

***COMMERZBANK Aktiengesellschaft,
pobočka zahraničnej banky, Bratislava***

Financial statements prepared in accordance
with International Financial Reporting Standards
as adopted by the EU

31 December 2015

Translation note

This version of the financial statements is a translation from the original, which was prepared in the Slovak language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Slovak version of our report takes precedence over this translation.



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky, Bratislava, which comprise the statement of financial position at 31 December 2015 and the statements of comprehensive income and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky, Bratislava as at 31 December 2015, its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

Mgr. Juraj Tučný, FCCA
Licencia UDVA č. 1059

Bratislava, 15 March 2016

Translation note

This version of our report is a translation from the original, which was prepared in the Slovak language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Slovak version of our report takes precedence over this translation.

.....
*PricewaterhouseCoopers Slovensko, s.r.o., Karadžičova 2, Bratislava – mestská časť Staré Mesto 815 32, Slovak Republic
T: +421 (0) 2 59350 111, F: +421 (0) 2 59350 222, www.pwc.com/sk*

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.

Contents

Statement of comprehensive income	3
Statement of financial position.....	4
Statement of cash flows.....	5
1 General information.....	6
1.1 Statutory, supervisory, managing bodies and the organisation chart as at 31 December 2015	7
2 Summary of significant accounting policies	8
2.1 Basis of preparation	8
2.2 Foreign currency translation	11
2.3 Financial assets and financial liabilities	12
2.4 Classes of financial instruments.....	13
2.5 Offsetting financial instruments	13
2.6 Interest income and expense	14
2.7 Fee and commission income	14
2.8 Impairment of financial assets	14
2.9 Impairment of non-financial assets	16
2.10 Cash and cash equivalents	16
2.11 Derivative financial instruments	16
2.12 Leases.....	16
2.13 Staff costs, pensions and social fund.....	17
2.14 Property and equipment	17
2.15 Intangible assets.....	17
2.16 Income tax	18
2.17 Provisions	18
2.18 Financial guarantee contracts	18
2.19 Related parties.....	19
2.20 Net assets attributable to head office	19
2.21 Comparatives.....	19
3 Financial risk management	19
3.1 Credit Risk	20
3.2 Market risk	28
3.3 Liquidity risk	30
3.4 Fair values of financial assets and liabilities	32
3.5 Capital management	33
4 Critical accounting estimates and judgments.....	34
4.1 Impairment losses on loans.....	34
5 Net interest income	34
5.1 Interest income	34
5.2 Interest expense	34
6 Loan impairment charges	35
7 Net fee and commission income	35
7.1 Fee and commission income	35
7.2 Fee and commission expense	35
8 Net trading losses	35
9 Employee benefit expenses.....	35
10 General and administrative expenses	36
11 Depreciation and amortisation.....	36
12 Other operating expenses	36
13 Income tax expense	36
14 Cash and balances with central banks	37
15 Loans to banks.....	37
16 Derivative financial instruments.....	38
17 Loans to customers	38

18	Intangible assets	38
19	Property, plant and equipment	39
	19.1 Insurance	39
20	Leases	40
	20.1 Financial leases	40
	20.2 Operating leases	40
21	Other assets	40
22	Deposits from banks	40
23	Due to customers.....	40
24	Other liabilities	41
25	Deferred income tax assets and liabilities	41
26	Provisions for liabilities	42
27	Cash and cash equivalents	43
28	Contingent liabilities and commitments.....	43
29	Related-party transactions and balances.....	43
30	Events after the date of the statement of financial position	45

Statement of comprehensive income for the year ended 31 December 2015

(EUR'000)	Note	Year ended	
		31 December 2015	31 December 2014
Interest and similar income	5.1	1,771	1,773
Interest expense and similar charges	5.2	(165)	(202)
Net interest income		1,606	1,571
Loan impairment charges	6	(189)	127
Net interest income after loan impairment charges		1,417	1,698
Fee and commission income	7.1	1,689	1,844
Fee and commission expense	7.2	(99)	(49)
Net fee and commission income		1,590	1,795
Net trading loss	8	(24)	(5)
Employee benefit expenses	9	(490)	(473)
General and administrative expenses	10	(1,981)	(1,629)
Depreciation and amortisation expenses	11	(28)	(28)
Other operating expenses	12	(419)	(318)
Profit before income tax and re-measurement of net assets attributable to head office		65	1,040
Income tax	13.25	(7)	(706)
Profit before re-measurement of net assets attributable to head office		58	334
Re-measurement of net assets attributable to head office	2.20	(58)	(334)
Net profit of the year attributable to head office		-	-
Total comprehensive income for the year attributable to head office		-	-

Statement of financial position as at 31 December 2015

(EUR'000)	Note	31 December 2015	31 December 2014
ASSETS			
Cash and balances with central banks	14	70,125	428
Loans to banks	15	85,909	110,683
Loans to customers	17	102,681	28,379
Intangible assets	18	16	11
Property, plant and equipment	19	19	37
Deferred income tax asset	25	266	195
Other assets	21	301	165
Total assets		259,317	139,898
LIABILITIES			
Deposits from banks	22	160,598	28,881
Due to customers	23	97,585	110,035
Current income tax liabilities	13	88	109
Provisions for liabilities and charges	26	451	296
Other liabilities	24	358	325
Net assets attributable to head office	2.20	237	252
Total liabilities		259,317	139,898

Statement of cash flows for the year ended 31 December 2015

(EUR'000)	Note	Year ended	
		31 December 2015	31 December 2014
Profit before income tax and re-measurement of net assets attributable to head office		65	1,039
<i>Non-cash positions in net profit and adjustments to reconcile net profit with net cash provided by operating activities:</i>			
Write-downs, depreciation, adjustments and changes in provisions	11, 17, 26	182	(2,537)
Net interest income	5	(1,606)	(1,571)
Net fee and commission income	7	(1,590)	(1,795)
Sub-total		(2,949)	(4,864)
<i>Change in assets and liabilities from operating activities after adjustment for non-cash components:</i>			
Loans to customers		(74,232)	3,469
Other assets from operating activities		(212)	587
Liabilities to banks		130,763	(7,663)
Liabilities to customers		(12,450)	43,279
Other liabilities from operating activities		14	(30)
Interest received		1,701	1,774
Interest paid		(151)	(206)
Fee and commission received		1,694	1,844
Fee and commission paid		(80)	(68)
Income tax paid		(28)	(598)
Net cash flows from operating activities		44,070	37,524
<i>Payments for the acquisition of:</i>			
Property, plant and equipment	19	(14)	11
Net cash flows from investing activities		(14)	11
Settlement of losses by head office		867	1,220
Net cash flows from financing activities		867	1,220
Net increase in cash and cash equivalents		44,923	38,755
Cash and cash equivalents at the end of the previous period	27	111,111	72,356
Cash and cash equivalents at the end of the period	27	156,034	111,111

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

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

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

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

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

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

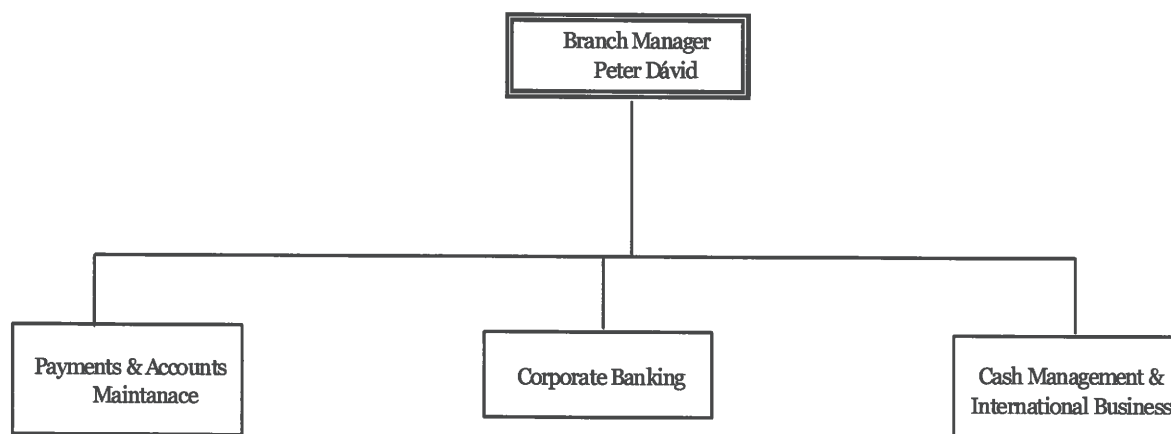
The average number of staff was 11 in 2015 (2014: 11).

The Branch is not a separate legal person and is not shareholder or 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 2015 and approved for issue by the Director of the Branch on 15 March 2016.

**1.1 Statutory, supervisory, managing bodies and the organisation chart
as at 31 December 2015**

Name	Position
Director of branch:	
Peter Dávid	Director of Branch
General power of representation:	
Miriám Stilhammerová (until September 2015)	Proxy
Anna Bajúszová (since October 2015)	Proxy
Štefan Košiar	Proxy
Board of directors of COMMERZBANK AG:	
Martin Blessing	Chairman
Markus Beumer	Member
Frank Annuscheit	Member
Dr. Stefan Schmittmann	Member
Stephan Engels	Member
Michael Reuther	Member
Martin Zielke	Member
Supervisory board of COMMERZBANK AG:	
Klaus-Peter Müller	Chairman
Uwe Tschäge	Deputy Chairman
Hans-Hermann Altenschmidt	Member
Gunnar de Buhr	Member
Stefan Burghardt	Member
Sabine U. Dietrich	Member
Karl – Heinz Flöther	Member
Dr. Marcus Kerber	Member
Alexandra Krieger	Member
Oliver Leiberich	Member
Dr. Stefan Lippe	Member
Beate Mensch	Member
Anja Mikus	Member
Dr. Roger Müller	Member
Dr. Helmut Perlet	Member
Barbara Priester	Member
Mark Roach	Member
Margit Schoffer	Member
Dr. Gertrude Tumpel- Gugerell	Member
Nicholas Teller	Member



Shareholders' information of Commerzbank AG at 31 December 2015 and 2014.

Shares of capital held:	2015	2014
Institutional investors	50%	47%
Government of Germany	15%	17%
BlackRock	5%	5%
Private investors	25%	26%
Capital Group	5%	5%

Stock exchange listings:

Germany:	Europe:	North America:
Berlin	London	Sponsored ADR (CRZBY)
Düsseldorf	Switzerland	CUSIP: 202597308
Frankfurt		
Hamburg		
Hannover		
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) and in accordance with the Slovak Act on Accounting. Additional information required by national regulations is included where appropriate.

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

The financial statements have been prepared under the historical cost convention.

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

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

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

The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities. Cash and cash equivalents include highly liquid investments. Note 27 shows in which item of the statement of financial position cash and cash equivalents are included.

Net cash from operating activities includes payments (inflows and outflows) relating to claims on banks and customers and other assets. Increases and decreases in liabilities to banks and customers and other liabilities also belong to operating activities. The interest payments resulting from operating activities are also reflected in net cash from operating activities.

2.1.1 Framework for preparation

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

2.1.2 Standards or interpretations effective for the first time for years ended 31 December 2015

IFRIC 21 - Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014).

The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. This standard has been endorsed by the European Union with effective date for annual periods beginning on or after 17 June 2014. The Branch has reflected the amendments to the financial statements.

2.1.3 Standards or interpretations effective for the first time for years ended 31 December 2016 or later which were not early adopted

IFRS 9, Financial Instruments (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the standard are:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- IFRS 9 introduces a new model for the recognition of impairment losses - the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Branch is currently assessing the impact of the new standard on its financial statements.

Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (issued in November 2013 and effective for annual periods beginning 1 July 2014).

The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. This standard has been endorsed by the European Union with effective date for annual periods beginning on or after 1 February 2015. The Branch is currently assessing the impact of the amended standard on its financial statements.

IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The Branch is currently assessing the impact of the standard on its financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Branch is currently assessing the impact of the amended standards on its financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Branch is currently assessing the impact of the standard on its financial statements.

IFRS 16 "Leases" (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019)

New standard IFRS 16 fully replaces recognition of leases in accordance with IAS 17. Significant changes concern in particular the lessees' recognition of leases. IFRS 16 provides a single accounting model for recognition of all lease transactions. New IFRS requires lessee to recognise a right-of-use asset and a lease liability in the balance sheet. Lessor's recognition is more or less comparable with the IAS 17.

Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017). The amendment has clarified the requirements on recognition of deferred tax assets for unrealized losses on debt instruments. The entity will have to recognize deferred tax assets for unrealized losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax assets arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Branch is currently assessing the impact of the improvements on its financial statements.

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Branch is currently assessing the impact of the amended standard on its financial statements.

Disclosure Initiative Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amendment to IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Branch is currently assessing the impact of the amended standard on its financial statements.

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

2.2 Foreign currency translation

a. Functional and presentation currency

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

The financial statements are presented in thousand.

b. Transactions and balances

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

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

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

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

2.3. Financial assets and financial liabilities

2.3.1. Financial assets

The Branch classifies all its financial assets in the category loans and receivables. Management determines the classification of its investments at initial recognition.

a. Loans and receivables (LaR)

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

- i. 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;
- ii. those that the entity upon initial recognition designates as available for sales; or
- iii. those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

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

2.3.2 Financial liabilities

The Branch classifies all liabilities in category liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

a. Liabilities measured at amortised cost

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

2.3.3. Derecognition

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

2.4 Classes of financial instruments

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

Classes vs. categories as at 31 December 2015:

Classes / Categories (EUR'000)	Loans and Receivables	Financial liabilities measured at amortised cost	Total
Assets			
Cash and balances with central banks	70,125	-	70,125
Loans and advances to banks	85,909	-	85,909
Loans and advances to customers	102,681	-	102,681
Other financial assets	152	-	152
Total financial assets	258,867	-	258,867
Liabilities			
Deposits from banks	-	160,598	160,598
Due to customers	-	97,585	97,585
Other financial liabilities	-	182	182
Total financial liabilities	-	258,365	258,365

Classes vs. categories as at 31 December 2014:

Classes / Categories (EUR'000)	Loans and Receivables	Financial liabilities measured at amortised cost	Total
Assets			
Cash and balances with central banks	428	-	428
Loans and advances to banks	110,683	-	110,683
Loans and advances to customers	28,379	-	28,379
Other financial assets	158	-	158
Total financial assets	139,648	-	139,648
Liabilities			
Deposits from banks	-	28,881	28,881
Due to customers	-	110,035	110,035
Other financial liabilities	-	102	102
Total financial liabilities	-	139,018	139,018

2.5 Offsetting financial instruments

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

2.6 Interest income and expense

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

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

2.7 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 and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Branch has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

2.8 Impairment of financial assets

2.8.1 Assets carried at amortised cost

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

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

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

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

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

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

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

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

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

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. The amount of losses from impairment of loans to customers is recognised in the statement of comprehensive income as a loan impairment charge.

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

2.8.2 Renegotiated loans

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

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. No non-financial assets were identified as impaired in 2015 and 2014.

2.10 Cash and cash equivalents

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

2.11 Derivative financial instruments

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

2.12 Leases

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

The Branch is a lessee.

2.12.1 Operating lease

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

2.12.2 Finance lease

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

2.13 Staff costs, pensions and social fund

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

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

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

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

2.14 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:

Fixed assets	Estimated useful life
Safes	12 years
Leasehold improvements	over the period of lease
Cars	4 years
Furniture	2 - 6 years
Hardware	2 - 4 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

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

2.15 Intangible assets

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

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

2.16 Income tax

The income tax arising from the result of operations of the current period consists of the tax due and deferred tax. The income tax is recognized in the income statement, except for the tax that relates to items recognized directly in other comprehensive income. In that instance also the income tax is posted directly to other comprehensive income.

2.16.1 Current income tax

The income tax due is the expected tax liability relating to the taxable profit for the current period, computed using the tax rate applicable at the balance sheet date. The tax due also includes adjustments of the tax liabilities of past accounting periods.

2.16.2 Deferred income tax

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

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

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

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

2.17 Provisions

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

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

2.18 Financial guarantee contracts

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

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

2.19 Related parties

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

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

2.20 Net assets attributable to head office

As the Branch is part of the legal entity Commerzbank AG, there is a regular transfer of annual profit or loss in accordance with German Commercial Code (HGB) and related German Accounting Standards ("German GAAP") at the request of Commerzbank AG. The related liability or receivable is reclassified into Deposits to banks or Loans to banks in the respective financial period. Difference between total external assets and total external liabilities is considered to be a non-financial asset/liability. Net assets attributable to head office are re-measured at present value of redemption amount and considered as payable on demand, since the settlement is fully controlled by Commerzbank AG.

The movements in net assets attributable to head office can be analysed as follows:

(EUR'000)	Net assets attributable to head office
Balance 1 January 2014	785
Re-measurement in the amount of profit before distributions to head office in accordance with IFRS for the period ended 31 December 2014	334
Reclassification of payable to head office into Deposits from banks in the amount of German GAAP profit for the period ended 31 December 2014	(867)
Balance 31 December 2014	252
Re-measurement in the amount of profit before distributions to head office in accordance with IFRS for the period ended 31 December 2015	58
Reclassification of payable to head office into Deposits from banks in the amount of German GAAP profit for the period ended 31 December 2015	(73)
Balance 31 December 2015	237

2.21 Comparatives

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

3 Financial risk management

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

The aim of the Branch is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Branch's financial performance. The Branch defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

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

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

3.1 Credit Risk

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

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

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

3.1.1 Credit risk measurement

Loans and advances (incl. loan commitments and guarantees)

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

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

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

The models are reviewed regularly.

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

- i. Probability of default

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

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

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

Commerzbank AG rating	PD and EL* mid-point (in %)	PD and EL range (in %)	S & P	IFD Scale
1.0	0	0		
1.2	0.01	0 – 0.02	AAA	
1.4	0.02	0.02 – 0.03	AA +	
1.6	0.04	0.03 – 0.05	AA, AA -	
1.8	0.07	0.05 – 0.08	A +, A	Investment grade
2.0	0.11	0.08 – 0.13	A -	
2.2	0.17	0.13 – 0.21	BBB +	
2.4	0.26	0.21 – 0.31		
2.6	0.39	0.31 – 0.47	BBB	
2.8	0.57	0.47 – 0.68	BBB -	
3.0	0.81	0.68 – 0.96	BB +	
3.2	1.14	0.96 – 1.34		
3.4	1.56	1.34 – 1.81	BB	
3.6	2.10	1.81 – 2.40	BB -	
3.8	2.74	2.40 – 3.10		
4.0	3.50	3.10 – 3.90	B +	
4.2	4.35	3.90 – 4.86		
4.4	5.42	4.86 – 6.04	B	Non-investment grade
4.6	6.74	6.04 – 7.52		
4.8	8.39	7.52 – 9.35		
5.0	10.43	9.35 – 11.64	B -	
5.2	12.98	11.64 – 14.48		
5.4	16.15	14.48 – 18.01	CCC +	
5.6	20.09	18.01 – 22.41		
5.8	25.00	22.41 – 30.00	CCC to CC -	
6.1	100.00	Imminent insolvency		
6.2	100.00	Restructuring		
6.3	100.00	Restructuring with recapitalization / partial waiver of claims	C, D-I, D-II	Default
6.4	100.00	Cancellation without insolvency		
6.5	100.00	Insolvency		

* EL = Expected loss

ii. Exposure at default

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

iii. Loss given default

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

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

3.1.2 Credit risk limit control and mitigation policies

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

The Branch structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments.

Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of Directors. The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily. Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

a. Collateral

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

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

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

b. Lending limits

The Branch maintains strict overall lending limits by customers.

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

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

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

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

3.1.3 Impairment and provisioning policies

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

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

a. *Specific loan loss provision (SLLP)*

The SLLP is used in the significant loan portfolio to determine the provisions for incurred loan losses.

When determining the SLLP, a distinction is made between “impaired” and “non-impaired” loans according to the rating master scale.

b. *Portfolio loan loss provision (PLL)*

The PLL is used in the insignificant loan portfolio to determine the provisions for incurred loan losses.

When determining the PLL, a distinction is made between “impaired” and “non-impaired” loans according to the rating master scale.

The threshold for significance has been determined of EUR 3 mil as for 2015 (2014: EUR 3 mil).

c. *General loan loss provisions (GLLP)*

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

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

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

- a default has not yet been identified in the individual case; and
- no objective indications of impairment have been established in the individual case.

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

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

(EUR'000) Class	Maximum exposure	
	31 December 2015	31 December 2014
Cash and balances with central banks	70,125	428
Loans to banks	85,909	110,683
- Nostro accounts and other balances	1,318	3,893
- Term loans	82,253	100,579
- Loans and advances to other banks	2,326	6,101
- Cash in transit	12	110
Loans to customers	102,681	28,379
- Commercial loans	87,467	20,974
- Overdrafts	15,171	7,404
- Cash in transit	43	1
Other financial assets	152	158
Total on-balance sheet financial assets	258,867	139,648
Loan commitments	287,939	140,340
Guarantees and standby letters of credit	139,305	154,061
Total off-balance sheet items (contingent liabilities)	427,244	294,401

The table above represents a worst case scenario of credit risk exposure to the Branch at 31 December 2015 and 2014, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

3.1.5 Concentration of risks of financial assets with credit risk exposure

a. Geographical sectors

The following tables break down the Branch's main credit exposures at their carrying amount (without taking into account any collateral held or other credit support), as categorised by geographical regions as of 31 December 2015. For this table, the Branch has allocated exposures to regions based on the country of domicile of counterparties. For on-balance-sheet assets, the exposures set out below are based on net carrying amounts as reported in the statement of financial position.

31 December 2015 (EUR'000)	European			Total
	Slovakia	Union	Other countries	
Cash and balances with central banks	70,086	7	32	70,125
Loans and advances to banks	69	83,464	2,376	85,909
- Nostro accounts and other balances	68	1,200	50	1,318
- Term loans	-	82,253	-	82,253
- Loans and advances to other banks	-	-	2,326	2,326
- Cash in transit	1	11	-	12
Loans and advances to customers	102,661	20	-	102,681
- Commercial loans	87,467	-	-	87,467
- Overdrafts	15,151	20	-	15,171
- Cash in transit	43	-	-	43
Other financial assets	148	-	4	152
Total financial assets	172,964	83,491	2,412	258,867
Loan commitments	287,939	-	-	287,939
Guarantees and standby letters of credit	107,785	25,102	6,418	139,305

31 December 2014 (EUR'000)	European			Total
	Slovakia	Union	Other countries	
Cash and balances with central banks	388	11	29	428
Loans and advances to banks	142	104,386	6,155	110,683
- Nostro accounts and other balances	60	3,779	54	3,893
- Term loans	-	100,579	-	100,579
- Loans and advances to other banks	-	-	6,101	6,101
- Cash in transit	82	28	-	110
Loans and advances to customers	28,335	44	-	28,379
- Commercial loans	20,974	-	-	20,974
- Overdrafts	7,360	44	-	7,404
- Cash in transit	1	-	-	1
Other financial assets	153	-	5	158
Total financial assets	29,018	104,428	6,202	139,648
Loan commitments	140,235	-	105	140,340
Guarantees and standby letters of credit	126,435	21,534	6,092	154,061

b. *Industry sectors*

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

31 December 2015 (EUR'000)	Financial institution	Manufacturing	Other industries & individuals	Total
Loans and advances to banks	85,909	-	-	85,909
- Nostro accounts and other balances	1,318	-	-	1,318
- Term loans	82,253	-	-	82,253
- Loans and advances to other banks	2,326	-	-	2,326
- Cash in transit	12	-	-	12
Loans and advances to customers	-	96,213	6,468	102,681
- Overdrafts	-	13,956	1,215	15,171
- Commercial loans loans	-	82,257	5,210	87,467
- Cash in transit	-	-	43	43
Other financial assets	3	-	149	152
Total financial assets	85,912	96,213	6,617	188,742
Loan commitments	-	126,192	161,747	287,939
Guarantees and standby letters of credit	36,200	21,739	81,366	139,305

Cash and balances with central bank of EUR 70,125,000 as at 31 December 2015 are not included.

As at 31 December 2015 the Branch had no exposures to other financial companies.

31 December 2014 (EUR'000)	Financial institution	Manufacturing	Other industries & individuals	Total
Loans and advances to banks	110,683	-	-	110,683
- Nostro accounts and other balances	3,893	-	-	3,893
- Term loans	100,579	-	-	100,579
- Loans and advances to other banks	6,101	-	-	6,101
- Cash in transit	110	-	-	110
Loans and advances to customers	-	20,333	8,046	28,379
- Overdrafts	-	4,994	2,410	7,404
- Commercial loans loans	-	15,339	5,635	20,974
- Cash in transit	-	-	1	1
Other financial assets	3	1	154	158
Total financial assets	110,686	20,334	8,200	139,220
Loan commitments	105	72,767	67,468	140,340
Guarantees and standby letters of credit	40,305	31,356	82,400	154,061

Cash and balances with central bank of EUR 428,000 as at 31 December 2014 are not included.

As at 31 December 2014, the Branch had no exposures to other financial companies.

3.1.6 Financial assets

31 December 2015 (EUR'000)	Loans and advances to banks	Loans and advances to customers	Cash and other receivables	Total
Financial assets:				
Neither past due nor impaired	85,921	102,940	70,125	258,986
Impaired	-	53	-	53
GLLP	(12)	(279)	-	(291)
PLL	-	(33)	-	(33)
Total	85,909	102,681	70,125	258,715

Other financial assets of EUR 152,000 as at 31 December 2015 are not included.

31 December 2014 (EUR'000)	Loans and advances to banks	Loans and advances to customers	Cash and other receivables	Total
Financial assets:				
Neither past due nor impaired	110,696	28,391	428	139,515
Impaired	-	105	-	105
GLLP	(13)	(56)	-	(69)
PLLP	-	(61)	-	(61)
Total	110,683	28,379	428	139,490

Other financial assets of EUR 158,000 as at 31 December 2014 are not included.

Further information on the impairment allowance for loans and advances to banks and to customers is provided in Notes 15 and 17.

a. *Loans neither past due nor impaired*

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

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

31 December 2015 (EUR'000)	Nostro/ Loro	Cash in transit	Term loans	Loans and advances	Moody's/ S&P
Related parties:					
of which: Commerzbank, Prague Branch	-	-	82,253	-	Baa1 / A-
Commerzbank, Budapest	1	-	-	-	Baa1 / A-
Commerzbank, Frankfurt	1,199	-	-	-	Baa1 / A-
Commerzbank, New York	48	-	-	-	Baa1 / A-
mBank S.A., Warsaw	-	-	-	-	Baa3/BBB-
Other banks:					
Unicredit Bank Slovakia, a.s.	52	-	-	-	Baa2 / BBB-
Tatrabanka, a.s.	16	-	-	-	Baa1/-
Privatbank PJSC CB	-	-	-	1,722	Caa3 /-
Belarusbank	-	-	-	604	Caa1/B-
Credit Suisse Zurich	2	-	-	-	A2/A
Cash in transit:	-	12	-	-	-
Total	1,318	12	82,253	2,326	

31 December 2014 (EUR'000)	Nostro/ Loro	Cash in transit	Term loans	Loans and advances	Moody's/ S&P
Related parties:					
of which: Commerzbank, Prague Branch	118	-	100,579	-	Baa1 / A-
Commerzbank, Budapest	37	-	-	-	Baa1 / A-
Commerzbank, Frankfurt	3,538	-	-	-	Baa1 / A-
Commerzbank, New York	52	-	-	-	Baa1 / A-
mBank S.A., Warsaw	87	-	-	-	Baa3/BBB+
Other banks:					
Unicredit Bank Slovakia, a.s.	56	-	-	-	Baa2 / BBB-
Tatrabanka, a.s.	5	-	-	-	Baa1/-
Privatbank PJSC CB	-	-	-	3,433	AA- /-
Belarusbank	-	-	-	2,668	B2/B-
Cash in transit:	-	110	-	-	-
Total	3,893	110	100,579	6,101	

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

31 December 2015 (EUR'000)	To customers			Total loans to customers
	Overdrafts	Commercial loans	Other receivable	
Internal rating scale				
Investment grade	11,641	77,309	-	88,950
Non-investment grade	3,789	10,158	-	13,947
Default – restructured and fully collateralised	-	-	43	43
Total	15,430	87,467	43	102,940

31 December 2014 (EUR'000)	To customers			Total loans to customers
	Overdrafts	Commercial loans	Other receivable	
Internal rating scale				
Investment grade	6,112	9,455	-	15,567
Non-investment grade	1,267	11,556	-	12,823
Default – restructured and fully collateralised	-	-	1	1
Total	7,379	21,011	1	28,391

As at 31 December 2015 and 2014, the Branch had no loans to banks that would be internally rated.

For description of collateral see Note 3.1.2.

b. *Financial assets past due but not impaired*

There were no financial assets past due but not impaired as at 31 December 2015 and 2014.

c. *Loans impaired*

(EUR'000)	31 December 2015	31 December 2014
Brutto:	53	105
of which: overdrafts	53	105
commercial loans	-	-
Loan loss provisions PLLP	(33)	(61)
Total	20	44

Above mentioned impaired loans are collateralized by obtained guarantees from holding company, mortgage over residential properties, charges over business assets and bills of exchange.

d. *The financial effect of collateral*

Potential financial effect of collateral (disclosure required by amended standard IFRS 7) is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset (“over-collateralised assets”) and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset (“under-collateralised assets”).

31 December 2015 (EUR'000)	Carrying value of the asset	Fair value of collateral
Under-collateralised loans and advances to customers	35,440	12,645
31 December 2014 (EUR'000)	Carrying value of the asset	Fair value of collateral
Under-collateralised loans and advances to customers	28,379	14,627

There were no over- collateralised loans and advances to customers as at 31 December 2015 and 2014.

The fair value of collateral is derived from open market values of collateral adjusted by collateral realisation quota depending on various collateral specific characteristics and cost of realisation.

There are no loans individually impaired.

The financial effect of collateral for loans not individually impaired is inherent in the models for GLLP provisions, but due to the statistical nature of these models cannot be isolated and quantified.

3.2 Market risk

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

3.2.1 Market risk measurement techniques

a. Value at risk – VaR

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

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the maximum amount the Branch might lose, but only to a certain level of confidence (97.5%). There is therefore a specified statistical probability (2.5%) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain holding period until positions can be closed (1 day).

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

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

b. Stress testing

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

VaR figures and Stress Test results are reported on a Daily basis to the Management and Commerzbank AG Treasury. In 2015 and 2014 the Stress Test Risk never exceeded the Branch's limit.

3.2.2 VaR Summary for 2015 and 2014

The table below summarizes the VaR for treasury portfolio only. All other portfolios are concluded on back-to-back basis and therefore do not bear interest rate and foreign exchange risk.

2015 (EUR'000)	Average	Maximum	Minimum
Foreign exchange risk	-	-	-
Interest rate risk	(1)	-	(1)

2014 (EUR'000)	Average	Maximum	Minimum
Foreign exchange risk	-	-	-
Interest rate risk	1	1	-

3.2.3 Foreign exchange risk

The Branch takes exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The limits are set on the level of exposure, which are monitored daily. Foreign exchange risk is included in VaR and stress testing limits.

The table below summarizes the Branch's exposure of financial assets and financial liabilities to foreign currency exchange rate risk at the end of reporting period:

(EUR'000)	31 December 2015			31 December 2014		
	Financial assets	Financial liabilities	Nett position	Financial assets	Financial liabilities	Nett position
EUR	257,004	255,553	1,451	134,839	134,102	737
USD	1,733	1,768	(35)	4,555	4,571	(16)
CZK	7	878	(871)	128	177	(49)
Other	123	166	(43)	126	168	(42)
Total	258,867	258,365	502	139,648	139,018	630

3.2.4 Interest rate risk

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

The table below summarizes the Branch's exposure to interest rate risks. The table presents the aggregated amounts of the Branch's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

2015 (EUR'000)	Demand and less than 1 month	From 1 to 6 month	From 6 to 12 months	More than 1 year	Total
Financial assets	177,397	78,931	525	2,014	258,867
Financial liabilities	109,680	148,572	-	113	258,365
Net interest sensitivity gap at 31 December 2014	67,717	(69,641)	525	1,901	502

2014 (EUR'000)	Demand and less than 1 month	From 1 to 6 month	From 6 to 12 months	More than 1 year	Total
Financial assets	119,608	17,617	445	1978	139,648
Financial liabilities	122,386	15,705	32	895	139,018
Net interest sensitivity gap at 31 December 2013	(2,778)	1,912	413	1,083	630

3.3 Liquidity risk

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

3.3.1 Liquidity risk management process

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

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

Sources of liquidity are regularly reviewed by a separate team.

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

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

31 December 2015 (EUR'000)	Up to 1 month	1 - 3 months	3 - 12 Months	1 - 5 years	Over 5 years	Total
Assets						
Deposits in banks	83,563	-	1,943	403	-	85,909
Due from customers	17,313	16,892	7,066	58,235	5,611	105,117
Other financial assets	152	-	-	-	-	152
Total balance sheet assets	101,028	16,892	9,009	58,638	5,611	191,178

Cash and balances with central bank of EUR 70,125,000 as at 31 December 2015 are not included.

31 December 2014 (EUR'000)	Up to 1 month	1 - 3 months	3 - 12 Months	1 - 5 years	Over 5 years	Total
Assets						
Deposits in banks	104,497	-	4,452	1,735	-	110,684
Due from customers	9,600	5,721	6,480	7,065	-	28,866
Other financial assets	158	-	-	-	-	158
Total balance sheet assets	114,255	5,721	10,932	8,800	-	139,708

Cash and balances with central bank of EUR 428,000 as at 31 December 2014 are not included.
As at 31 December 2015 and 2014, the Branch had no off-balance sheet items on asset site.

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

31 December 2015 (EUR'000)	Up to 1 month	1 - 3 months	3 - 12 Months	1 - 5 years	Over 5 years	Total
Liabilities						
Deposits from banks	2,941	86,809	8,950	57,114	5,183	160,997
Due to customers	97,585	-	-	-	-	97,585
Other financial liabilities	182	-	-	-	-	182
Total balance sheet financial liabilities	100,708	86,809	8,950	57,114	5,183	258,764
Total off-balance sheet items	427,244	-	-	-	-	427,244
Total	527,952	86,809	8,950	57,114	5,183	686,008

31 December 2014 (EUR'000)	Up to 1 month	1 - 3 months	3 - 12 Months	1 - 5 years	Over 5 years	Total
Liabilities						
Deposits from banks	3,969	5,699	10,773	8,494	-	28,935
Due to customers	110,003	-	32	-	-	110,035
Other financial liabilities	102	-	-	-	-	102
Total balance sheet financial liabilities	114,074	5,699	10,805	8,494	-	139,072
Total off-balance sheet items	294,401	-	-	-	-	294,401
Total	408,475	5,699	10,805	8,494	-	433,473

Commitments and contingent liabilities

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

31 December 2015 (EUR'000)	Up to 1 month	Total
Loan commitments	287,939	287,939
<i>of which: irrevocable</i>	216,556	216,556
Guarantees	139,137	139,137
Standby letters of credit	168	168
Total	427,244	427,244

31 December 2014 (EUR'000)	Up to 1 month	Total
Loan commitments	140,340	140,340
<i>of which: irrevocable</i>	108,779	108,779
Guarantees	148,418	148,418
Standby letters of credit	5,643	5,643
Total	294,401	294,401

3.4 Fair values of financial assets and liabilities

3.4.1 Fair value hierarchy

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

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

This hierarchy requires the use of observable market data when available. The Branch considers relevant and observable market prices in its valuations where possible. There are no assets or liabilities measured at fair value in the financial statements of the Branch as at 31 December 2015 and 2014.

3.4.2 Offsetting of financial assets and liabilities

There were no financial assets and liabilities subject to offsetting, enforceable master netting arrangements or similar agreements.

3.4.3 Financial instruments not measured at fair value

The following table summarises the carrying amounts and fair values of financial assets and liabilities.

31 December 2015 (EUR'000)	Carrying value	Loans to banks	Loans to customers	Fair Value		Total
				Cash & balances with central banks	Other financial assets	
Financial assets						
Loans and receivables	258,867	85,909	105,117	70,125	152	261,303

31 December 2015 (EUR'000)	Carrying value	Deposits from banks	Due to customers	Fair Value		Total
				Other financial liabilities	Total	
Financial liabilities						
Financial liabilities at amortised cost	258,365	160,598	97,585	182		258,365

31 December 2014 (EUR'000)	Carrying value	Fair Value				Total
		Loans to banks	Loans to customers	Cash & balances with central banks	Other financial assets	
Financial assets						
Loans and receivables	139,648	110,631	28,543	428	158	139,760

31 December 2014 (EUR'000)	Carrying value	Fair Value			Total
		Deposits from banks	Due to customers	Other financial liabilities	
Financial liabilities					
Financial liabilities at amortised cost	139,018	28,935	110,035	102	139,072

The fair values of all assets and liabilities not measured at fair value but for which the fair values are disclosed in the tables above are all level 2 in the fair value hierarchy.

Fair values are determined by different type and quality of market information and valuation techniques described below.

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

a. Due from other banks

Due from other banks includes interbank placements and items in the course of collection. The estimated fair value of interbank placements and overnight deposits is based on discounted cash flows using current interbank offered rates for respective currencies.

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 zero yield curves for respective currencies plus original credit spread to determine fair value (from 0.9% to 3.25% p.a.) unless impairment identified.

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 other deposits and borrowings without quoted market prices is based on discounted cash flows using current market interest rates for respective currencies. Since floating rates are predominantly used and there has been no change in own credit risk, there are no differences between carrying amounts and fair values for deposits and borrowings from customers.

See Notes 2.3 and 2.11

3.5 Capital management

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

4 Critical accounting estimates and judgments

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

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

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

4.1 Impairment losses on loans

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

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. If the net present value of estimated cash flows of loans assessed on a portfolio basis for impairment decreased by 5%, the provision would change by EUR 13,000 at 31 December 2015 (2014: EUR 5,000). There is no loan assessed individually for 31 December 2015 and 2014.

5 Net interest income

5.1 Interest income

(EUR'000)	2015	2014
Interest income from loans	1,807	1,772
- to banks	(33)	195
- to customers	1,840	1,577
Interest income from placements with central banks	(36)	1
Total interest income	1,771	1,773

There is no interest income accrued on impaired financial assets for year 2015.

In 2014 interest income includes EUR 55,000 of interest income accrued on impaired financial assets.

5.2 Interest expense

(EUR'000)	2015	2014
Interest expense from deposits from banks	165	188
Interest expense from due to customers	-	8
Other interest expense	-	6
Total interest expense	165	202

6 *Loan impairment charges*

(EUR'000)	2015	2014
Increase of impairment	(244)	(125)
of which:		
Allocation of provision for loan impairment	224	13
Allocation of provision for liabilities and charges – loan commitments	5	59
Allocation of provision for liabilities and charges – guarantees	15	52
Allocation of provision for liabilities and charges – letters of credit	-	1
Reversal of impairment	55	252
of which:		
Release of provision for loan impairment	30	39
Release of provision for liabilities and charges - loan commitments	1	213
Release of provision for liabilities and charges – guarantees	7	-
Release of provision for liabilities and charges - letters of credit	17	-
Net total loan impairment reversal/(charges)	(189)	127

7 *Net fee and commission income*

7.1 *Fee and commission income*

(EUR'000)	2015	2014
Guarantees	633	632
Payment transactions	545	401
Documentary business	234	626
Credit related fees and commissions	153	139
Other fees	124	46
Total	1,689	1,844

7.2 *Fee and commission expense*

(EUR'000)	2015	2014
Intercompany fees	56	34
Payment transactions	33	1
Other fees	8	11
Bank charges to the NBS	2	3
Total	99	49

8 *Net trading losses*

Net trading losses include solely gains and losses from translation of foreign currency assets and liabilities.

9 *Employee benefit expenses*

(EUR'000)	2015	2014
Wages and salaries	373	359
Social security costs	117	114
Total	490	473

In 2015 EUR 1,000 as regular contributions were made to the supplementary pension scheme (2014: EUR 1,000) and EUR 87,000 as contributions to state pension scheme (2014: EUR 86,000).

10 General and administrative expenses

(EUR'000)	2015	2014
Outsourced back-office activities	796	868
Head office charges	625	402
Other services	181	149
Provision for potential liability	160	-
IT operating and project costs	86	78
Advisory and consultancy services	74	57
Not claim VAT	54	58
Advertising and public relations	5	17
Total	1,981	1,629

In 2015, the other administrative expenses from transactions with related parties were EUR 1,421,000 (2014: EUR 1, 270,000).

In 2015 the costs for audit were EUR 28,000 (in 2014: EUR 25,000) and for tax advisory provided by the auditing company EUR 7,000 (in 2014: EUR 8,000).

11 Depreciation and amortisation

(EUR'000)	2015	2014
Depreciation of property, plant and equipment incl. disposals	21	22
Amortisation of software	7	6
Total	28	28

12 Other operating expenses

(EUR'000)	2015	2014
Bank levy	325	341
Operating lease rentals expense	94	90
Release of provisions for potential liability	-	(113)
Total	419	318

13 Income tax expense

(EUR'000)	2015	2014
Current taxes related to current period	88	109
Current taxes related to non –current period	(9)	-
Total current tax	79	109
Deferred tax (Note 25)	(72)	597
Total deferred tax	(72)	597
Income tax expense	7	706

The income tax rate applicable for 2015 and for 2014 is 22%. Further information about deferred income tax is presented in Note 25.

The tax on the profit before tax differs from the theoretical amount that would arise using the domestic tax rate applicable to profits as follows:

(EUR'000)	2015	2014
Profit / Loss before taxes	65	1,039
Tax calculated at domestic tax rate 22%	14	229
Tax effects of:		
- Income not subject to tax	(7)	(67)
- Expenses not deductible for tax purposes	7	53
- Expenses not deductible for tax purposes previously included in deferred tax (non-tax settlement of customer loan)	-	462
- Other adjustments	(7)	29
Income tax expense	7	706

14 Cash and balances with central banks

(EUR'000)	31 December 2015	31 December 2014
Cash in hand	138	428
Other balances with National Bank of Slovakia	69,987	-
Total	70,125	428

Cash in hand is non-interest-bearing. The yield on mandatory deposits reserve was 0.5 % p.a. at the end of 2015 and 0.5% p.a. at the end of 2014.

The base for calculation of minimum reserves is deposits due to customers and banks and debt securities issued. Reserve ratio of 0% is applying for deposits, debt securities, repos with agreed maturity date over two years. A reserve ratio of 2.0% shall apply to all other liabilities included in the reserve base.

The average daily balance for period from 9 December 2015 to 26 January 2016 was required at a level of EUR 1,462,530 per day. The actual balance as at 31 December 2015 was EUR 69 987. Cumulated volume of obligatory reserves for the last period in 2015 was EUR 70,201,440 (EUR 1,462,530 *48 days). Actual cumulated volume of obligatory reserves was EUR 70,201,440.

The average daily balance for period from 10 December 2014 to 13 January 2015 was required at a level of EUR 963 500 per day. The actual balance as at 31 December 2014 was EUR 0. Cumulated volume of obligatory reserves for the last period in 2014 was EUR 32,759,000 (EUR 963 500 * 34 days). Actual cumulated volume of obligatory reserves was EUR 32,759,000.

15 Loans to banks

(EUR'000)	31 December 2015	31 December 2014
Loans to banks:		
- Term loans	82,253	100,579
- Nostro accounts and other balances	1,318	3,893
- Loans and advances to other banks	2,338	6,114
Cash in transit	12	110
Less: allowance for impairment (GLLP)	(12)	(13)
Total	85,909	110,683
Current	85,506	108,949
Non-current	403	1,734

(EUR'000)	GLLP
Balance at 1 January 2014	2
Allocation of provision for loan impairment	11
Balance 31 December 2014	13
Release of provision for loan impairment	(1)
Balance 31 December 2015	12

Loans to banks include balances with related parties (Note 29).

16 Derivative financial instruments

The Branch does not deal with derivative instruments. Consequently there were no open derivative positions as at 31 December 2015 and 2014.

17 Loans to customers

(EUR'000)	31 December 2015	31 December 2014
Gross loans and advances	102,993	28,496
Less: allowance for impairment (GLLP)	(279)	(56)
allowance for impairment (PLL)	(33)	(61)
Net	102,681	28,379
Current	41,197	21,656
Non-current	61,484	6,723

Allowance for impairment:

(EUR'000)	SLLP	PLL	GLLP
Balance at 1 January 2014	2,099	71	85
Release of provision for loan impairment	-	(10)	(29)
Utilization of provision for loan impairment	(2,089)	-	-
Unwinding of provision for loan impairment	(12)	-	-
Allocation of provision for loan impairment	2	-	-
Balance 31 December 2014	-	61	56
Release of provision for loan impairment	-	(28)	-
Allocation of provision for loan impairment	-	-	223
Balance 31 December 2015	-	33	279

18 Intangible assets

(EUR'000)	Software acquired	Total
Net book value at 1 January 2015	11	11
Additions	12	12
Amortisation	(7)	(7)
Net book value at 31 December 2015	16	16
Acquisition cost	127	127
Accumulated amortisation	(111)	(111)
Net book amount	16	16

(EUR'000)	Software acquired	Total
Net book value at 1 January 2014	17	17
Amortisation	(6)	(6)
Net book value at 31 December 2014	11	11
Acquisition cost	115	115
Accumulated amortisation	(104)	(104)
Net book amount	11	11

19 Property, plant and equipment

(EUR'000)	Computer equipment	Leasehold impro- vement	Furniture	Safes	Financial lease assets	Vehicle	Total
NBV at 1 January 2015	20	-	-	11	-	6	37
Additions	2	-	-	-	-	-	2
Depreciation	(9)	-	-	(5)	-	(6)	(20)
NBV at 31 December 2015	13	-	-	6	-	-	19
Acquisition cost	88	94	83	49	9	24	347
Accumulated depreciation	(75)	(94)	(83)	(43)	(9)	(24)	(328)
Net book amount	13	-	-	6	-	-	19
NBV at 1 January 2014	18	-	-	18	21	13	70
Additions	10	-	-	-	-	-	10
Disposals	-	-	-	-	(21)	-	(21)
Depreciation	(8)	-	-	(7)	-	(7)	(22)
NBV at 31 December 2014	20	-	-	11	-	6	37
Acquisition cost	92	94	83	49	9	24	351
Accumulated depreciation	(72)	(94)	(83)	(38)	(9)	(18)	(314)
Net book amount	20	-	-	11	-	6	37

No property, plant and equipment were impaired as at 31 December 2015 (2014: nil).

19.1 Insurance

The insurance of non-current tangible assets is part of the International Insurance Programme for Property Insurance of COMMERZBANK AG concluded in Slovakia. It includes the insurance of the Branch's own non-current tangible assets, low-value non-current tangible assets, office equipment, and a set of electronic equipment with the total insured value of approximately EUR 350,000 (2014: EUR 350,000).

The insurance covers the compensation for damages caused by:

- a) Natural disasters; and
- b) Theft, burglary, and assault with robbery.

The Branch has insured tangible assets (cars covered by both general liability and accident insurance). The insurance premium totals about EUR 0,555 per annum (2014: EUR 1,000). Sets of non-current intangible assets are not insured.

20 Leases

20.1 Financial leases

As per 31 December 2015 the Branch didn't report any assets under financial leases.

20.2 Operating leases

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

(EUR'000)	31 December 2015	31 December 2014
No later than 1 year	104	104
Later than 1 year and no later than 5 years	99	130
Total	203	234

21 Other assets

(EUR'000)	31 December 2015	31 December 2014
Other financial assets	152	158
of which: Accrued income	147	153
Vouchers	5	4
Other	-	1
Other non-financial assets	149	7
of which: Income tax advances	99	-
Deferred items	48	7
Other	2	-
Total	301	165

There were no assets overdue at 31 December 2015 and 2014.

22 Deposits from banks

(EUR'000)	31 December 2015	31 December 2014
Current accounts	605	714
Term deposits	159,865	27,272
Other liabilities to banks	128	895
Total	160,598	28,881
Current	98,697	20,422
Non-current	61,901	8,459

Deposits from banks only include financial instruments classified as financial liabilities at amortised cost. Deposits from banks include balances with related parties (Note 29).

23 Due to customers

(EUR'000)	31 December 2015	31 December 2014
Current accounts	96,452	109,745
Term deposits	-	32
Other liabilities to customers and temporary items	1,133	258
Total	97,585	110,035
Current	97,585	110,035

Deposits due to customers only include financial instruments classified as financial liabilities at amortised cost. In 2015 the branch received deposits in amount EUR 1,315,000 (2014: EUR 902,000) as a collateral to contingent liabilities and commitments (Note 28).

24 Other liabilities

(EUR'000)	31 December 2015	31 December 2014
Other financial liabilities	182	102
of which: Accruals	179	98
Other	3	4
Other non- financial liabilities	176	223
Total	358	325
Current	358	325

There were no overdue liabilities.

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

(EUR'000)	2015	2014
Opening balance at 1 January	2	2
Utilization	(2)	(1)
Allocation	2	1
Closing balance at 31 December	2	2

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

25 Deferred income tax assets and liabilities

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

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 22% (2014: 22%).

Deferred income tax is attributable to the following items:

(EUR'000)	31 December 2015	31 December 2014
Deferred income tax assets		
- provision for loan impairment	135	94
- tax losses carried forward	58	86
- other	58	-
- depreciation	8	7
- provision for personal expenses	7	8
Total deferred income tax asset	266	195

The Branch expects to use the tax losses carried forward as follows:

(EUR'000)	31 December 2015	31 December 2014
Deferred income tax assets		
- Deferred tax assets to be recovered after more than 12 months	164	145
- Deferred tax assets to be recovered within 12 months	102	50

Tax losses carried forward from which above disclosed deferred tax asset arises can be utilized as follows:

(EUR'000)	31 December 2015	31 December 2014
Tax losses carried forward		
- Utilization 2015	-	131
- Utilization 2016	131	131
- Utilization 2017	131	130
Total tax losses carried forward	262	392

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

(EUR'000)	31 December 2015	31 December 2014
Temporary differences		
Lawsuit provision	-	74
Provision for loan impairment	(42)	490
Depreciation	(1)	1
Tax losses carried forward	29	32
Others	(58)	-
Total deferred income tax expense	(72)	597

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

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

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

26 Provisions for liabilities and charges

(EUR'000)	31 December 2015	31 December 2014
Loan commitments provision	217	212
Financial guarantees provision	70	63
Letters of credit provision	4	21
Provisions for potential liability	160	-
Total	451	296

(EUR'000)	Financial guarantees provisions	Letters of credit provisions	Irrevocable loan commitments provisions	Revocable loan commitments provisions	Provision for potential legal liability
Balance at 1 January 2014	11	19	360	8	338
Release	-	-	(214)	-	(113)
Discount	-	-	-	-	6
Utilization	-	-	-	-	(231)
Allocation	52	2	58	-	-
Balance 31 December 2014	63	21	204	8	-
Release	(7)	(17)	(1)	-	-
Discount	-	-	-	-	-
Utilization	-	-	-	-	-
Allocation	14	-	-	6	160
Balance 31 December 2015	70	4	203	14	160

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

27 Cash and cash equivalents

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

(EUR'000)	31 December 2015	31 December 2014
Cash	70,125	428
Due from other banks	85,909	110,683
Total	156,034	111,111

28 Contingent liabilities and commitments

The Branch had the following contractual amounts of off-balance sheet financial instruments that commit it to extend credit to customers, guarantees and other facilities as follows:

(EUR'000)	31 December 2015		31 December 2014	
	Fair value	Carrying value	Fair value	Carrying value
Loan commitments	21	287,939	1	140,340
Guarantees	(26)	139,136	(27)	148,417
Standby letters of credit	1	169	(13)	5,644
Total	(4)	427,244	(39)	294,401

29 Related-party transactions and balances

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

(EUR'000)	31 December 2015		31 December 2014	
	Parent	Subsidiaries	Parent	Subsidiaries
Loans and advances to banks (Note 15)	83,510	1	104,316	123
- Nostro accounts and other balances	1,246	1	3,708	123
of which: Commerzbank, Prague Branch	-	-	118	-
Commerzbank, Frankfurt	1,199	-	3,538	-
Commerzbank, New York Branch	47	-	52	-
mBank S.A., Warsaw	-	1	-	86
Commerzbank, Budapest	-	-	-	37
- Term loans	82,253	-	100,580	-
of which: Commerzbank, Prague Branch	82,253	-	100,580	-
- Cash in transit	11	-	28	-
of which: Commerzbank, Frankfurt	11	-	28	-
Deposits from banks (Note 22)	159,989	553	28,139	714
- Current accounts	51	553	-	714
of which: Commerzbank, Frankfurt	21	-	-	-
Commerzbank, Prague Branch	30	-	-	-
mBank S.A., Warsaw	-	553	-	714
- Term deposits	159,865	-	27,272	-
of which: Commerzbank, Prague Branch	159,865	-	27,272	-
- Cash in transit	73	-	867	-
of which: Commerzbank, Frankfurt	73	-	867	-
Deposits from banks (Note 24)	62	-	-	-
- Other financial liabilities	62	-	-	-

(EUR'000)	31 December 2015		31 December 2014	
	Parent	Subsidiaries	Parent	Subsidiaries
Net assets attributable to head office	237	-	252	-
Guarantees received	34,999	150	32,177	150
Commerzbank, Essen	2,069	-	2,028	-
Commerzbank, Stuttgart	3,300	-	3,300	-
Commerzbank, Hamburg	3,467	-	11,287	-
Commerzbank, Frankfurt	9,163	-	5,318	-
Commerzbank, Budapest	-	150	-	150
Commerzbank, Duesseldorf	2,500	-	2,500	-
Commerzbank, Nuernberg	2	-	150	-
Commerzbank, New York Branch	698	-	694	-
Commerzbank, Paris	13,800	-	6,900	-

Above mentioned transactions with related parties have been concluded under standard market conditions. The interest rates on term deposits and term loans with Commerzbank, Prague Branch were between -0,132% and 2,5% during 2015. Maturity analysis of the Loans and advances to banks and Deposits from banks are disclosed in note 3.3.3.

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

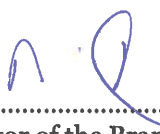
(EUR'000)	31 December 2015		31 December 2014	
	Parent	Subsidiaries	Parent	Subsidiaries
Interest income	126	-	14	-
of which: Commerzbank, Prague Branch	127	-	13	-
Commerzbank, Frankfurt	(1)	-	1	-
Interest expense	164	-	187	-
of which: Commerzbank, Prague Branch	129	-	148	-
Commerzbank, Frankfurt	23	-	31	-
Commerzbank, New York Branch	-	-	2	-
Commerzbank, Paris	12	-	6	-
Fee and commission income	59	4	52	4
of which: Commerzbank, Frankfurt	43	-	36	-
Commerzbank, Budapest	-	4	-	4
Commerzbank, New York Branch	2	-	3	-
Commerzbank, Paris	2	-	2	-
Commerzbank, London	2	-	2	-
Commerzbank, Amsterdam	1	-	1	-
Commerzbank, Prague	7	-	6	-
Commerzbank, Brussel	1	-	1	-
Commerzbank, Madrid	1	-	1	-
Fee and commission expense	86	-	33	-
of which: Commerzbank, Frankfurt	10	-	10	-
Commerzbank, London	14	-	14	-
Commerzbank, Paris	1	-	2	-
Commerzbank, New York Branch	32	-	-	-
Commerzbank, Prague	29	-	5	-
Commerzbank, Madrid	-	-	1	-
Commerzbank, Milano	-	-	1	-
General and administrative expenses	1,384	-	1,207	-
of which: Commerzbank, Frankfurt	559	-	359	-
Commerzbank, Prague Branch	763	-	805	-
Commerzbank, Luxembourg	62	-	43	-


(EUR'000)	Affiliated	
	31 December 2015	31 December 2014
General and administrative expenses	37	63
Ceri International Sp.z.o.o.	37	63


In 2015 the Branch's Director and proxy holders (as at 31 December 2015 and 2014: 3 employees) were paid wages and salaries of EUR 171,067 (2014: EUR 181,385), social and health insurance paid by the Branch amounted to EUR 44,366 (2014: EUR 45,256).

30 Events after the date of the statement of financial position

There have been no post balance-sheet events that would require adjustment to or disclosure in the financial statements for the year ended 31 December 2015.

PETER DAVID 
.....
Name and signature of the Director of the Branch

BLANKA HAZKOVA 
.....
Name and signature of the person responsible
for the preparation of the financial statements

EMILIOLOVA 
.....
Name and signature of the person responsible
for accounting

