzbank,Stuttgart	800	-	800	-
	Commerzbank (Budapest) R.t., Budapest	-	100	-	250
	Commerzbank, Düsseldorf	8 706	-	1 706	-

EUR thousand		31. 12. 2010 affiliated	31. 12. 2009 affiliated
Loans and advances to customers		**14 960**	**13 085**
Transfactor a.s.			
of which:	Overdrafts	3 209	2 353
	Commercial loans	11 751	59
	Term loans	-	10 673
Loan commitments		**1 638**	**14 184**
Transfactor a.s		1 638	14 184

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

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

EUR thousand		31. 12. 2010 parent	31. 12. 2010 subsidiaries	31. 12. 2009 parent	31. 12. 2009 subsidiaries
Interest income		**69**	**-**	**308**	**547**
of which:	Commerzbank, Prague Branch	69	-	299	-
	Commerzbank, Frankfurt	-	-	8	-
	Commerzbank, Paris Branch	-	-	1	-
Interest expense		**1 111**	**2**	**2 781**	**5**
of which:	Commerzbank, Prague Branch	1 004	-	2 686	-
	Commerzbank, Frankfurt	106	-	94	-
	BRE Bank S.A., Warsaw	-	1	-	2
	Commerzbank, New York Branch	1	-	1	-
	Commerzbank (Budapest) R.t., Budapest	-	1	-	3
Fee and commission income		**79**	**-**	**64**	**6**
of which:	Commerzbank, Frankfurt	79	-	64	-
Fee and commission expense		16	-	-	-
of which:	Commerzbank, Frankfurt	16	-	-	-
General and administrative expenses		974	-	693	-
of which:	Commerzbank, Frankfurt	275	-	254	-
	Commerzbank, Prague Branch	699	-	439	-
Other operating expenses		-	-	7	-
of which:	Commerzbank, Prague Branch	-	-	7	-

EUR thousand	31. 12. 2010 affiliated	31. 12. 2009 affiliated
Interest income	**252**	**547**
Transfactor a.s.	252	547
Fee and commission income	**1**	**6**
Transfactor a.s.	1	6

In 2010 the statutory representatives of the Branch were paid wages and salaries of EUR 129 thousand (2009: EUR 160 thousand), social and health insurance paid by the Branch amounted to EUR 20 thousand (2009: EUR 20 thousand). The statutory representatives of the Branch include its director and proxy holders (as at 31 December 2010 and 31 December 2009: 3 employees).

Administrative expenses

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

31 Events after the date of the statement of financial position

There have been no post-balance-sheet events that would require adjustment to or disclosure in the financial statements for the year ended 31 December 2010.

....

Name and signature of the Branch's statutory representative

....

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

....

Name and signature of the person responsible for accounting

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