

Annual Report 2008



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Management's report on the 2008 business year

In terms of the economic events that characterised it, the past year once again displayed a complex and often contradictory picture. Thanks to the measures taken to promote the stabilisation of the country's public finance position, in the first half of the year certain economic indicators showed a slight improvement, despite the persistence of some major competitive disadvantages. Any positive effects that these measures may have had, however, were soon undone as a result of the financial crisis that broke out in earnest in September and that swept like wildfire across the economies of the entire globe. And while the governmental measures taken earlier in the interest of financial stability had been well-conceived, they created a difficult economic climate for companies to operate in, and by the end of the year the Hungarian economy, like others in the region, was facing a global economic downturn that was fast descending into a full-blown recession. These unfavourable factors were often grave in the extreme in the second half of the year, triggering panic-like reactions from the market in the region and in Hungary – reactions that could only be dampened through drastic governmental and international intervention.

The above events had a pronounced impact on the perception and therefore the performance of the economy and the bank sector last year: the growth trends that had been manifest in the economy until then came to an abrupt halt, and the entire banking sector was no exception to this. In the financial sector, the growth in loan placements slowed to a trickle, and in certain segments actually fell, with business-activity levels on the client side declining in the second half of the year and risk aversion increasing.

Under the impact of domestic and, above all, global economic events, macro-economic indicators fluctuated wildly. After a fall at the start of the year, forint market interest rates rose dramatically in the second half, which was followed by another, this time much slower, decline. Interest rates on foreign-currency loans, in contrast to

this, fell by a significant extent in all currencies that are of importance to the Hungarian economy.

After an initial strengthening, the forint weakened in an extremely volatile manner up to the end of the year. Inflation fell by a greater extent than expected, though this was essentially due to the deepening recessionary environment.

Despite the difficulties presented by the developments in the regional and global economy, Commerzbank Zrt. again closed a successful financial and business year in 2008. Indeed, these otherwise unfavourable external events unfolded at a time when the bank's branch network established over the past few years was operating at full tilt.

Besides retaining its existing large-corporate clients, even in this particularly challenging year the bank continued to profitably expand its business in its strategic target segment of small and medium-sized enterprises. This success was clearly reflected in the growth of both customer numbers and loans placed. The extremely dynamic growth in the bank's revenues over the year was thus due in no small measure to the performance and sustained growth of the SME division. The increase in sales revenue was largely due to the high level of interest income and to growth in revenues from treasury transactions, although, thanks to a successful broadening of the client base, commission income naturally rose too.

A further strategic objective of ours, the reinforcement of the infrastructure and the 'human capital' of the private banking division, was successfully implemented in the course of 2008. We expect the positive impact of these achievements of the division to be reflected in profitability levels as early as in the 2009 business year.

The worsening macro-economic environment, and the significant growth in the number of insolvent companies,

has also taken its toll on the customers of our bank. In the interest of prudential banking operations, we have, for this reason, recorded impairment on the riskier transactions, in accordance with the given circumstances, with the development of these transactions over the course of the year being essentially in line with the general tendencies of the market. Our bank placed particular emphasis throughout the reporting year on the appropriate management of risks and on mitigating the negative effects of the changing economic environment.

The 2009 business year is likely to be profoundly affected by global economic events and what, overall, will be the negative direct impact these will have on Hungary. Economic growth will most probably turn negative, and the forint may well weaken further against other currencies, while there is little likelihood of a fall in currently high market interest levels. Although the weakening forint could provide a boost to exporting companies, this will be accompanied by a significant contraction of the external market, and thus of orders, which will also have a bearing on domestic export output and the performance of companies producing for export. The internal market will, due to the much needed government austerity measures, probably not be capable of offsetting the fall in exports. At the same time, the lack of liquidity of the financial sector worldwide, combined with a concomitant fall in the propensity to lend that is all too evident in the region and in Hungary, will make the position of companies more difficult in terms of their securing financing, as well. However, several government measures aimed, for example, at easing liquidity in the financial sector and at improving the sector's risk-bearing capacity could help to mitigate the effects of the crisis.

Our bank is continuing with its successful strategy of the past few years, of focusing on corporate customers, which we are increasingly supplementing and complementing with private banking services.



The bank's liquidity and funding position, both in forint and in foreign currency, continues to be stable, and we will be able to maintain this stability going forward, through active asset-liability management and reliance, where needed, on our capital-strong parent bank.

Our secure liquidity and capital position assures us of a sound platform from which to strengthen our market position further.

Commerzbank Zrt.'s lending-risk management policy is founded on the principles approved by Commerzbank AG and by the best practices pursued by it. Our bank covers its lending risk through impairment and risk provisions recorded on the basis of quarterly customer ratings and reviews.

In the context of its adoption and adaptation of the Basel II guidelines, the bank group has introduced, and now uses, the IRB advanced approach. With regard to the provisions of the decrees on the management of lending risk and the capital requirement, as well as the management of operational risk and the related capital requirement, since 1 January 2008 Commerzbank Zrt. has been using the standardised approach for the calculation of the capital requirement associated with lending risk; with respect to the treatment of financial collateral, it has adopted the comprehensive approach, and with respect to the calculation of the capital requirement associated with operational risk, it applies the basic indicator approach.

Based on the results achieved in 2008, and on our successful strategy pursued in the past few years, we are looking forward with justified confidence to the year 2009. By building on our strengths in product development, we will continue to provide innovative and customer-oriented services to our clients in 2009 too, and thus further strengthen our market position and enhance the already excellent reputation enjoyed by Commerzbank in Hungary.

On behalf of the bank's management I would like to thank the company's entire staff for their persistent hard work and dedication, as without their steadfast commitment and purposeful approach the ambitious goals set by the bank would never be achieved.

Budapest, 5 March 2009

Financial report

Balance sheet as at 31st December, 2008

(T HUF)

ASSETS	2008	2007
Current Assets	162 769 510	160 279 605
Liquid assets	5 973 849	546 259
Securities	6 035 035	2 432 557
Receivables	150 760 626	157 300 789
Claims on banks due within one year	54 205 501	80 149 511
Claims on customers due within one year	96 007 421	76 489 721
Other claims	547 704	661 557
Invested assets	111 239 093	96 377 843
Securities	12 681 847	6 681 611
Receivables	94 458 507	85 647 056
Claims on banks due in more than one year	9 799 755	12 346 808
Claims on customers due in more than one year	84 658 752	73 300 248
Financial investments	31 669	31 669
Intangible and tangible assets	4 067 070	4 017 507
Accruals & Deferrals	5 922 910	2 091 343
TOTAL ASSETS	279 931 513	258 748 791
LIABILITIES		
Liabilities	248 801 682	230 519 234
Liabilities to banks	157 149 578	139 761 529
Short-term liabilities	92 183 732	102 646 781
Long-term liabilities	64 965 846	37 114 748
Liabilities to customers	81 872 890	78 670 525
Short-term liabilities	81 872 890	78 670 525
Long-term liabilities	0	0
Subordinated liabilities	4 501 260	4 306 950
Other liabilities	5 277 954	7 780 230
Accruals & Deferrals	4 877 485	2 599 075
Provisions	1 509 282	2 082 223
Equity	24 743 064	23 548 259
Share capital	2 466 916	2 466 916
Capital reserve	3 265 397	3 265 397
Profit reserve	16 802 522	13 794 805
Non-distributable reserves	0	0
General reserves	1 132 904	1 013 423
Net income	1 075 325	3 007 718
TOTAL LIABILITIES	279 931 513	258 748 791

Income statement for the year ended 31st December, 2008

	2008	2007
Interest and interest related commissions received	25 569 392	19 302 127
Interest and interest related commissions paid	17 793 461	13 233 975
Net interest and interest related commissions	7 775 931	6 068 152
Dividends received	13 900	17 640
Net fee income	1 042 906	1 184 412
Net income on other financial services	2 542 492	1 627 309
Other income	3 699 789	2 007 092
Other expenses	9 327 877	3 525 641
Cost of banking activities	4 312 791	3 665 086
Operating result	1 434 350	3 713 878
Extraordinary result	0	0
Profit before taxation	1 434 350	3 713 878
Tax payable	239 544	706 160
Profit after taxation	1 194 806	3 007 718
Release of general risk reserve	-119 481	0
Net income	1 075 325	3 007 718

Authentication clause to the 2008 annual report of Commerzbank Zrt.

The elected independent auditor of Commerzbank Zrt. is PricewaterhouseCoopers and the registered Hungarian auditor proceeding on behalf of the latter is Árpád Balázs. On 5 March 2009 PricewaterhouseCoopers issued an unqualified Auditor's Opinion on the Bank's statutory Annual Report pertaining to the year ended 31 December 2008 and which is available for inspection at the headquarters of Commerzbank Zrt.

The supervisory board

Rainer Ottenstein

Chairman

(from June 11, 2008)

Commerzbank AG

Andreas De-Maiziere

Commerzbank AG

Dr. Andre Carls

(from June 11, 2008)

Commerzbank AG

Michael Schmid

(from June 11, 2008)

Commerzbank AG

Arno Walter

(till June 11, 2008)

Commerzbank AG

Fred-Jörg Grunow

(till June 11, 2008)

Commerzbank AG

Wilhelm Nüse

(till June 11, 2008)

Chairman

Commerzbank AG

Board of directors

Kozma András

Chairman

Chief Executive Officer

Commerzbank Zrt., Hungary

Dr. Walter Görgy

Deputy CEO

Commerzbank Zrt.

Dr. Lajer Zsolt

Non-Executive

Commerzbank in Hungary

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Regions

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Debrecen

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Fax: (06-52)-503-037

Kecskemét

H-6000 Kecskemét, Izsáki út. 6.
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Zalaegerszeg

H-8900 Zalaegerszeg, Kis u. 1.
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Pécs

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Székesfehérvár

H-8000 Székesfehérvár, Budai út 49–51.
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Fax: (06-22)-512-087

Győr

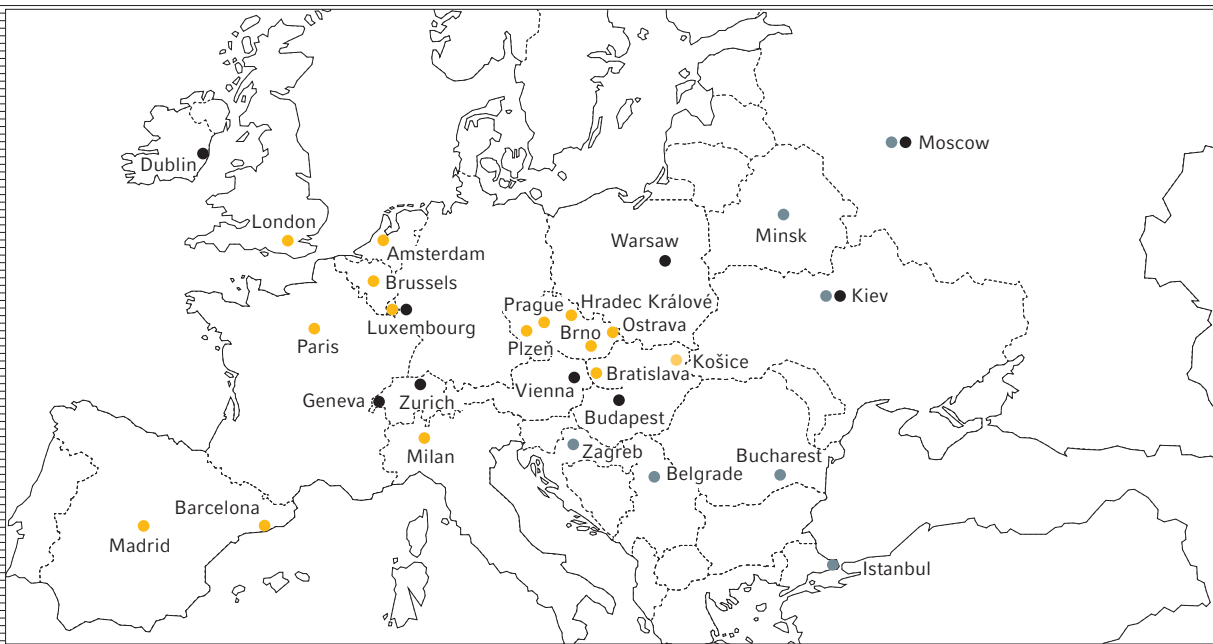
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Miskolc

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Szeged

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Commerzbank worldwide

- Foreign branches
- Representative offices
- Group companies and major foreign holdings

Commerzbank Zrt.

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