

Partnership is not just a word



Annual report for the year 2009

Contents

4 – 5

Management Report

4 2009 Bank Management Report

6 – 9

Commerzbank AG

6 Commerzbank worldwide
7 Commerzbank in the Czech Republic
8 General Managers, Heads of departments

10 – 11

Independent auditor's report

10 Independent auditor's report on the Annual report
11 Independent auditor's report on the financial statements

13 – 40

Financial statements

13 Balance sheet as at 31 December 2009
14 Off-balance sheet as at 31 December 2009
15 Income statement for the year ended 31 December 2009
17 Notes to the financial statements
17 1 General information
17 2 Accounting policies
21 3 Cash and deposits with central banks
21 4 Due from banks
22 5 Due from customers
23 6 Debt Securities
24 7 Long term intangible and tangible fixed assets
25 8 Other assets
25 9 Allowances, provisions and write offs
26 10 Due to banks
27 11 Due to customers
27 12 Other liabilities
27 13 Equity and profit distribution
28 14 Contingencies and commitments
29 15 Interest receivable and similar income
30 16 Interest payable and similar expense
30 17 Fee and commission income
30 18 Fee and commission expense
30 19 Gains less losses from financial transactions
30 20 Other operating income
31 21 Administrative expenses
31 22 Taxation
32 23 Financial risks
40 24 Subsequent events

2009 Bank Management Report

»Last year posed a great challenge for the Commerzbank AG, Prague Branch. Despite the economic environment, we further expanded our position in cross-border bank services for Czech exporters in 2009 – relating in particular to guarantees securing international trading transactions – and considerably boosted revenues in this area.«

2009 was a difficult year due to the continuing global financial crisis. The economic downturn that began already in 2007 in a number of countries around the world further deepened, spreading into the Czech Republic. The Czech economy dropped by 4,1 % in 2009.

Last year posed a great challenge for the Commerzbank AG, Prague Branch. Despite the economic environment, we further expanded our position in cross-border bank services for Czech exporters in 2009 – relating in particular to guarantees securing international trading transactions – and considerably boosted revenues in this area.

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

Like in previous years, the Commerzbank AG, Prague Branch relocated additional processes away from other European locations, including Germany, to the Czech Republic in 2009, expanding the regional centre for payment services in Prague. Payment processing for the Milan branch was transferred in autumn 2009, following in the footsteps of Paris, Brussels and Amsterdam in 2008. Prague is scheduled to take over this activity for the Madrid branch in 2010. The integration of Dresdner Bank at these locations will also have a positive effect on capacity expansion in Prague.

The merger of Commerzbank and Dresdner Bank in May 2009 became an important milestone in the history of Commerzbank. A significant step in the integration of Dresdner Bank was the launch of our new brand identity presented by the Chairman of the Board of Managing Directors Martin Blessing at the end of October 2009. The central image of the new brand identity is our new logo, which consists of three main elements: the



name “Commerzbank” with the new modern font, the lively yellow colour and the three-dimensional ribbon and it hereby combines the elements of the both banks. Our new brand promise, “Achieving more together”, encapsulates our core values of “partnership” and “performance” and describes what we stand for and what we promise to our customers. Introducing of the new logo on a step-by-step basis will last till October 2010.

Commerzbank in the Czech Republic won plaudits for its social responsibility there, last year. It was one of three finalists for the VIA BONA award in the long-term partnership category. The VIA BONA award in this category acknowledges companies’ strong commitment to non-profit organizations in the Czech Republic over an extended period; in this specific case, the support was for the Music Faculty of the Academy for the Performing Arts in Prague over a period of 15 years.

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

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

Dr. Jutta Walter



Rainer Ottenstein



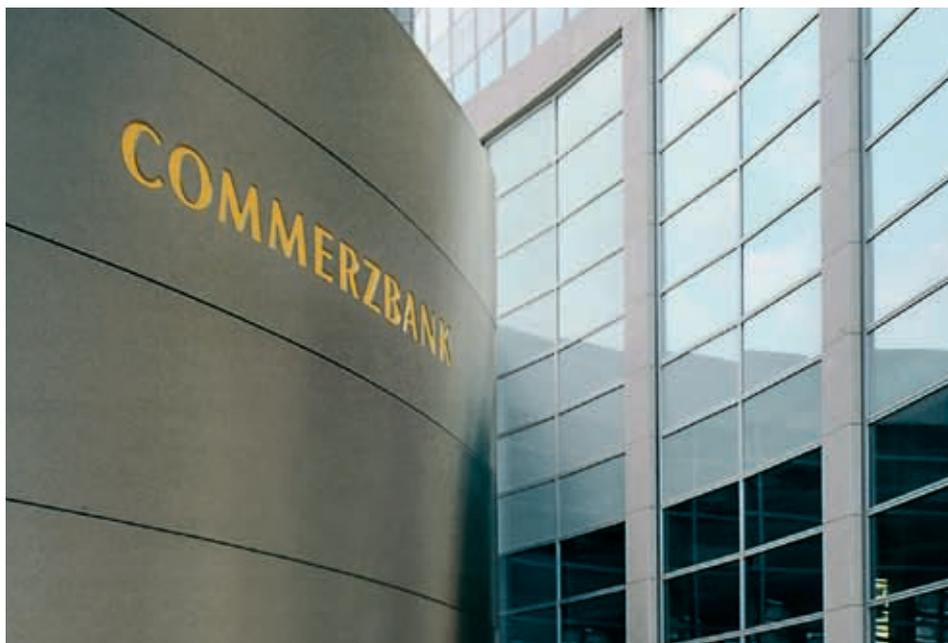
Commerzbank AG

Commerzbank worldwide

As a large, integrated bank, **Commerzbank** is one of Europe's leading financial institutions and the second-largest in Germany and is operating more than 130 years on global financial markets. With the merging of Dresdner Bank into Commerzbank in May 2009, a new leading bank is formed: the new Commerzbank as a strong universal bank. Commerzbank is a competent service provider for private and business customers in Germany as well as small and mid-sized companies, while also serving numerous large and multinational corporate customers. In many branches private-banking facilities exist for wealthy private customers.

In the nineties, the bank substantially expanded its presence in Central and Eastern Europe. Nowadays it has the largest branch network from all German banks in this region and due to its acquisition of Dresdner Bank is the largest German bank in Central and Eastern Europe.

The Central & Eastern Europe segment comprises BRE Bank in Poland (operating in the Czech Republic under the brand "mBank"), Ukraine's Bank Forum, Russia's Commerzbank (Eurasija) SAO, Hungary's Commerzbank ZRT, branches in the Czech Republic and Slovakia, and investments in seven microfinance banks and Russia's Promsvyazbank. These are grouped together under a management holding company, which acts as the operational management unit, as the interface between the local units and



the central departments in Germany and as the strategic decision-maker. Commerzbank units are the contact points for local business in Central and Eastern Europe, as well as for cross-border activities of its domestic and international customers.

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

Commerzbank in the Czech Republic

Commerzbank AG entered the Czech market in 1992. With a sophisticated product line and high-quality services for both private and corporate clients, Commerzbank has established itself as a leading financial institution in the Czech Republic.

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

Commerzbank is also very successful in the area of Private Banking, offering a broad array of unique financial products tailor made to each client's needs and risk tolerances. Every client is provided with exclusive services, an individual approach, true professionalism and complex financial products.

With its focus on international entrepreneurship, 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 the Czech Republic and has established branches in Brno (since 1998), in Ostrava (since 2001), in Hradec Králové and Plzen (since 2007).

Commerzbank offices are the first contact address, which German firms use by entering the Czech market and which local firms use if they aim to widen their activities in Europe.

There are another companies operating on Czech market, which are part of Commerzbank Group – mBank (subsidiary of BRE Bank), Transfinance, Commerz Real, EUROHYPO and Bank FORUM.

Organization structure

Prague branch

General Managers:



Dr. Jutta Walter



Rainer Ottenstein

Heads of departments:

Ludovít Bán

Corporate Banking Department

Iva Gottliebová

Marketing and Communication

Thomas Baumgart

Corporate Banking Department

Joachim Spengler

Administration

Margaret Dvorak

Structured Finance

Bernd Krönke

ZTB B RC Prag

Daniel Steinmetz

Credit Office

Petr Nentvich

Corporate Banking Department,
Brno Office

Alena Štefaňáková

Private Banking

René Mewald

Corporate Banking Department,
Hradec Králové Office

Jaromír Hronek

Treasury

Ondřej Eliáš

Corporate Banking Department,
Plzeň Office

Kai Grosse

Trade Finance & Financial Services

Eva Collardová

Accounting Department

Roman Zedníček

Corporate Banking Department,
Ostrava Office

Renata Kloubek

Personnel Department





PricewaterhouseCoopers Audit, s.r.o.

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Česká republika

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Independent auditor's report

To the management of Commerzbank Aktiengesellschaft, pobočka Praha

We have audited the financial statements of Commerzbank AG, pobočka Praha, identification number 47610921, with registered office at Jugoslavska 1, Praha 2, 120 21 („the Branch“) for the year 2009 ended 31 December 2009 disclosed in the annual report on pages 13 to 40 and issued the opinion dated 22 April 2010 and disclosed on page 11.

Report on the Annual Report

We have verified that the other information included in the annual report of the Branch for the year 2009 ended 31 December is consistent with the financial statements referred to above. The Management of the Branch is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements based on our verification procedures.

Auditor's Responsibility

We conducted our verification procedures in accordance with the International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the verification procedures to obtain reasonable assurance about whether the other information included in the annual report which describes matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that the verification procedures performed provide a reasonable basis for our opinion.

Opinion

In our opinion, the other information included in the annual report of the Branch for the year 2009 ended 31 December 2009 is consistent, in all material respects, with the financial statements. The maintenance and integrity of the Branch's website is the responsibility of its Management; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

26 April 2010

PricewaterhouseCoopers Audit, s.r.o.

represented by partner

Ing. Petr Kříž

Statutory Auditor, Licence No. 1140

Note

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



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Independent auditor's report

To the management of Commerzbank Aktiengesellschaft, pobočka Praha

We have audited the accompanying financial statements of COMMERZBANK Aktiengesellschaft, pobočka Praha, identification number 47610921, with registered office at Jugoslávská 1, Praha 2, 120 21 ("the Branch"), which comprise the balance sheet as at 31 December 2009, the income statement, statement of changes in equity for the year then ended and notes, including a summary of significant accounting policies ("the financial statements").

Management's responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Branch'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 Branch's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Branch as at 31 December 2009, its financial performance for the year then ended in accordance with Czech accounting legislation.

22 March 2010

PricewaterhouseCoopers Audit, s.r.o.
represented by partner

Petr Kříž

Auditor, Licence No. 1140

PricewaterhouseCoopers Audit, s.r.o., registered seat Kateřinská 40/466, 120 00 Prague 2, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No 021.

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Structuring capital. One can achieve more together through long term cooperation in partnership. Martin Kubů (left), CEO, Petr Voborník (right), General Manager and Jan Lisa (2nd from left), Investment Director of the Czech biodiesel producer PREOL a.s., are equally convinced of this as is Luboš Křen (2nd from right) from Corporate Banking of Commerzbank.

PREOL belongs to the Agrofert-Group, the fourth largest Czech company and the most important investor in Germany, with whom Commerzbank has been associated for many years. In this way Commerzbank undertook the structuring of a complex syndicated loan for the construction of environmentally friendly plant and equipment for PREOL.

Financial statements

Balance sheet as at 31 December 2009

| Assets: | | 31 December 2009 | 31 December 2008 |
|--|----------|-------------------|-------------------|
| | Note | CZK'000 | CZK'000 |
| Cash and deposits with central banks | 3 | 780,702 | 1,146,217 |
| Due from banks | 4 | 11,675,934 | 8,320,280 |
| a) repayable on demand | | 5,176,280 | 3,649,965 |
| b) other receivables | | 6,499,654 | 4,670,315 |
| Due from customers | 5 | 50,160,682 | 63,457,532 |
| a) repayable on demand | | 4,220,222 | 3,743,242 |
| b) other receivables | | 45,940,460 | 59,714,290 |
| Debt securities | 6 | 1,148,282 | 1,278,832 |
| a) issued by government institutions | | 555,475 | 563,566 |
| b) issued by other entities | | 592,807 | 715,266 |
| Long-term intangible fixed assets | 7 | 27,164 | 36,964 |
| Long-term tangible fixed assets | 7 | 34,691 | 31,823 |
| of which: buildings for operating activities | | 21,229 | 19,568 |
| Other assets | 8 | 2,401,887 | 14,245,828 |
| Prepayments and accrued income | | 19,887 | 13,683 |
| Total assets | | 66,249,229 | 88,531,159 |

| Liabilities: | | 31 December 2009 | 31 December 2008 |
|--|-----------|-------------------|-------------------|
| | Note | CZK'000 | CZK'000 |
| Due to banks | 10 | 45,899,669 | 52,646,694 |
| a) repayable on demand | | 5,945,252 | 12,906,089 |
| b) other payables | | 39,954,417 | 39,740,605 |
| Due to customers | 11 | 16,732,962 | 24,076,310 |
| a) repayable on demand | | 6,531,146 | 6,031,866 |
| b) other payables | | 10,201,816 | 18,044,444 |
| Other liabilities | 12 | 2,673,366 | 10,953,616 |
| Accruals and deferred income | | 62,857 | 58,264 |
| Provisions | 9 | 90,130 | 1,000 |
| Revaluation differences from assets and liabilities | | (127,356) | (34,582) |
| Retained earnings (losses) from previous periods | | 391,608 | 80,170 |
| Profit for the accounting period | 13 | 525,993 | 749,687 |
| Total liabilities | | 66,249,229 | 88,531,159 |

Off-balance sheet as at 31 December 2009

| Off-balance sheet assets: | | 31 December 2009 | 31 December 2008 |
|---------------------------------------|-------|--------------------|--------------------|
| | Note | CZK'000 | CZK'000 |
| Commitments and guarantees given | 14 | 10,548,045 | 18,127,475 |
| Receivables from spot transactions | | 1,862,532 | 217,600 |
| Receivables from term instruments | 23(d) | 150,293,849 | 708,492,795 |
| Receivables from option instruments | 23(d) | 6,761,636 | 8,890,718 |
| Receivables written-off | | 4,030 | - |
| Total off-balance sheet assets | | 169,470,092 | 735,728,588 |

| Off-balance sheet liabilities: | | 31 December 2009 | 31 December 2008 |
|---|-------|--------------------|--------------------|
| | Note | CZK'000 | CZK'000 |
| Commitments and guarantees received | | 30,908,441 | 42,057,680 |
| Collaterals received and pledges | 14 | 11,923,698 | 9,188,657 |
| Payables from spot transactions | | 1,862,025 | 218,503 |
| Payables from term instruments | 23(d) | 150,555,983 | 706,764,113 |
| Payables from option instruments | 23(d) | 6,761,636 | 8,890,718 |
| Assets under custody and managed by a third party | 14 | 19,661,745 | 19,683,985 |
| Assets under management | 14 | 439,424 | 359,949 |
| Total off-balance sheet liabilities | | 222,112,952 | 787,163,605 |

Income statement for the year ended 31 December 2009

| | Note | 31 December 2009 CZK'000 | 31 December 2008 CZK'000 |
|---|-----------|-----------------------------|-----------------------------|
| Interest receivable and similar income | 15 | 2,545,581 | 4,087,503 |
| of which: interest income from debt securities | | 71,862 | 86,728 |
| Interest payable and similar expense | 16 | (1,031,906) | (2,960,934) |
| Fee and commission income | 17 | 304,006 | 356,485 |
| Fee and commission expense | 18 | (23,358) | (59,476) |
| Gains from financial transactions | 19 | (331,738) | 110,553 |
| Other operating income | 20 | 239,389 | 190,350 |
| Other operating expense | | (18,414) | (11,673) |
| Administrative expense | 21 | (688,124) | (752,770) |
| of which: a) staff costs | | (386,580) | (380,848) |
| of which: aa) wages and salaries | | (292,339) | (286,126) |
| ab) social and health insurance | | (78,119) | (78,426) |
| ac) other staff costs | | (16,122) | (16,296) |
| b) other administrative expenses | | (301,544) | (371,922) |
| Depreciation of long-term tangible and intangible fixed assets | 7 | (27,557) | (32,628) |
| Release of allowances and provisions for loans and guarantees, income from receivables already written-off | 9 | 8,935 | 30,285 |
| Write-offs, additions and utilisation of allowances and provisions for loans and guarantees | 9 | (173,064) | (6,049) |
| Release and utilisation of other provisions | 9 | (89,050) | - |
| Profit on ordinary activities before taxation | | 714,700 | 951,646 |
| Income tax | 22 | (188,707) | (201,959) |
| Profit for the year after taxation | 13 | 525,993 | 749,687 |

Statement of changes in equity for the year ended 31 December 2009

| | Note | Revaluation reserve* | Retained earnings | Profit of the current year | Total equity |
|---|------|-------------------------|----------------------|-------------------------------|-----------------|
| | | CZK'000 | CZK'000 | CZK'000 | CZK'000 |
| At 1 January 2008 | | 2,297 | 24,425 | 390,468 | 417,190 |
| Allocation of 2007 profit to Commerzbank AG | | - | - | (336,413) | (336,413) |
| Difference between allocation of profit to Commerzbank AG, foreign exchange differences and profit for the year 2007 | | - | 54,055 | (54,055) | - |
| Revaluation differences not reflected in profit, net of tax | | (36,879) | - | - | (36,879) |
| Foreign exchange differences in equity | | - | 1,690 | - | 1,690 |
| Profit for the year 2008 | 13 | - | - | 749,687 | 749,687 |
| At 31 December 2008 | | (34,582) | 80,170 | 749,687 | 795,275 |
| Allocation of 2008 profit to Commerzbank AG | 13 | - | - | (439,947) | (439,947) |
| Difference between allocation of profit to Commerzbank AG, foreign exchange differences and profit for the year 2008 | 13 | - | 309,740 | (309,740) | - |
| Revaluation differences not reflected in profit, net of tax | | (92,774) | - | - | (92,774) |
| Foreign exchange differences in equity | 13 | - | 1,698 | - | 1,698 |
| Profit for the year 2009 | 13 | - | - | 525,993 | 525,993 |
| At 31 December 2009 | | (127,356) | 391,608 | 525,993 | 790,245 |

* Changes in the fair value of securities in available-for-sale portfolio.

Notes to the financial statements

1 General information

COMMERZBANK Aktiengesellschaft, Prague branch (hereinafter referred to as “the Branch”) was incorporated on 1 December 1992 as a branch of Commerzbank AG, which is headquartered in Frankfurt am Main, Germany. The Branch has its registered office in Praha and a sub-branch in Brno and offices in Ostrava, Plzeň, and Hradec Králové. In 2009, the Branch was managed by Mrs. Jutta Walter and Mr. Rainer Ottenstein (since 1 April 2008) who replaced Mr. Arno Walter (until 31 March 2008).

The Branch’s operations primarily consist of:

- providing Czech and foreign currency loans and guarantees;
- accepting and placing deposits in Czech and foreign currency;
- accepting current and term accounts denominated in Czech and foreign currency;
- rendering of general banking services through a network of branches and agencies;
- providing foreign exchange transactions on the inter-bank money market;
- providing foreign trade finance and related banking services;
- trading in securities and portfolio management.

2 Accounting policies

(a) Basis of preparation

The financial statements comprising a balance sheet, statements of income and of changes in equity and accompanying notes, are prepared in accordance with

the Act on accounting, applicable accounting rules set by the Ministry of Finance of the Czech Republic and Czech accounting standards for financial institutions.

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial instruments at fair value through profit or loss and available-for-sale financial instruments recognized in fair values. The Branch uses primarily the structure of accounts of Commerzbank AG, which is subsequently translated for Czech reporting purposes.

The financial statements are rounded to thousands of Czech Crowns (“CZK’000”) unless otherwise stated.

Ongoing global financial crisis

The ongoing global financial crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and, at times, higher interbank lending rates and very high volatility in stock markets. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

Management is unable to reliably estimate the effects on the Branch’s financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Branch’s business in the current circumstances.

The volume of wholesale financing has significantly reduced in recent times. Such circumstances may affect the ability of the Branch to obtain new borrowings and

re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

Debtors of the Branch may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

The fair values of quoted investments in active markets are based on current bid prices (financial assets) or offer prices (financial liabilities). If there is no active market for a financial instrument, the Branch establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash-flow analysis, option pricing models and other valuation techniques commonly used by market participants. The valuation models reflect current market conditions as at the measurement date which may not be representative of market conditions either before or after the measurement date. As at the balance sheet date, management has reviewed its models to ensure they appropriately reflect current market conditions, including the relative liquidity of the market and credit spreads.

(b) Accounting basis

The effective date of the accounting transaction is particularly the day of payment or receipt of cash, the day of the purchase, sale of foreign exchange, securities, the day a payment is made or the day the cash is collected from a client's account, the day the foreign bank is ordered to make a payment, the day the bank's orders are settled with the Czech National Bank ("CNB") clearing centre, the value date of money received according to the message from the foreign partner bank, the deal date and settlement day of the trade with securities, foreign exchange, options or other derivatives, the day the guarantee is granted or accepted or the loan commitment.

(c) Foreign currencies

Financial assets and liabilities denominated in foreign currencies are translated to Czech Crowns at the exchange rate announced by the CNB effective as at the balance sheet date. All resulting foreign exchange gains and losses

from monetary items are recognised in gains less losses from financial transactions.

(d) Fair value of securities

The fair value of a security is determined as the market mid-value quoted by a relevant stock exchange or other active public market. In other cases the fair value is estimated by the net present value of cash flow taking into consideration the credit and liquidity risk for bonds.

(e) Available-for-sale securities

Available-for-sale securities are neither securities at fair value through profit or loss nor securities held-to-maturity. Available-for-sale securities are initially recognised at cost which includes expenses incurred in connection with their acquisition and are subsequently measured at fair value. As at 31 December 2009, the fair value of the available-for-sale securities has been determined by valuation technique using market data, credit risk of the securities' issuer and taking into account the liquidity of the market. Any subsequent gains and losses arising from changes in the fair value of available-for-sale securities are recognised directly in equity (net of any tax effect) until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in the income statement.

(f) Securities financing arrangements

Securities borrowed or purchased under agreements to resell (reverse repo agreements) are not recognised on the balance sheet. They are recognised off balance sheet as Collaterals received and pledges. Securities lent or sold under agreements to repurchase (repo agreements) are retained in their original portfolio. The underlying cash flows are recorded as Due to banks or customers and Due from banks or customers, as appropriate, on the settlement date.

(g) Derivative financial instruments and hedging

Derivative financial instruments including foreign exchange contracts, forward rate agreements ("FRAs"), currency and interest rate swaps, currency and interest rate options and other derivative financial instruments are initially recognised on balance sheet at acquisition cost and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices, discounted cash-flow models and options pricing models as appropriate. All derivatives are presented in Other assets

or in Other liabilities when their fair value is positive or negative respectively.

Changes in the fair value of derivatives held for trading are included in Gains less losses from financial transactions.

The Branch designates prospectively certain derivatives as either a hedge of the fair value of a recognised asset or liability (fair value hedge). Hedge accounting is used for derivatives designated in this way provided the following criteria are met:

- i) the derivative is in compliance with the Branch's risk management strategy;
- ii) formal documentation of the general hedging strategy, hedged risk, hedging instrument, hedged item and their relationship is prepared before hedge accounting is applied;
- iii) the hedge documentation proves that it is expected to be highly effective in offsetting the risk in the hedged item at inception and throughout the reporting period;
- iv) the hedge is effective on an ongoing basis;
- v) the hedged item is not a security classified as at fair value through the profit or loss.

Changes in the fair value of derivatives that qualify as effective fair value hedges are recorded in the income statement, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk. As the Branch hedges the fair value of its loans against interest rate risk, the changes in the fair value of the appropriate hedging derivatives and relevant hedged items are recognised net in Interest expense or Interest income.

If the fair value hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity of the hedged item.

(h) Interest income and expense

Interest income and expense are recognised for all interest-bearing instruments on an accrual basis using the effective yield method based on the acquisition cost.

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 flows until maturity or the nearest change of interest rate to the net carrying amount of the financial asset or financial liability.

The linear method is used as an approximation of the effective interest method for securities with a remaining maturity shorter than 1 year as at the settlement date, for loans, other receivables and liabilities with individual repayment periods shorter than 1 year. Interest income includes accrued coupons, discount and premium on all fixed income instruments.

Income on non-performing receivables is also accrued and capitalised into the related loan balance. Such amounts are considered when estimating the provision for non-performing receivables.

(i) Penalty interest

Penalty interest income, which is suspended or forgiven, is excluded from interest income until received. Amounts previously recognised as income are not reversed.

(j) Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on an accrual basis.

(k) Receivables

Receivables originated by the Branch are stated at nominal value less allowances. If the receivable is collateralised, the Branch takes into consideration the cash flow that can be obtained from the forced sale of the collateral after deduction of the cost to sell, regardless of whether the forced sale is probable or not. Irrecoverable receivables are written-off into provisions to loan or directly into expenses in cases when management of the Branch consider the repayment of receivable unreal.

(l) Provisions

Provisions are recognised when the Branch has a present obligation as a result of past events, it is probable that an

outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. All provisions are presented in liabilities.

Additions to provisions are recognised in the income statement, their utilisation is recognised together with expenses or losses, for which purpose they were created in the income statement. Release of provisions in case they are no longer necessary is recognised as income.

Provisions are set aside in the currency in which settlement is expected to be made.

(m) Allowances

The Branch first assesses whether evidence of impairment exists for individual receivables. Individual receivables are categorised in five categories (standard, watch, substandard, doubtful, loss). Impaired receivables (substandard, doubtful and loss) represent the total outstanding principal and accrued interest receivable with service payments overdue more than 90 days or other defaults in contractual terms or financial performance of debtor. Watch receivables represent the total outstanding principal and accrued interest receivable with service payments overdue less than 90 days.

Allowances to individual receivables are deducted from the nominal value of each receivable originated by the Branch. The amount of allowance for watch and impaired receivables is based on appraisals of these assets as at the balance sheet date after taking into consideration the present forced sale value of collateral.

Additions to allowances are recognised in the income statement, their utilisation is recognised together with expenses and losses connected with the decrease in assets, in the income statement. The release of allowances in case they are no longer necessary is recognised as income.

Allowances for assets denominated in a foreign currency are created in that foreign currency. Foreign exchange differences are recognised in the same way as foreign exchange differences from the related asset.

(n) Long-term tangible and intangible fixed assets

Long-term tangible and intangible fixed assets acquired before 31 December 2000 are recorded at acquisition cost.

Fixed assets are depreciated/amortised by applying the reducing balance method over the estimated useful lives. Tangible and intangible fixed assets acquired after 31 December 2000 are amortised by applying the straight-line basis over the estimated useful lives.

Repair and maintenance expenditures are charged to expense as incurred. Expenditures enhancing the value of the asset are capitalised and depreciated.

Assets held under finance lease agreements are not capitalised and are accounted for in the same way as operating leases, with rental charges being reflected in the income statement on a straight-line basis for the period of duration of the lease contract. Nor is the corresponding lease obligation recorded as a liability.

(o) Value added tax

The Branch is registered for value added tax (hereinafter "VAT"). Intangible and tangible fixed assets and inventories are stated at acquisition cost including the appropriate VAT. The Branch does not claim input VAT as the ratio of the taxable income to the total income of the Branch is such that it is not economical for the Branch to claim the input VAT. Input VAT (except for intangible and tangible fixed assets) is expensed immediately.

(p) Deferred taxation

A deferred tax liability is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base using the full liability method. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which this asset can be utilised.

The approved tax rate for the period in which the Branch expects to utilise the asset or settle the liability is used to measure deferred tax.

A deferred tax related to the revaluation of available-for-sale securities which are charged and credited directly to equity is also charged and credited directly to equity.

(q) Staff costs and pensions

Staff costs are included in Administrative expenses.

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.

(r) Related parties

Related parties are defined in accordance with the Act on Banks, as follows:

- senior management of the Branch, being persons responsible for management functions based on employment or other contracts and powers and responsibilities of which are defined in the Branch’s statute (“senior management”);
- entity controlling the Branch and its senior management;
- relatives (direct family members) of senior management;
- entities in which the senior management holds at least a 10% shareholding;
- shareholders holding more than 10% of voting rights of Commerzbank AG and entities controlled by them.

Material transactions, outstanding balances and pricing policies with related parties are disclosed in Notes 4, 5, 10, 11, 14, 15 and 20.

(s) Foreign exchange differences in equity

Foreign exchange differences arising from the distribution of the Branch’s profits to Commerzbank AG, which accounting records are in Euro, are accounted for in equity.

(t) Subsequent events

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are reflected in the financial statements in the case that these events provide further evidence of conditions, which existed at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to preparation of the financial statements that are indicative of conditions which arose subsequent to the balance sheet date, the effects of these events are disclosed in notes to financial statements, but are not themselves reflected in the financial statements.

3 Cash and deposits with central banks

| | 31 December 2009 CZK'000 | 31 December 2008 CZK'000 |
|-------------------------------------|-----------------------------|-----------------------------|
| Cash on hand | 44,861 | 52,094 |
| Minimal obligatory reserves | 435,811 | 661,094 |
| Current accounts with central banks | 300,030 | 433,029 |
| | 780,702 | 1,146,217 |

Minimal obligatory reserves are mandatory deposits with the CNB. These deposits bear interest at the CZK repo rate, which was 1.00% p.a. at 31 December 2009 (2008: 2.25% p.a.).

4 Due from banks

| | 31 December 2009 CZK'000 | 31 December 2008 CZK'000 |
|--------------------------------|-----------------------------|-----------------------------|
| Current accounts with banks | 90,826 | 241,663 |
| Term deposits up to 24 hours | 5,085,454 | 3,408,302 |
| Other term deposits with banks | 6,061,093 | 3,886,543 |
| Standard loans to banks | 232,082 | 757,692 |
| Other receivables from banks | 206,479 | 26,080 |
| | 11,675,934 | 8,320,280 |

Loans and receivables to related parties of the Commerzbank AG Group

Standard loans and receivables to banks include the following loans and receivables to related parties of the Commerzbank AG Group:

| | 31 December 2009 | 31 December 2008 |
|---------------------------------------|------------------|------------------|
| | CZK'000 | CZK'000 |
| Commerzbank, Frankfurt | 4,515,480 | 865,917 |
| Commerzbank, Bratislava pobočka | 2,842,413 | 3,926,347 |
| Commerzbank, Hong Kong branch | 23,981 | 1,623 |
| Commerzbank (Budapest) R.t., Budapest | 13,478 | 2,524,808 |
| Commerzbank, Tokyo branch | 5,454 | 21,532 |
| Commerzbank (Euroasija) SAO, Moscow | 3,874 | 304 |
| Commerzbank, Singapore branch | 1,937 | - |
| BRE Bank S.A., Warsaw | 686 | 2,643 |
| Commerzbank, New York branch | - | 138,591 |
| | 7,407,303 | 7,481,765 |

5 Due from customers

| | 31 December 2009 | 31 December 2008 |
|---|-------------------|-------------------|
| | CZK'000 | CZK'000 |
| Current accounts to governmental entities | 2 | 614 |
| Current accounts to other customers | 4,220,220 | 3,742,628 |
| Standard loans to other customers | 45,600,638 | 59,650,047 |
| Other receivables from customers | - | 816 |
| Standard loans total | 49,820,860 | 63,394,105 |
| Impaired loans to companies and individuals | 585,176 | 166,706 |
| | 50,406,036 | 63,560,811 |
| Allowance for impaired loans (Note 9) | (245,354) | (103,279) |
| | 50,160,682 | 63,457,532 |

Syndicated loans forming part of Due from customers totalled CZK 2,524 million as at 31 December 2009 (2008: CZK 3,122 million).

(a) Quality of loan portfolio

When contracting a new loan, the Branch assesses the credibility of the client.

The Branch sends a written notice for overdue loans to its clients and unsuccessful cases are passed on for legal solutions (filing petitions and participating in court proceedings). In limited cases, in addition to the legal procedures, the Branch also uses executor’s services.

| | 31 December 2009 | 31 December 2008 |
|---------------|-------------------|-------------------|
| | CZK'000 | CZK'000 |
| Standard | 49,820,860 | 63,394,105 |
| Impaired | | |
| - Substandard | 349,624 | 50,910 |
| - Doubtful | 67,641 | 103,630 |
| - Loss | 167,911 | 12,166 |
| | 50,406,036 | 63,560,811 |

Restructured loans totalled CZK 278.1 million in 2009 (2008: CZK 100.8 million)

Current value of collaterals received is disclosed in note 14.

(b) Loans to related parties

Standard loans to companies and individuals include these loans to related parties:

| | 31 December 2009 | 31 December 2008 |
|---------------------------------|-------------------|-------------------|
| | CZK'000 | CZK'000 |
| BRE Leasing, Sp. z o.o., Warsaw | 13,867,643 | 21,241,935 |
| Transfinance a.s. | 557,767 | 456,908 |
| BREL-COM Sp. z o.o | 177,999 | 203,586 |
| Commerz Real CZ, s.r.o. | 32,798 | - |
| | 14,636,207 | 21,902,429 |

As at 31 December 2009, the Branch has provided loans of CZK 1,829,000 to its senior management members (2008: CZK 1,728,000).

All loans to related parties were made in the ordinary course of business on substantially the same terms and

conditions, including interest rates, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavourable features.

6 Debt Securities

| | 31 December 2009 | 31 December 2008 |
|--------------------|------------------|------------------|
| | CZK'000 | CZK'000 |
| Available-for-sale | 1,148,282 | 1,278,832 |

Securities were revaluated to fair value by techniques using market values or based on techniques using market data only.

None of the above-mentioned securities were used as collateral in repo transactions.

The Branch does not purchase or hold any debt securities issued by a subsidiary or associated undertaking of Commerzbank AG.

As at 31 December 2009, the revaluation difference arising from the revaluation of the available-for-sale securities net of the deferred tax impact of CZK (127,356,000) (2008: CZK (34,582,000)) is presented in equity.

| | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|
| | CZK'000 | CZK'000 |
| Traded on recognised Czech stock exchanges | 893,218 | 842,154 |
| Traded on recognised foreign stock exchanges | 255,064 | 436,678 |
| | 1,148,282 | 1,278,832 |

7 Long term intangible and tangible fixed assets

Long term intangible fixed assets – software

| | 31 December 2008 | Additions / Depreciation | Disposals | 31 December 2009 |
|---|------------------|-----------------------------|-----------|------------------|
| | CZK'000 | CZK'000 | CZK'000 | CZK'000 |
| Acquisition cost | 224,130 | 8,418 | (8,160) | 224,388 |
| Accumulated amortisation | (190,300) | (16,904) | 8,160 | (199,044) |
| Net book amount | 33,830 | | | 25,344 |
| Advances granted and assets in course of implementation | 3,134 | | | 1,820 |
| | 36,964 | | | 27,164 |

Long term operating tangible fixed assets

| | 31 December 2008 | Additions / Depreciation | Disposals | 31 December 2009 |
|---|------------------|-----------------------------|-----------|------------------|
| | CZK'000 | CZK'000 | CZK'000 | CZK'000 |
| Acquisition cost buildings | 28,748 | 3,044 | - | 31,792 |
| Equipment | 177,345 | 10,376 | (36,741) | 150,980 |
| Accumulated amortization | | | | |
| Buildings | (9,180) | (1,383) | - | (10,563) |
| Equipment | (167,111) | (9,371) | 36,741 | (139,741) |
| Net book amount | 29,802 | | | 32,468 |
| Advances granted and assets in course of implementation | 2,021 | | | 2,223 |
| | 31,823 | | | 34,691 |

Long-term fixed assets held under lease contracts

The Branch also uses assets held under finance lease contracts, which are recorded as fixed assets in the financial statements only after termination of the lease contract. The leases can be analysed as follows:

| | 31 December 2009 CZK'000 | 31 December 2008 CZK'000 |
|---|-----------------------------|-----------------------------|
| Amounts already paid on existing leases | 15,142 | 11,935 |
| Amounts payable within one year | 1,670 | 3,207 |
| Amounts payable within 1 – 5 years | 2,129 | 3,798 |
| Total amount paid and payable on existing finance leases | 18,941 | 18,940 |

Assets pledged as collaterals

The Branch did not provide any tangible fixed assets as collateral for its liabilities as at 31 December 2009 and 2008.

8 Other assets

| | 31 December 2009 CZK'000 | 31 December 2008 CZK'000 |
|---|-----------------------------|-----------------------------|
| Financial derivatives (Note 23 (d)) | 1,840,790 | 11,262,280 |
| Net deferred tax (Note 22) | 29,943 | 10,187 |
| Anticipated receivables | 8,314 | 6,822 |
| Other receivables | 522,840 | 2,966,539 |
| of which: receivables from settlement of payments | 202,680 | 2,632,992 |
| | 2,401,887 | 14,245,828 |

9 Allowances, provisions and write offs

The Branch had the following provisions and allowances for assets at risk:

| Provisions | 31 December 2009 CZK'000 | 31 December 2008 CZK'000 |
|--|-----------------------------|-----------------------------|
| Provisions for potential payables | 89,130 | - |
| Specific provisions for guarantees given (Note 14) | 1,000 | 1,000 |
| | 90,130 | 1,000 |

| Allowances | 31 December 2009 CZK'000 | 31 December 2008 CZK'000 |
|--------------------------------------|-----------------------------|-----------------------------|
| Impaired loans to customers (Note 5) | 245,354 | 103,279 |
| Other receivables | 18,932 | - |
| | 264,286 | 103,279 |

Movements in provisions to potential payables can be analysed as follows:

| | 2009 CZK'000 | 2008 CZK'000 |
|---|-----------------|-----------------|
| At 1 January | - | - |
| Additions | 89,050 | - |
| Foreign exchange translation difference | 80 | - |
| As at 31 December | 89,130 | - |

Movements in allowances for classified loans due from clients can be analysed as follows:

| | 2009 CZK'000 | 2008 CZK'000 |
|---|-----------------|-----------------|
| As at 1 January | 103,279 | 126,182 |
| Additions | 154,055 | 6,031 |
| Foreign exchange translation difference | 922 | (72) |
| Utilisation | (3,967) | - |
| Write backs | (8,935) | (28,862) |
| As at 31 December | 245,354 | 103,279 |

Movements in allowances for other receivables can be analysed as follows:

| | 2009 CZK'000 | 2008 CZK'000 |
|--------------------------|-----------------|-----------------|
| At 1 January | - | - |
| Additions | 18,932 | - |
| As at 31 December | 18,932 | - |

Release of allowances for loans and income from receivables already written-off

| | 2009 CZK'000 | 2008 CZK'000 |
|---|-----------------|-----------------|
| Write backs of allowances for loans | 8,935 | 28,862 |
| Income from amount due from clients written-off | - | 1,423 |
| | 8,935 | 30,285 |

Write-offs, additions and utilisation of allowances for loans

| | 2009 CZK'000 | 2008 CZK'000 |
|--------------------------------------|------------------|-----------------|
| Amounts due from clients written off | (4,044) | (18) |
| Additions to allowances for loans | (172,987) | (6,031) |
| Utilisation | 3,967 | - |
| | (173,064) | (6,049) |

Bad debts are written-off against established specific allowances or directly expensed in the case that the management of the Branch asserts the recoverability thereof to be remote.

10 Due to banks

| | 31 December 2009 CZK'000 | 31 December 2008 CZK'000 |
|----------------------------------|-----------------------------|-----------------------------|
| Current accounts with banks | 519,589 | 2,295,629 |
| Term deposits due up to 24 hours | 5,425,663 | 10,610,460 |
| Other term deposits with banks | 39,747,937 | 39,714,525 |
| Other liabilities | 206,480 | 26,080 |
| | 45,899,669 | 52,646,694 |

Deposits from related parties

| | 31 December 2009 CZK'000 | 31 December 2008 CZK'000 |
|--|-----------------------------|-----------------------------|
| Commerzbank Frankfurt | 13,389,554 | 16,685,558 |
| Commerzbank, Hong Kong branch | 10,569,854 | 15,629,274 |
| BRE Bank S.A., Warsaw | 2,010,888 | 8,376,351 |
| Commerzbank, Bratislava branch | 1,165,024 | 831,151 |
| Commerzbank, Shanghai branch | - | 889,916 |
| BRE Bank S.A., organizační složka podniku, Praha | 45,256 | 23,632 |
| Commerzbank, Singapore branch | 42,415 | 616,103 |
| Commerzbank (Budapest) R.t., Budapest | 35,732 | 115 |
| Commerzbank, Paris branch | 26,578 | 8,086 |
| Commerzbank, Madrid branch | 2,342 | 809 |
| Commerzbank, New York branch | 177 | - |
| Commerzbank (Nederland) N.V., Amsterdam | 161 | 240 |
| Commerzbank, Bruxelles branch | 53 | - |
| Eurohypo AG, Frankfurt | 43 | 3 |
| Commerzbank (Schweiz) AG, Zürich | - | 2,435 |
| Commerzbank, London branch | - | 603 |
| Intermarket Bank AG | - | 417 |
| | 27,288,077 | 43,064,693 |

In the opinion of management, deposits from related parties were accepted on substantially the same terms and conditions, including interest rates, as those prevailing at the same time for comparable transactions with other customers, and did not involve more than the normal interest rate and liquidity risk or present other unfavourable features.

11 Due to customers

| | 31 December 2009 CZK'000 | 31 December 2008 CZK'000 |
|--------------------------------------|-----------------------------|-----------------------------|
| Amounts due to governmental entities | 156,154 | 1,031,783 |
| Amounts due to municipalities | 203,523 | 6,151,562 |
| Amounts due to private customers | 16,373,285 | 16,892,965 |
| | 16,732,962 | 24,076,310 |

| | 31 December 2009 CZK'000 | 31 December 2008 CZK'000 |
|---|-----------------------------|-----------------------------|
| Liabilities repayable on demand | 6,531,146 | 6,031,866 |
| Term accounts for fixed terms | 9,974,301 | 17,731,976 |
| Term accounts with fixed notice periods | 227,515 | 311,653 |
| Other liabilities | - | 815 |
| | 16,732,962 | 24,076,310 |

Deposits from related parties

| | 31 December 2009 CZK'000 | 31 December 2008 CZK'000 |
|--|-----------------------------|-----------------------------|
| Immobilien-gesellschaft Ost Hagle, s.r.o. | 60,973 | 44,387 |
| Commerz Real CZ, s.r.o. | 4,223 | 4,569 |
| Transfinance, a.s. | 3,896 | 78 |
| Commerz Real Mobilienleasing, GmbH | 1,503 | 267 |
| BRE Leasing Sp. z o.o., Warsaw | 292 | 1,697 |
| | 70,887 | 50,998 |

The Branch accepted deposits from the senior management of the Branch of CZK 14,377,000 as at 31 December 2009 (2008: CZK 18,910,000).

In the opinion of management, deposits from related parties were accepted on substantially the same terms and conditions, including interest rates, as those prevailing at the same time for comparable transactions with other customers, and did not involve more than the normal interest rate and liquidity risk or present other unfavourable features.

12 Other liabilities

| | 31 December 2009 CZK'000 | 31 December 2008 CZK'000 |
|-------------------------------------|-----------------------------|-----------------------------|
| Financial derivatives (Note 23 (d)) | 2,112,120 | 9,571,116 |
| Estimated payables | 52,707 | 74,736 |
| Other liabilities | 508,539 | 1,307,764 |
| | 2,673,366 | 10,953,616 |

13 Equity and profit distribution

Profit distribution

The net profit of CZK 749,687,000 for 2008 was distributed and the net profit of CZK 525,993,000 for 2009 has been proposed to be allocated, as follows:

| | 2009 CZK'000 | 2008 CZK'000 |
|--|-----------------|-----------------|
| Allocation to Commerzbank AG (profit according to German accounting standards) | 492,879 | 439,947 |
| Difference from foreign exchange translation | - | 19,522 |
| Transfer to retained earnings | 33,114 | 290,218 |
| Net profit as at 31 December | 525,993 | 749,687 |

The transfer to retained earnings represents the difference between the net accounting profit in accordance with the Czech accounting standards and the net accounting profit in accordance with the German accounting standards.

The difference predominantly arises from the diverse accounting treatment in the area of provisions and revaluation of financial derivatives.

14 Contingencies and commitments

Commitments to provide a loan, loan guarantees to third parties, guarantees from the acceptance of bills of exchange and letters of credit expose the Branch to credit risk and to loss in the event of a client's inability to meet his obligations. Various commitments and contingent liabilities arise in the normal course of business involving elements of credit, interest rate and liquidity risk.

Commitments and guarantees granted

| | 31 December 2009 | 31 December 2008 |
|---|-------------------|-------------------|
| | CZK'000 | CZK'000 |
| Commitments | 4,310,533 | 11,540,913 |
| Guarantees granted | 6,237,512 | 6,586,562 |
| Total commitments and guarantees granted | 10,548,045 | 18,127,475 |

Guarantees granted can be analysed as follows:

| Guarantees granted including guarantees from letters of credit | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|
| | CZK'000 | CZK'000 |
| On behalf of banks | 692,999 | 407,126 |
| On behalf of customers | 5,544,513 | 6,179,436 |
| Total guarantees granted | 6,237,512 | 6,586,562 |
| Specific provision for guarantees granted (Note 9) | (1,000) | (1,000) |
| Net guarantees granted and letters of credit | 6,236,512 | 6,585,562 |

On behalf of its senior management, the Branch has granted guarantees of CZK 70,000 as at 31 December 2009 (2008: CZK 225,000).

Contingent liabilities can be analysed as follows:

| | 31 December 2009 | 31 December 2008 |
|---|-------------------|-------------------|
| | CZK'000 | CZK'000 |
| Assets placed in custody | | |
| Shares | 3,099,107 | 2,746,776 |
| Bonds | 1,802,708 | - |
| Other | 1,314,448 | - |
| | 6,216,263 | 2,746,776 |
| Assets managed by a third party | | |
| Shares | 12,966,911 | 13,485,283 |
| Bonds | 474,935 | 2,074,985 |
| Derivatives | - | 3,026 |
| Other | - | 1,370,397 |
| | 13,441,846 | 16,933,691 |
| Assets under custody | | |
| Shares | 3,636 | 3,518 |
| Assets placed in custody, managed by third party and under custody | 19,661,745 | 19,683,985 |
| Assets under management | | |
| Bonds | 439,424 | 347,840 |
| Other | - | 12,109 |
| | 439,424 | 359,949 |

The above-mentioned assets are stated at fair value in the case of publicly traded securities or at nominal value in the case of not-publicly traded securities.

In the opinion of management, there are no liabilities arising from fiduciary activities as at 31 December 2009 and 2008.

Management reviewed the responsibilities from the brokerage activities and concluded that there are no legal claims or existing liabilities from these activities as at the date of these financial statements.

Collaterals received and pledges

| | 31 December 2009 | 31 December 2008 |
|---------------------------|-------------------|------------------|
| | CZK'000 | CZK'000 |
| Real estate pledges | 2,896,065 | 1,950,220 |
| Securities | 536,278 | 758,139 |
| Other collateral received | 8,491,355 | 6,480,298 |
| | 11,923,698 | 9,188,657 |

Besides above-mentioned collateral, the Branch also accepts other collateral and guarantees for pledge purposes (bank guarantees, insurance, guarantor's proclamation, bills of exchange, etc.). In the year 2009, the collateral amounted to CZK 30,908,441,000 (2008: 42,057,680,000).

| | 31 December 2009 | 31 December 2008 |
|--------------------------------|------------------|------------------|
| | CZK'000 | CZK'000 |
| Commerzbank, Essen branch | 430,338 | 717,804 |
| Commerzbank, Düsseldorf branch | 28,000 | 28,000 |
| Commerzbank, Amsterdam branch | 10,000 | 10,700 |
| Commerzbank, Mainz branch | 3,000 | 3,000 |
| Commerzbank, Köln branch | 800 | 800 |
| Commerzbank, Frankfurt | 663 | 24,436 |
| Commerzbank, Hamburg branch | 516 | 525 |
| Commerzbank, Koblenz branch | 250 | 250 |
| Commerzbank, Kiel branch | - | 1,000 |
| | 473,567 | 786,515 |

15 Interest receivable and similar income

| | 2009 | 2008 |
|--|------------------|------------------|
| | CZK'000 | CZK'000 |
| Interest on inter-bank transactions | 187,189 | 495,572 |
| Interest on loans to customers and state | 2,286,530 | 3,505,203 |
| Interest and discount on debt securities | 71,862 | 86,728 |
| | 2,545,581 | 4,087,503 |

Interest income in the amount of CZK 23 million was recognised on impaired loans in 2009 (2008: CZK 4 million). There was no registered unpaid penalty interest income outstanding in 2009 (2008: CZK 0 million).

Collaterals received and pledges

| | 2009 | 2008 |
|---|----------------|------------------|
| | CZK'000 | CZK'000 |
| BRE Leasing Sp. z o.o., Warsaw | 660,247 | 1,058,900 |
| Transfinance, a.s. | 15,060 | 27,963 |
| BREL-COM Sp. z o.o. | 11,892 | 13,454 |
| Commerz Real CZ, s.r.o. | 1,530 | 834 |
| Immobilien-gesellschaft Ost Hägle, s.r.o. | - | 1,109 |
| Commerzbank, Bratislava branch | 75,981 | 219,816 |
| Commerzbank, Frankfurt | 18,441 | 138,063 |
| BRE Bank S.A., Warsaw | 14,385 | 5,625 |
| Commerzbank (Budapest) R.t., Budapest | 5,176 | 9,728 |
| Commerzbank, London branch | 56 | - |
| Commerzbank, Paris branch | 47 | 1,388 |
| Commerzbank, Singapore branch | 23 | 19 |
| Commerzbank, Hong Kong branch | 12 | 377 |
| Commerzbank, New York branch | 8 | 241 |
| Commerzbank, Madrid branch | 3 | - |
| Commerzbank, Tokyo branch | - | 7 |
| Commerzbank, Johannesburg branch | - | 1 |
| Commerzbank (Schweiz) AG, Zürich | - | 20 |
| Commerzbank (Euroasija) SAO, Moscow | - | 6 |
| | 802,861 | 1,477,551 |
| Interest from senior management | 91 | 103 |

16 Interest payable and similar expense

| | 2009 | 2008 |
|---|------------------|------------------|
| | CZK'000 | CZK'000 |
| Interest on inter-bank transactions | 750,552 | 2,344,871 |
| Interest on loans to other customers | 23,182 | - |
| Interest on deposits from customers and state | 258,172 | 616,063 |
| | 1,031,906 | 2,960,934 |

17 Fee and commission income

| | 2009 | 2008 |
|---|----------------|----------------|
| | CZK'000 | CZK'000 |
| Brokerage income from the purchase and sale of securities and derivatives | 24,901 | 32,837 |
| Custody fee income | 724 | 899 |
| Asset management fee and related fee income | 10,678 | 7,914 |
| Foreign and domestic payments | 132,009 | 171,632 |
| Letters of credit | 23,201 | 23,549 |
| Guarantees | 55,270 | 32,994 |
| Commissions from loans | 44,238 | 69,735 |
| Other | 12,985 | 16,925 |
| | 304,006 | 356,485 |

18 Fee and commission expense

| | 2009 | 2008 |
|---|---------------|---------------|
| | CZK'000 | CZK'000 |
| Trading commissions | 7,669 | 7,644 |
| Brokerage expense from the purchase and sale of securities | 3,712 | 4,987 |
| Foreign exchange operation | 1,742 | 3,512 |
| Financial guarantees paid to the head office in Frankfurt am Main | - | 43,002 |
| Other financial activities | 10,235 | 331 |
| | 23,358 | 59,476 |

19 Gains less losses from financial transactions

| | 2009 | 2008 |
|--|------------------|----------------|
| | CZK'000 | CZK'000 |
| Gains / (losses) from foreign currency transactions | 2,355,623 | (1,161,811) |
| (Losses) / Gains from transactions with FX financial derivatives | (2,702,715) | 1,321,012 |
| Gains / (losses) from interest rate financial derivatives | 15,354 | (48,648) |
| | (331,738) | 110,553 |

20 Other operating income

| | 2009 | 2008 |
|---------------------------------------|----------------|----------------|
| | CZK'000 | CZK'000 |
| Income from intercompany re-invoicing | 205,875 | 181,868 |
| Other operating income | 33,514 | 8,482 |
| | 239,389 | 190,350 |

Income from intercompany re-invoicing represents re-invoicing of costs related to activities carried out for the head office in Frankfurt am Main and income from invoicing of services provided for human capital, accounting, IT, management, payments, credit administration and risk management services. These services are provided to branches in Bratislava, Brussels, Paris, Amsterdam, Milano and the head office in Frankfurt am Main.

Other operating income from related parties of Commerzbank AG Group

| | 2009 CZK'000 | 2008 CZK'000 |
|---|-----------------|-----------------|
| Commerzbank, Frankfurt | 188,324 | 164,166 |
| Commerzbank, Bratislava branch | 10,440 | 13,810 |
| Commerzbank, Paris branch | 3,945 | 3,293 |
| Commerzbank, Bruxelles branch | 1,313 | 210 |
| Commerzbank (Nederland) N.V., Amsterdam | 1,454 | 389 |
| Commerzbank, Milan branch | 398 | - |
| | 205,874 | 181,868 |

21 Administrative expenses

| | 2009 CZK'000 | 2008 CZK'000 |
|---|-----------------|-----------------|
| Rent and lease charges | 51,182 | 47,946 |
| Staff costs | 386,580 | 380,848 |
| Tax and legal advisory services | 1,321 | 908 |
| Remuneration to audit company | | |
| Statutory audit of financial statements | 2,221 | 2,491 |
| Tax advisory | 499 | 691 |
| Other administration expenses | 246,321 | 319,886 |
| | 688,124 | 752,770 |

Staff costs can be analysed as follows:

| | 2009 CZK'000 | 2008 CZK'000 |
|-----------------------------|-----------------|-----------------|
| Wages and salaries | 292,339 | 286,126 |
| Social and health insurance | 78,119 | 78,426 |
| Other social costs | 16,122 | 16,296 |
| | 386,580 | 380,848 |

In 2009, the management of the Branch was paid wages and salaries of CZK 60,218,000 (2008: CZK 52,161,000), social and health insurance paid by the Branch amounted to CZK 7,015,000 (2008: CZK 5,510,000). The management of the Branch includes its directors and further the managers on

the first level of the organisational structure (as at 31 December 2009 and 2008, a total of 15 employees).

| Staff statistics | 2009 | 2008 |
|-----------------------------|------|------|
| Average number of employees | 347 | 305 |

In 2009, the Branch provided contributions of CZK 909,000 (2008: CZK 826,000) to its employees for state pension insurance.

22 Taxation

The income tax charge is comprised of:

| | 2009 CZK'000 | 2008 CZK'000 |
|---|-----------------|-----------------|
| Deferred tax (income) / expense | 2,006 | (1,277) |
| Current income tax expense | 175,341 | 196,387 |
| Adjustment of prior year income tax expense | 11,360 | 6,849 |
| Income tax expense | 188,707 | 201,959 |

The tax on the Branch's profit before tax can be analysed as follows:

| | 2009 CZK'000 | 2008 CZK'000 |
|---|-----------------|-----------------|
| Profit before taxation | 714,700 | 951,646 |
| Non-taxable income | (65,972) | (46,381) |
| Non-deductible expenses | 229,054 | 31,531 |
| Other expenses reducing net taxable profit | (625) | (1,185) |
| Net taxable profit | 877,157 | 935,611 |
| Current tax charge at 20% (2008: 21%) before discount | 175,431 | 196,478 |
| Discount on tax | (90) | (91) |
| Current tax charge after discount | 175,341 | 196,387 |

Deferred income tax asset / (liability) is calculated as 19% (income tax rate for 2010) dependant on the period, in which it is expected the temporary difference to be compensated and it can be analysed as follows:

| | 2009 CZK'000 | 2008 CZK'000 |
|---|-----------------|-----------------|
| Net deferred income tax asset as at 1 January | 10,187 | 220 |
| Change of the deferred tax asset on available-for-sale securities | 21,762 | 8,690 |
| Change of the deferred tax asset in temporary differences | (2,006) | 1,277 |
| Net deferred income tax asset on 31 December | 29,943 | 10,187 |
| Deferred income tax assets | | |
| Non-tax deductible social insurance in 2008 | - | 2,050 |
| Difference between fair value and cost of available-for-sale securities | 29,873 | 8,112 |
| Difference between accounting and tax depreciation | 70 | 25 |
| Net deferred tax asset (Note 8) | 29,943 | 10,187 |

23 Financial risks

(a) Strategy in using financial instruments

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

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

The Branch also trades in financial instruments where it takes positions in traded and over-the-counter instruments including derivatives to take advantage of short-term market movements in the bond markets and in currency and interest rates. Management of the Branch places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. Currency and interest exposure resulting from these financial instruments. With Foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions.

(b) Credit risk

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 business segments. Such expected risks are subject to periodical annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved by Commerzbank AG, Frankfurt am Main. Besides that, unexpected losses, risk of accumulation and concentration of credit risks are actively controlled by internal VAR model. All above mentioned models are based on internal credit rules and competences.

The Branch considers its current credit portfolio to be high quality since the value of allowances is less than 0.5 % of the nominal value of the credit portfolio. The Branch uses pledges to real estate, cession of receivables, guarantees and guarantors' proclamation and similar instruments as collateral. The Branch monitors the concentration of risks based on geographical and industry sectors.

Geographical segmentation

| At 31 December 2009 | Domestic CZK'000 | European union CZK'000 | Other CZK'000 | Total CZK'000 |
|--------------------------------------|---------------------|---------------------------|------------------|-------------------|
| Assets | | | | |
| Cash and deposits with central banks | 780,702 | - | - | 780,702 |
| Due from banks | 2,300,040 | 9,066,877 | 309,017 | 11,675,934 |
| Due from customers | 31,829,613 | 15,143,973 | 3,187,096 | 50,160,682 |
| Securities available-for-sale | 1,148,282 | - | - | 1,148,282 |
| Other assets | 1,670,158 | 642,459 | 171,012 | 2,483,629 |
| | 37,728,795 | 24,853,309 | 3,667,125 | 66,249,229 |

| 31 December 2008 | | | | |
|--------------------------------------|-------------------|-------------------|------------------|-------------------|
| Assets | | | | |
| Cash and deposits with central banks | 1,146,217 | - | - | 1,146,217 |
| Due from banks | 402 | 7,484,464 | 835,414 | 8,320,280 |
| Due from customers | 37,595,823 | 23,468,675 | 2,393,034 | 63,457,532 |
| Securities available-for-sale | 1,278,832 | - | - | 1,278,832 |
| Other assets | 4,744,241 | 8,617,363 | 966,694 | 14,328,298 |
| | 44,765,515 | 39,570,502 | 4,195,142 | 88,531,159 |

Business segmentation

| 31 December 2009 | Local banks CZK'000 | Foreign banks CZK'000 | Corporate sector CZK'000 | State institutions CZK'000 | Individuals CZK'000 | Other CZK'000 | Total CZK'000 |
|--------------------------------------|---------------------------|-----------------------------|--------------------------------|----------------------------------|------------------------|------------------|-------------------|
| Assets | | | | | | | |
| Cash and balances with central banks | 780,702 | - | - | - | - | - | 780,702 |
| Due from banks | 2,300,040 | 9,375,894 | - | - | - | - | 11,675,934 |
| Due from customers | - | - | 49,681,041 | 2 | 479,635 | 4 | 50,160,682 |
| Securities available for-sale | - | - | 592,807 | 555,475 | - | - | 1,148,282 |
| Other assets | 1,328,932 | 662,294 | 291,494 | 199,147 | 1,762 | - | 2,483,629 |
| | 4,409,674 | 10,038,188 | 50,565,342 | 754,624 | 481,397 | 4 | 66,249,229 |

| At 31 December 2007 | Local banks | Foreign banks | Corporate sector | State institutions | Individuals | Other | Total |
|--------------------------------------|------------------|-------------------|-------------------|--------------------|----------------|------------|-------------------|
| | CZK'000 | CZK'000 | CZK'000 | CZK'000 | CZK'000 | CZK'000 | CZK'000 |
| Assets | | | | | | | |
| Cash and balances with central banks | 1,146,217 | - | - | - | - | - | 1,146,217 |
| Due from banks | - | 8,320,280 | - | - | - | - | 8,320,280 |
| Due from customers | - | - | 62,983,639 | 614 | 472,773 | 506 | 63,457,532 |
| Securities available for-sale | - | - | 715,266 | 563,566 | - | - | 1,278,832 |
| Other assets | 4,463,218 | 9,085,503 | 653,448 | 124,471 | 1,658 | - | 14,328,298 |
| | 5,609,435 | 17,405,783 | 64,352,353 | 688,651 | 474,431 | 506 | 88,531,159 |

(c) Market risk

The Branch takes on exposure to market risks which arise from open positions in interest rate and currency products, which are subject to general and specific fluctuations in the market and to changes in market rates or prices, which are for example: interest rates, credit spreads and FX rates.

The Branch applies a "value at risk" ("VAR") methodology to estimate the market risk of positions held and the maximum losses expected based on a parametric model describing relations between risk factors within historical simulations of changes in market conditions. Commerzbank AG, Frankfurt am Main sets limits on the level of risk that may be accepted, which is monitored on a daily basis.

The daily market VAR is an estimate, with a confidence level set at 97.5 %, of the potential loss which might arise if the current positions were to be held unchanged for one business day. The actual daily gains / losses are monitored daily by a so-called Back Test to test the validity of the assumptions and parameters / factors used in the VAR calculation.

Since VAR constitutes an integral part of the Branch's market risk control regime, VAR limits are established by

the Board for all trading and portfolio operations; actual exposure against limits, together with a consolidated VAR of Commerzbank AG, is reviewed daily by management. Consolidated VAR of Commerzbank AG as at 31 December 2009 is CZK 17.60 million (31 December 2008: CZK 10.26 million) and average daily consolidated VAR was CZK 11.26 million in 2009 (2008: CZK 7.51 million).

Because of the extreme volatility of financial markets in 2009, the VAR model noticed overrun of limits in an extraordinary extent due to the fact that the model uses historical simulations. Therefore, the Branch uses stress-testing as a tool for complex monitoring of bank risks, which would not be possible using only the VAR model. This method has an important role in monitoring bank risks in times of high instability, when maximum loss scenarios that the Branch could suffer during negative market development are compiled.

Stress-testing values are presented with VAR values to the management and Commerzbank AG, Frankfurt am Main on a daily basis, analogically. Limits of stress-testing were never exceeded in 2009 (average annual value equals 28.5 %, in 2008: 45 %).

(d) Derivative financial instruments

The Branch concludes derivative financial instruments only on the over-the-counter market.

The Branch has outstanding derivative contracts, which can be analysed as follows:

Total financial derivatives

| 31 December 2009 | Nominal amount assets | Nominal amount liabilities | Fair value positive | Fair value negative |
|---------------------------|--------------------------|-------------------------------|------------------------|------------------------|
| | CZK'000 | CZK'000 | CZK'000 | CZK'000 |
| Interest rate derivatives | 100,714,376 | 100,714,376 | 565,081 | (602,528) |
| Currency derivatives | 56,341,109 | 56,603,243 | 1,275,709 | (1,509,592) |
| Total | 157,055,485 | 157,317,619 | 1,840,790 | (2,112,120) |

| 31 December 2008 | Nominal amount assets | Nominal amount liabilities | Fair value positive | Fair value negative |
|---------------------------|--------------------------|-------------------------------|------------------------|------------------------|
| | CZK'000 | CZK'000 | CZK'000 | CZK'000 |
| Interest rate derivatives | 536,024,518 | 536,024,518 | 1,278,210 | (1,329,408) |
| Currency derivatives | 181,358,995 | 179,630,313 | 9,984,070 | (8,241,708) |
| Total | 717,383,513 | 715,654,831 | 11,262,280 | (9,571,116) |

Trading agreements

| 31 December 2009 | Nominal amount assets | Nominal amount liabilities | Fair value positive | Fair value negative |
|----------------------------------|--------------------------|-------------------------------|------------------------|------------------------|
| | CZK'000 | CZK'000 | CZK'000 | CZK'000 |
| Interest rate derivatives | | | | |
| FRAs | 77,755,200 | 77,755,200 | 292,657 | (320,733) |
| Swaps | 21,658,560 | 21,658,560 | 266,777 | (276,149) |
| Options | 1,300,616 | 1,300,616 | 5,647 | (5,646) |
| | 100,714,376 | 100,714,376 | 565,081 | (602,528) |
| Currency derivatives | | | | |
| Forwards | 2,366,716 | 2,341,846 | 48,272 | (37,273) |
| Swaps | 48,513,373 | 48,800,377 | 1,220,276 | (1,459,381) |
| Options | 5,461,020 | 5,461,020 | 7,161 | (12,938) |
| | 56,341,109 | 56,603,243 | 1,275,709 | (1,509,592) |
| Total | 157,055,485 | 157,317,619 | 1,840,790 | (2,112,120) |

| 31 December 2008 | Nominal amount assets | Nominal amount liabilities | Fair value positive | Fair value negative |
|----------------------------------|--------------------------|-------------------------------|------------------------|------------------------|
| | CZK'000 | CZK'000 | CZK'000 | CZK'000 |
| Interest rate derivatives | | | | |
| FRA's | 497,222,500 | 497,222,500 | 938,951 | (958,415) |
| Swaps | 37,850,420 | 37,850,420 | 335,066 | (348,331) |
| Options | 506,598 | 506,598 | 4,193 | (4,193) |
| | 535,579,518 | 535,579,518 | 1,278,210 | (1,310,939) |
| Currency derivatives | | | | |
| Forwards | 1,946,534 | 1,942,812 | 62,978 | (62,459) |
| Swaps | 171,028,341 | 169,303,381 | 9,856,200 | (8,112,392) |
| Options | 8,384,120 | 8,384,120 | 64,892 | (66,857) |
| | 181,358,995 | 179,630,313 | 9,984,070 | (8,241,708) |
| Total | 716,938,513 | 715,209,831 | 11,262,280 | (9,552,647) |

Change in fair value of derivatives is recognised in the income statement.

Fair value hedging agreements

| Interest rate hedging derivatives | Nominal amount assets | Nominal amount liabilities | Fair value positive | Fair value negative |
|-----------------------------------|--------------------------|-------------------------------|------------------------|------------------------|
| | CZK'000 | CZK'000 | CZK'000 | CZK'000 |
| 31 December 2009 | - | - | - | - |
| 31 December 2008 | 445,000 | 445,000 | - | (18,469) |

(e) Currency risk

The Branch takes on exposure resulting from fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Commerzbank AG, Frankfurt am Main sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

Table below summarises the Branch's exposure to currency risk. The table contains assets and liabilities in net book value arranged by currencies.

| 31 December 2009 | CZK CZK'000 | EUR CZK'000 | USD CZK'000 | PLN CZK'000 | Other CZK'000 | Total CZK'000 |
|--|---------------------|---------------------|---------------------|--------------------|--------------------|-------------------|
| Assets | | | | | | |
| Cash and balances with central banks | 759,462 | 14,112 | 5,496 | - | 1,632 | 780,702 |
| Due from banks | 3,815,533 | 7,316,389 | 352,037 | 697 | 191,278 | 11,675,934 |
| Due from customers | 25,092,383 | 12,351,176 | 873,535 | 9,303,047 | 2,540,542 | 50,160,683 |
| Securities available-for-sale | 893,218 | 255,064 | - | - | - | 1,148,282 |
| Other assets | 2,035,064 | 374,148 | 1,966 | 72,446 | 4 | 2,483,628 |
| | 32,595,660 | 20,310,889 | 1,233,034 | 9,376,190 | 2,733,456 | 66,249,229 |
| Liabilities | | | | | | |
| Due to banks | 5,772,868 | 26,196,265 | 13,770,237 | 7,094 | 153,205 | 45,899,669 |
| Due to customers | 11,185,060 | 4,653,553 | 719,539 | 1,752 | 173,058 | 16,732,962 |
| Provisions | 80,500 | 9,630 | - | - | - | 90,130 |
| Other liabilities and equity accounts | 3,467,649 | (61,520)* | 57,171 | 62,749 | 419 | 3,526,468 |
| | 20,506,077 | 30,797,928 | 14,546,947 | 71,595 | 326,682 | 66,249,229 |
| Net assets / (liabilities) | 12,089,583 | (10,487,039) | (13,313,913) | 9,304,595 | 2,406,774 | - |
| Net off-balance sheet currency position | (13,176,717) | 11,264,387 | 13,453,901 | (9,409,147) | (2,394,052) | (261,628) |
| Net open currency position | (1,087,134) | 777,348 | 139,988 | (104,552) | 12,722 | (261,628) |

* Including negative revaluation difference from available-for-sale securities recognized in equity.

| 31 December 2008 | CZK CZK'000 | EUR CZK'000 | USD CZK'000 | PLN CZK'000 | Other CZK'000 | Total CZK'000 |
|--|--------------------|--------------------|---------------------|--------------------|------------------|-------------------|
| Assets | | | | | | |
| Cash and balances with central banks | 1,131,200 | 6,625 | 5,119 | - | 3,273 | 1,146,217 |
| Due from banks | 276,538 | 4,926,459 | 1,341,555 | 3,303 | 1,772,425 | 8,320,280 |
| Due from customers | 30,080,203 | 13,695,750 | 1,506,282 | 15,060,382 | 3,114,915 | 63,457,532 |
| Securities available-for-sale | 842,155 | 436,677 | - | - | - | 1,278,832 |
| Other assets | 13,620,942 | 604,824 | 96,344 | 12 | 6,176 | 14,328,298 |
| | 45,951,038 | 19,670,335 | 2,949,300 | 15,063,697 | 4,896,789 | 88,531,159 |
| Liabilities | | | | | | |
| Due to banks | 8,711,925 | 16,539,642 | 16,413,273 | 7,373,817 | 3,608,037 | 52,646,694 |
| Due to customers | 18,825,728 | 3,966,363 | 1,112,800 | 2,437 | 168,982 | 24,076,310 |
| Provisions | 1,000 | - | - | - | - | 1,000 |
| Other liabilities and equity accounts | 11,306,859 | 268,520 | 203,477 | 15,118 | 13,181 | 11,807,155 |
| | 38,845,512 | 20,774,525 | 17,729,550 | 7,391,372 | 3,790,200 | 88,531,159 |
| Net assets / (liabilities) | 7,105,526 | (1,104,190) | (14,780,250) | 7,672,325 | 1,103,589 | - |
| Net off-balance sheet currency position | (6,845,695) | 1,237,531 | 15,223,778 | (7,627,328) | (260,504) | 1,727,782 |
| Net open currency position | 259,831 | 133,341 | 443,528 | 44,997 | 846,085 | 1,727,782 |

(f) Interest rate risk

The Branch takes on exposure resulting from fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Commerzbank AG, Frankfurt am Main sets limits on the level of mismatch in interest rate re-pricing that may be undertaken, which are monitored daily. In the balance sheet of the Branch prevail assets and liabilities with fixed interest rate.

(g) Liquidity risk

The Branch is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and from margin and other calls on cash-settled derivatives. The Branch does not maintain cash resources to meet all of

these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

Commerzbank AG, Frankfurt am Main sets limits according to time zones and individual currencies. These limits are monitored on a daily basis.

Fair values of derivatives are recognised in other assets and other liabilities. The Branch is able to close its open positions on capital markets, if necessary. Current maturities of financial derivatives are between six months and two years.

The table below analyses the assets and liabilities of the Branch into relevant maturity bands based on the remaining period at the balance sheet date to the contractual maturity date.

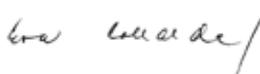
| 31 December 2009 | Within 3 months CZK'000 | 3 – 12 months CZK'000 | 1 – 5 years CZK'000 | Over 5 years CZK'000 | Unspecified CZK'000 | Total CZK'000 |
|--------------------------------------|----------------------------|--------------------------|------------------------|-------------------------|------------------------|-------------------|
| Assets | | | | | | |
| Cash and balances with central banks | 344,891 | - | - | - | 435,811 | 780,702 |
| Due from banks | 10,978,070 | 221,247 | 393,970 | 82,647 | - | 11,675,934 |
| Due from customers | 19,555,322 | 10,209,833 | 17,833,218 | 2,222,487 | 339,822 | 50,160,682 |
| Securities available-for-sale | - | 102,614 | 555,475 | 490,193 | - | 1,148,282 |
| Other assets | 514,019 | 793,991 | 463,869 | 349 | 711,401 | 2,483,629 |
| | 31,392,302 | 11,327,685 | 19,246,532 | 2,795,676 | 1,487,034 | 66,249,229 |
| Liabilities | | | | | | |
| Due to banks | 26,167,651 | 13,582,160 | 5,542,750 | 607,108 | - | 45,899,669 |
| Due to customers | 15,935,264 | 796,268 | 600 | 830 | - | 16,732,962 |
| Provisions | - | - | - | - | 90,130 | 90,130 |
| Other liabilities | 554,964 | 800,557 | 507,617 | 763 | 1 662,567 | 3,526,468 |
| | 42,657,880 | 15,178,985 | 6,050,967 | 608,701 | 1,752,697 | 66,249,229 |
| Net assets / (liabilities) | (11,265,579) | (3,851,300) | 13,195,565 | 2,186,975 | (265,663) | - |

| 31 December 2008 | Within 3 months CZK'000 | 3 – 12 months CZK'000 | 1 – 5 years CZK'000 | Over 5 years CZK'000 | Unspecified CZK'000 | Total CZK'000 |
|---------------------------------------|----------------------------|--------------------------|------------------------|-------------------------|------------------------|-------------------|
| Assets | | | | | | |
| Cash and balances with central banks | 485,123 | - | - | - | 661,094 | 1,146,217 |
| Due from banks | 6,054,102 | 1,611,616 | 609,080 | 45,482 | - | 8,320,280 |
| Due from customers | 22,008,651 | 17,011,060 | 22,236,395 | 2,137,999 | 63,427 | 63,457,532 |
| Securities available-for-sale | - | - | 636,183 | 642,649 | - | 1,278,832 |
| Other assets | 6,912,372 | 5,520,151 | 786,211 | 753 | 1,108,811 | 14,328,298 |
| | 35,460,248 | 24,142,827 | 24,267,869 | 2,826,883 | 1,833,332 | 88,531,159 |
| Liabilities | | | | | | |
| Due to banks | 43,116,733 | 5,209,852 | 2,985,667 | 1,334,442 | - | 52,646,694 |
| Due to customers | 23,315,607 | 758,446 | 1,428 | 829 | - | 24,076,310 |
| Provisions | - | - | - | - | 1,000 | 1,000 |
| Other liabilities and equity accounts | 4,260,763 | 3,896,429 | 517,410 | 673 | 3,131,880 | 11,807,155 |
| | 70,693,103 | 9,864,727 | 3,504,505 | 1,335,944 | 3,132,880 | 88,531,159 |
| Net assets / (liabilities) | (35,232,855) | 14,278,100 | 20,763,364 | 1,490,939 | (1,299,548) | - |

24 Subsequent events

No events have occurred subsequent to the year end that would have a material impact on the financial statements of the Branch as at 31 December 2009.

These financial statements have been approved by management for presentation to Commerzbank AG and have been signed on their behalf by:

| Date | Signature of the statutory representative | Person responsible for accounting | Person responsible for preparation of the financial statements |
|---------------|---|--|---|
| 22 March 2010 |  |  |  |
| | Rainer Ottenstein | Ing. Eva Collardová, MBA | Ing. Radek Hudáček |



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