COMMERZBANK Aktiengesellschaft,

pobočka zahraničnej banky, Bratislava

Financial statements

31 December 2006

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PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky, Bratislava ("the Company"), which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky, Bratislava as of 31 December 2006, 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.

Without qualifying our opinion we draw attention to the fact that the Branch is not a separate legal entity and the financial position of the Branch is fully dependent on that of Commerzbank Aktiengesellschaft as a whole.

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

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

Jaroslav Kašiak
SKAU licence No.: 923

2 April 2006

Income statement

SKK thousand	Note	Year ended 31 December 2006	2005
Interest and similar income	6	209,776	206,913
Interest expense and similar charges	6	(168,864)	(176,595)
Net interest income		40,912	30,318
Fee and commission income	7	28,785	18,573
Fee and commission expense	7	(602)	(425)
Net fee and commission income		28,183	18,148
Net trading income	8	2,894	1,075
Impairment charge for credit losses	11	(5,555)	-
Administrative expenses	9	(60,301)	(52,519)
Other operating expenses	10	(3,010)	(2,921)
Operating profit		**3,123**	**(5,899)**
Profit before income tax		3,123	(5,899)
Income tax expense	22	-	-
Profit for the year		**3,123**	**(5,899)**

Balance sheet

SKK thousand	Note	At 31 December 2006	2005
ASSETS			
Cash and balances with central banks	12	465,328	3,780,252
Loans and advances to banks	13	649,453	214,047
Loans and advances to customers	15	3,237,886	2,420,679
Derivative financial instruments	14	3,591	235
Intangible assets	16	7,438	8,283
Property, plant and equipment	17	7,548	6,436
Other assets	18	1,311	57,656
Total assets		**4,372,555**	**6,487,588**
LIABILITIES			
Deposits from banks	19	2,939,668	5,775,746
Due to customers	20	1,268,817	683,640
Derivative financial instruments	14	3,012	137
Net assets attributable to Commerzbank AG	27	29,902	26,245
Other liabilities	21	167,013	40,800
Total liabilities		**4,408,412**	**6,526,568**
EQUITY			
Net profit/loss per period		3,123	(5,899)
Accumulated deficit	23	(38,980)	(33,081)
Total equity		**(35,857)**	**(38,980)**
Total equity and liabilities		**4,372,555**	**6,487,588**

The notes on pages 6 to 35 are an integral part of these financial statements

Statement of changes in equity

SKK thousand	Note	Accumulated losses	Profit/Loss per year	Total
At 1 January 2005		**(22,750)**	**(10,331)**	**(33,081)**
Net loss per 2005		-	(5,899)	(5,899)
Transfer to accumulated deficit	23	(10,331)	10,331	-
At 1 January 2006		**(33,081)**	**(5,899)**	**(38,980)**
Net profit per 2006		-	3,123	3,123
Transfer to accumulated deficit	23	(5,899)	5,899	**-**
At 31 December 2006		**(38,980)**	**3,123**	**(35,857)**

Cash flow statement

SKK thousand	Note	2006	2005
Cash flows from operating activities			
Interest and similar income received		184,103	199,641
Interest paid		(149,982)	(167,387)
Fee and commission receipts		28,183	18,148
Net trading and other income		2,894	1,075
Cash payments to employees and suppliers		(56,620)	(48,656)
Cash flows from operating profits before changes in operating assets and liabilities		**8,578**	**2,821**
Changes in operating assets and liabilities:			
- Net increase in derivative financial instruments		(482)	(98)
- Net (increase)/decrease in loans and advances to customers		(798,826)	458,650
- Net (decrease)/increase in other assets		58,083	(53,087)
- Net decrease in deposits from other banks		(2,854,027)	(490,018)
- Net increase in amounts due to the customers		584,244	204,709
-Net increase in net assets attributable to Commerzbank AG		3,657	7,256
- Net increase in other liabilities		124,874	34,297
Net Cash flows (used in)/from operating activities		**(2,873,899)**	**164,530**
Cash flows from investing activities			
Purchase of intangible assets		(1,675)	(3,609)
Purchase of property and equipment		(3,944)	(343)
Net Cash flows used in investing activities		**(5,619)**	**(3,952)**
Net (decrease)/increase in cash and cash equivalents		**(2,879,518)**	**160,578**
Cash and cash equivalents at beginning of year		3,994,299	3,833,721
Cash and cash equivalent at end of year		**1,114,781**	**3,994,299**

The notes on pages 6 to 35 are an integral part of these financial statements

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

The Branch was established by the resolution of its founder on 18 August 2003 and registered in the Commercial Register on 24 September 2003. The Branch was established as an organisational branch of a foreign legal entity, COMMERZBANK AG seated in Frankfurt am Main, Germany.

Principal business activities 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, processing banknotes and coins, doing business on its own or on the client's account with monetary market financial instruments, capital market financial instruments and precious metal coins, commemorative banknotes and coins, financial leasing, providing guarantees, opening and confirming letters of credit, administering client's receivables and securities on their account, including related advisory services, providing investing services, depositing securities or items, renting safe deposit boxes.

In the reporting year, the average number of staff was 15 (2005: 15).

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

These financial statements have been prepared on a going-concern basis as ordinary financial statements at 31 December 2006 and approved for issue by the Branch statutory representative on 30 March, 2007.

1.1 Statutory, supervisory and managing bodies as at 31 December 2006

Name	Position
HEAD OF BRANCH:	
Martin Horváth	Head of Branch
GENERAL POWER OF REPRESENTATION:	
Miriam Stilhammerová	Proxy
Erik Conrad (till 28 April 2006)	Proxy
Peter Dávid (since 7 June 2006)	Proxy
BOARD OF DIRECTORS OF COMMERZBANK AG:	
Klaus-Peter Müller	Chairman
Martin Blessing	Member
Wolfgang Hartmann	Member
Dr. Achim Kassow	Member
Bernd Knobloch (till 1 April 2006)	Member
Dr. Eric Strutz	Member
Nicholas Teller	Member
SUPERVISORY BOARD OF COMMERZBANK AG:	
Dr. Walter Seipp	Chairman
Dr.h.c. Martin Kohlhaussen	Member
Uwe Tschäge	Member
Hans-Hermann Altenschmidt	Member
Dott. Sergio Balbinot	Member
Herbert Bludau-Hoffmann	Member
Astrid Evers	Member
Uwe Foullong	Member
Daniel Hampel	Member
Dr.-Ing. Otto Happel	Member

Notes to the financial statements

1.1 Statutory, supervisory and managing bodies as at 31 December 2006 (continued)

Name	Position
Dr.jur. Heiner Hasford	Member
Sonja Kasischke	Member
Wolfgang Kirsch	Member
Werner Malkhoff	Member
Prof.h.c. (CHN) Dr.rer.oec.Ulrich Middelmann	Member
Klaus Müller-Gebel	Member
Dr. Sabine Reiner	Member
Dr. Erhard Schipporeit	Member
Dr.-Ing. Ekkehard D. Schulz	Member
Prof. Dr. Jürgen Strube	Member
Dr. Klaus Sturany	Member
Dr.-Ing. E.h. Heinrich Weiss	Member

1.2 Shareholders information of Commerzbank Aktiengesellschaft as at 31 December 2006

GERMANY:	**Shares of capital held**
Institutional investors	23.5 %
Private investors	21.5 %
ABROAD:	
Institutional investors (incl. 5 % Capital Group)	44.9 %
Generali	8.6 %
Private investors	1.0 %
Mediobanca	0.5 %

Stock exchange listings

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The Branch’s financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied in preparing these financial statements. These financial statements are the first Branch’s financial statements to be prepared in accordance with IFRS. Financial statements of the Branch until 31 December 2005 were prepared in accordance with Slovak Generally Accepted Accounting Principles (GAAP). GAAP differs in certain respects from IFRS. When preparing the Branch’s financial statements, management has amended certain accounting and valuation methods applied in the GAAP financial statements to comply with IFRS. The comparative figures in respect of 2005 were restated to reflect these adjustments. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of all derivative contracts.

As the financial statements have been prepared according to the IFRS for the fist time, below are further tables analysing the opening balance sheet as per 1 January 2005 with the comparison of Slovak GAAP and IFRS and also the balance sheet as per 31 December 2005. The 2005 Profit or Loss is also reconciled between Slovak GAAP and IRFS. No IFRS 1 exemptions were applied in preparing these financial statements.

Notes to the financial statements (continued)

Reconciliation of Equity at 31 December 2005

SKK thousand	Note	GAAP	Effects of transition to IFRS	IFRS
ASSETS				
Cash and balances with central banks		3,780,252	-	3,780,252
Loans and advances to banks		214,047	-	214,047
Loans and advances to customers	a	2,428,412	(7,733)	2,420,679
Derivative financial instruments		235	-	235
Intangible assets	b	9,658	(1,375)	8,283
Property, plant and equipment	c	5,870	566	6,436
Other assets	d	57,793	(137)	57,656
Total assets		**6,496,267**	**(8,679)**	**6,487,588**
LIABILITIES				
Deposits from banks		5,775,746	-	5,775,746
Due to customers		683,640	-	683,640
Derivative financial instruments		137	-	137
Net assets attributable to Commerzbank AG		26,245	-	26,245
Other liabilities	e	40,401	399	40,800
Total liabilities		**6,526,169**	**399**	**6,526,568**
EQUITY				
Accumulated deficit	f	(29,902)	(9,078)	(38,980)
Total equity		**(29,902)**	**(9,078)**	**(38,980)**
Total equity and liabilities		**6,496,267**	**(8,679)**	**6,487,588**

a) Loans and advances to customers

Under Slovak GAAP interest income is not calculated using effective interest rate method	(7,733)
Total impact – decrease in Loans and advances to customers	(7,733)

b) Intangible assets

Under Slovak GAAP start-up costs are capitalized and amortized over 5 year period but under IFRS are expensed	(1,375)
Total impact – decrease in Intangible assets	(1,375)

c) Property, plant and equipment

Under IFRS the leasehold improvements should be depreciated over the lesser of rental contractual period or useful life of asset	(236)
Under Slovak GAAP leased asset is not capitalized and depreciated by lessee	802
Total impact – increase in Property, plant and equipment	566

d) Other assets

Under Slovak GAAP lease payments under financial lease are accrued and amortized over term of lease contract	(137)
Total impact – decrease in Other assets	(137)

e) Other liabilities

Recognition of minimum lease payments under financial lease	399
Total impact – increase in Other liabilities	399

f) Accumulated deficit
The cumulative effect of all of the above adjustments has resulted in a decrease in accumulated deficit at 31 December 2005 of SKK (9,078)

Notes to the financial statements (continued)

Reconciliation of Equity at 1 January 2005

SKK thousand	Note	GAAP	Effects of transition to IFRS	IFRS
ASSETS				
Cash and balances with central banks		3,419,044	-	3,419,044
Loans and advances to banks		414,677	-	414,677
Loans and advances to customers	a	2,880,099	(4,669)	2,875,430
Derivative financial instruments		-	-	-
Intangible assets	b	4,065	(2,161)	1,904
Property, plant and equipment	c	12,492	1,129	13,621
Other assets	d	1,505	(309)	1,196
Total assets		**6,731,882**	**(6,010)**	**6,725,872**
LIABILITIES				
Deposits from banks		6,256,932	-	6,256,932
Due to customers		478,555	-	478,555
Derivative financial instruments		-	-	-
Net assets attributable to Commerzbank AG		18,989	-	18,989
Other liabilities	e	3,649	828	4,477
Total liabilities		**6,758,125**	**828**	**6,758,953**
EQUITY				
Accumulated deficit	f	(26,243)	(6,838)	(33,081)
Total equity		**(26,243)**	**(6,838)**	**(33,081)**
Total equity and liabilities		**6,731,882**	**(6,010)**	**6,725,872**

a) Loans and advances to customers

Under Slovak GAAP interest income is not calculated using effective interest rate method	(4,669)
Total impact – decrease in Loans and advances to customers	(4,669)

b) Intangible assets

Under Slovak GAAP start-up costs are capitalized and amortized over 5 year period, under IFRS are expensed	(2,161)
Total impact – decrease in Intangible assets	(2,161)

c) Property, plant and equipment

Under IFRS the leasehold improvements should be depreciated over the lesser rental contractual period or useful life of asset	(118)
Under Slovak GAAP leased asset is not capitalized and depreciated by lessee	1,248
Total impact – increase in Property, plant and equipment	1,130

d) Other assets

Under Slovak GAAP lease payments under financial lease are accrued and amortized over term of lease contract	(309)
Total impact – decrease in Other assets	(309)

e) Other liabilities

Recognition of minimum lease payments under financial lease	828
Total impact – increase in Other liabilities	828

f) Accumulated deficit
The cumulative effect of all of the above adjustments has resulted in a decrease in accumulated deficit at 31 December 2004 of SKK (6,838)

Prior year's profit/ loss reconciliation between Slovak GAAP and IAS as at 31 December 2005

SKK thousand	Note	Profit/(loss)
Slovak accounting legislation		**(3,657)**
Effective interest rate	a	(3,064)
Start-up costs	b	785
Depreciation	c	(118)
Leasing of cars – release	d	586
Leasing of cars – depreciation	e	(361)
Leasing of cars – interest	f	(98)
Leasing of copy machines – release	g	128
Leasing of copy machines – depreciation	h	(84)
Leasing of copy machines – interest	i	(16)
IFRS		**(5,899)**

a) Interest and similar income	
Under Slovak GAAP interest income is not calculated using effective interest rate method	
Decrease in Interest and similar income	(2,122)
Fee and commission income	(942)
Total impact – decrease in Interest and similar income	(3,064)
b) Amortization charge	
Under Slovak GAAP start-up costs are capitalized and amortized over 5 year period	785
Total impact – decrease in Amortization charge	785
c) Depreciation charge	
Under IFRS the leasehold improvements should be depreciated lesser rental contractual period or useful life of asset	(118)
Total impact – increase in depreciation charge	(118)
d) Leasing payments expense – leasing of cars	
Release of payments recognized under Slovak GAAP	586
Total impact – decrease in administrative expenses	586
e) Leasing of cars – deprecation charge	
Recognition of depreciation charge	(361)
Total impact – increase in depreciation charge	(361)
f) Leasing of cars – interest expense	
Recognition of interest expense	(98)
Total impact – increase in interest expense	(98)
g) Leasing payments expense – leasing of copy machines	
Release of payments recognized under Slovak GAAP	128
Total impact – decrease in administrative expenses	128
h) Leasing of copy machines – deprecation charge	
Recognition of depreciation charge	(84)
Total impact – increase in depreciation charge	(84)
i) Leasing of copy machines – interest expense	
Recognition of interest expense	(16)
Total impact – increase in interest expense	(16)

Notes to the financial statements (continued)

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

(a) Amendments to published standards and interpretations effective 1 January 2006

The application of the amendments and interpretations listed below did not result in substantial changes to the Branch's accounting policies:

- IAS 19 Amendment – Actuarial Gains and Losses, Katalin Szilagyi/HU/ABAS/PwC@EMEA-HU Plans and Disclosures;
- IAS 21 Amendment - Net Investment in a Foreign Operation;
- IAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 Amendment – The Fair Value Option;
- IAS 39 and IFRS 4 Amendment – Financial Guarantee Contracts;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards, and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- IFRS 6 – Exploration for and Evaluation of Mineral Resources;
- IFRIC 4 – Determining whether an Arrangement contains a Lease;
- IFRIC 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- IFRIC 6 – Liabilities arising from Participating in a Specific Market – Waste electrical and Electronic Equipment.

- IAS 19 Amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. As the Branch does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

- IAS 21 Amendment, IAS 39 − Cash flow hedge accounting of forecasted intragroup transactions, IFRS 1, IFRS 6, IFRIC 4, IFRIC 5 and IFRIC 6 are not relevant to the Branch's operating activities and therefore have no material effect on the Branch's policies.

- IAS 39 Amendment – The Fair Value Option. The new amendment has not had any substantial changes to the Branch's accounting treatment.

- IAS 39 and IFRS 4 Amendment – Financial Guarantee Contracts. These types of contract are now accounted for under IAS 39 and no longer accounted for under IFRS 4, as previously required under IFRS. The measurement and disclosure requirements under IAS 39 have not resulted in a material change to the Branch's policies.

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(b) Standards and interpretations issued but not yet effective

The Branch has chosen not to early adopt the following standard and interpretations that were issued but not yet effective for accounting periods beginning on 1 January 2006:

- IFRS 7 (effective 1 January 2007);
  IFRS 7, Financial Instruments: Disclosures will introduce new disclosures related to financial instruments. The standard will not have any impact on the classification or valuation of the Branch's financial instruments.

The application of the following new interpretations will not have a material impact on the entity's financial statements in the period of initial application.

- IFRS 8, Operating Segments (effective 1 January 2009);
- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective 1 March 2006);
- IFRIC 8, Scope of IFRS 2 (effective 1 May 2006);
- IFRIC 9, Reassessment of embedded derivative (effective 1 June 2006);
- IFRIC 10, Interim Financial Reporting and Impairment (effective 1 November 2006);
- IFRIC 11, IFRS 2 – Branch Treasury Share Transactions (effective 1 March 2007); and
- IFRIC 12, Service Concession Arrangements (effective 1 January 2009).

Notes to the financial statements (continued)

2.2 Foreign currency translation

(a) Functional and presentation currency

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

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

(b) Transactions and balances

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

2.3 Financial assets

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

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

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

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

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

(b) Loans and receivables

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

There was no asset classified as held-to-maturity or as available-for-sale as at 31 December 2006 and 31 December 2005.

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

2.4 Offsetting financial instruments

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

2.5 Derivative financial instruments

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

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

2.6 Interest income and expense

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

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

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

2.7 Fee and commission income

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

2.8 Repurchase agreements

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

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

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

The criteria that the Branch uses to determine that there is objective evidence of an impairment loss include:
- delinquency in contractual payments of principal or interest;
- cash flow difficulties experienced by the borrower;
- breach of loan covenants or conditions;
- initiation of bankruptcy proceedings;
- deterioration of the borrower's competitive position;
- deterioration in the value of collateral; and
- downgrading below investment grade level.

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

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

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

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

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

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

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

2.10 Intangible assets

Computer software

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

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

- software — 3 - 4 years

2.11 Property and equipment

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

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

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

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

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

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

2.12 Impairment of non-financial assets

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

2.13 Leases

The Branch is the lessee

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

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

2.14 Cash and cash equivalents

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

2.15 Provisions

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

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

2.16 Financial guarantee contracts

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

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

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

2.17 Deferred income tax

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

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

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

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

2.18 Borrowings

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

3. Financial risk management

3.1 Strategy in using financial instruments

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

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

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

3.2 Credit risk

The Branch takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Branch's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to 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 industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of Directors.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate guarantees.

(a) Derivatives

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

(b) Credit-related commitments

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

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

3.3 Geographical concentration of assets, liabilities and off-balance sheet items

The following note incorporates geographical concentrations of assets, liabilities and off balance sheet items disclosures.

As 31 December 2006

SKK thousand	Total assets	Total liabilities	Credit commitments
Slovakia	3,217,595	1,262,838	147,975
Other EU countries	1,014,526	2,994,230	1,636
Others	140,434	151,344	-
Total	**4,372,555**	**4,408,412**	**149,611**

As 31 December 2005

SKK thousand	Total assets	Total liabilities	Credit commitments
Slovakia	5,791,056	680,284	506,153
Other EU countries	284,696	5,814,507	1,534,179
Others	411,836	31,777	-
Total	**6,487,588**	**6,526,568**	**2,040,332**

Geographic sector risk concentrations within the customer loan portfolio were as follows:

SKK thousand	2006	2006 %	2005	2005 %
Slovakia	2,734,559	85	1,994,772	82
Other EU countries	368,364	11	46,388	2
Others	134,963	4	379,519	16
Total	**3,237,886**	**100**	**2,420,679**	**100**

3.4 Market risk

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

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

As VAR constitutes an integral part of the Branch's market risk control regime, VAR limits are established by the management for all trading and banking operations; actual exposure against limits is reviewed daily by management. Average daily VAR for the Branch was SKK 17 thousand for foreign exchange risk and SKK 17 thousand for interest rate risk in 2006 (SKK 28 thousand for foreign exchange risk and SKK 71 thousand for interest rate risk in 2005). However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Notes to the financial statements (continued)

Trading portfolio VAR by risk type

	12 months to 31 December 2006		
	Average	High	Low
Foreign exchange risk	17	95	2
Interest rate risk	17	198	-

	12 months to 31 December 2005		
	Average	High	Low
Foreign exchange risk	28	251	4
Interest rate risk	71	593	-

3.5 Currency risk

The Branch takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Branch's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Branch's assets and liabilities at carrying amounts, categorised by currency. The off-balance sheet gap represents the difference between the notional amounts of foreign currency derivative financial instruments and their fair values.

Concentrations of assets, liabilities and off balance sheet items

At 31 December 2006

SKK thousand	SKK	EUR	USD	CZK	Other	Total
ASSETS						
Cash and balances with central banks	463,869	686	405	368	-	465,328
Loans and advances to the banks	317,631	279,008	50,813	720	1,281	649,453
Loans and advances to the customers	2,154,527	1,022,595	733	2,833	57,198	3,237,886
Derivative financial instruments	3,591	-	-	-	-	3,591
Intangible assets	7,438	-	-	-	-	7,438
Property and equipment	7,548	-	-	-	-	7,548
Other assets	1,114	188	8	1	-	1,311
Total assets	**2,955,718**	**1,302,477**	**51,959**	**3,922**	**58,479**	**4,372,555**
LIABILITIES						
Deposits from banks	1,868,373	1,008,619	3,498	-	59,178	2,939,668
Due to customers	917,041	304,874	46,629	273	-	1,268,817
Derivative financial instruments	3,012	-	-	-	-	3,012
Net assets attributable to Commerzbank AG	-	29,902	-	-	-	29,902
Other liabilities	145,145	16,741	152	3,717	1,258	167,013
Total liabilities	**2,933,571**	**1,360,136**	**50,279**	**3,990**	**60,436**	**4,408,412**
Net on-balance sheet position	**22,147**	**(52,659)**	**1,680**	**(68)**	**(1,957)**	**(35,857)**
Credit commitments	147,812	1,800	-	-	-	149,612

At 31 December 2005

SKK thousand	SKK	EUR	USD	CZK	Other	Total
Total assets	5,123,553	1,276,901	38,364	1,003	47,767	6,487,588
Total liabilities	5,098,206	1,329,150	49,053	1,806	48,353	6,526,568
Net on-balance sheet position	25,347	(52,249)	(10,689)	(803)	(586)	(38,980)
Credit commitments	506,153	1,534,179	-	-	-	2,040,332

3.6 Cash flow and fair value interest rate risk

Interest sensitivity of assets, liabilities and off balance sheet items – repricing analysis

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 or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The table below summarises the Branch's exposure to interest rate risks. Included in the table are the Branch's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

At 31 December 2006

SKK thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing	Total
ASSETS							
Cash and balances with central banks	465,328	-	-	-	-	-	465,328
Due from other banks	584,056	65,397	-	-	-	-	649,453
Due from customers	2,338,724	546,090	128,820	213,764	10,488	-	3,237,886
Derivative instruments	-	76	-	3,515	-	-	3,591
Other assets	-	-	-	-	-	16,297	16,297
Total assets	**3,388,108**	**611,563**	**128,820**	**217,279**	**10,488**	**16,297**	**4,372,555**
LIABILITIES							
Deposits from banks	2,192,979	683,177	63,512	-	-	-	2,939,668
Due to customers	1,263,786	5,031	-	-	-	-	1,268,817
Derivative instruments	-	50	-	2,962	-	-	3,012
Net assets attributable to Commerzbank AG	-	-	-	-	-	29,902	29,902
Other liabilities	-	-	-	-	-	167,013	167,013
Total liabilities	**3,456,765**	**688,258**	**63,512**	**2,962**	**-**	**196,915**	**4,408,412**
Total interest sensitivity gap	**(68,657)**	**(76,695)**	**65,308**	**214,317**	**10,488**	**(180,618)**	**(35,857)**

Notes to the financial statements (continued)

The table below summarises the effective interest rate by major currencies:

At 31 December 2006

SKK thousand	SKK	EUR	USD	CZK
Assets	%	%	%	%
Cash and balances with central banks	4.48	0.00	0.00	0.00
Due from other banks	3.39	3.64	5.38	0.00
Loans and advances to customers	6.12	5.09	1.93	3.29
Liabilities				
Due to other banks	4.62	3.43	5.41	0.00
Due to customers	3.10	1.92	2.78	0.00

At 31 December 2005

SKK thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing	Total
ASSETS							
Cash and balances with central banks	3,780,252	-	-	-	-	-	3,780,252
Due from other banks	110,792	103,255	-	-	-	-	214,047
Due from customers	689,993	624,745	-	1,105,941	-	-	2,420,679
Derivative instruments	235	-	-	-	-	-	235
Other assets	57,709	19	-	63	-	14,584	72,375
Total assets	**4,638,981**	**728,019**	**-**	**1,106,004**	**-**	**14,584**	**6,487,588**
LIABILITIES							
Deposits from banks	4,321,266	728,456	-	726,024	-	-	5,775,746
Due to customers	683,640	-	-	-	-	-	683,640
Derivative instruments	137	-	-	-	-	-	137
Net assets attributable to Commerzbank AG	-	-	-	-	-	26,245	26,245
Other liabilities	37,269	3,110	17	5	-	399	40,800
Total liabilities	**5,042,312**	**731,566**	**17**	**726,029**	**-**	**26,644**	**6,526,568**
Total interest sensitivity gap	**(403,331)**	**(3,547)**	**(17)**	**379,975**	**-**	**(12,060)**	**(38,980)**

The table below summarises the effective interest rate by major currencies:

At 31 December 2005

SKK thousand	SKK	EUR	USD	CZK
Assets	%	%	%	%
Cash and balances with central banks	2.94	0.00	0.00	0.00
Due from other banks	1.92	2.57	3.73	0.00
Loans and advances to customers	4.14	3.00	1.90	2.69
Liabilities				
Due to other banks	2.91	2.39	4.48	0.00
Due to customers	2.30	0.82	2.45	0.00

3.7 Liquidity risk

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

The table analyses the Branch's assets and liabilities into relevant maturity groupings based on remaining period at the balance sheet date to the contractual maturity date.

At 31 December 2006

SKK thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
ASSETS						
Cash and balances with central banks	465,328	-	-	-	-	465,328
Due from other banks	584,056	65,397	-	-	-	649,453
Due from customers	1,600,734	957,230	128,820	463,400	87,702	3,237,886
Derivative instruments	-	76	-	3,515	-	3,591
Other assets	16,297	-	-	-	-	16,297
Total assets	**2,666,415**	**1,022,703**	**128,820**	**466,915**	**87,702**	**4,372,555**
LIABILITIES						
Deposits from banks	1,847,790	411,841	130,405	462,443	87,189	2,939,668
Due to customers	1,263,786	5,031	-	-	-	1,268,817
Derivative instruments	-	50	-	2,962	-	3,012
Net assets attributable to Commerzbank AG	29,902	-	-	-	-	29,902
Other liabilities	167,013	-	-	-	-	167,013
Total liabilities	**3,308,491**	**416,922**	**130,405**	**465,405**	**87,189**	**4,408,412**
Net liquidity gap	**(612,076)**	**605,781**	**(1,585)**	**1,510**	**513**	**(35,857)**

At 31 December 2005

SKK thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Total assets	4,653,553	728,010	-	1,106,025	-	6,487,588
Total liabilities	5,068,956	731,566	17	726,029	-	6,526,568
Net liquidity gap	**(415,403)**	**(3,556)**	**(17)**	**379,996**	**-**	**(38,980)**

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

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

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.

Notes to the financial statements (continued)

3.8 Fair values of financial assets and liabilities

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

SKK thousand	Carrying value 2006	Fair value 2006
Financial assets		
Due for other banks	649,453	648,804
Loans and advances to customers	3,237,886	3,158,423
Financial liabilities		
Deposits from banks	2,939,668	2,862,008
Due to customers	1,268,817	1,268,517

Comparative information for 2005 was not available.

(a) Due from other banks

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

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

(b) Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(c) Deposits and borrowings

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

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

4. Critical accounting estimates and judgments

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

(a) Impairment losses on loans

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

(b) Fair value of derivatives

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

Notes to the financial statements (continued)

5. Loan Portfolio Analysis

Industry segmentation within the customer loan portfolio was as follows:

SKK thousand	2006	2006 %	2005	2005 %
Other financial companies	1,559,621	48	837,170	35
Leasing	905,965	28	950,174	39
Telecommunication	308,819	10	379,519	16
Manufacturing	278,053	9	119,964	5
Other	185,428	5	133,852	5
Total	**3,237,886**	**100**	**2,420,679**	**100**

6. Net interest income

Interest income

SKK thousand	2006	2005
Loans and advances:		
- to banks	11,866	10,391
- to customers	137,963	87,924
	149,829	98,315
Reverse repos	57,400	97,222
Other	2,547	11,376
Total interest income	**209,776**	**206,913**

Interest expense

SKK thousand	2006	2005
Deposits from banks	146,595	158,107
Due to customers	22,269	18,488
	168,864	**176,595**

Interest income accrued on impaired financial asset is 893 thousand SKK (2005: 0).

Notes to the financial statements (continued)

7. Net fee and commission income

Fee and commission income

SKK thousand	2006	2005
Payment transactions	23,089	15,454
Credit related fees and commissions	25	334
Guarantees	2,128	412
Documentary business	2,162	860
Sub-limits	964	1,110
Other fees	417	2,785
	28,785	**18,573**

Fee and commission expense

SKK thousand	2006	2005
Payment transactions	175	39
Other fees paid	427	386
	602	**425**

8. Net trading income

SKK thousand	2006	2005
Foreign exchange:		
- translation gains less losses	582	235
- transaction gains less losses	2,312	840
	2,894	**1,075**

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

9. Administrative expenses

SKK thousand	2006	2005
Staff costs:		
- wages and salaries	11,560	11,209
- social and health insurance	2,874	2,564
	14,434	13,773
Other administrative expenses:		
- outsourced back-office activities	13,225	6,566
- head office charges	6,400	4,728
- IT costs	9,696	13,571
- advisory and consultancy services	2,521	1,327
- advertising and public relations	961	1,145
- other services	3,100	2,986
- depreciation	5,352	4,785
- other	4,612	3,638
	45,867	38,746
Total administrative expenses	**60,301**	**52,519**

In 2006, the other administrative expenses of transactions with related parties were SKK 29,148 thousand (2005: 21,727 thousand).

Notes to the financial statements (continued)

10. Other operating expenses

SKK thousand	2006	2005
Operating lease rentals	3,010	2,921
	3,010	**2,921**

11. Impairment charge for credit losses

SKK thousand	2006	2005
Loans and advances to customers (Note 15)	5,555	-
	(5,555)	**-**

12. Cash and balances with central banks

SKK thousand	2006	2005
Cash in hand	3,453	4,566
Balances with central bank other than mandatory reserve deposits	426,727	3,672,140
Mandatory reserve deposits with central banks	35,148	103,546
	465,328	**3,780,252**

Cash-in-hand is non-interest-bearing. The yield on mandatory reserve deposits yield was 1.5 % p.a. at the end of 2006 (2005: 1.5 % p.a.).

13. Loans and advances to banks

SKK thousand	2006	2005
Placements with other banks	581,865	107,500
Loans and advances to other banks	67,588	106,547
	649,453	**214,047**
Current	649,453	214,047
Non-current	**-**	**-**

Notes to the financial statements (continued)

14. Derivative financial instruments

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

Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.

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

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

At 31 December 2006 **SKK thousand**	**Contract/ notional amount**	**Fair values**	
		Assets	**Liabilities**
Currency swaps	101,154	3,591	(3,012)
Currency forwards	0	-	-
Total derivatives	**101,154**	**3,591**	**(3,012)**
Current		3,591	(3,012)
Non-current		-	-

At 31 December 2005 **SKK thousand**	**Contract/ notional amount**	**Fair values**	
		Assets	**Liabilities**
Currency swaps	-	-	-
Currency forwards	9,698	235	137
Total derivatives	**9,698**	**235**	**137**
Current		235	137
Non-current		-	-

Notes to the financial statements (continued)

15. Loans and advances to customers

SKK thousand	2006	2005
Gross loans and advances	3,243,441	2,420,679
Less: allowance for impairment (Note 11)	(5,555)	-
Net	**3,237,886**	**2,420,679**
Current	2,383,632	1,314,717
Non-current	854,254	1,105,962

Allowance for impairment

Balance at 1 January 2006	-
Provision for loan impairment	5,555
At 31 December 2006	**5,555**
Balance at 1 January 2005	-
Provision for loan impairment	-
At 31 December 2005	**-**

16. Intangible assets

SKK thousand	Software	Under construction	Total
Balance at 1 January 2005	**1,904**	**4,149**	**6,053**
NBV at 1 January 2005	1,904	4,149	6,053
Additions	7,490	3,609	11,099
Disposals	-	7,490	7,490
Depreciation charge	1,379	-	1,379
NBV at 31 December 2005	**8,015**	**268**	**8,283**
Balance at 31 December 2005			
Acquisition cost	10,112	268	10,380
Accumulated depreciation	2,097	-	2,097
Net book amount	**8,015**	**268**	**8,283**
NBV at 1 January 2006	8,015	268	8,283
Additions	408	1,535	1,943
Disposals	-	268	268
Depreciation	2,520	-	2,520
NBV at 31 December 2006	**5,903**	**1,535**	**7,438**
Balance at 31 December 2006			
Acquisition cost	10,520	1,535	12,055
Accumulated depreciation	4,617	-	4,617
Net book amount	**5,903**	**1,535**	**7,438**

Notes to the financial statements (continued)

17. Property, equipment

SKK thousand	Computer equipment	Leasehold improvement	Furniture	Safes	Under construction	Leased objects	Total
Balance at 1 January 2005	**3,523**	**2,690**	**1,359**	**653**	**-**	**1,247**	**9,472**
NBV at 01.01.2005	3,523	2,690	1,359	653	-	1,247	9,472
Additions	295	-	48	-	-	-	343
Transfers	-	-	(21)	21	-	-	-
Depreciation	1,745	215	910	64	-	445	3,379
NBV at 31 December 2005	**2,073**	**2,475**	**476**	**610**	**-**	**802**	**6,436**
Balance at 31 December 2005							
Acquisition cost	6,365	2,846	3,062	761	-	1,782	14,816
Accumulated depreciation	4,292	371	2,586	151	-	980	8,380
Net book amount	**2,073**	**2,475**	**476**	**610**	**-**	**802**	**6,436**
NBV at 01.01.2006	2,073	2,475	476	610	-	802	6,436
Additions	692	-	482	-	1,749	1,021	3,944
Depreciation	1,788	215	229	103	-	497	2,832
NBV at 31 December 2006	**977**	**2,260**	**729**	**507**	**1,749**	**1,326**	**7,548**
Balance at 31 December 2006							
Acquisition cost	6,995	2,846	3,606	761	1,749	2,803	18,760
Accumulated depreciation	6,018	586	2,877	254	-	1,477	11,212
Net book amount	**977**	**2,260**	**729**	**507**	**1,749**	**1,326**	**7,548**

Insurance

The insurance of non-current tangible assets is part of the International Insurance Programme for Property Insurance of COMMERZBANK AG concluded in Slovakia. It includes the insurance of the Branch's own non-current tangible assets, low-value non-current tangible assets, office equipment, and a set of electronic equipment with the total insured value of approximately SKK 13 million (2005: SKK 5 million). The insurance covers the compensation for damages caused by:

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

At the same time, the Branch has also insured leased tangible assets (cars covered by both general liability and accident insurance). The insurance premium totals about SKK 80 thousand per annum (2005: SKK 60 thousand).

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

Notes to the financial statements (continued)

18. Other assets

SKK thousand	2006	2005
Prepayments	539	495
Accrued income	242	340
National Bank of Slovakia clearing settlement (Note 21)	-	25,486
Letters of credit in settlement	-	30,833
Other	530	502
	1,311	**57,656**
Current	1,311	57,593
Non-current	-	63

19. Deposits from banks

SKK thousand	2006	2005
Current accounts	14,176	42,894
Term deposits	2,925,492	5,732,852
	2,939,668	**5,775,746**
Current	2,390,036	5,049,722
Non-current	549,632	726,024

20. Due to customers

SKK thousand	2006	2005
Current accounts	291,329	164,443
Term deposits	977,488	519,197
	1,268,817	**683,640**
Current	1,268,817	683,640
Non-current	-	-

21. Other liabilities

SKK thousand	2006	2005
Accruals	5,062	3,151
National Bank of Slovakia clearing settlement	136,465	411
Intercompany nostro accounts settlement	12,543	-
Letters of credit in settlement (Note 18)	-	30,833
Other	12,943	6,405
	167,013	**40,800**
Current	167,013	40,795
Non-current	-	5

There are no liabilities overdue.

Notes to the financial statements (continued)

22. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 19 % (2005: 19 %).

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

SKK thousand	2006	2005
At 1 January	**4,593**	**3,348**
- depreciation	(20)	(21)
- tax losses carried forward	(375)	1,266
- impact on transition from local GAAP to IFRS	1,469	0
At 31 December	**5,667**	**4,593**

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

SKK thousand	2006	2005
Deferred income tax liabilities		
- depreciation	36	16
	36	**16**
Deferred income tax assets		
- tax losses carried forward	4,234	4,609
- impact on transition from local GAAP to IFRS	1,469	0
	5,703	**4,609**

Note the Branch does not recognize deferred tax assets at 31 December 2006 and as at 31 December 2005.

SKK thousand	2006	2005
Profit/(loss) before taxes	**3,123**	**(3,657)**
-adjustment of IFRS profit/(loss) to Slovak GAAP	(932)	0
	2,191	**(3,657)**
- tax non-deductible expenses (permanent differences)	1,770	3,176
- income not subject to tax (permanent differences)	(1,436)	(74)
Tax base	**2,525**	**(555)**
Tax loss carried forward*	(2,525)	0
Tax due	**0**	**0**
Effective tax rate (hypothetical because of tax losses carried forward)	**15%**	**0 %**

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

SKK thousand	2006	2005
2003 (expiration 2008)	15,065	17,590
2004 (expiration 2009)	6,667	6,667
2005 (expiration 2010)	555	0
	22,287	**24,257**

The tax effects of income tax losses available for carry-forward are not recognised as an asset due to the fact that future taxable profits which would be available to use against these losses were not probable.

Notes to the financial statements (continued)

23. Accumulated losses

The losses for 2004 and 2005 were transferred to accumulated deficit as well as the net profit 2006 of SKK 3,123 thousand is supposed to be transferred to accumulated deficit.

24. Cash and cash equivalents

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

SKK thousand	2006	2005
Cash	3,453	4,566
Balances with central banks	461,875	3,775,686
Due from other banks	649,453	214,047
	1,114,781	**3,994,299**

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

The average daily balance for December 2006 was required at level of SKK 87,874 thousand. Real balance as per 31 December 2006 was SKK 35,148 thousand (see Note 12). Cumulated volume of obligatory reserves for December 2006 was SKK 2,724,088 thousands (87,874 * 31 days). Real cumulated volume of obligatory reserves was SKK 2,726,900 thousands.

The average daily balance for December 2005 was required at level of SKK 117,391 thousand. Real balance as per 31 December 2006 was SKK 103,546 thousand (see Note 12). Cumulated volume of obligatory reserves for December 2005 was SKK 3,639,123 thousands (117,391 * 31 days). Real cumulated volume of obligatory reserves was SKK 3,640,204 thousands.

25. Contingent liabilities and commitments

At 31 December 2006, the Branch had the following contractual amounts of the off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:

SKK thousand	2006	2005
Loan commitments	149,611	2,040,332
Guarantees and standby letters of credit	843,613	63,076
	993,224	**2,103,408**

Notes to the financial statements (continued)

26. Related-party transactions and balances

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

SKK thousand	2006	2005
Loans and advances to banks	**584,807**	**109,508**
out of it: Commerzbank, Prague branch	579,113	106,757
Commerzbank, Paris branch	3,473	0
Commerzbank, New York branch	1,386	1,368
Commerzbank, Frankfurt	697	0
BRE Bank S.A., Warsaw	138	1,383
Deposits from banks	**2,937,916**	**5,775,746**
out of it: Commerzbank, Prague branch	2,925,492	5,732,853
Commerzbank (Budapest) R.t., Budapest	6,242	27,271
Commerzbank, Frankfurt	6,182	15,622
Guarantees issued	**31,200**	**38,543**
out of it: Commerzbank, Frankfurt	30,000	0
Commerzbank (Budapest) R.t., Budapest	1,200	0
Commerzbank, Mannheim branch	0	38,543
Derivative financial instruments (fair value)	**3,591**	**235**
out of it: Commerzbank, Prague branch	3,591	235
Net assets attributable to Commerzbank AG	**29,902**	**26,245**
out of it: Commerzbank, Frankfurt	29,902	26,245

No provisions have been recognised in respect of loans given to related parties (2005: nil).

SKK thousand	2006	2005
Interest income earned	**8,825**	**7,840**
out of it: Commerzbank, Prague branch	8,463	7,405
Commerzbank, Frankfurt	271	430
Commerzbank, Paris branch	71	0
Commerzbank (Budapest) R.t., Budapest	20	0
Commerzbank, London branch	0	4
BRE Bank S.A., Warsaw	0	1
Interest expense	**146,563**	**158,053**
out of it: Commerzbank, Prague branch	144,633	155,565
Commerzbank, Frankfurt	1,897	2,469
BRE Bank S.A., Warsaw	15	9
Commerzbank, New York branch	14	7
Commerzbank (Budapest) R.t., Budapest	4	2
Commerzbank, London branch	0	1
Fee and commission income	**1,294**	**1,213**
out of it: Commerzbank, Frankfurt	1,294	1,213
Administrative expenses	**29,148**	**21,727**
out of it: Commerzbank, Frankfurt	15,923	15,161
Commerzbank, Prague branch *	13,225	6,566
Other operating expenses	**200**	**200**
out of it: Commerzbank, Prague branch	200	200

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

Note as there is no key management personnel (persons having authority and responsibility for planning, directing and controlling the activities of the Branch) on the Slovak Branch's payroll no renumeration has been disclosed.

Notes to the financial statements (continued)

27. Net assets attributable to Commerzbank AG

As the branch is part of the consolidating entity Commerzbank AG, there is a regular transfer on a yearly basis at the request of Commerzbank AG. This amount is classified as a current liability.

28. Events after the balance sheet date

There have been no post-balance-sheet events that would require adjustment or disclosure in the financial statements for the year ended 31 December 2006.

Bratislava, 30 March 2006

....

Name and signature of the Branch's statutory representative

....

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

....

Name and signature of the person responsible for accounting