



Annual report for the year ended 31 December 2015



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Bank Management Report for Fiscal Year 2015

In 2015, the dynamics of the Czech economy was considerably higher than the growth in the majority of Eurozone countries, with a GDP increase of 4.3%. The acceleration was boosted by several one-off factors: the accelerated deployment of EU funds from the 2007-2013 program, increasing infrastructure investments, and the continuing boom in the European auto industry.

» Despite the very difficult market environment and high level of competition across the entire banking sector, 2015 was a solid year for Commerzbank Prague. «

Due to the low interest rate levels and strong economy, demand for loans continued to increase in 2015, in particular for investment credits as well as acquisition finance. However, because of our high profitability criteria, the Branch focused on re-adjusting the structure of its business in 2015 and thus refrained from taking on some large new exposures. For this reason, and the fact that we have partially changed our refinancing approach, Prague's 2015 total assets have decreased compared to 2014.

The year 2015 also brought several positive results in the product areas outside the lending business. Revenue increases were additionally generated in fee and commission income, primarily in trade finance services, domestic and foreign transfers as well as in guarantee business, which all belong to our traditional core strengths.

The quality of the credit portfolio of Prague Branch remained high, as evidenced by the ratio of impaired loans / total loans of 5.6 % as at December 31st, 2015, a level in line with the whole Czech banking market*.

As a location, Prague becomes increasingly important for the entire Commerzbank group. In Autumn 2015, 159 employees in the IT division were transferred into the newly-established Group company Commerz Systems GmbH, which concentrates on the development of IT applications, testing and software support for the entire Commerzbank group. Further strong growth of Commerz Systems GmbH is expected in 2016.

*5,5 % according to CBA as January 31, 2016



A key pillar of Commerzbank's long-term strategy in 2015 is strong client orientation and focus. As revealed from a recent client satisfaction survey, clients expect from us quick responses to their requests, rapid implementation, direct and quick decisions and individual solutions. This is exactly our approach in Prague branch, where we are actively working with our clients to ensure that we have a deep understanding of our clients business models and are therefore able to provide comprehensive, made-to-measure solutions.

For 2016, Commerzbank analysts expect GDP growth in the Czech Republic of 2.5%. Strong growth is also the main goal of Commerzbank's corporate banking activities in the Czech Republic and Slovakia. This applies to profitability as well as to the number of clients we serve, which include both German and international firms as well as larger local Czech and Slovak companies. We are pleased to be able to state that 2016 has started well thanks to a number of attractive transactions concluded in late 2015.

We believe that the continuing convergence of Prague's corporate banking business model to that of its parent company Commerzbank in Germany, as well as our ability to combine local market knowledge with extensive Group international know-how, will ensure our added value as a true strategic partner for our clients. We value the confidence that you, our clients, place in us, and we will continue to listen to you carefully in order to be able to provide you what you need and be the "Bank at your side".



Michael T. Krüger
General Manager

Commerzbank AG

Commerzbank worldwide

Commerzbank is a leading international commercial bank with branches and offices in more than 50 countries. The core markets of Commerzbank are Germany and Poland. With the business areas Private Customers, Mittelstandsbank, Corporates & Markets and Central & Eastern Europe, its private and corporate clients, as well as institutional investors, profit from a comprehensive portfolio of banking and capital market services. Commerzbank finances more than 30 percent of Germany's foreign trade and is the unchallenged leader in financing for SMEs. With its subsidiaries Comdirect and Poland's M Bank it owns two of the world's most innovative online banks. With approximately 1,050 branches and more than 90 advisory centres for business customers Commerzbank has one of the densest branch networks among German private banks. In total, Commerzbank boasts more than 16 million private customers, as well as 1 million business and corporate clients. The Bank, which was founded in 1870, is represented at all the world's major stock exchanges. In 2015, it generated gross revenues of EUR 9.8 billion with 51,300 employees.



Commerzbank in the Czech republic

Active in the Czech Republic since 1992, Commerzbank specializes in the provision of comprehensive Corporate Banking services to both German companies operating in the Czech Republic, as well as to medium- and large-sized local Czech corporates. Although operating on the local Czech market, Commerzbank draws on the extensive know-how available across the Bank's global network to provide the highest quality service on a competitive basis. In addition to all standard corporate banking services, ranging from overdraft accounts to payment services including electronic banking, Commerzbank also offers more complex financing structures as well as its renowned capabilities in documentary collections and export financing.

Besides Prague, Commerzbank also has offices in Brno (1998), Ostrava (2001) and Pilsen (2007).

In addition to the Czech Republic, Commerzbank has been also present in Slovakia since 1995, with a full-service branch operation located in Bratislava.



Organisation structure

Prague branch

General Manager:



Beate Simon (until 9.6.2015)



Michael Thomas Krüger (since 9.6.2015)

Heads of departments:

Ludovít Bán

Corporate Banking Department

Eva Collardová

Finance

Margaret Dvorak

Head of Branches

Renata Kloubek

Personnel Department

Armin Seifert

Credit Office

Pavel Čurilla

GS – OR IU Prague

Tomáš Krejča

Financial Engineering

Jens Hohmann

COO Prague

Jaromír Hronek

Treasury

Petr Nentvich

Corporate Banking Department,
Brno Office

Luboš Křen (until 1.11.2015)

Commerzbank Transaction Services

Ondřej Eliáš

Corporate Banking Department,
Pilsen Office

Uwe Berthold (since 2.11.2015)

Commerzbank Transaction Services

Roman Zedníček

Corporate Banking Department,
Ostrava Office



English translation

Independent auditor's report

to the founder 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 ("the Branch") which comprise the balance sheet as at 31 December 2015, the income statement, statement of changes in equity for the year then ended and notes, including a summary of significant accounting policies and other explanatory information ("the financial statements").

Management's Responsibility for the Financial Statements

Management of the Branch is responsible for the preparation of the financial statements that give a true and fair view in accordance with Czech accounting legislation, and for such internal control as the Management of the Branch determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 of the financial statements that give a true and fair view 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 2015 and its financial performance for the year then ended in accordance with Czech accounting legislation.

Other information

The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is not materially inconsistent with the financial statements or our knowledge about the Branch obtained in the course of the audit of the financial statements, whether the annual report was prepared in compliance with legal requirements, and whether the other information does not appear to be otherwise materially misstated.

If, based on the work we have performed, we conclude that the aforementioned requirements of the other information are not met, we are obliged to report that fact herein.

We have nothing to report in this regard.

11 April 2016

represented by

Marek Richter
Partner

Eva Loulová
Statutory Auditor, Licence No. 1981

PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic T: +420 251 151 111, F: +420 251 156 111, www.pwc.com/cz

PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, 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 Evidence No 021.

Financial statements

Balance sheet and Off-balance Sheet as at 31 December 2015

ASSETS:		31 December 2015	31 December 2014
	Note	(CZK million)	(CZK million)
Cash and cash deposits with central banks	3	115	2,367
Due from banks	4	14,839	21,766
a) repayable on demand		123	3,510
b) other receivables		14,716	18,256
Due from customers	5	17,423	19,694
a) repayable on demand		4,587	3,740
b) other receivables		12,836	15,954
Debt securities	6	-	1,787
a) issued by government institutions		-	1,550
b) issued by by other entities		-	237
Long-term intangible assets	7.1	-	2
Long-term tangible fixed assets	7.2	68	24
of which: land and buildings for operating activities		65	18
Other assets	8	333	1,318
Prepayments and accrued income		12	12
Total assets		32,790	46,970

LIABILITIES AND EQUITY:		31 December 2015	31 December 2014
	Note	(CZK million)	(CZK million)
Due to banks	10	20,639	33,047
a) repayable on demand		7,042	5,389
b) other payables		13,597	27,658
Due to customers	11	11,177	12,026
a) repayable on demand		10,288	8,369
b) other payables		889	3,657
Other liabilities	12	365	1,379
Accruals and deferred income		97	66
Provisions	9	7	-
b) provisions for taxes		7	-
Provisions for potential liabilities	9	82	89
Revaluation reserve		-	5
Retained earnings from previous periods		100	101
Profit for the accounting period	13	323	257
Total liabilities and equity		32,790	46,970

Off-balance sheet assets	Note	31 December 2015 (CZK million)	31 December 2014 (CZK million)
Commitments and guarantees given	14.1, 14.2	13,329	12,912
Receivables from spot transactions		25	34
Receivables from term instruments	23.4	32,172	83,351
Total off-balance sheet assets		45,526	96,297

Off-balance sheet liabilities	Note	31 December 2015 (CZK million)	31 December 2014 (CZK million)
Commitments and guarantees received	5	18,919	18,603
Collateral received and pledges	5	1,695	1,087
Payables from spot transactions		25	34
Payables from term instruments	23.4	32,134	83,205
Total off-balance sheet liabilities		52,773	102,929

Income statement for the year ended 31 December 2015

	Note	31 December 2015 (CZK million)	31 December 2014 (CZK million)
Interest and similar income	15	475	577
of which: from debt securities		11	13
Interest and similar expense	16	(46)	(98)
Fee and commission income	17	269	292
Fee and commission expense	18	(29)	(22)
Gains less losses from financial transactions	19	162	156
Other operating income	20	358	332
Other operating expense		(18)	(19)
Administrative expense	21	(698)	(721)
of which: a) staff costs		(335)	(371)
of which: aa) wages and salaries		(249)	(273)
ab) social and health insurance		(74)	(83)
ac) other staff costs		(12)	(15)
b) other administrative expenses		(363)	(350)
Depreciation for long-term tangible and intangible fixed assets	7	(13)	(11)
Release of allowances and provisions for loans and guarantees, income from receivables already written-off	9	126	154
Write-offs, additions and utilisation of allowances and provisions for loans and guarantees	9	(207)	(305)
Release of other provisions		14	1
Additions to and utilisation of other provisions	9	(1)	(16)
Profit on ordinary activities before taxation		392	319
Income tax	22	(69)	(62)
Profit for the accounting period	13	323	257

Statement of changes in equity for the year ended 31 December 2015

	Revaluation reserve*	Retained earnings	Current year profit	Total
	CZK mil.	CZK mil.	CZK mil.	CZK mil.
Balance as at 1 January 2014	4	41	254	299
Allocation of 2013 profit to Commerzbank AG	-	-	(194)	(194)
Revaluation differences not included in profit net of tax	1	-	-	1
Net profit/loss for the accounting period	-	-	257	257
Difference between allocation of profit to Commerzbank AG, foreign exchange differences and profit for the year 2013	-	60	(60)	-
Balance as at 31 December 2014	5	101	257	363
Allocation of 2013 profit to Commerzbank AG	-	-	(259)	(259)
Revaluation differences not included in profit net of tax	(5)	-	-	(5)
Net profit/loss for the accounting period	-	-	323	323
Difference between allocation of profit to Commerzbank AG, foreign exchange differences and profit for the year 2013	-	(2)	2	-
Other changes	-	1	-	1
Balance as at 31 December 2015	-	100	323	423

* Changes in fair values of available for sale securities after effect of deferred tax.

Notes to the financial statements for the year ended 31 December 2015

1. General information

COMMERZBANK Aktiengesellschaft, pobočka Praha (hereinafter referred to as “the Bank”) was incorporated on 24 November 1992 as a branch of Commerzbank AG, which is headquartered in Frankfurt am Main, Germany. The Bank has its registered office in Prague and a sub-branch in Brno and offices in Ostrava and Pilsen. As at 9 June 2015 there was a change on the position of branch manager. Mrs. Beate Simon was replaced by Mr. Michael Krüger.

The Bank’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; and
- trading in securities and portfolio management.

2. Accounting policies

2.1 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 and the applicable accounting rules set by the

Ministry of Finance of the Czech Republic. 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 to fair values. The board of directors believes that the Bank has adequate resources to continue its business activities in the foreseeable future. As a result, these financial statements are prepared on a going concern basis.

The financial statements are rounded to millions of Czech Crowns (“CZK million” or “CZK m”) unless otherwise stated.

2.2 Foreign currencies

Financial assets and liabilities denominated in foreign currencies are translated to Czech Crowns at the exchange rate announced by the Czech National Bank (“CNB”) effective at the balance sheet date. Resulting foreign exchange gains and losses are recognised in Gains or losses from financial transactions.

2.3 Fair value of securities

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

The Bank uses only observable market data in its models used for determining of the fair value of securities. The valuation models reflect current market conditions 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.

2.4 Recognition and derecognition of the financial assets and liabilities

The following rules apply for the recognition of the financial assets and liabilities:

A regular way purchase or sale of financial assets shall be recognised and derecognised using settlement date accounting.

The following rules apply for the derecognition of the financial assets and liabilities:

The Bank derecognises a financial asset or its part when it loses control over the asset or its part.

The Bank removes a financial liability (or a part of a financial liability) from its balance sheet when the obligation specified in the contract is discharged or cancelled or expires. The difference between the carrying amount of a liability (or a portion thereof) extinguished or transferred and the amount paid for is recognised net in profit.

2.5 Available-for-sale securities

Available-for-sale securities are securities that the Bank designates into this category or does not meet the terms of any other category. They comprise mainly debt securities held for liquidity management. Available-for-sale securities are initially recognized at cost value which includes expenses incurred in connection with their acquisition and are subsequently measured at fair value.

As at 31 December 2015 and 31 December 2014, 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 recognized directly in equity (net of any tax effect) until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity should be recognized in the income statement.

2.6 Derivative financial instruments and hedging

Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options and other derivative financial instruments are initially recognised on balance sheet at cost and subsequently are remeasured at their fair value.

Fair values are obtained from quoted market prices, discounted cash-flow models or options pricing models as appropriate.

All derivatives are presented in Other assets or in Other liabilities when their fair value for the Bank 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 Bank 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 Bank'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; and
- (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 Bank 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 hedged item.

2.7 Interest income and expense

Interest income and expense are recognised for all interest bearing on an accrual basis using the effective interest 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 remaining maturity shorter than 1 year at the settlement date, for loans, other receivables and liabilities with individual repayment periods shorter than 1 year. The calculation includes all fees paid or received between contractual parties that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. 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 in estimating the provision for non-performing receivables.

2.8 Penalty interest

Penalty interest income, which is suspended or forgiven, is excluded from interest income until received.

2.9 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, on a time-apportionate basis.

2.10 Receivables

Receivables originated by the Bank are stated at nominal value less allowances. If the receivable is collateralised, the Bank 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 Bank consider the repayment of receivable unreal.

2.11 Provisions

Provisions are recognised when the Bank has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. All provisions are classified as liabilities. Provisions are created in an estimated amount of the future fulfilment discounted to present value. 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. Discount is continuously amortized to interest expense.

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

2.12 Allowances

The Bank first assesses whether evidence of impairment exists for individual receivables. Individual receivables are categorised in accordance with the definitions issued by the CNB into five categories (standard, watched, substandard, doubtful, loss). Impaired receivables (substandard, doubtful and loss receivables) include and represent total outstanding principal and accrued interest receivable with service payments overdue more than 90 days or other defaults in contractual terms or impaired financial performance of debtor. Watched receivables represent 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. The amount of allowance for receivables and relevant assets is based on appraisals of these assets at the balance sheet date after taking into consideration the present value of collateral in the forced sale.

The Bank assesses the impairment of receivables that are individually not significant on a portfolio basis if the value of each individual receivable included in the portfolio does not exceed CZK 81,075 million (equivalent of EUR 3 million) at the settlement date.

Additions to allowances are recognised in the income statement, their utilisation is recognised together with expenses and losses related to the decrease of assets, in the income

statement. 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.

2.13. Long-term tangible and intangible fixed assets

Long-term tangible and intangible fixed assets acquired before 31 December 2000 are recorded at acquisition cost and are depreciated using accelerated basis over its estimated useful life. 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 of the tangible assets are charged directly into Expenses. Expenditures enhancing the value of the asset are capitalised and depreciated.

Assets held under finance lease agreements were not capitalised until end of 2013 and were accounted 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. Also the total leasing commitments are not recognized as a liability.

2.14. Value added tax

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

2.15. Deferred taxation

Deferred tax 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 of probable future available taxable profit against which this asset can be utilised.

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

Deferred tax related to fair value remeasurement and available-for-sale securities, which are charged or credited directly to equity, is also credited or charged directly to equity.

2.16. Staff costs, pensions and social fund

Staff costs are included in Administrative expense.

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

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

2.17 Related parties

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

- senior management of the Bank, being persons responsible for management functions based on employment or other contracts and powers and responsibilities of which are defined in the Bank's statute ("senior management of the Bank"),
- central office controlling the Bank 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, 16, 20, 21 and 22.

2.18 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, but are not themselves reflected in the financial statements.

2.19 Change of accounting policy

The Bank has not changed its accounting policies during the accounting period.

3. Cash and cash deposits with central banks

	31 December 2015 (CZK m)	31 December 2014 (CZK m)
Cash on hand	38	53
Obligatory reserves	77	2,314
Current accounts with central banks	-	-
Total cash and cash deposits with central banks	115	2,367

Minimum obligatory reserves are mandatory deposits with the CNB. The Bank may use the funds on the account of obligatory reserves in the CNB in case of compliance with the defined average amount in the maintenance period. These deposits bear interest at the CZK two-weeks repo rate, which was 0.05% p.a. as at 31 December 2015 and at 31 December 2014.

4. Due from banks

	31 December 2015 (CZK m)	31 December 2014 (CZK m)
Current accounts with banks	50	150
Term deposits with CNB	8,000	11,080
Term deposits up to 24 hours	74	3,360
Other term deposits with other banks	5,380	6,381
Standard loans to banks	1,112	728
Other due from banks	223	67
Total due from banks, net	14,839	21,766

The Bank did not have allowances to Due from banks balances as at 31 December 2015 and 2014.

4.1. 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 2015 (CZK m)	31 December 2014 (CZK m)
Commerzbank, Bratislava branch	4,321	756
Commerzbank, Frankfurt (head office)	1,118	4,585
mBank S.A. (former BRE Bank S.A.)	46	25
Commerzbank, Tokyo branch	2	5
Commerzbank (Budapest) Zrt., Budapest	1	5
Commerzbank, Singapore branch	-	1
Total	5,488	5,377

5. Due from customers

	31 December 2015 (CZK m)	31 December 2014 (CZK m)
Customers' current accounts – overdraft	3,483	3,128
Standard loans to customers	12,365	15,641
Total standard loans	15,848	18,769
Impaired loans to companies and individuals	2,133	1,409
Total due from customer	17,981	20,178
Allowances for impaired loans (Note 9)	(558)	(484)
Total due from customers, net	17,423	19,694

Syndicate loans forming part of Due from customers totalled CZK 3,031 million at 31 December 2015 (31 December 2014: CZK 213 million).

5.1. Quality of receivables portfolio

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

The Bank 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 case of distraint title Bank uses all available legal means for collection of these loans including involvement of distrainers.

Due from customers can be per definitions presented by Czech National Bank analysed as follows:

	31 December 2015 (CZK m)	31 December 2014 (CZK m)
Standard	15,848	18,769
Watched	1,131	498
Impaired:		
- substandard	646	563
- doubtful	272	264
- loss	84	84
Total receivables due from customers	17,981	20,178

Present value of collateral received can be analysed as follows:

	31 December 2015 (CZK m)	31 December 2014 (CZK m)
Cash	161	166
Real estate pledge	59	56
Other collateral received	1,475	865
Other guarantees and commitments	18,919	18,603
Total assets received as collateral for receivables from customers	20,614	19,690

Other guarantees and commitments mainly include bank guarantees, insurance, guarantor's proclamation, bills of exchange, etc.

Restructured loans totalled CZK 62 million in 2015 (2014: CZK 791,4 million). Receivables are considered to be restructured in case the Bank grants relief to client because it is likely that the Bank would incur losses if she didn't do it. Roll-over of a short-term loan is not considered to be restructuring of the loan in the case that the client has fulfilled all requirements of loan agreements.

5.2. Receivables from related parties

Standard receivables from companies and individuals include the following receivables from related parties:

	31 December 2015 (CZK m)	31 December 2014 (CZK m)
Immobilien-gesellschaft Ost Hägle, s.r.o.	-	45
Transfinance a.s.	N/A (Note 15.1.)	78
FOSSUM Vermietungsges. ML. BOLES-LAV s.r.o.	-	36
Total receivables from related parties	-	159

As at 31 December 2015 and 2014, the Bank has not provided any loans to its senior management members.

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.

5.3. Guarantees from related parties

	31 December 2015 (CZK m)	31 December 2014 (CZK m)
Commerzbank, Frankfurt – head office	525	197
Commerzbank, Essen branch	385	393
Commerzbank, Berlin branch	171	184
Commerzbank, Düsseldorf branch	61	39
Commerzbank, Leipzig branch	5	5
Commerzbank, Nürnberg branch	3	3
Commerzbank, Hamburg branch	1	1
Total	1,151	822

6. Securities

(CZK m)	State treasury bills	Debt securities
	at 31 December 2014	at 31 December 2014
Available-for-sale	1,550	237
Total securities	1,550	237

Securities were evaluated by techniques using market values or based on techniques using market data only.

The bank did not hold any securities as at 31 December 2015. None of the above-mentioned securities were used as collateral in repo transactions.

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

	31 December 2014 (CZK m)
Traded on recognised Czech stock exchanges	237
Not traded securities – Treasury Bills	1,550
Total	1,787

7. Long term intangible and tangible fixed assets

7.1 Long term intangible assets – software

	31 December 2014 (CZK m)	Additions / Amortisation (CZK m)	Disposals (CZK m)	31 December 2015 (CZK m)
Acquisition cost	29	-	(1)	28
Accumulated amortisation	(27)	(1)	-	(28)
Net book amount	2	(1)	(1)	-

7.2 Long term operating tangible fixed assets

	31 December 2014 (CZK m)	Additions / Depreciation (CZK m)	Disposals (CZK m)	31 December 2015 (CZK m)
Acquisition cost	149	55	(30)	174
Buildings	37	54	(9)	82
Equipment	112	1	(21)	92
Accumulated depreciation	(125)	(11)	30	(106)
Buildings	(18)	(8)	9	(17)
Equipment	(107)	(3)	21	(89)
Net book amount	24	44	-	68

No intangible or tangible fixed assets of the Bank were used as collateral as at 31 December 2015 and 2014.

8. Other assets

	31 December 2015 (CZK m)	31 December 2014 (CZK m)
Operating advances granted	1	23
Settlement clearance accounts	75	50
Derivative financial instruments (Note 24.4)	233	1,225
Deferred tax asset (Note 23)	18	19
Other receivables	6	1
Total other assets, net	333	1 318

9. Allowances, provisions and write-offs

The Bank had the following provisions and allowances for assets:

	31 December 2015 (CZK m)	31 December 2014 (CZK m)
Income tax provision		
Income tax provision	68	-
Advance income tax	(61)	-
Income tax provision	7	-
Other provisions		
Provisions for potential law litigations	75	71
Provisions for other payables	7	18
Total other provisions	82	89
Allowances		
Impaired loans to customers (Note 5)	558	484
Total allowances	558	484

The movements in provisions to income tax can be analysed as follows:

	2015 (CZK m)	2014 (CZK m)
At 1 January	-	-
Additions	6	-
As at 31 December	6	-

The movements in provisions to potential payables can be analysed as follows:

	2015 (CZK m)	2014 (CZK m)
As at 1 January	71	70
Foreign exchange differences and discount effect	4	1
As at 31 December	75	71

The movements in provisions to other payables can be analysed as follows:

	2015 (CZK m)	2014 (CZK m)
As at 1 January	18	3
Additions	1	16
Foreign exchange differences	2	-
Release	(14)	(1)
As at 31 December	7	18

The movements in allowances for classified loans due from clients and other receivables can be analysed as follows:

	2015 (CZK m)	2014 (CZK m)
As at 1 January	484	342
Additions	207	305
Foreign exchange differences	(7)	(9)
Release	(126)	(154)
As at 31 December	558	484

Bad debts are written off against established general provisions, specific allowances or directly expensed in the case that management asserts their recoverability as being remote.

10. Due to banks

	31 December 2015 (CZK m)	31 December 2014 (CZK m)
Current accounts with banks	492	1,117
Term deposits due up to 24 hours	6,550	4,272
Other liabilities	13,597	27,658
Total due to banks	20,639	33 047

10.1. Deposits from related parties

	31 December 2015 (CZK m)	31 December 2014 (CZK m)
Commerzbank Frankfurt – head office	12,850	26,189
Commerzbank, Bratislava branch	2,223	2,792
mBank S.A. (former BRE Bank S.A.), organisational unit, Praha	91	35
Commerzbank, Paris branch	57	109
Commerzbank.London branch	4	1
Commerzbank (Budapest) Zrt., Budapest	2	6
Commerzbank, New York	-	1
Total deposits from related parties	15,227	29,133

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 2015 (CZK m)	31 December 2014 (CZK m)
Amounts due to governmental entities	11	11
Amounts due to municipalities	-	2
Amounts due to private customers	11,166	12,013
Total due to customers	11,177	12,026

11.1. Due to customers by type

	31 December 2015 (CZK m)	31 December 2014 (CZK m)
Liabilities repayable on demand	10,106	8,369
Term accounts for fixed term	666	3,328
Term accounts with fixed notice period	182	262
Other amounts due to private customers	223	67
Total due to customers	11,177	12,026

11.2. Deposits from related parties

	31 December 2015 (CZK m)	31 December 2014 (CZK m)
Immobilien-gesellschaft Ost Hagle, s.r.o.	82	37
Commerz systems, GmbH	69	-
Commerz Real Mobilienleasing, GmbH	3	9
Fab Fab, GmbH	1	-
Total deposit from related parties	155	46

The Bank did not accept any deposits from senior management members as at 31 December 2015 and 2014.

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 normal interest rate and liquidity risk or present other unfavourable features.

12. Other liabilities

	31 December 2015 (CZK m)	31 December 2014 (CZK m)
Derivative financial instruments (Note 23.4)	188	1,072
Settlement clearance accounts	111	231
Estimated payables	48	68
Other liabilities	18	8
Total other liabilities	365	1,379

The Bank did not have any overdue liabilities to finance authorities, social insurance authorities or health insurance companies as at 31 December 2015 and 2014.

13. Equity and profit distribution

The net profit of CZK 323 million for 2015 is proposed to be distributed as follows:

	2015 (CZK m)
Allocation to Commerzbank AG (profit according to German accounting standards)	394
Transfer to retained earnings	(71)
Net profit	323

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 and guarantees from acceptance of bills of exchange and letters of credit expose the Bank 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.

14.1. Guarantees granted

	31 December 2015 (CZK m)	31 December 2014 (CZK m)
Guarantees granted		
Banks in the group – subsidiaries and other controlled banks	275	108
Non-banking companies in the group – subsidiaries and other controlled entities	-	1
Other banks	598	1,635
Other clients	6,793	5,824
Guarantees granted	7,666	7,568
Provision for guarantees (Note 9)	-	(15)
Total carrying value of the guarantees	7,666	7,553

14.2. Commitments granted

	31 December 2015 (CZK m)	31 December 2014 (CZK m)
Non-cancellable commitments		
On behalf of clients	5,431	4,581
On behalf of banks	232	763
Total commitments granted	5,663	5,344

The Bank has not granted any guarantees or commitments to its management as at 31 December 2015 and 2014.

15. Interest and similar income

	2015 (CZK m)	2014 (CZK m)
Inter-bank transactions	28	40
Receivables from customers and state	436	524
Debt securities	11	13
Total interest and similar income	475	577

CZK 55 million of interest income was recognised on impaired loans in the year ended 31 December 2014 (2014: CZK 26 million).

The bank registered unpaid penalty interest income outstanding in the amount of CZK 23.2 million as at 31 December 2015 (2014: CZK 4,6 million).

15.1 Interest income from related parties of Commerzbank AG Group

	2015 (CZK m)	2014 (CZK m)
Commerzbank Frankfurt – head office	15	25
Commerzbank Bratislava branch	4	3
Transfinance, a.s.	N/A	1
FOSSUM Vermietungsges. ML. BOLESLAV s.r.o.	-	1
Immobilien-gesellschaft Ost Hägle, s.r.o.	-	1
mBank (BRE Bank) S.A., Warsaw	1	1
Total	20	32

As the Company Transfinance a.s. was sold outside of Commerzbank AG Group, it is not classified as a related party as at 31 December 2015 anymore.

16. Interest and similar expense

	2015 (CZK m)	2014 (CZK m)
Inter-bank transactions	40	94
Deposits from customers and state	2	3
Other	4	1
Total interest and similar expense	46	98

16.1. Interest expense from related parties of Commerzbank AG Group

	2015 (CZK m)	2014 (CZK m)
Commerzbank Frankfurt – head office	41	87
Commerzbank (Eurasia) SAO, Moscow	-	4
Commerzbank, Bratislava branch	(3)	-
Total	38	91

17. Fee and commission income

	2015 (CZK m)	2014 (CZK m)
Domestic and foreign transfers	126	115
Guarantees	46	43
Letters of credit	35	40
Credit related fees and commission	51	77
Brokerage income from the purchase and sale of securities and derivatives	3	7
Other fees and commissions	8	10
Total fee and commission income	269	292

18. Fee and commission expense

	2015 (CZK m)	2014 (CZK m)
Fees and commissions on loans	16	10
Domestic and foreign payments	10	7
Fees and commissions for off balance sheet	2	3
Fees and commissions from other financial activities	1	2
Total fee and commission expense	29	22

19. Gains less losses from financial transactions

	2015 (CZK m)	2014 (CZK m)
Gains / (Losses) from foreign currency transactions	407	(569)
Gains from transactions with FX financial derivatives	(244)	729
(Losses) from interest rate financial derivatives	(1)	(4)
Total gains less losses from financial transactions	162	156

20. Other operating income

	2015 (CZK m)	2014 (CZK m)
Income from intercompany re-invoicing	334	328
Other operating income	24	4
Total other operating income	358	332

Income from intercompany re-invoicing represents re-invoicing of costs related to activities carried out for the head office Commerzbank AG in Frankfurt am Main and income from invoicing of management and administration services. These services are provided to branches in Bratislava, Wien, Luxembourg and to subsidiaries in Budapest and Moscow.

20.1. Other operating income from related parties of Commerzbank AG Group

	2015 (CZK m)	2014 (CZK m)
Commerzbank Frankfurt – head office	307	301
Commerzbank, Bratislava branch	21	22
Commerz Systems, GmbH	7	-
Commerzbank, Wien	2	1
Commerzbank (Budapest) Zrt., Budapest	1	2
Commerzbank, Moskva	1	2
Total other operating expense	339	328

21. Administrative expense

	2015 (CZK m)	2014 (CZK m)
Staff costs	335	370
Intercompany expense – head office in Frankfurt am Main	129	128
Outsourcing	79	74
Rent and lease charges	55	49
Expenses for IT	25	29
Tax and legal advisory services	-	9
Services provided by the auditing company:		
- compulsory audit of the financial statements	2	2
Other administration expenses	73	60
Total administrative expense	698	721

Staff costs are analysed in the income statement.

In 2015, the management of the Bank was paid wages and salaries of CZK 44 million (2014: CZK 44 million), social and health insurance paid by the Bank amounted to CZK 7.3 million (2014: CZK 7 million). The management of the Bank includes its directors and further the managers on the first level of the organisational structure (as at 31 December 2015 a total of 13 employees and 2014 a total of 13 employees). At 1 October 2015 the Company has transferred 159 employees making up an IT division as a separate company Commerz Systems GmbH, branch.

21.1 Staff statistics

	2015	2014
Average number of employees	131	275

In 2014 and 2015, the Bank provided contributions of CZK 1 million to its employees for state pension insurance.

22. Taxation

	2015 (CZK m)	2014 (CZK m)
Current tax expense	68	64
Deferred tax expense/(income)	1	(2)
Total income tax expense	69	62

Advance income tax was paid in the amount CZK 61 million, income tax provision was created in the amount CZK 7 million.

Current tax can be analysed as follows:

	2015 (CZK m)	2014 (CZK m)
Profit before taxation	392	319
Non-taxable income	(83)	(80)
Non-deductible expenses	49	95
Other expenses reducing net taxable profit	-	2
Net taxable profit	358	336
Current tax charge at 19 %	68	64

Deferred income tax asset is calculated as 19% (income tax rate for 2014 and 2015) depending on the period, in which it is expected the temporary difference to be compensated and can be analysed as follows:

	31 December 2015 (CZK m)	31 December 2014 (CZK m)
Deferred tax asset as at 1 January	19	17
Available-for-sale securities	1	-
Allowances to loans to customers	(2)	2
Deferred tax asset as at 31 December	18	19

	31 December 2015 (CZK m)	31 December 2014 (CZK m)
Deferred income tax asset		
Allowances to loans to customers	16	17
Non-tax deductible social insurance	2	3
Total	18	20
Deferred income tax liability		
Change in fair value of available for sale securities	-	(1)
Net deferred tax asset (Note 8)	18	19

23. Financial risks

23.1. Strategy in using financial instruments

The Bank's activities are principally related to the use of financial instruments. The Bank 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 Bank 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 Bank 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 receivables and advances but the Bank also enters into guarantees and other commitments such as letters of credit and other similar liabilities.

The Bank also trades in financial instruments where it takes positions in traded and over the counter instruments including derivatives to take advantage of short-term mar-

ket movements on the shares and bonds markets and in currency, interest rate and commodity prices. The Board of Directors sets trading limits on the level of exposure that can be taken in relation with both overnight and intra-day market positions. Currency and interest exposure resulting from these financial instruments are normally offset by entering into counterbalancing positions.

23.2. Credit risk

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, group of borrowers and to geographical and business segments. Such risks are monitored on a regular basis and are subject to an annual or more frequent review. Limits on the level of credit risk by product, in-

dustry sector and by country are approved by Head office in 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 Bank considers its current credit portfolio to be high quality since the value of allowances is less than 2.91% of the nominal value of the credit portfolio. The Bank uses pledges to real estate, cession of receivables, guarantees and guarantors' proclamation etc. The Bank monitors the concentration of risks based on geographical and industry sectors.

Geographical segmentation

31 December 2015	Domestic (CZK m)	European union (CZK m)	Rest of the Europe (CZK m)	Other (CZK m)	Total (CZK m)
Assets					
Cash and cash deposits with central banks	115	-	-	-	115
Due from banks	8,000	5,492	1,028	319	14,839
Due from customers	14,846	1,144	1,433	-	17,423
Other assets	341	72	-	-	413
Total assets	23,302	6,708	2,461	319	32,790

31 December 2014	Domestic (CZK m)	European union (CZK m)	Rest of the Europe (CZK m)	Other (CZK m)	Total (CZK m)
Assets					
Cash and cash deposits with central banks	2,367	-	-	-	2,367
Due from banks	15,579	5,380	684	123	21,766
Due from customers	14,407	3,848	1,439	-	19,694
Securities available-for-sale	1,787	-	-	-	1,787
Other assets	475	839	42	-	1,356
Total assets	34,615	10,067	2,165	123	46,970

Business segmentation

31. December 2015	Retail banking (CZK m)	Investment banking (CZK m)	Other (CZK m)	Total (CZK m)
Assets				
Cash and cash deposits with central banks	115	-	-	115
Due from banks	1,024	-	13,815	14,839
Due from customers	16,463	959	1	17,423
Other assets	84	-	329	413
Total assets	17,686	959	14,145	32,790

31 December 2014	Retail banking (CZK m)	Investment banking (CZK m)	Other (CZK m)	Total (CZK m)
Assets				
Cash and cash deposits with central banks	2,367	-	-	2,367
Due from banks	685	-	21,081	21,766
Due from customers	17,613	2,077	4	19,694
Securities available-for-sale	237	-	1,550	1,787
Other assets	313	-	1,043	1,356
Total assets	21,215	2,077	23,678	46,970

Information about customer segmentation

31. December 2015	Local banks (CZK m)	Foreign banks (CZK m)	Corporate sector (CZK m)	State institutions (CZK m)	Individuals (CZK m)	Total (CZK m)
Assets						
Cash and cash deposits with central banks	115	-	-	-	-	115
Due from banks	8,000	6,839	-	-	-	14,839
Due from customers	-	-	17,377	-	46	17,423
Other assets	111	45	256	-	1	413
Total assets	8,226	6,884	17,633	-	47	32,790

31. December 2014	Local banks (CZK m)	Foreign banks (CZK m)	Corporate sector (CZK m)	State institutions (CZK m)	Individuals (CZK m)	Total (CZK m)
Assets						
Cash and cash deposits with central banks	2,367	-	-	-	-	2,367
Due from banks	15,580	6,186	-	-	-	21,766
Due from customers	-	-	19,615	-	79	19,694
Securities available-for-sale	-	-	237	1,550	-	1,787
Other assets	21	860	474	-	1	1,356
Total assets	17,968	7,046	20,326	1,550	80	46,970

23.3. Market risk

The Bank takes on exposure to market risks which arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices, such as interest rates, credit spreads and foreign exchange rates.

The Bank applies a 'value at risk' ("VAR") methodology to estimate the market risk of positions held and the maximum losses expected upon a number of assumptions for various changes in market conditions. Head office in Frankfurt am Main sets limits on the value of risk that may be accepted, which is monitored on a daily basis.

For assessment of market losses arising from extreme market changes the Bank defined the stress scenarios, based on which a value of Stress test is calculated – an expected maximum loss under unfavourable market conditions.

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 outputs are monitored regularly

to test the validity of the assumptions and parameters / factors used in the VAR calculation.

Since VAR constitutes an integral part of the Bank's market risk control regime, VAR limits are established by the management of the Bank for individual trading and portfolio operations; actual exposure against limits, together with a consolidated bank-wide VAR of the Bank, is reviewed daily by management. Consolidated VAR of the Bank as at 31 December 2015 was CZK 2.5 million (31 December 2014: CZK 2.2 million) and average daily consolidated VAR was CZK 2.4 million in 2015 (31 December 2014: CZK 2.8 million).

Stress-testing values are presented with VAR values to the Bank management and Commerzbank AG head office on a daily basis, analogically. Limits of stress-testing and limits of VAR were never exceeded in 2015 (average annual value in 2015 equals 22.18 %, in 2014: 39.02 %).

23.4. Derivative financial instruments

The Bank concludes derivative financial instruments only on the over-the-counter market (OTC). The Bank has outstanding derivative contracts, which can be analysed as follows:

Total financial derivatives

31. December 2015	Nominal amount assets (CZK m)	Nominal amount liabilities (CZK m)	Fair value positive (CZK m)	Fair value negative (CZK m)
Interest rate derivatives	3,769	3,770	38	38
Currency derivatives	28,403	28,364	195	150
Total	32,172	32,134	233	188

31. December 2014	Nominal amount assets (CZK m)	Nominal amount liabilities (CZK m)	Fair value positive (CZK m)	Fair value negative (CZK m)
Interest rate derivatives	2,208	2,208	44	50
Currency derivatives	81,143	80,997	1,181	1,022
Total	83,351	83,205	1,225	1,072

Derivative financial instruments were valued using only market prices or valuation models based only on observable market data.

Total financial derivatives

31. December 2015	Nominal amount assets (CZK m)	Nominal amount liabilities (CZK m)	Fair value positive (CZK m)	Fair value negative (CZK m)
Interest rate derivatives				
Swaps	3,769	3,770	38	38
Total	3,769	3,770	38	38
Currency derivatives				
Forwards	4,783	4,768	35	16
Swaps	23,620	23,596	160	134
Total	28,403	28,364	195	150
Total financial derivatives	32,172	32,134	233	188

31. December 2014	Nominal amount assets (CZK m)	Nominal amount liabilities (CZK m)	Fair value positive (CZK m)	Fair value negative (CZK m)
Interest rate derivatives				
Swaps	2,208	2,208	44	50
Total	2,208	2,208	44	50
Currency derivatives				
Forwards	11,071	11,071	77	76
Swaps	70,072	69,926	1,104	946
Total	81,143	80,997	1,181	1,022
Total trading financial derivatives	83,351	83,205	1,225	1,072

Fair value gains less losses of trading derivatives are recognised in the income statement.

23.5. Currency risk

The Bank takes on exposure resulting from fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Head office in 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.

The table below summarises the Bank's exposure to currency risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency.

31. December 2015 (CZK m)	CZK	EUR	USD	Other	Total
Assets					
Cash and cash deposits with central banks	93	12	4	6	115
Due from banks	8,001	5,538	1,219	81	14,839
Due from customers	10,396	6,548	476	3	17,423
Other assets	383	17	3	10	413
Total assets	18,873	12,115	1,702	100	32,790
Liabilities					
Due to banks	4,190	11,874	4,570	5	20,639
Due to customers	5,423	4,687	963	104	11,177
Provisions	88	1	-	-	89
Other liabilities	791	45	22	27	885
Total liabilities	10,492	16,607	5,555	136	32,790
Net assets/(liabilities)	8,381	(4,492)	(3,853)	(36)	-
Net off-balance sheet assets/(liabilities)	(8,999)	5,001	3,984	52	38
Net open currency position	(618)	509	131	16	38

31. December 2014 (CZK m)	CZK	EUR	USD	Other	Total
Assets					
Cash and cash deposits with central banks	2,346	13	3	5	2,367
Due from banks	15,671	2,160	3,877	58	21,766
Due from customers	12,195	6,923	574	2	19,694
Securities available-for-sale	1,787	-	-	-	1,787
Other assets	1,333	7	8	8	1,356
Total assets	33,332	9,103	4,462	73	46,970
Liabilities					
Due to banks	8,040	17,792	7,203	12	33,047
Due to customers	6,852	4,625	478	71	12,026
Provisions	74	15	-	-	89
Other liabilities	1,689	44	55	20	1,808
Total liabilities	16,655	22,476	7,736	103	46,970
Net assets/(liabilities)	16,677	(13,373)	(3,274)	(30)	-
Net off-balance sheet assets/(liabilities)	(16,516)	13,339	3,275	48	146
Net open currency position	161	(34)	1	18	146

23.6. Interest rate risk

The Bank 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. Head office in Frankfurt am Main sets limits on the level of mismatch of interest rate repricing that may be undertaken. These limits are monitored daily. In the balance sheet of the Bank outweighs assets and liabilities with fixed interest rate.

23.7. Liquidity risk

The Bank 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 Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of re-investment of maturing funds can be predicted with a high level of certainty. Head office in Frankfurt am Main sets limits of the liquidity 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 Bank is able to close its open positions on capital markets, if necessary. Usual maturities of financial derivatives are in interval up to 1 year.

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




31. December 2015	Within 3 months (CZK m)	3 - 12 months (CZK m)	1 - 5 years (CZK m)	Over 5 years (CZK m)	Not specified (CZK m)	Total (CZK m)
Assets						
Cash and cash deposits with central banks	38	-	-	-	77	115
Due from banks	10,919	1,896	2,019	5	-	14,839
Due from customers	6,944	1,362	7,594	653	870	17,423
Other assets	127	93	15	-	178	413
Total assets	18,028	3,351	9,628	658	1,125	32,790
Liabilities						
Due to banks	15,027	2,719	2,893	-	-	20,639
Due to customers	10,808	369	-	-	-	11,177
Provisions	-	-	-	-	89	89
Other liabilities	63	78	15	-	729	885
Total liabilities	25,898	3,166	2,908	-	818	32,790
Net assets/(liabilities)	(7,870)	185	6,720	658	307	-

31. December 2014	Within 3 months (CZK m)	3 - 12 months (CZK m)	1 - 5 years (CZK m)	Over 5 years (CZK m)	Not specified (CZK m)	Total (CZK m)
Assets						
Cash and cash deposits with central banks	52	-	-	-	2,315	2,367
Due from banks	19,610	1,727	429	-	-	21,766
Due from customers	10,434	1,868	6,245	892	255	19,694
Securities available-for-sale	500	1,051	-	-	236	1,787
Other assets	782	340	75	1	158	1,356
Total assets	31,378	4,986	6,749	893	2,964	46,970
Liabilities						
Due to banks	32,231	315	501	-	-	33,047
Due to customers	11,576	450	-	-	-	12,026
Provisions	-	-	-	-	89	89
Other liabilities	733	273	51	1	750	1,808
Total liabilities	44,540	1,038	552	1	839	46,970
Net assets/(liabilities)	(13,162)	3,948	6,197	892	2,125	-

24. Subsequent events

There were no events, which have occurred subsequent to the year-end until the date of preparation of financial statements, which would have a material impact on the financial statements of the Bank as at 31 December 2015.

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

Date	Statutory representative	Person responsible for accounting	Person responsible for preparation of the financial statements
11 April 2016	 Michael Thomas Krüger	 Eva Collardová, MBA	 Vladimír Kugler



COMMERZBANK Aktiengesellschaft

pobočka Praha
Jugoslávská 1
120 21 Praha 2

Tel.: +420 221 193 111
Fax: +420 221 193 699

info_cz@commerzbank.com
www.commerzbank.cz

