

***| annual report 2007 |***

**COMMERZBANK ZRT.** 



# **annual report 2007**

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# highlights of commerzbank group

	2007	2006
<b>Income statement</b>		
Operating profit (€ m)	2 513	2 649
Operating profit per share (€)	3.83	4.04
Pre-tax profit (€ m)	2 505	2 396
Consolidated surplus (€ m)	1 917	1 604
Earnings per share (€)	2.92	2.44
Operating return on equity (%)	18.7	21.8
Cost/income ratio in operating business (%)	64.2	59.6
Return on equity of consolidated surplus (%)	15.4	14.2
	<b>31. 12. 2007</b>	<b>31. 12. 2006</b>
<b>Balance sheet</b>		
Balance-sheet total (€ bn)	616.5	608.3
Risk-weighted assets according to BIS (€ bn)	237.4	231.5
Equity (€ bn) as shown in balance sheet	16.1	15.3
Own funds (€ bn) as shown in balance sheet	30.6	30.1
<b>BIS capital ratios</b>		
Core capital ratio, excluding market-risk position (%)	7.0	6.8
Core capital ratio, including market-risk position (%)	6.9	6.7
Own funds ratio (%)	10.8	11.1
<b>Commerzbank share</b>		
Number of shares issued (million units)	657.2	657.2
Share price (€, 1.1.–31.12.)		
high	38.20	33.96
low	22.76	24.66
Book value per share (€)	22.99	22.29
Market capitalization (€ bn)	17.3	19.0
<b>Staff</b>		
Germany	27.646	27.250
Abroad	9.121	8.725
Total	36.767	35.975
<b>Short/long-term rating</b>		
Moody's Investors Service, New York	P-1/Aa3	P-1/A2
Standard & Poor's, New York	A-1/A	A-2/A-
Fitch Ratings, London	F1/A	F1/A

# **management report**

## **on the 2007 business year**

The past year showed an ambivalent picture in respecting of economic indicators since apart from the positive results of state budget stabilization, there were more and more apparent signs of a slackening competitiveness of the Hungarian economy. The remarkable decrease in the state budget deficit was coupled with a significant raise of tax burdens and a drop of internal consumption. The growth of economy drastically slowed down and Hungary ranked among the worst performing countries of the EU.

The government's inevitable measures taken in the interest in the interest of financial stability thus created worsening economic circumstances for enterprises, the negative consequences of which were also felt by the bank system through the weakening dynamics of loan placements and the increasing percentage of risky loans.

Though the central bank prime rate and forint exchange rate swings were smaller than in the prior business year, the aggregate effect of these on the interest and commission income of Commerzbank Zrt. was altogether positive.

Despite macroeconomic difficulties Commerzbank Zrt. closed one of the most successful financial and business year of its history. The Bank finished development of its nation-wide network, and thus eight active branches by the end of the year. Furthermore, the construction of two additional branches was completed by the end of the year. However, the staffing of these branches and the commencement of the development of the branch network went along with a substantial increase in the staff number, and thus the Bank had as much as 171 employees as at December 31, 2007.

In addition to retaining its existing large corporate customers, the Bank managed to achieve further expansion in its strategic target segment, small- and medium-size enterprises, thanks to its customer and service oriented products. Thus the remarkably dynamic growth in Commerzbank Zrt's revenues in mainly owing to the outstanding performance of the small- and medium-size enterprise business and the structured financing area. The increase in sales revenues basically derived from interest income and an increase in revenues from treasury transactions, while the increase in commission income somewhat lagged behind average.

The worsening economic environment, the increased number of insolvent entities naturally has its effect felt on the operations of the Bank's customers, as well. Therefore the Bank recognised impairment loss on risky transactions in order to ensure maintenance of prudent banking operations.

Year 2008 is expected to be continually strongly affected by central measures taken in the interest of consolidation of the state budget.

According to the forecasts, in addition to a small rise in household consumption, community consumption may also grow somewhat, which altogether may lead to a slight acceleration of economic growth. Economic growth is expected to reach not only enterprises producing for export, but also segments producing for the domestic market, nevertheless a fundamental positive turn is still not expected in the corporate segment. Government co-ordination of the system of appraisal and payment of EU

applications in our opinion will make substantial funds accessible for entities in the next year, which may also improve prospects of the sector.

Potential impacts of inflation and the overseas subprime crisis may impose noteworthy risks or uncertainties on the economy and the bank system. In line with the direction of macroeconomic changes the number of insolvent entities may stagnate, but just for that reason no decrease in risky loan placements can be expected in the bank system as a whole.

The dynamics of both retail and corporate loan placements is expected to further weaken, therefore according to the forecasts the extent of growth of the bank system and particularly its profitability may decrease.

The Bank is not expecting any decline in its activity or noteworthy worsening of the portfolio quality thanks to its strategy focusing on corporate customers and its careful risk management activity. Composition of the Bank's clientele, and particularly the Bank's increased capacities and the mechanism of operations ensure further growth for Commerzbank Zrt. in segments forming the basis of the firm's strategy.

In the next year we are going to strengthen our retail services provided to our customers, as part of which we are going to set up a private banking group.

The Bank's forint and FX liquidity and financing positions are all stable. The greatest part of the FX loan portfolio is covered – in terms of volume and maturity – by long-term FX money market funds, primarily funds from the Parent Company.

The Bank generally maintains quite a significant amount of open FX position as per the balance sheet, with a currency mismatch between the assets side and the liabilities side.



The mismatch is covered by a high volume of FX futures and FX swaps, whose carrying value exceeds the balance sheet total.

In order to avoid interest rate risk, for the long term the Bank mainly enters into variable rate agreements, both on the assets side and on the liabilities side.

The credit risk policy of Commerzbank Zrt. is based on the principles and procedures adopted by Commerzbank AG. The Bank Group has adopted the advanced IRB approach on adaption of the Basel II guidelines. In conformity with the provisions of the regulations on credit risk management and capital requirement, and on operational risk management and capital requirement, Commerzbank Zrt. has been applying the standardised approach for calculation of the capital requirement for credit risk, the combined approach for the valuation of financial securities and the basic indicator approach for calculation of the capital requirement for operational risk since January 1, 2008.

The Bank sets sectoral risk limits according to the market circumstances and risk conditions prevailing in Hungary,

by which it can regulate the composition of the portfolio maintained. The credit risk is covered by impairment loss provision and risk provision recognised on the basis of quarterly customer ratings.

The bank can look back on the 2007 business year with satisfaction taken as a whole, since it overfulfilled its plans, and achieved remarkable results both in terms of business activity and improvement of profitability. Relying on these results the Bank can look forward to the 2008 business year with confidence.

The Bank will continue to make very effort to provide innovative and customer-oriented services to its customers by strengthening the product development activity, by this further consolidating its market position and the Commerzbank image and brand.

On behalf of the Bank's management we would like to express our special thanks to all our employees for their devoted work, motivation and determination, without whom it would have hardly been possible to achieve the ambitious goals the Bank has set.

**Budapest, March 27, 2008**



# ***resolution of the supervisory board***

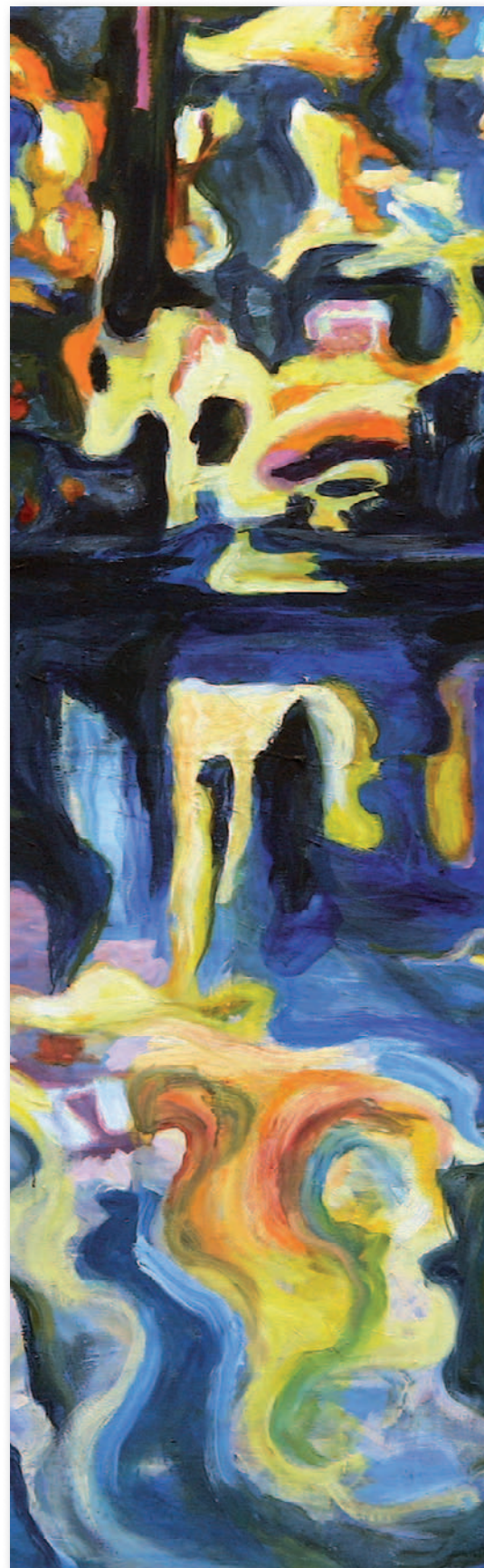
In the business year 2007, as usual, the Supervisory Board carried out its duties under the laws of Hungary and under the bank's statutes, supervising the conduct of the bank's affairs and carefully monitoring its financial development. The Chairman of the Supervisory Board discussed individual items of significance with the Board of Directors beyond the usual scope of review.

The bank's Annual Report as at 31<sup>st</sup> December, 2007 and its Financial Statement and Management Report for the period from 1<sup>st</sup> January, 2007 to 31<sup>st</sup> December 2007, together with the books of account, have been examined and accepted by the auditors PricewaterhouseCoopers Kft. and certified without qualification. The Supervisory Board has signified its agreement with the results of the audit. It has examined and approved the Annual Report, the Management Report and proposal as to the appropriation of the distributable profit presented by the Board of Directors.

The Supervisory Board suggests the Shareholder to accept the Annual Report, the Management Report and the proposal of distribution of profit presented by the Board of Directors and to absolve the members of the Board of Directors and Supervisory Board for the business year 2007 and to appoint PricewaterhouseCoopers Kft. as an auditor for the business year 2007.

Budapest, May 6, 2008

**Wilhelm Nüse**  
Chairman



# financial report

## balance sheet as at 31st december, 2007 (t huf)

ASSETS	2007	2006
<b>Current Assets:</b>	<b>160 279 605</b>	<b>120 923 513</b>
Liquid assets:	546 259	2 920 363
Securities:	2 432 557	1 664 442
Receivables:	157 300 789	116 338 708
Claims on banks due within one year:	80 149 511	56 063 001
Claims on customers due within one year:	76 489 721	59 273 502
Other claims:	661 557	1 002 205
<b>Invested assets:</b>	<b>96 377 843</b>	<b>89 270 290</b>
Securities:	6 681 611	7 170 157
Receivables:	85 647 056	78 240 958
Claims on banks due in more than one year:	12 346 808	17 001 723
Claims on customers due in more than one year:	73 300 248	61 239 235
Financial investments:	31 669	31 669
Intangible and tangible assets:	4 017 507	3 827 506
Accruals & Deferrals:	2 091 343	3 071 593
<b>TOTAL ASSETS:</b>	<b>258 748 791</b>	<b>213 265 396</b>
<b>LIABILITIES</b>		
<b>Liabilities:</b>	<b>230 519 234</b>	<b>187 329 131</b>
Liabilities to banks:	139 761 529	110 804 935
Short-term liabilities:	102 646 781	105 354 092
Long-term liabilities:	37 114 748	5 450 843
Liabilities to customers:	78 670 525	63 693 456
Short-term liabilities:	78 670 525	63 449 592
Long-term liabilities:	0	243 864
Subordinated liabilities:	4 306 950	4 289 100
Other liabilities:	7 780 230	8 541 640
Accruals & Deferrals:	2 599 075	3 084 230
Provisions:	2 082 223	2 311 495
Equity:	20 540 541	18 860 353
Share capital:	2 466 916	2 466 916
Capital reserve:	3 265 397	3 265 397
Profit reserve:	13 794 805	12 114 617
Non-distributable reserves:	0	0
General reserves:	1 013 423	1 013 423
<b>Net income:</b>	<b>3 007 718</b>	<b>1 680 187</b>
<b>TOTAL LIABILITIES:</b>	<b>258 748 791</b>	<b>213 265 396</b>



# **income statement for the year ended 31<sup>st</sup> december, 2007 (t huf)**

	<b>2007</b>	<b>2006</b>
Interest and interest related commissions received:	19 302 127	16 161 513
Interest and interest related commissions paid:	13 233 975	11 212 771
Net interest and interest related commissions:	6 068 152	4 948 742
Dividends received:	17 640	16 840
Net fee income:	1 184 412	899 077
Net income on other financial services:	1 627 309	1 214 285
Other income:	2 007 092	1 822 922
Other expenses:	3 525 641	3 539 165
Cost of banking activities:	3 665 086	3 360 213
Operating result:	3 713 878	2 002 488
Extraordinary result:	0	0
Profit before taxation:	3 713 878	2 002 488
Tax payable:	706 160	322 301
<b>Profit after taxation:</b>	<b>3 007 718</b>	<b>1 680 187</b>
<b>Dividend payable:</b>	<b>0</b>	<b>0</b>
<b>Net income:</b>	<b>3 007 718</b>	<b>1 680 187</b>

## **authentication clause**

**to the annual report of commerzbank zrt.**

**for the year ended 31<sup>st</sup> december, 2007**

The independent auditor of Commerzbank Zrt. is PricewaterhouseCoopers and on its behalf the registered Hungarian auditor is Mr. Árpád Balázs. PricewaterhouseCoopers issued an unqualified Auditor's Opinion on the statutory Annual Report of Commerzbank Zrt. for the year ended 31<sup>st</sup> December, 2007 on the 27<sup>th</sup> March, 2008.



# ***the supervisory board and board of directors***

## ***the supervisory board***

### **Wilhelm Nüse**

#### **Chairman**

Commerzbank AG, Frankfurt am Main  
Regional Board Member for CEE  
Commerzbank AG, Frankfurt am Main

### **Andreas de Maizière**

#### **Deputy Chairman**

Commerzbank AG Frankfurt am Main  
Former Member of the Board of Managing Directors  
Commerzbank AG, Frankfurt am Main

### **Jürgen Schmieding**

(till July 25, 2007)

Commerzbank AG, Frankfurt am Main  
Corporate Banking,  
Head of Business Development and Marketing  
Commerzbank AG, Frankfurt am Main

### **Arno Walter**

(from August 1, 2007)

Commerzbank AG, Frankfurt am Main  
Head of ZFO

### **Fred-Jörg Grunow**

Commerzbank AG, Frankfurt am Main  
Senior Vice President  
Regional Credit Officer Europe East  
Commerzbank AG, Frankfurt am Main

## ***board of directors***

### **Kozma András**

(from June 20, 2007)

#### **Chairman-Chief Executive Officer**

Commerzbank Zrt., Hungary

### **Hák-Kovács Tamás**

(till June 20, 2007)

#### **Chairman-Chief Executive Officer**

### **Dr. Walter György**

(from June 20, 2007)

#### **Deputy CEO**

### **Oliver Sipeer**

(till June 20, 2007)

#### **Deputy CEO**

### **Dr. Lajer Zsolt**

Non-Executive



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### **Kecskemét**

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# commerzbank worldwide



- FOREIGN BRANCHES
- REPRESENTATIVE OFFICES
- GROUP COMPANIES AND MAJOR FOREIGN HOLDINGS

