COMMERZBANK

Financial Statements

2022

The bank at your side

Translation from the Czech language
There may be slight differences in totals and percentages in this report for rounding.

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Management Report

» Key Quote: The year 2022 was not only the 30 years anniversary for Commerzbank in the Czech Republic. It was also a very successful year for the bank despite various local and international challenges. «

The year 2022 was full of surprises. From the war in Ukraine to turbulences in financial and commodity markets to high inflation and supply-chain issues, there were plenty of challenges to be addressed for our clients as well as for the bank.

Due to the strong equity and cash buffer of our client base, the negative impact of these challenges was limited for our clients. Hence, we did not see any major increase in credit risk in our portfolio. Our business model continuously reflects a strong focus on large and mid-cap clients as well as our traditional strengths in trade finance, cash management as well as fixed income and commodities tools.

As in previous years, the key product of Prague branch was the loan portfolio and related product offerings. Particularly hedging was important to our client base given the above challenges, and we could help them achieve their goals in risk management by providing a broad range of hedging capabilities. Equally we supported our clients on their ESG journey by providing the relevant advice as well as financing optionality, a field which will stay highly relevant for the years to come.

Digitalization will continue to play an important role for the group as well as for Prague branch. Therefore, we continued to grow our Digital Technology Centre to support the transformation of the bank towards its technological goals.

We note that, as a branch operation, Commerzbank Prague does not undertake any local research and development activities. This entity does not have a branch or other part of a business establishment abroad.

In 2023 geopolitical and macroeconomic events will continue to strongly influence the framework in which the bank and its corporate customers operate. The ongoing challenges of inflation, price volatility and the war in Ukraine are just a few aspects to mention. However, the bank's risk management continues to perform strongly, and management is not aware of any events that have occurred since the balance sheet date that would require an adjustment to the financial statement.

Information about the goals and methods of the bank's risk management, including collateralization policies, are listed in the accompanying financial statements of the bank for the year ending 31 December 2022. Also, the Bank fulfills all legal requirements regarding protection of the environment.

I would particularly like to take this opportunity to extend my special thanks to all our employees for their hard work and commitment to the bank and its clients. The commitment and professional engagement or our employees make me tremendously proud to be part of such a team!

I am confident that, thanks to the ever-increasing importance of Prague branch within the Commerzbank Group, we will continue to be a reliable partner for our clients as 'the bank at your side'.

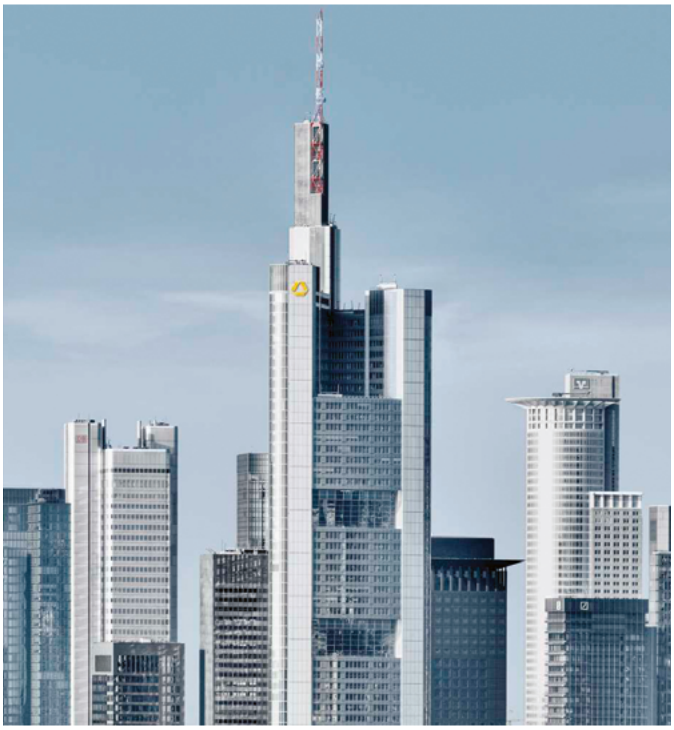
We will be very pleased if you will continue with us on our joint way to success.

Dr. Volkhardt Kruse
CEO Czech Republic

Commerzbank AG

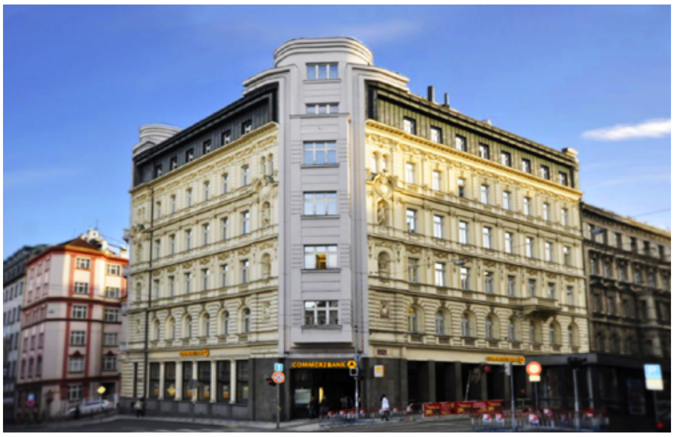
Commerzbank worldwide

Commerzbank is a leading international commercial bank with branches and offices in nearly 40 countries. The Bank's two business segments – Private and Small-Business Customers and Corporate Clients – offer a comprehensive portfolio of financial services precisely tailored to their customers' needs. Commerzbank transacts approximately 30% of Germany's foreign trade and is the market leader in German corporate banking. The Bank offers its sector expertise to its corporate clients in Germany and abroad and is a leading provider of capital market products. Its subsidiaries, Comdirect in Germany and mBank in Poland, are two most global innovative online banks. With approximately 450 branches going forward, Commerzbank had one of the densest branch networks in Germany. Following the project Strategy 2024 will be reduced the number of branches, but all support will be moved to an online environment where private clients will feel the change to a minimum. The fulfillment of the strategy is successful, and the results are very positive. Commerzbank is the leading bank for SMEs (the Mittelstand) and a partner to some 26 000 corporate client groups and almost 11million private and small-business customer in Germany. Its Polish subsidiary mBank S.A. has around 5.6 million private and corporate customers, predominantly in Poland, but also in the Czech Republic and Slovakia. In 2022, Commerzbank generated gross revenues of €9.461 billion with approximately 40,000 employees.



Commerzbank in the Czech Republic

Active in the Czech Republic since 1992, Commerzbank specializes in the provision of comprehensive Corporate Banking services to both German companies operating in the Czech Republic, as well as to medium- and large-sized local Czech corporates. Although operating on the local Czech market, Commerzbank draws on the extensive know-how available across the Bank's global network to provide the highest quality service on a competitive basis. In addition to all standard corporate banking services, ranging from overdraft accounts to payment services including electronic banking, Commerzbank also offers more complex financing structures as well as its reknowned capabilities in documentary collections and export financing. Besides Prague, Commerzbank also has office in Brno (since 1998). The importance of the Prague branch within Commerzbank is constantly growing. Since 2016 Commerzbank in the Czech Republic became the headquarters for the Group Finance Eurohub, which mergers the activities of the Bank's various European Finance locations, as well as for the Trade Service Hub, which handles client transactions in the area of documentary business and bank guarantees for the Czech Republic, Slovakia, Hungary, Austria and Switzerland. In 2018 Commerzbank in the Czech Republic became the headquarters for the Bank's Continental Europe Human Resources Hub, which covers the personal agenda for Commerzbank branches in Continental Europe. In November 2018 the daughter company CommerzSystems, providing IT services to Group, was legally dissolved and integrated into the Commerzbank Prague. In 2019 the Prague Digital Technology Center has been successfully integrated into the new organizational structure of Commerzbank's technology division. In addition to the Czech Republic, Commerzbank has been also present in Slovakia since 1995, with a full-service branch operation located in Bratislava. Branch in Bratislava, following the decision in the Project Strategy 2024, ended in the first half of 2022.



Organisation structure

Prague Branch

Branch management:

Dr. Volkhardt Kruse
Country CEO Czech Republic

Ing. Ľudovít Bán
Head of Large Corporates

Ing. Ondřej Eliáš
Head of Corporate Banking International

Jörn Carstens
Head of Local Credit Office

Ing. Tomáš Krejča
Head of Financial Engineering Prague

RNDr. Jaromír Hronek, CSc.
Head of Treasury

Jan Svoboda
Head of Trade Service Hub Prague

Karsten Grünheid
CFO Eurohub

Yvonne Nowak-Sikora
Head of Human Resources Continental Europe

Ing. Pavel Čurilla
Head of Organisation & Security Regional Services Prague

Jens Hohmann (to 31/10/2022)
COO Prague

Ing. Ondřej Eliáš (from 1/11/2022 to 31/12/2022)
Deputy COO

Jaroslava Nováková
Head of Banking Operations Prague

Michal Lebovič
Head of Valuations Prague

Igor Savič
Head of Digital Technology Center Prague

Ing. Petr Nentvich, MBA (to 31/12/2022)
Head of Brno office /Corporate banking department

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This document is an unsigned English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the founder of the branch COMMERZBANK Aktiengesellschaft, pobočka Praha

Opinion

We have audited the accompanying financial statements of branch COMMERZBANK Aktiengesellschaft, pobočka Praha ("the Branch"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2022, the income statement, and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Branch is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Branch as at 31 December 2022, and of its financial performance for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs), which may be supplemented and amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Branch in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements as at 31 December 2021 have been audited by another auditor who has issued an unqualified opinion on those financial statements in his report dated 29 April 2022.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The manager of the Branch is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Branch obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the manager of the Branch for the Financial Statements

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

In preparing the financial statements, the manager of the Branch is responsible for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body of the founder either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the manager of the Branch.
- Conclude on the appropriateness of the manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statutory Auditor Responsible for the Engagement

Lukáš Svoboda is the statutory auditor responsible for the audit of the financial statements of the branch COMMERZBANK Aktiengesellschaft, pobočka Praha as at 31 December 2022, based on which this independent auditor's report has been prepared.

Prague
26 June 2023

Unsigned copy	*Unsigned copy*
	Lukáš Svoboda
KPMG Česká republika Audit, s.r.o.	Director
Registration number 71	Registration number 2516

Mandatory disclosure

COMMERZBANK Aktiengesellschaft, pobočka Praha, a branch of a foreign bank, provides banking services to corporate clients in the Czech Republic. The branch has its registered office in Prague, at Jugoslávská 934/1, Praha 2 Vinohrady, 120 00, ID No.: 47610921, and is registered in the Commercial Register maintained by the Municipal Court in Prague, section A, file No. 731, as a branch of COMMERZBANK Aktiengesellschaft with its registered office at Kaiserstraße 16, 603 11 Frankfurt am Main, the Federal Republic of Germany, registered in the Commercial Register maintained by the District Court in Frankfurt am Main under No. HRB 32000.

Research and development expenditures

The Bank did not incur any expenditures relating to research and development in 2022.

Environmental protection and labour relations

In the period under review, the Bank did not carry out any activities in environmental protection. The Bank makes effort to minimise any negative impact on the environment. Its environmental, social and governance (ESG) goals are described in the consolidated financial statements of the founder of the branch, Commerzbank Aktiengesellschaft, which are publicly available on the parent company's website.

In labour relations, the Bank has been devoting much attention to employee development and motivation. The Bank offers its employees a wide range of financial and nonfinancial benefits and provides them with education to increase and deepen their qualifications, while aiming to further develop its corporate culture.

Entity's expected development in the upcoming year

These financial statements have been prepared on a going concern basis, as regular financial statements as at 31 December 2022. In the year to come, the Bank plans to continue its activities and intends to maintain the high standard of its services.

Risk management: the Bank manages its risks in compliance with applicable legal regulations and rules stipulated by respective regulatory institutions.

The most significant risks managed by the Bank include credit, market, operational and liquidity risks. A detailed description of the Bank's risk management is provided it the financial statements which form a part of this Annual Report.

Material subsequent events

No other events have occurred since the balance sheet date that would require adjustment of, or disclosure in, the financial statements for the period ended 31 December 2022, except as disclosed in the notes to the financial statements which form a part of this Annual Report.

Financial Statements

Balance sheet

as at 31 December 2022

ASSETS (CZK million)	Note	31/12/2022	31/12/2021
1. Cash and cash deposits with central banks	3	**100**	**23**
2. Due from banks	4	**103,795**	**111,542**
of which: a) repayable on demand		279	3,225
b) other receivables		103,516	108,317
3. Due from customers	5	**19,679**	**11,908**
of which: a) repayable on demand		3,763	2,484
b) other receivables		15,916	9,424
4. Intangible fixed assets	7	**1**	**1**
5. Tangible fixed assets	7	**309**	**216**
of which: land and buildings for operating activities		71	73
fixed assets and right-of-use assets		238	143
6. Other assets	8	**3,295**	**1,954**
7. Prepayments and accrued income		**17**	**76**
Total assets		**127,196**	**125,720**

EQUITY AND LIABILITIES (CZK million)	Note	31/12/2022	31/12/2021
1. Due to banks	10	**107,750**	**108,077**
of which: a) repayable on demand		16,423	10,903
b) other liabilities		91,327	97,174
2. Due to customers	11	**12,867**	**12,432**
of which: a) repayable on demand		12,731	12,421
b) other liabilities		136	11
3. Other liabilities	12	**5,474**	**4,712**
4. Accruals and deferred income		**58**	**65**
5. Provisions	9	**163**	**57**
for taxes		163	57
6. Provisions for contingent liabilities	9	**132**	**56**
7. Retained earnings from previous periods	13	**66**	**39**
8. Profit for the year	13	**686**	**282**
Total liabilities and equity		**127,196**	**125,720**

Off-balance sheet items as at 31 December 2022

(CZK million)	Note	31/12/2022	31/12/2021
OFF-BALANCE SHEET ASSETS			
1. Commitments and guarantees given	14.1, 14.2	21,255	33,455
2. Receivables from spot transactions		61	132
3. Receivables from term instruments	24.3	268,290	318,449
Total off-balance sheet assets		**289,606**	**352,036**
OFF-BALANCE SHEET LIABILITIES			
5. Commitments and guarantees received	26	11,954	10,597
6. Collateral received and pledges	26	3,597	1,980
7. Payables from spot transactions		61	136
8. Payables from term instruments	24.3	292,939	338,614
9. Collateral and pledges received – treasury bills	26	94,276	98,000
Total off-balance sheet liabilities		**402,827**	**449,327**

Income statement

for the year ended 31 December 2022

(CZK million)	Note	2022	2021
1. Interest and similar income	15	**3,226**	**1,208**
2. Interest and similar expense	16	**(359)**	**(51)**
3. Fee and commission income	17	**418**	**362**
4. Fee and commission expense	18	**(31)**	**(23)**
5. Gains less losses from financial transactions	19	**(1,688)**	**(306)**
6. Other operating income	20	**1,557**	**1,153**
7. Other operating expenses		**(4)**	**(3)**
8. Administrative expenses	22	**(2,081)**	**(1,800)**
of which: a) staff costs		(1,187)	(878)
of which: aa) wages and salaries		(863)	(649)
ab) social and health insurance		(282)	(205)
ac) other staff costs		(42)	(24)
b) other administrative expenses		(894)	(922)
9. Depreciation and amortization of tangible and intangible fixed assets	7	**(59)**	**(62)**
of which: depreciation of right-of-use assets		(54)	(58)
10. Release of allowances and provisions for loans and guarantees	9	**65**	**332**
11. Write-offs, additions to, and use of, allowances and provisions for receivables and guarantees	9	**(149)**	**(459)**
12. Release of other provisions		**0**	**1**
13. Additions to and use of other provisions	9	**(38)**	**(2)**
14. Profit on ordinary activities before taxation		**857**	**350**
15. Taxation	23	**(171)**	**(68)**
16. Profit for the year	13	**686**	**282**

Statement of changes in equity

for the year ended 31 December 2022

(CZK million)	Retained earnings	Profit/loss	Total
Balance as at 1 January 2021	**61**	**35**	**96**
Allocation of 2020 profit to the head office	0	(57)	(57)
Net profit for the period	0	282	282
Difference between allocation of profit to the head office, foreign exchange differences and profit for 2020	(22)	22	0
Other changes	0	0	0
Balance as at 31 December 2021	**39**	**282**	**321**
Balance as at 1 January 2022	**39**	**282**	**321**
Allocation of 2021 profit to the head office (-)/ loss compensation by the head office (+)	0	(255)	(255)
Net profit for the period	0	686	686
Difference between allocation of profit to the head office, foreign exchange differences and profit for 2021	27	(27)	0
Other changes	0	0	0
Balance as at 31 December 2022	**66**	**686**	**752**

Notes to the Financial Statements for the year ended 31 December 2022

1. General information

COMMERZBANK Aktiengesellschaft, pobočka Praha (hereinafter referred to as “the Bank” or “the Branch”) was incorporated on 24 November 1992 as a branch of Commerzbank AG, established in Frankfurt am Main, Germany. The Bank’s registered office is located in Prague and an office is located in Brno. Identification number 476 10 921.

The Bank’s operations primarily consist of:
- providing Czech and foreign currency loans and guarantees;
- accepting and placing deposits in Czech and foreign currency;
- maintaining current and term accounts denominated in Czech and foreign currency;
- rendering general banking services through a network of branches and offices;
- providing foreign exchange transactions on the inter-bank money market;
- providing foreign trade financing and related banking services; and
- trading in securities.

The Bank is included in the founder’s consolidated unit. The parent company preparing consolidated financial statements: Commerzbank Aktiengesellschaft, 602 61, Frankfurt am Main. The consolidated financial statements are publicly available on the parent company‘s website.

1.1. Members of statutory, management, supervisory and administrative bodies as at 31 December 2022

Name	Position
CEO:	
Dr. Volkhardt Kruse	Branch CEO

Executive officer:	
Ing. Ondřej Eliáš	Executive officer, authorized signatory
Ing. Ľudovít Bán	Executive officer, authorized signatory
Karsten Erwin Grünheid	Executive officer, authorized signatory
Pavel Čurilla	Executive officer, authorized signatory
Ing. Daniela Davídková	Executive officer, authorized signatory
Ing. Tomáš Krejča	Executive officer, authorized signatory
Ing. Vladimír Vlček	Executive officer, authorized signatory
Joern Carstens	Executive officer, authorized signatory
JUDr. Jakub Holeček, Ph. D.	Executive officer, authorized signatory
Yvonne Nowak-Sikora	Executive officer, authorized signatory
Mgr. Klára Klazarová	Executive officer, authorized signatory
Igor Savič	Executive officer, authorized signatory

Statutory body of COMMERZBANK AG:	
Dr. Manfred Knof	Chairman of the Board of Directors
Dr. Marcus Johannes Chromik	Member of the Board of Directors
Sabine Schmittroth (until 31.12.2022)	Member of the Board of Directors
Sabine Mlnarsky (since 01.01.2023)	Member of the Board of Directors
Dr. Bettina Orlopp	Member of the Board of Directors
Michael Harald Kotzbauer	Member of the Board of Directors
Thomas Schaufler	Member of the Board of Directors
Dr. Joerg Oliveri del Castillo-Schulz	Member of the Board of Directors
As of 1 January 2023, Sabine Mlnarsky succeeded Sabine Schmittroth as the new Member of the Board of Directors.	

2. Accounting policies

2.1. Basis of preparation

The financial statements, comprising the balance sheet, the statements of income and of changes in equity and the accompanying notes, are prepared in accordance with the Act on Accounting, the applicable decrees adopted by the Ministry of Finance of the Czech Republic, the Czech accounting standards for financial institutions and Decree No. 501/2002 Coll. implementing certain provisions of Act No. 563/1991 Coll. on Accounting, as amended, for entities that are banks and other financial institutions, as amended.

Management believes that the Bank has adequate resources to continue its business activities in the foreseeable future. As a result, these financial statements are prepared on a going concern basis.

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

In 2022 and 2021, the Company had no obligation to prepare a cash-flow statement.

Accounting policies and management judgement for certain items are especially critical for the Bank‘s results and financial position due to their materiality. Uncertainties in estimates may arise, for example, when determining fair value, predicting cash flows from financial instruments or when recognizing impairment allowances, which may be caused, inter alia, by the Covid-19 pandemic. For more detail on impairment allowances, refer to Notes 2.13 and 24.

Explanation Added for Translation into English
These financial statements are presented on the basis of accounting principles and standards generally accepted in the

Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

2.2. Foreign currencies
Financial assets and liabilities denominated in foreign currencies are translated to Czech Crowns at the exchange rate announced by the Czech National Bank ("CNB") effective at the balance sheet date. All resulting foreign exchange gains and losses are recognized in gains or losses from financial transactions.

2.3. Fair value
Fair value is the price that would be received when selling an asset or transferring a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability, or – in the absence of a principal market – in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Branch. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits, by optimizing the asset's use or by selling it to another market participant that would do so.

2.4. Transaction date
The following rules apply to the recognition of financial assets and liabilities:

For the purchase and sale of financial assets, the agreement date/settlement date of spot transactions is considered to be the date of the accounting event.

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

The Bank derecognizes a financial asset or its part from the balance sheet when it loses control over the contractual rights to the financial asset or its part.

A financial liability or its part is extinguished when the obligation specified in the contract is discharged or cancelled or expires and the Bank shall no longer report the liability or its part on the balance sheet. The difference between the carrying amount of a liability (or part thereof) extinguished or transferred to another party and the consideration amount paid is recognized in profit or loss.

2.5. Derivative financial instruments and hedging
Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options and other derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair value. All financial derivative instruments are only held for sale.

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

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively.

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. While application is retrospective, an entity is not required to restate prior periods. The Bank assessed that it would not be significantly affected by the change in the reference interest rates.

All derivatives are presented in Other assets or in Other liabilities when their fair value for the Bank is positive or negative, respectively.

Changes in the fair value of derivatives held for trading are included in Gains or losses from financial transactions.

2.6. Interest income and interest expense
Interest income and interest expense on all interest-bearing financial instruments are recognized on an accrual basis using the effective interest rate method and are presented within interest income and interest expense in the income statement. The effective interest rate method is used for all interest-bearing transactions classified at amortized costs or at fair value through other comprehensive income (FVOCI).

2.7. Effective interest rate method
The effective interest rate method is a method of calculating the amortized 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 used to discount the estimated future cash flows until the expected maturity or until the nearest date of change of interest rate 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 recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss (see also point 2.13).

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

2.9. Fee and commission income
Fees and commissions not included in the effective interest rate are recognized on an accrual basis when the service has been provided. Commissions and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party is recognized on completion of the underlying transaction.

2.10. Trade receivables
Receivables originated by the Bank are stated at nominal value less allowances reflecting expenses credit loss. If the receivable is collateralized, the Bank takes into consideration the cash flow that can be obtained from the forced sale of the collateral after deduction of the cost to sell, regardless of whether the forced sale is probable or not.

Irrecoverable receivables are written-off via provisions or directly to expenses in cases when the Bank's management consider the repayment unrealistic. Financial assets that are not expected to be repaid are written off, which means the asset is derecognized.

2.11. Provisions
Provisions are recognized when the Bank has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. All provisions are classified as liabilities. Provisions are measured at the best estimate of the expenditure required to settle the obligation, reflecting the present value of the expenditure.

Additions to provisions are recognized under the appropriate item in the income statement, their use is recognized together with the expenses or losses for which they were created under the appropriate item in the income statement. The reversal of provisions that are no longer needed is recognized as income. Discount is progressively released in Interest expense.

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

2.12. Financial instruments
On initial recognition, all financial instruments measured at fair value adjusted (except for financial instruments at fair value through profit or loss) for transaction costs. This principle applies regardless of the classification of the financial instrument.

IFRS 9 lays down four types of subsequent measurement of financial assets depending on the underlying business model and subject to meeting the SPPI criterion:

- At amortized cost (AC)
- At fair value through OCI with recycling (FVOCImR)
- At fair value through OCI without recycling (FVOCIoR)
- At fair value through profit or loss (FVPL), comprising mandatorily at fair value through P&L (mFVPL) and held for trading (HfT).

The Bank allocates financial assets to one of the following business models based on how the entity manages its financial assets in order to generate cash flows:

- "Hold to collect" business model – collection of contractual cash flows with only limited or insignificant sales;
- "Hold to collect and sell" business model - collection of contractual cash flows through both holding and sale of the asset;
- Residual business model - all portfolios that are not allocated to the "hold to collect" or "hold to collect and sell" business models. These are primarily trading portfolios and

portfolios managed on a fair value basis. The acceptance of contractually agreed cash flows is of little importance; the main objective is instead to maximize cash flows through purchases and sales.

The second criterion for the classification of financial assets is the characteristics of the related cash flows. When assessing the cash flows, the crucial consideration is whether the contractual terms of a financial asset will, at the specified dates, give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding, i.e. the SPPI criterion (SPPI test). A financial instrument may, in principle, be only regarded an SPPI-compliant if its contractual cash flows are consistent with a basic lending arrangement.

While the allocation to a business model can be made on a portfolio basis, the SPPI criterion must always be assessed on an instrument by instrument basis for each financial instrument allocated to the "hold to collect" model or the "hold to collect and sell" model portfolio. Valuation at amortized cost (AC) requires a financial asset to have cash flows that correspond to the SPPI criterion and be allocated to a portfolio with the hold to collect business model.

A financial asset is measured at fair value through other comprehensive income with recycling (FVOCImR) if the related cash flows also meet the SPPI test and it has been allocated to the hold to collect and sell business model portfolio.

The subsequent measurement at fair value with recognition of the value fluctuation in the income statement (FVPL) is required if either the financial asset has not been allocated to a portfolio with one of the aforementioned business models or its cash flows are not SPPI-compliant. This measurement category is therefore subsidiary in nature, i.e. if the asset cannot be clearly allocated to one of the two other measurement categories, it must be measured according to this category. A reporting distinction is made in this measurement category between financial instruments held for trading purposes (HfT) and other financial instruments requiring recognition at fair value with the resulting value fluctuation being recorded in the income statement (mandatorily FVPL/mFVPL). Besides the fair value option (FVO), there is also the possibility of voluntarily allocating financial assets on acquisition to the mFVPL category if accounting mismatches can be avoided or significantly reduced.

The financial asset valuation methodology is based on the allocation of an asset to one of the following groups:
Derivatives must always be measured at fair value, with fluctuations in value being recognized in the income statement. If derivatives are not used for hedge accounting, they must always be allocated to the trading portfolio (HfT). Under IFRS 9, financial assets are assessed in their entirety. As a result, the host contract is not separated from the embedded derivative. Instead, financial assets are classified based on the business model and their contractual terms.

As a rule, financial liabilities must be measured at amortized cost. In addition, there is a possibility of applying the fair value option. The remeasurement effect for financial liabilities under the fair value option arising from own credit risk is recognized in equity without any impact on revenues. Financial liabilities held for trading and all derivatives must be reported in a separate line in the balance sheet and measured at fair value through profit or loss.

REPO transactions
When concluding a reverse-repo transactions, the Bank buys securities with a resale clause specifying a contractual date and price. Such transactions are presented in the Balance Sheet as receivables measured at FVPL. Bank's strategy and business model for REPO transactions is Residual business model.

2.13. Allowances
The loss expected in the following 12 months should be recognized as an allowance against initial recognition for each financial asset (debt instrument) measured at amortized cost or at fair value through other comprehensive income (except for purchased or originated credit-impaired assets). If the borrower's credit risk has substantially increased but the borrower is not yet in default (i.e. impaired credit), an allowance must be recognized for total (lifetime) expected losses. If the instrument is in default, the allowance shall be recognized on the basis of expected lifetime losses.

In principle, the Bank determines expected credit losses by dividing financial instruments that are not measured at fair value through profit or loss, off-balance sheet credit commitments and financial guarantees into three stages. Stage 1 and Stage 2 contain financial instruments that are not impaired or that reflect other circumstances. Stage 3 contains financial instruments that have been identified as outstanding. Financial instruments that are assumed to be in default on initial recognition (purchased or originated credit-impaired (POCI) financial assets) are not allocated to any of these three stages and are processed and disclosed separately instead.

In principle, on initial recognition, each financial instrument is allocated to Stage 1 (excluding POCI). In addition, Stage 1 contains all transactions with a limited risk of credit default. Limited credit risk exists in cases with investment-grade internal credit rating (2.8 or higher rating). Allowances for Stage 1 transactions equal 12-month expected credit losses (12-month ECL). Stage 1 ECL is based on statistical models that work with portfolio-level credit risk characteristics and the probability of default or loss due to default. See below.

Stage 2 includes financial instruments whose credit risk has increased significantly since initial recognition and which are not classified as having limited credit risk. The basis for the recognition of impairment or allowances at Stage 2 is lifetime expected credit losses (LECL), which is derived from individual cash flow estimates. LECL based on individual cash flow estimates also serves as a basis for the recognition of impairment allowances or provisions for default financial instruments at Stage 3.

For financial instruments classified as POCI, no impairment or provision is recognized on initial recognition. They are measured at fair value on initial recognition. Provisions recognized upon subsequent measurement equal the cumulative change in LECL from initial recognition. A financial instrument classified as POCI remains in that classification until it is derecognized. LECL remains the basis for measurement, even if its rating improves.

Interest income on financial assets allocated to Stage 1 and Stage 2 is calculated on gross basis using the effective interest rate method. Interest income on financial assets allocated to Stage 3 is calculated using the effective interest rate method based on the net (carrying) amount (net of credit losses).
The Bank first has to assess whether there is a reason to reduce the value of individual credits on the balance sheet.

IFRS 9 stipulates that impairment due to credit risk deterioration on loans and securities that are not carried at fair value through profit or loss must be recognized using a three-stage model based on expected credit losses.

- The ECL method is summarized below:

Stage 1: The 12mECL (12-month expected credit loss) is calculated as the lifetime expected credit losses (LTECL) that result from default events on a financial instrument that are possible within the 12-month period following the balance sheet date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the date of origination of the financial instrument. These expected 12-month default probabilities are applied to a forecast exposure at default (EAD) and multiplied by the expected loss given default (LGD) and discounted by an approximation to the original EIR.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but the probabilities of default (PDs) and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%. The Branch's criterion for this classification is the definition of default in accordance with Article 178 of the Capital Requirements Regulation ("CRR"). The following events may indicate the customer's default:

- pending insolvency (more than 90 days past due);
- the Bank assists the customer with financial restructuring with or without a restructuring contribution;
- the Bank required immediate repayment of its claims;
- the customer is subject to insolvency proceedings.

POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit-adjusted EIR.

Loan commitments and letters of credit: When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognized within Provisions.

Financial Guarantee Contracts: The Bank's liability under each guarantee is measured at the amount initially recognized less cumulative amortization recognized in the income statement. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognized within Provisions.

The LECL is also used as the value of the required impairment for Stage 3 financial instruments. In determining LECL, the Bank generally distinguishes between material and non-material cases. LECL for immaterial transactions (up to EUR 5 million) is determined on the basis of statistical risk parameters. LECL for major transactions (above EUR 5 million) is the expected loss derived from an individual expert assessment of future cash flows based on several potential scenarios and their probability of occurrence.

Financial instruments already deemed impaired on initial recognition according to the above definition (purchased or originated credit-impaired, POCIs) are treated outside the framework of the three-stage impairment model and are therefore not allocated to any of the three stages. Initial recognition is based on the fair value without impairment using the effective interest rate adjusted for credit standing. The allowance recognized in subsequent periods is equal to the cumulative change in LECL since initial recognition in the balance sheet.

LECL remains the basis for measurement, although the value of the financial instrument has risen.

- Probability of default

For each transaction, the credit risk (probability of default) must be calculated at the date of acquisition in accordance with IFRS 9. Essentially, all information available at the effective date of reporting, including future expectations, should be considered when allocating credits to stages, e.g. the expected macroeconomic development.

The rating method consists of 25 rating levels for non-defaulted loans and five default classes.

Evaluation methods are subject to regular verification and re-calibration in order to reflect the latest projections in the light of all actual identified baseline values.

The range of internal ratings and the mapping of external ratings are as follows:

Commerzbank AG Rating	PD and EL mid-point (%)	PD and EL range (%)	S & P scale	Credit quality steps in accordance with Article 136 CRR*
1.0	0	0	AAA	Investment Grade
1.2	0.01	0 – 0.02		
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	
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	BBB	
2.6	0.39	0.31 – 0.47		
2.8	0.57	0.47 – 0.68	BBB -	
3.0	0.81	0.68 – 0.96	BB +	Sub-investment Grade
3.2	1.14	0.96 – 1.34	BB	
3.4	1.56	1.34 – 1.81		
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 +	Non-investment Grade
4.2	4.35	3.90 – 4.86	B	
4.4	5.42	4.86 – 6.04		
4.6	6.74	6.04 – 7.52		
4.8	8.39	7.52 – 9.35	B -	
5.0	10.43	9.35 – 11.64		
5.2	12.98	11.64 – 14.48	CCC+ CCC CCC- CC C	
5.4	16.15	14.48 – 18.01		
5.6	20.09	18.01 – 22.41		
5.8	47.34	22.41 – 99.99		
6.1	100	>90 days past due	D	Default
6.2	100	Imminent insolvency		
6.3	100	Restructuring with capitalization		
6.4	100	Termination without insolvency		
6.5	100	Insolvency		

*CRR = Capital Requirements Regulation (EU) No 575/2013

- Amortization during the year

Financial assets that are not expected to be repaid are written off, which means the asset is derecognized.

- Forbearance

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between different Stages are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired asset until it is collected or written off.

- Modifications that do not result in derecognition

In 2022 and 2021, no significant asset was identified that would require modification.

- Exposure at default (EAD)

The exposure at default is based on the amounts due which the Bank expects at the moment of default, e.g. the nominal value of a credit. EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current exposure allowed under the contract concluded with the counterparty including scheduled and early repayments.

- Loss given default (LGD)

The loss given default is the Bank's expectation as to the extent of a loan loss in the event of a client's default. It is usually expressed as a percentage of the EAD. LGD typically varies according to the type of counterparty, type of receivable and availability of collateral or other credit support. The LGD models consider the collateral, seniority of the claim, counterparty industry and recovery costs.

- Determination of expected credit loss

The Bank calculates LECL as the probability-weighted and discounted value of expected future credit losses (measured at expected cash-flow deficit) over the entire remaining period of maturity of the relevant financial instrument, i.e. the maximum contractual period (including any extension options) during which the Bank is exposed to credit risk. The 12-month ECL used to report Stage 1 impairment is the portion of LECL that results from standard events that are expected to occur within 12 months from the end of the reporting period. ECLs for Stage 1 and Stage 2 as well as for insignificant financial instruments in Stage 3 are determined based on an individual transaction basis taking into account statistical risk parameters. These parameters were derived from the Basel IRB approach and modified to meet the IFRS 9 requirements, as follows:

- the loan is more than 90 days past due
- the client is unlikely to continue repaying the loan
- the loan is difficult to restructure
- the Bank has demanded immediate repayment of the debt (loan)
- the client is insolvent

LGD is the anticipated default loss as a percentage of the exposure at default (EAD), taking into account the security and potential return on capital of the unsecured part. The Bank's estimates that are specifically designed for different types of collateral and customer groups are determined using both the observed historical portfolio data and various external information, such as indices and purchasing power development data. All used risk parameters from the Bank's internal models have been adjusted to meet the specific requirements of IFRS 9 and the forecast horizon has been extended to cover the entire period of the financial instruments, accordingly. For example, the forecast exposure development over the entire duration of a financial instrument includes, in particular, contractual and statutory termination rights.
Concerning the credit facilities consisting of the provided loans and the open line of credit described above, for which, in normal business practice, the credit risk is not limited to the contractual notice period (this particularly applies to the Bank's revolving products without a contract-based repayment structure, such as overdraft facilities), LECL must be determined using the expected maturity that typically exceeds the maximum contract term. To ensure that the LECL in respect of these products is determined empirically in accordance with the requirements of IFRS 9, the Bank calculates LECL directly for those products based on historical losses incurred. As a rule, the Bank would estimate IFRS 9-specific risk parameters that are based not only on standard historical information, but also on, in particular, the current economic environment (in terms of time perspective) and forward-looking information. Such assessment includes, in particular, an examination of the effects of the Bank's macroeconomic forecasts on ECLs and the inclusion of those effects in the calculation of ECLs. For this purpose, the Bank uses a basic scenario based on the relevant consensus

(forecasts by different banks of significant macroeconomic factors, such as GDP growth and unemployment rates). This basic scenario is then complemented by other macroeconomic parameters relevant to the model. The basic macroeconomic scenario is transformed into the effects on risk parameters based on statistically derived models. If necessary, these models are accompanied by professional assumptions. The potential effects of non-linear correlations between different macroeconomic scenarios and ECLs are corrected using a specific correction factor. All parameters used in the determination of ECL are regularly verified by an independent unit (usually once a year) and, if necessary, adjusted accordingly.

Allowances for assets denominated in a foreign currency are created in that foreign currency. Foreign exchange differences are recognized in the same way as foreign exchange gains/losses from the value of the underlying asset.

Credit risk measurement is a comprehensive process that requires the use of various models due to product price volatility caused by changes of market parameters, estimated cash flows and the passage of time. Credit risk measurement of financial instruments portfolio requires adoption of other estimations of probability of default.

Credit risk is measured using various models. Rating and scoring models are used for the whole credit portfolio and represent a basis for credit risk measurement. In measuring the credit risk of credits and advances granted to counterparties the Branch takes into consideration the following parameters:

- the Commerzbank AG Group's internal model for credit assessment classifying PD to stages
- the Branch's criteria for the assessment whether or not the credit risk significantly increased, and if yes then evaluation of allowances established against financial assets on the basis of LTECL and subsequent assessment of qualitative criteria
- financial asset segmentation for which ECL is assessed on a portfolio basis
- development of ECL models including various formula and selection of inputs
- determination of the link between macroeconomic scenarios and economic inputs, i.e., unemployment rate and collateral values as well as impact on PD, EAD and LGD
- selection of future-oriented macroeconomic scenarios and their probability weighted estimations in order to obtain economic inputs to the ECL models

As a rule, the Branch estimates the risk parameters specific to IFRS 9 based not only on historical default information but also, in particular, on the current economic environment (point-in-time perspective) and forward-looking information. This assessment primarily involves reviewing the effects which the Bank's macroeconomic forecasts will have regarding the amount of the ECL and including these effects in the determination of the ECL. A baseline scenario is used for this purpose which relies on the respective applicable consensus (forecasts of different banks on significant macroeconomic factors, such as GDP growth and the unemployment rate). This baseline scenario is then supplemented with additional macroeconomic parameters that are relevant for the model. The transformation of the macroeconomic baseline scenario into the effects on the risk parameters is based on statistically derived models. If needed, these models are supplemented with expert-based assumptions. Potential effects from non-linear correlations between different macroeconomic scenarios and the ECL are corrected using a separately determined adjustment factor. All parameters used when determining the ECL are regularly validated by an independent unit (usually once a year). If needed they are adjusted accordingly.

- Collateral

Potential financial effect of collateral is stated by disclosing separately the collateral value for assets for which collateral equals or exceeds the asset carrying amount ("over-collateralized debt") and for assets for which collateral is lower than the asset carrying amount ("under-collateralized debt").

The fair value of the collateral reflects its most realistic value which is a result of the collateral market price adjustment by collateral realization quota, which depends on various specific collateral features and realization costs.

In all instances when an asset at the level of risk management has deferred maturity or is changed, the Branch's specialized department for risk assets continues to monitor the respective exposure up to the moment of the full completion of the recognition.

2.14. Tangible and intangible fixed assets and right-of-use assets

Tangible and intangible fixed assets acquired before 31 December 2000 are recorded at acquisition cost and are depreciated or amortized on an accelerated basis over their estimated useful lives. Tangible and intangible fixed assets acquired after 31 December 2000 are depreciated or amortized on a straight-line basis over their estimated useful lives.

Repair and maintenance expenses of tangible assets are expensed as incurred. The costs of technical improvements are capitalized in the value of the asset and depreciated accordingly.

Right-of-use assets are presented within property, plant and equipment. Right-of-use assets are depreciated on a straight-line basis over the lease term. For more detail on the presentation of leases under IFRS 16, refer to Note 2.17.

2.15. Value added tax
The Bank is registered for value added tax (hereinafter "VAT"). Tangible and intangible fixed assets and inventories are measured at acquisition cost including the appropriate VAT. The Bank does not claim input VAT as the ratio of the taxable income subject to VAT to the total income of the Bank is such that it is not economical for the Bank to claim input VAT. Input VAT (except for tangible and intangible fixed assets) is expensed.

2.16. Deferred tax
Deferred tax is recognized on all temporary differences between the carrying amount of an asset or liability reported in the balance sheet and its amount used for corporate income tax purposes using the full liability method. A deferred tax asset is recognized to the extent of expected future available taxable profit against which the asset can be utilized.

The approved tax rate for the period in which the Bank expects to utilize the deferred tax asset or settle the deferred tax liability is used to calculate deferred taxes.

Deferred tax arising from fair value remeasurement of hedge instruments and available-for-sale securities, which is charged or credited, as appropriate, directly to equity, is also reported through equity.

2.17. Leases
Pursuant to Decree No. 501/2002, the Bank follows International Accounting Standards as stipulated by the directly applicable EU legislation on the application of International Accounting Standards in the reporting and measurement of financial instruments and related disclosures.

The Bank has lease contracts for the lease of office premises, vehicles and IT hardware. When entering into a contract, the Bank assesses whether the contract is or contains a lease. If a contract contains the right to control the use of an identified asset over a certain period of time in exchange for consideration, it is a lease.

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets (RoU)
The Bank recognizes right-of-use assets at the commencement date of the lease, i.e. the date the underlying asset is available for use. Right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and are adjusted for any remeasurement of lease liabilities. The cost of a right-of-use asset comprises the sum of the amount of the initial measurement of a lease liability, any initial direct costs incurred, and any lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. Right-of-use assets are disclosed in Note 7 "Tangible and intangible fixed assets" and are regularly tested for impairment in accordance with the Bank's policy.

Lease liabilities
At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate; and amounts expected to be payable under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate the lease. Variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers those payments occurs. Lease liabilities are disclosed in Note 12.

Determining the lease term of contracts with renewal and termination options (Bank as lessee)
The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Branch has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as an operating lease.

2.18. Staff costs, additional pension insurance
Staff costs are included in Administrative expense.

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

Regular contributions are made to the State budget to cover the national pension plan.

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

- senior management of the Bank, i.e. persons responsible for management functions based on employment or other contracts, whose powers and responsibilities are defined in the Bank's Statutes ("senior management of the Bank"),
- head office controlling the Bank and its senior management,
- close persons (direct family members) of senior management,
- entities in which the senior management hold at least a 10% shareholding,
- shareholders holding more than 10% of voting rights of Commerzbank AG and entities controlled by them.

Material transactions, outstanding balances and pricing policies with related parties are disclosed in Notes 4, 5, 10, 11, 13, 15, 16, 20 and 22.

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

The Bank also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve not just on-balance sheet receivables and advances but the Bank also enters into guarantees and other commitments such as letters of credit and other similar liabilities.

The Bank also trades financial instruments where it takes positions in traded and over the counter instruments including derivatives to take advantage of short-term market movements on the shares and bonds markets and in currency, interest rate and commodity prices. The Board of Directors sets trading limits on the level of exposure that can be taken in relation with both overnight and intra-day market positions. Currency and interest exposure resulting from these financial instruments are normally offset by entering into counterbalancing positions.

2.21. Equity
Since the Bank operates as a branch of a foreign bank, there are no special requirements concerning equity. All regulatory requirements relating to equity are consolidated and reported by the Group. Equity at the Branch level represents the sum of the differences between the net profit as per Czech accounting standards and the net profit according to German accounting standards.

2.22. Subsequent events
The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are reflected in the financial statements to the extent that these events provide further evidence supporting the conditions that existed at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements that are indicative of conditions which arose subsequent to the balance sheet date, the effects of these events are disclosed in the notes, but are not reflected in the financial statements.

2.23. Changes in accounting policies
Accounting policies applied in the accompanying financial statements are consistent with those applied in the financial statements for the year ended 31 December 2021.

2.24. Correction of prior period errors
In accordance with Decree 501/2002 Coll. corrections of prior period's misstatements are recognized in retained earnings in the case of corrections of significant errors of prior period. If it is not a correction of significant errors, these corrections are recognized in the relevant items in the income statement of the current period.

There were no corrections to major errors in 2022 or 2021.

3. Cash and cash deposits with central banks

(CZK million)	31/12/2022	31/12/2021
Cash with central bank	0	0
Mandatory minimum reserves	100	23
Total cash and cash deposits with central banks	**100**	**23**

Mandatory minimum reserves are obligatory deposits with the CNB. The Bank may use the funds on the account of obligatory reserves in the CNB in case of compliance with the defined average amount in the maintenance period. These deposits bear interest at the CZK two-weeks repo rate, which was 7.00% p.a. as at 31 December 2022 (2021: 3.75%).

4. Due from banks

(CZK million)	31/12/2022	31/12/2021
Receivables measured at amortized cost		
Current accounts with banks	276	3,225
Term deposits with central banks	6,002	3,000
Other term deposits with banks	876	4,929
Loans to banks	270	337
Other due from banks	13	0
Total receivables measured at amortized cost	**7,437**	**11,491**
Allowances – stage 2	(2)	0
Carrying amounts of receivables measured at amortized cost	**7,435**	**11,491**
Receivables measured at fair value		
Receivables from REPO transactions	96,361	100,051
Total receivables measured at fair value	**96,361**	**100,051**
Carrying amounts of receivables from banks	**103,796**	**111,542**

Receivables from REPO transactions are measured at fair value through profit or loss (FVPL), following the Bank's strategy and allocation to the business model for REPO transactions (see Note 2.12 Financial instruments).

31 December 2022 (CZK million)	Stage 1	Stage 2	Total
Carrying amount gross as at 1 January 2022	**11,491**	**0**	**11,491**
Newly acquired assets	7,234	0	**7,234**
Repaid assets	(10,908)	0	**(10,908)**
Partially repaid assets (reduction of existing contracts)	(583)	0	**(583)**
Partial increase in assets (increase of existing contracts)	203	0	**203**
Transfer to Stage 2	(166)	166	**0**
Carrying amount gross as at 31 December 2022	**7,271**	**166**	**7,437**

31 December 2021 (CZK million)	Stage 1	Stage 2	Total
Carrying amount gross as at 1 January 2021	**30,517**	**440**	**30,957**
Newly acquired assets	10,495	0	**10,495**
Repaid assets	(29,676)	(76)	**(29,752)**
Partially repaid assets (reduction of existing contracts)	(841)	(364)	**(1,205)**
Partial increase in assets (increase of existing contracts)	996	0	**996**
Carrying amount gross as at 31 December 2021	**11,491**	**0**	**11,491**

There was a transfer of CZK 166 million from the Stage 1 to the Stage 2 in 2022 (2021: no transfers between the stages).

The Bank did not have any receivables due to banks from the Stage 3 in 2022 or 2021.

4.1. Loans and receivables from related parties of the Commerzbank AG Group

Standard loans and receivables to banks include the following loans and receivables to related parties of the Group:

(CZK million)	31/12/2022	31/12/2021
Commerzbank, Bratislava branch	0	3,524
Commerzbank, Frankfurt (head office)	1,141	4,617
Total	**1,141**	**8,141**

5. Due from customers

5.1. Due by customer type

(CZK million)	31/12/2022	31/12/2021
Receivables measured at amortized cost		
Current accounts of legal entities and individuals – overdraft	**3,443**	**2,175**
of which classified as Stage 1	3,365	2,080
of which classified as Stage 2	30	50
of which classified as Stage 3	48	45
Customer loans	**17,196**	**10,785**
of which classified as Stage 1	15,628	9,378
of which classified as Stage 2	311	0
of which classified as Stage 3	1,257	1,407
Total receivables measured at amortized cost	**20,639**	**12,960**
Allowance Stage 1	(40)	(13)
Allowance Stage 2	(16)	(1)
Allowance Stage 3 (Note 9)	(904)	(1,038)
Total due from customers, net	**19,679**	**11,908**

Syndicate loans forming part of Due from customers totaled CZK 8,501 million as at 31 December 2022 (2021: CZK 8,263 million).

Current accounts of legal entities and individuals – overdraft

31/12/2022 (CZK million)	Stage 1	Stage 2	Stage 3	Total
Carrying amount gross as at 1 January 2022	**2,080**	**50**	**45**	**2,175**
Newly acquired assets	1,197	0	0	**1,197**
Repaid assets	(303)	0	0	**(303)**
Transfer to Stage 1	47	(47)	0	**0**
Transfer to Stage 2	(31)	31	0	**0**
Transfer to Stage 3	0	0	0	**0**
Partially repaid assets (reduction of existing contracts)	(337)	(4)	0	**(341)**
Partial increase in assets (increase of existing contracts)	712	0	3	**715**
Carrying amount gross as at 31 December 2022	**3,365**	**30**	**48**	**3,443**

31/12/2021 (CZK million)	Stage 1	Stage 2	Stage 3	Total
Carrying amount gross as at 1 January 2021	**3,320**	**106**	**144**	**3,570**
Newly acquired assets	672	0	0	**672**
Repaid assets	(1,544)	0	(144)	**(1,688)**
Transfer to Stage 1	136	(136)	3	**3**
Transfer to Stage 2	(135)	134		**(1)**
Transfer to Stage 3	(4)	(55)	42	**(17)**
Partially repaid assets (reduction of existing contracts)	(627)	0	0	**(627)**
Partial increase in assets (increase of existing contracts)	262	1	0	**263**
Carrying amount gross as at 31 December 2021	**2,080**	**50**	**45**	**2,175**

Client accounts

31/12/2022 (CZK million)	Stage 1	Stage 2	Stage 3	Total
Carrying amount gross as at 1 January 2022	**9,378**	**0**	**1,407**	**10,785**
Newly acquired assets	9,983	311	0	**10,294**
Repaid assets	(2,999)	0	(196)	**(3,195)**
Partially repaid assets (reduction of existing contracts)	(782)	0	(51)	**(833)**
Partial increase in assets (increase of existing contracts)	48	0	97	**145**
Carrying amount gross as at 31 December 2022	**15,628**	**311**	**1,257**	**17,196**

31/12/2021 (CZK million)	Stage 1	Stage 2	Stage 3	Total
Carrying amount gross as at 1 January 2021	**10,800**	**0**	**1,396**	**12,196**
Newly acquired assets	4,063	0	140	**4,203**
Repaid assets	(4,882)	0	0	**(4,882)**
Transfer to Stage 3	(62)	0	62	**0**
Partially repaid assets (reduction of existing contracts)	(838)	0	(210)	**(1,048)**
Partial increase in assets (increase of existing contracts)	297	0	19	**316**
Carrying amount gross as at 31 December 2021	**9,378**	**0**	**1,407**	**10,785**

5.2. Quality of receivables portfolio

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

The Bank sends a written notice for overdue loans to its clients and unsuccessful cases are passed on for legal solutions (filing petitions and participating in court proceedings).

In case of distrain title, the Bank uses all available legal means for collection of these loans including involvement of bailiffs.

Restructured receivables totaled CZK 13 million in 2022 (2021: CZK 13 million). Receivables are considered to be restructured if the Bank grants relief to a customer because it is likely that the Bank would incur losses had the Bank not done so. Roll-over of a short-term loan is not considered to be restructuring of the loan in the case that the customer has fulfilled all the terms of the loan agreement.

5.3. Loans to related parties

As at 31 December 2022 and 2021, the Bank did not provide any loans to its related parties.

As at 31 December 2022 and 2021, the Bank did not provide any loans to its senior management members.

5.4. Guarantees from related parties

(CZK million)	31/12/2022	31/12/2021
Commerzbank, Frankfurt – head office	868	609
Commerzbank, Berlin branch	273	235
Commerzbank, Essen branch	206	206
Commerzbank, Hamburg branch	74	120
Commerzbank, Nuremberg branch	1,809	12
Commerzbank, Bratislava branch	0	9
Commerzbank, Paris branch	657	0
Commerzbank, Düsseldorf branch	45	91
Commerzbank, Zurich branch	1	1
Commerzbank, Stuttgart	3	3
Commerzbank, New York	19	2
Total	**3,955**	**1,288**

6. Securities

The Bank did not hold any securities as at 31 December 2022 and 2021, respectively.

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

7. Tangible and intangible fixed assets

(CZK million)	31/12/2021	Additions / allowances / reclassification	31/12/ 2022
Acquisition cost	**518**	**155**	**673**
Intangible assets	15	0	15
Buildings	102	0	102
Equipment	90	5	95
Building with the right of use	311	150	461
Accumulated amortization and depreciation	**(301)**	**(63)**	**(364)**
Intangible assets	(14)	0	(14)
Buildings	(35)	(2)	(37)
Equipment	(84)	(6)	(90)
Building with the right of use	(168)	(55)	(223)
Net book value	**217**	**92**	**309**

Net book value by asset classes:

(CZK million)	31/12/2022	31/12/2021
Intangible fixed assets	1	1
Tangible fixed assets	70	73
Fixed assets and right-of-use assets	238	143
Net book value	**309**	**217**

As at 31 December 2022 and 2021, the Bank did not provide any tangible and intangible fixed assets as collateral.

Leases under IFRS 16

From 1 January 2019 new standard IFRS 16 was applied and the previous standard IAS 17 was abolished. Therefore, the Entity as a lessee started to recognize a right-of-use assets (i.e. with exception where the lease term does not exceed 12 months or the underlying asset has a low value) in the line

„Tangible fixed assets" and the related lease liability in the line „Other liabilities" in the balance sheet.

The right-of-use assets consists primarily of Land and buildings. A rent is denominated in EUR.

The Entity leases land and buildings for purposes of its headquarter. These leases typically run for a period of 5 years.

Some leases contain extension options exercisable a lessee up to 9 months before the end of lease term. The Entity assesses at lease commencement whether it is reasonably certain to exercise the options and subsequently if there is a significant event or significant change in circumstances.

Movement in tangible fixed assets aquired under lease

(CZK million)	2022	2021
Balance at 1 January	**143**	**162**
Additions	150	39
Disposals	0	0
Amortization	(55)	(58)
Balance at 31.December	**238**	**143**

(CZK million)	31/12/2022	31/12/2021
Interest from leasing	4	3
Total leasing cash outflow	**55**	**59**

8. Other assets

(CZK million)	31/12/2022	31/12/2021
Derivative financial instruments (Note 24.3)	2,924	1,881
Settlement clearance accounts	27	27
Deferred tax asset (Note 23)	67	29
Other receivables	277	17
Total other assets	**3,295**	**1,954**

The balance Other receivables and the increase compared to 2021 consists mainly of revenue intercompany invoices (CZK 220 million), of which the largest part is the invoice with the head office (CZK 198 million).

9. Allowances, provisions and write offs

The Bank had the following provisions and allowances for risk assets:

(CZK million)	31/12/2022	31/12/2021
Income tax provision		
Income tax provision	209	82
Income tax prepayments made	(46)	(24)
Income tax provision	**163**	**58**
Provisions for contingent liabilities		
Provisions for potential litigation	38	2
Provision for off-balance sheet impairment	53	16
Provisions for other payables	41	38
Total other provisions	**132**	**56**

(CZK million)	31/12/2022	31/12/2021
Allowances		
Stage 1	40	13
Stage 2	18	1
Stage 3	904	1,038
Total allowances	**962**	**1,052**

Movements in the provision for income tax can be analyzed as follows:

(CZK million)	2022	2021
As at 1 January	**82**	**11**
Additions	209	82
Release/use	(82)	(11)
As at 31 December	**209**	**82**

Movements in the provision for litigation can be analyzed as follows:

(CZK million)	2022	2021
As at 1 January	**2**	**3**
Additions	36	2
Release/use	0	(3)
As at 31 December	**38**	**2**

Movements in the provisions for other payables can be analyzed as follows:

(CZK million)	2022	2021
As at 1 January	**38**	**3**
Additions	10	38
Release	(7)	(3)
As at 31 December	**41**	**38**

Provisions for other payables mainly include the provision for severance pay (which is presented within administrative expenses in the accompanying income statement).

Movements in the provisions for off-balance sheet impairment can be analyzed as follows:

(CZK million)	2022	2021
As at 1 January	**16**	**19**
Additions	35	31
Release	(4)	(54)
Other	6	20
As at 31 December	**53**	**16**

Change in allowances can be analyzed as follows:

(CZK million)	2022	2021
As at 1 January	**1,052**	**1,128**
Additions	107	229
Release	(61)	(277)
Use	(133)	0
Other	(3)	(28)
As at 31 December	**962**	**1,052**

"Write-offs, additions to, and use of, allowances and provisions for receivables and guarantees" in the accompanying income statement for the year ended 31 December 2022 include the write-off of a receivables of CZK 0 million (2021: CZK 199 million).

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

(CZK million)	31/12/2022	31/12/2021
Balance sheet impairment		
LLP allowances, stage 1 – customers	**40**	**13**
of which: a) current accounts	8	3
b) borrowings	32	10
LLP allowances, stage 2 – customers and banks	**18**	**1**
of which: a) current accounts	2	1
b) borrowings	16	0
LLP allowances, stage 3 – customers	**904**	**1,038**
of which: a) current accounts	492	625
b) borrowings	412	413
Off-balance sheet impairment		
LLP provisions, stage 1 – customers	**28**	**6**
of which: a) guarantees	19	0
b) revocable loan commitments	7	3
c) irrevocable loan commitments	2	3
LLP provisions, stage 2 – customers and banks	**25**	**10**
of which: a) guarantees	25	9
b) revocable loan commitments	0	0
c) irrevocable loan commitments	0	1
LLP provisions, stage 3 – customers	**0**	**0**
of which: a) guarantees	0	0
b) revocable loan commitments	0	0
c) irrevocable loan commitments	0	0
Total	**1,015**	**1,068**

Balance sheet impairment:

31/12/2022 (CZK million)	Stage 1	Stage 2	Stage 3	Total
Carrying amounts of allowances as at 1 January 2022	**13**	**1**	**1,038**	**1,052**
Newly acquired assets	26	10	48	**84**
Repaid assets	(2)	(1)	(42)	**(45)**
Transfer to Stage 1	1	(1)	0	**0**
Transfer to Stage 2	(7)	7	0	**0**
Transfer to Stage 3	0	0	0	**0**
Write-off	0	0	(133)	**(133)**
Other changes	9	2	(7)	**4**
Carrying amounts of allowances as at 31 December 2022	**40**	**18**	**904**	**962**

31/12/2021 (CZK million)	Stage 1	Stage 2	Stage 3	Total
Carrying amounts of allowances as at 1 January 2021	**41**	**77**	**1,010**	**1,128**
Newly acquired assets	4	1	2	**7**
Repaid assets	(8)	(1)	(43)	**(52)**
Transfer to Stage 1	7	(28)	0	**(21)**
Transfer to Stage 2	(11)	21	0	**10**
Transfer to Stage 3	0	(4)	11	**7**
Other changes	(20)	(65)	58	**(27)**
Carrying amounts of allowances as at 31 December 2021	**13**	**1**	**1,038**	**1,052**

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

Off-balance sheet impairment:

31/12/2022 (CZK million)	Stage 1	Stage 2	Stage 3	Total
Carrying amounts of allowances as at 1 January 2022	**6**	**10**	**0**	**16**
Newly acquired assets	20	15	0	**35**
Repaid assets	(1)	(3)	0	**(4)**
Other changes	3	3	0	**6**
Carrying amounts of allowances as at 31 December 2022	**28**	**25**	**0**	**53**

31/12/2021 (CZK million)	Stage 1	Stage 2	Stage 3	Total
Carrying amounts of allowances as at 1 January 2021	**6**	**13**	**0**	**19**
Newly acquired assets	2	1	2	**5**
Repaid assets	(4)	(5)	0	**(9)**
Other changes	2	1	(2)	**1**
Carrying amounts of allowances as at 31 December 2021	**6**	**10**	**0**	**16**

10. Due to banks

(CZK million)	31/12/2022	31/12/2021
Current accounts with banks	311	188
Term deposits due up to 24 hours	16,112	10,715
Other term deposits	91,327	97,174
Total due to banks	**107,750**	**108,077**

10.1. Deposits from related parties

(CZK million)	31/12/2022	31/12/2021
Commerzbank Frankfurt - head office	107,750	106,916
Commerzbank, Bratislava branch	0	1,161
Total deposits from related parties	**107,750**	**108,077**

In the opinion of management of the Bank, deposits from related parties were accepted on substantially the same terms and conditions, including interest rates, as those prevailing at the same time for comparable transactions with other customers, and did not involve more than the normal interest rate and liquidity risk or present other unfavorable features.

Deposits from related parties bore interest at the rate ranging from (0.06)% to 4.5% (2021: from(0.46)% to 0.23%). The interest rates were calculated using the weighted average method.

11. Due to customers

(CZK million)	31/12/2022	31/12/2021
Due to customers	12,867	12,432
Total due to customers	**12,867**	**12,432**

11.1. Due to customers by type

(CZK million)	31/12/2022	31/12/2021
Liabilities repayable on demand	12,604	12,371
Term accounts for fixed term	250	61
Other amounts due to private customers	13	0
Total due to customers	**12,867**	**12,432**

11.2. Deposits from related parties

(CZK million)	31/12/2022	31/12/2021
Fellow subsidiaries	195	172
Total deposits from related parties	**195**	**172**

The Bank did not accept any deposits from senior management members as at 31 December 2022 and 2021, respectively.

In the opinion of management, deposits from related parties were accepted on substantially the same terms and conditions, including interest rates, as those prevailing at the same time for comparable transactions with other customers, and did not involve more than normal interest rate and liquidity risk or present other unfavorable features.
In 2022, deposits from related parties bore interest at the rate of 0% (2021: 0%).

12. Other liabilities

(CZK million)	31/12/2022	31/12/2021
Derivative financial instruments (Note 24.3)	4,458	4,263
Settlement clearance accounts	369	75
Lease liabilities	238	143
Estimated payables	374	229
Other liabilities	35	2
Total other liabilities	**5,474**	**4,712**

Estimated payables include, in particular, relationships with employees and their remuneration.

Lease liabilities as at 31 December 2022 at CZK 238 million (31 December 2021: CZK 143 million) represent lease liabilites according to IFRS 16.

The Bank did not have any overdue liabilities to finance authorities, social insurance authorities or health insurance companies as at 31 December 2022 and 2021, respectively.

13. Equity and profit distribution

The net profit of CZK 686 million for 2022 is proposed to be distributed as follows:

(CZK million)	2022
Allocation to Commerzbank AG (profit according to German accounting standards)	527
Transfer to accumulated loss/retained earnings	159
Net profit	**686**

The transfer to retained earnings represents the difference between the net accounting profit in accordance with the Czech accounting standards and the net accounting profit in accordance with the German accounting standards. The difference predominantly arises from the different accounting treatment of allowances, provisions, deferred taxes and revaluation of financial derivatives. Equity movements are presented in the statement of changes in equity.

The net profit of CZK 282 million for 2021 was distributed as follows:

(CZK million)	2021
Allocation to Commerzbank AG (profit according to German accounting standards)	255
Transfer to retained earnings	27
Net profit	**282**

14. Contingencies and commitments

Commitments to provide a loan, loan guarantees to third parties and guarantees from acceptance of bills of exchange and letters of credit expose the Bank to credit risk and to loss in the event of a client's failure to fulfil its obligations. Various commitments and contingent liabilities arise in the normal course of business involving elements of credit, interest rate and liquidity risk.

14.1. Guarantees granted

(CZK million)	31/12/2022	31/12/2021
Banks in the Group - subsidiaries and other controlled banks	3,961	18,776
Other banks	752	388
Other customers	12,810	10,149
Guarantees granted	**17,523**	**29,313**

14.2. Commitments granted

(CZK million)	31/12/2022	31/12/2021
Irrevocable loan commitments		
- On behalf of customers	3,732	4,142
Total carrying value of commitments and guarantees	**3,732**	**4,142**

The Bank did not grant any guarantees or commitments to its management as at 31 December 2022 and 2021, respectively.

15. Interest and similar income

(CZK million)	2022	2021
Inter-bank transactions	2,525	1,048
Receivables from customers	701	160
Total interest and similar income	**3,226**	**1,208**

CZK 4 million of interest income was recognized on impaired loans in the year ended 31 December 2022 (2021: CZK 4 million).

The bank recognized no outstanding penalty interest income as at 31 December 2022 (2021: CZK 0 million).

15.1. Interest income from related parties of Commerzbank AG Group

(CZK million)	2022	2021
Commerzbank, Bratislava branch	0	3
Commerzbank Frankfurt - head office	27	3
Total	**27**	**6**

16. Interest and similar expense

(CZK million)	2022	2021
Inter-bank transactions	254	32
Due to customers	105	19
Total interest and similar expense	**359**	**51**

16.1. Interest expense from related parties of Commerzbank AG Group

(CZK million)	2022	2021
Commerzbank Frankfurt – head office	236	11
Commerzbank, Bratislava branch	0	0
Total	**236**	**11**

17. Fee and commission income

(CZK million)	2022	2021
Domestic and foreign transfers	158	154
Loan origination fees and commission	57	77
Income from guarantees	127	73
Income from document collections and letters of credit	49	35
Other fees and commissions	27	23
Total fee and commission income	**418**	**362**

18. Fee and commission expense

(CZK million)	2022	2021
Fees and commissions from other financial activities	21	20
Domestic and foreign transfers	10	3
Total fee and commission expense	**31**	**23**

19. Gains less losses from financial transactions

(CZK million)	2022	2021
Gains/(Losses) from foreign currency transactions	108	2,039
Gains/(Losses) from transactions with FX financial derivatives	(2,516)	(2,407)
Gains/(Losses) from interest rate financial derivatives	724	52
Gains/(Losses) from revaluation of financial assets at fair value	(4)	10
Total gains less losses from financial transactions	**(1,688)**	**(306)**

20. Other operating income

(CZK million)	2022	2021
Income from intercompany re-invoicing	1,554	1,150
Other operating income	3	3
Total other operating income	**1,557**	**1,153**

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

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

(CZK million)	2022	2021
Commerzbank, Amsterdam - branch	13	14
Commerzbank, Bratislava - branch	18	30
Commerzbank, Brussels - branch	11	16
Commerzbank Zrt., Budapest- subsidiary	1	3
Commerzbank Frankfurt – head office	1,287	850
Commerzbank, Lodz - branch	11	8
Commerzbank, London - branch	116	103
Commerzbank, Luxembourg - branch	1	2
Commerzbank, Madrid - branch	13	15
Commerzbank, Milan - branch	11	18
Commerzbank, Eurasia AO (Moskva-subsidiary)	8	21
Commerzbank, Paris - branch	14	16
Commerzbank, Singapore - branch	3	6
Commerzbank, Digital Technology Center Sofia - branch	11	13
Commerzbank, Tokyo - branch	2	1
Commerzbank, Wien - branch	15	16
Commerzbank, Zürich - branch	18	18
Total	**1,553**	**1,150**

21. Revenues by geographical markets

(CZK million)	Domestic	European Union	Rest of Europe	Other	Total
2022					
1. Interest and similar income	3,017	207	0	2	**3,226**
2. Fee and commission income	395	3	20	0	**418**
3. Gains less losses from financial transactions	(1,688)	0	0	0	**(1,688)**
4. Other operating income	5	1,405	142	5	**1,557**
Total	**1,729**	**1,615**	**162**	**7**	**3,513**

(CZK million)	Domestic	European Union	Rest of Europe	Other	Total
2021					
1. Interest and similar income	890	316	1	1	**1,208**
2. Fee and commission income	352	3	7	0	**362**
3. Gains less losses from financial transactions	(306)	0	0	0	**(306)**
4. Other operating income	5	998	143	8	**1,154**
Total	**941**	**1,317**	**151**	**9**	**2,418**

22. Administrative expenses

(CZK million)	2022	2021
Staff costs	1,187	878
Intercompany expenses – head office in Frankfurt am Main – COBA FFM	451	492
External staff costs	177	157
VAT (ICC)	72	105
IT expenses	56	72
Short-term leases and leases of low-value assets	3	3
Services provided by the auditing company:		
- compulsory audit of the financial statements	3	3
Tax and legal advisory services	1	1
Other administrative expenses	131	89
Total administrative expenses	**2,081**	**1,800**

In 2022, the management of the Bank was paid wages and salaries of CZK 30 million (2021: CZK 42 million), social and health insurance paid by the Bank amounted to CZK 7 million (2021: CZK 7 million). The management of the Bank includes its directors and managers on the first level of the organizational structure (as at 31 December 2022 and 2021 a total of 10 and 13 employees, respectively).

22.1. Staff statistics

	2022	2021
Average number of employees	668	570

In 2022, the Bank provided contributions of CZK 3 million to its employees for supplementary pension insurance (2021: CZK 2 million).

23. Taxation

The income tax expense consists of the following:

(CZK million)	2022	2021
Income tax expense	209	82
Tax expense/(income) related to previous period	0	(2)
Deferred tax expense/(income)	(38)	(13)
Rounding	0	0
Total income tax expense	**171**	**67**

Advance for income tax was paid in the amount of CZK 46 million (2021: CZK 25 million). After income tax advances, an income tax provision was created in the amount of CZK 163 million (2021: CZK 57 million).

Tax expense/(income) related to the previous period represents the difference between the tax expense recognized in the previous period and the actual tax liability.

The current tax expense was computed as follows:

(CZK million)	2022	2021
Profit before taxation	**857**	**350**
Non-taxable income	(151)	(108)
Non-deductible expenses	393	189
Tax base	**1,099**	**431**
Current tax charge at 19%	**209**	**82**

Non-taxable income primarily represents amounts related to the release of provisions and valuation allowances, the creation of which was not an expense (cost) for tax purposes to earn, secure or maintain income. Non-tax deductible expenses are primarily the creation of (accounting) provisions and provisions against costs that are not an expense (cost) of earning, securing and maintaining income.

Deferred income tax asset is calculated at the rate of 19% (income tax rate for 2022 and 2021, respectively), depending on the period, in which the temporary difference is expected to be compensated, and can be analyzed as follows:

(CZK million)	31/12/2022	31/12/2021
Deferred tax asset as at 1 January	**29**	**15**
Allowances and provisions for loans	4	3
Tax non-deductible social insurance	21	5
Difference between tax and accounting NBV of assets	(1)	(1)
Other	14	7
Deferred tax asset as at 31 December	**67**	**29**

(CZK million)	31/12/2022	31/12/2021
Deferred tax asset		
Allowances and provisions for loans	11	9
Tax non-deductible social insurance	39	13
Other	17	7
Net deferred tax asset (Note 8)	**67**	**29**

24. Financial risks

24.1. Credit risk

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, group of borrowers and to geographical and business segments. Such risks are monitored on a regular basis and are subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved by Head office in Frankfurt am Main. Besides that, unexpected losses, risk of accumulation and concentration of credit risks are actively controlled by internal VAR model. All above mentioned models are based on internal credit rules and competences.

The credit risk is the largest risk which the Branch takes and therefore management carefully manages the Branch's exposure towards the risk. Credit risk management and control are the responsibility of a specialized team which reports to COMMERZBANK AG board of directors.

The Bank considers its current credit portfolio to be high quality since the value of allowances is approximately 4% of the nominal value of the credit portfolio. The Bank uses pledges to real estate, cession of receivables, insurance, guarantees and guarantors' statements, etc. The Bank monitors the concentration of risks based on geographical and industry segments.

Geographical segmentation of assets

31/12/2022 (CZK million)	Domestic	European Union	Rest of Europe	Other	Total
Assets					
Cash and cash deposits with central banks	100	0	0	0	**100**
Due from banks	102,374	1,141	166	114	**103,795**
Due from customers	14,347	5,298	34	0	**19,679**
Other financial assets	482	2,715	3	1	**3,201**
Total financial assets	**117,303**	**9,154**	**203**	**115**	**126,775**
Off-balance sheet assets					
Commitments and guarantees given	14,061	7,093	38	63	**21,255**
Receivables from spot transactions	0	61	0	0	**61**
Receivables from term instruments	69,612	198,678	0	0	**268,290**
Total off-balance sheet assets	**83,673**	**205,832**	**38**	**63**	**289,606**

31/12/2021 (CZK million)	Domestic	European Union	Rest of Europe	Other	Total
Assets					
Cash and cash deposits with central banks	23	0	0	0	**23**
Due from banks	103,064	8,141	284	53	**111,542**
Due from customers	9,631	2,234	43	0	**11,908**
Other assets	1,474	772	0	1	**2,247**
Total assets	**114,192**	**11,147**	**327**	**54**	**125,720**
Off-balance sheet assets					
Commitments and guarantees given	14,312	18,813	28	302	**33,455**
Receivables from spot transactions	16	116	0	0	**132**
Receivables from term instruments	66,556	251,893	0	0	**318,449**
Total off-balance sheet assets	**80,884**	**270,822**	**28**	**302**	**352,036**

Banking business segmentation

31/12/2022 (CZK million)	Corporate banking	Treasury and other	Total
Assets			
Cash and cash deposits with central banks	100	0	**100**
Due from banks	156	103,639	**103,795**
Due from customers	19,679	0	**19,679**
Other assets	2,877	745	**3,622**
Total assets	**22,812**	**104,384**	**127,196**
Off-balance sheet assets			
Commitments and guarantees given	15,310	5,945	**21,255**
Receivables from spot transactions	61	0	**61**
Receivables from term instruments	229,545	38,745	**268,290**
Total off-balance sheet assets	**244,916**	**44,690**	**289,606**

31/12/2021 (CZK million)	Corporate banking	Treasury and other	Total
Assets			
Cash and cash deposits with central banks	23	0	**23**
Due from banks	4,959	106,583	**111,542**
Due from customers	11,908	0	**11,908**
Other assets	1,942	305	**2,247**
Total assets	**18,832**	**106,888**	**125,720**
Off-balance sheet assets			
Commitments and guarantees given	13,594	19,861	**33,455**
Receivables from spot transactions	132	0	**132**
Receivables from term instruments	313,705	4,744	**318,449**
Total off-balance sheet assets	**327,431**	**24,605**	**352,036**

Information about customer segmentation

31/12/2022 (CZK million)	Local banks	Foreign banks	Corporate sector	Individuals	Total
Assets					
Cash and cash deposits with central banks	100	0	0	0	**100**
Due from banks	102,370	1,425	0	0	**103,795**
Due from customers	0	0	19,677	2	**19,679**
Other assets	0	2,708	914	0	**3,622**
Total assets	**102,470**	**4,133**	**20,591**	**2**	**127,196**

31/12/2022 (CZK million)	Local banks	Foreign banks	Corporate sector	Total
Off-balance sheet assets				
Commitments and guarantees given	30	4,683	16,542	**21,255**
Receivables from spot transactions	0	61	0	**61**
Receivables from term instruments	0	156,704	111,586	**268,290**
Total off-balance sheet assets	**30**	**161,448**	**128,128**	**289,606**

31/12/2021 (CZK million)	Local banks	Foreign banks	Corporate sector	Individuals	Total
Assets					
Cash and cash deposits with central banks	23	0	0	0	**23**
Due from banks	103,064	8,478	0	0	**111,542**
Due from customers	0	0	11,905	3	**11,908**
Other assets	0	761	1,486	0	**2,247**
Total assets	**103,087**	**9,239**	**13,391**	**3**	**125,720**

31/12/2021 (CZK million)	Local banks	Foreign banks	Corporate sector	Total
Off-balance sheet assets				
Commitments and guarantees given	46	19,118	14,291	**33,455**
Receivables from spot transactions	0	116	16	**132**
Receivables from term instruments	5,966	186,929	125,554	**318,449**
Total off-balance sheet assets	**6,012**	**206,163**	**139,861**	**352,036**

Two top customers represent around 37% of the Branch's loans to customers portfolio. The credit risk over the rest of the portfolio is diversified, resulting into minor exposures with individual customers. The Branch structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to any one borrower. A single exposure must not exceed 25% of the eligible capital of Commerzbank as a whole and for that reason the Branch is closely monitored by Commerzbank AG. Lending limits are reviewed in the light of changing market and economic conditions and based on periodic credit reviews and assessments of probability of default.

Maximum credit exposure

31/12/2022 (CZK million)	Balance sheet	Off-balance sheet	Total exposure to credit risk	Collateral received	Main type of collateral
Cash in hand and balances with central banks	100	-	100	-	-
Receivables from banks	103,795	-	103,795	94,276	Securities
Receivables from customers	19,679	-	19,679	7,101	Other
Provided guarantees and commitments	-	21,255	21,255	8,451	Other
Receivables from spot transactions	-	61	61	-	-
Receivables from fixed term transactions	-	268,290	268,290	-	-
Total	**123,574**	**289,606**	**413,180**	**109,828**	**-**

31/12/2021 (CZK million)	Balance sheet	Off-balance sheet	Total exposure to credit risk	Collateral received	Main type of collateral
Cash in hand and balances with central banks	23	-	23	-	-
Receivables from banks	111,542	-	111,542	98,000	Securities
Receivables from customers	11,908	-	11,908	6,528	Other
Provided guarantees and commitments		33,455	33,455	6,050	Other
Receivables from spot transactions		132	132	-	-
Receivables from fixed term transactions		318,449	318,449	-	-
Total	**123,473**	**352,036**	**475,509**	**110,578**	**-**

Credit exposure by rating

31/12/2022 (CZK million)	1.0-1.9	2.0-2.9	3.0-3.9	4.0-5.00	5.1-6.5	Total
Due from banks, Stage 1	103,624	6	-	-	-	**103,630**
Due from customers, Stage 1	16,108	1,995	890	-	-	**18,993**
Allowances, Stage 1	(32)	(3)	(5)	-	-	**(40)**
Due from customers, Stage 2	-	2	134	205		**341**
Due from banks, Stage 2	-	-	-	-	166	**166**
Allowances, Stage 2	-	-	-	(2)	(16)	**(18)**
Due from customers, Stage 3	-	-	-	-	1,305	**1,305**
Allowances, Stage 3	-	-	-	-	(904)	**(904)**
Financial assets, gross	**119,732**	**2,003**	**1,024**	**205**	**1,471**	**124,435**
Total allowances	(32)	(3)	(5)	(2)	(920)	**(962)**
Financial assets, net	**119,700**	**2,000**	**1,019**	**203**	**551**	**123 473**
Loan commitments, Stage 1	-	2,803	929	-	-	**3,732**
Provisions, Stage 1	-	(4)	(5)	-	-	**(9)**
Guarantees, Stage 1	5,715	-	1,664	-	-	**7,379**
Guarantees, Stage 2	166	8,326	1,598	54	-	**10,144**
Provisions, Stage 1	(7)	-	(12)	-	-	**(19)**
Provisions, Stage 2	-	(19)	(6)	-	-	**(25)**
Off-balance sheet assets, gross	**5,881**	**11,129**	**4,191**	**54**	**-**	**21,255**
Total provisions	(7)	(23)	(23)	-	-	**(53)**
Off-balance sheet assets, net	**5,874**	**11,106**	**4,168**	**54**	**-**	**21,202**

Credit exposure by rating

31/12/2021 (CZK million)	1.0-1.9	2.0-2.9	3.0-3.9	4.0-5.00	Total
Due from banks, Stage 1	111,542	-	-	-	**111,542**
Due from customers, Stage 1	9,643	1,443	362	10	**11,458**
Allowances, Stage 1	-	(2)	(1)	(10)	**(13)**
Due from customers, Stage 2	-	-	-	50	**50**
Allowances, Stage 2	-	-	-	(1)	**(1)**
Due from customers, Stage 3	-	-	-	1,452	**1,452**
Allowances, Stage 3	-	-	-	(1,038)	**(1,038)**
Financial assets, gross	**121,185**	**1,443**	**362**	**1,512**	**124,502**
Total allowances	0	(2)	(1)	(1,049)	**(1,052)**
Financial assets, net	**121,185**	**1,441**	**361**	**463**	**123,450**
Loan commitments, Stage 1	713	3,121	307	-	**4,141**
Provisions, Stage 1	-	(5)	(1)	-	**(6)**
Provisions, Stage 2	-	-	(1)	-	**(1)**
Guarantees, Stage 1	20,380	-	-	-	**20,380**
Guarantees, Stage 2	598	3,930	4,179	226	**8,933**
Provisions, Stage 2	-	(2)	(5)	(2)	**(9)**
Off-balance sheet assets, gross	**21,691**	**7,051**	**4,486**	**226**	**33,454**
Total provisions	-	(7)	(7)	(2)	**(16)**
Off-balance sheet assets, net	**21,691**	**7,044**	**4,479**	**224**	**33,438**

24.2. Market risk

The Bank takes on exposure to market risks which arise from open positions in interest rate and currency and stock 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 rates, credit spreads and foreign exchange rates.

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

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

The daily market VAR is an estimate, with a confidence level set at 97.5%, of the potential loss which might arise if the current positions were to be held unchanged for one business day. The actual outputs are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation.

Since VAR constitutes an integral part of the Bank's market risk control regime, VAR limits are established by the management of the Bank for individual trading and portfolio operations; actual exposure against limits, together with a consolidated bank-wide VAR of the Bank, is reviewed daily by management. As at 31 December 2022, VAR of the Bank was CZK 14.5 million (2021: CZK 11.7 million). An average consolidated daily VAR was CZK 12.6 million in 2022 (2021: CZK 7.2 million).

The Value at Risk relating to individual types of risk was as follows:

(CZK million)	31/12/2022	Average for 2022	31/12/2021	Average for 2021
VaR of interest rate instruments	12.9	11.6	10.6	6.9
VaR of currency instruments	1.6	1	1.1	0.3

24.3. Derivative financial instruments

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

Total financial derivatives

31/12/2022 (CZK million)	Nominal amount assets	Nominal amount liabilities	Positive fair value	Negative fair value
Interest rate derivatives	116,608	139,993	948	1,338
Currency derivatives	151,682	152,946	1,976	3,120
Total	**268,290**	**292,939**	**2,924**	**4,458**

31/12/2021 (CZK million)	Nominal amount assets	Nominal amount liabilities	Positive fair value	Negative fair value
Interest rate derivatives	181,040	199,019	1,081	1,542
Currency derivatives	137,409	139,595	800	2,720
Total	**318,449**	**338,614**	**1,881**	**4,262**

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

24.3.1. Derivatives held for trading

31/12/2022 (CZK million)	Nominal amount assets	Nominal amount liabilities	Positive fair value	Negative fair value
Interest rate derivatives				
Swaps	116,608	139,993	948	1,338
Interest rate derivatives total	**116,608**	**139,993**	**948**	**1,338**
Currency derivatives				
Forwards	29,923	30,257	976	1,207
Swaps	121,759	122,689	1,000	1,913
Currency derivatives total	**151,682**	**152,946**	**1,976**	**3,120**
Total derivatives held for trading	**268,290**	**292,939**	**2,924**	**4,458**

31/12/2021 (CZK million)	Nominal amount assets	Nominal amount liabilities	Positive fair value	Negative fair value
Interest rate derivatives				
Swaps	181,040	199,019	1,081	1,542
Interest rate derivatives total	**181,040**	**199,019**	**1,081**	**1,542**
Currency derivatives				
Forwards	32,712	33,287	376	581
Swaps	104,697	106,308	424	2,139
Currency derivatives total	**137,409**	**139,595**	**800**	**2,720**
Total derivatives held for trading	**318,449**	**338,614**	**1,881**	**4,262**

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

Residual maturity of fixed term transactions and options

The nominal values of the individual types of financial derivatives are allocated to their residual maturity as follows:

31/12/2022 (In thousands of CZK)	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Trading instruments					
Forward exchange contracts (receivables)	8,379	12,127	9,417	-	**29,923**
Forward exchange contracts (liabilities)	(8,398)	(12,225)	(9,634)	-	**(30,257)**
Foreign exchange swaps (receivables)	102,087	12,933	6,739	-	**121,759**
Foreign exchange swaps (liabilities)	(103,324)	(12,855)	(6,509)	-	**(122,688)**
Interest rate swaps (receivables)	9,801	60,878	42,111	3,818	**116,608**
Interest rate swaps (liabilities)	(14,667)	(73,128)	(48,380)	(3,818)	**(139,993)**

31/12/2021 (In thousands of CZK)	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Trading instruments					
Forward exchange contracts (receivables)	6,994	9,582	16,136	-	**32,712**
Forward exchange contracts (liabilities)	(7,124)	(9,757)	(16,406)	-	**(33,287)**
Foreign exchange swaps (receivables)	89,845	8,289	6,563	-	**104,697**
Foreign exchange swaps (liabilities)	(91,839)	(8,199)	(6,270)	-	**(106,308)**
Interest rate swaps (receivables)	-	39,118	102,146	39,776	**181,040**
Interest rate swaps (liabilities)	-	(41,018)	(118,225)	(39,776)	**(199,019)**

24.4. Interest rate risk

The Bank takes on exposure resulting from fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken. These limits are monitored daily. Assets and liabilities bearing fixed interest rate prevail in the balance sheet of the Bank.

24.5. Liquidity risk

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Head office in Frankfurt am Main sets limits of the liquidity according to time zones and individual currencies. These limits are monitored daily. Fair values of derivatives are recognized in other assets and other liabilities. The Bank is able to close its open positions on capital markets, if necessary. Usual maturities of financial derivatives were up to 1 year in 2022.

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

Residual contractual maturity:

31/12/2022 (CZK million)	Within 3 months	3 - 12 months	1 - 5 years	More than 5 years	Undefined	Total
Assets						
Cash and cash deposits with central banks	-	-	-	-	100	**100**
Due from banks	103,695	63	5	-	32	**103,795**
Due from customers	10,830	3,935	4,679	-	235	**19,679**
Other assets	640	774	1,475	37	696	**3,622**
Of which financial derivatives	639	773	1,475	37	-	**2,924**
Total assets	**115,165**	**4,772**	**6,159**	**37**	**1,063**	**127,196**
Liabilities						
Due to banks	101,807	1,211	1,958	-	2,774	**107,750**
Due to customers	12,861	2	4	-	-	**12,867**
Provisions	3	6	22	-	264	**295**
Other liabilities	1,907	957	1,612	37	1,771	**6,284**
Of which financial derivatives	1,906	951	1,564	37	-	**4,458**
Total liabilities and equity	**116,578**	**2,176**	**3,596**	**37**	**4,809**	**127,196**
Net assets/(liabilities)	**(1,413)**	**2,596**	**2,563**	**0**	**(3,746)**	**-**

31/12/2021 (CZK million)	Within 3 months	3 - 12 months	1 - 5 years	More than 5 years	Undefined	Total
Assets						
Cash and cash deposits with central banks	-	-	-	-	23	**23**
Due from banks	111,085	225	14	91	127	**111,542**
Due from customers	6,240	487	4,570	173	438	**11,908**
Other assets	515	266	497	830	139	**2,247**
Of which financial derivatives	288	266	497	830	-	**1,881**
Total assets	**117,840**	**978**	**5,081**	**1,094**	**727**	**125,720**
Liabilities						
Due to banks	101,588	1,243	5,246	-	-	**108,077**
Due to customers	12,432	-	-	-	-	**12,432**
Provisions	2	-	-	-	111	**113**
Other liabilities	2,269	318	1,007	866	638	**5,098**
Of which financial derivatives	2,123	318	955	866	-	**4,262**
Total liabilities and equity	**116,291**	**1,561**	**6,253**	**866**	**749**	**125,720**
Net assets/(liabilities)	**1,549**	**(583)**	**(1,172)**	**228**	**(22)**	**-**

The following tables set out the remaining contractual maturities of the Entity's financial liabilities:

31/12/2022 (CZK million)	Carrying amount	Gross nominal inflow/(outflow)	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	More than 5 years
Financial liabilities							
Payables to banks	107,750	109,763	100,845	2,206	4,332	2,380	-
Payables to customers	12,867	12,867	12,841	20	2	4	-
Other payables - financial derivatives	4,458	292,939	94,366	32,024	98,208	64,523	3,818
Commitments and guarantees provided	21,255	21,255	21,255	-	-	-	-
Total	**146,330**	**436,824**	**229,307**	**34,250**	**102,542**	**66,907**	**3,818**

31/12/2021 (CZK million)	Carrying amount	Gross nominal inflow/(outflow)	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	More than 5 years
Financial liabilities							
Payables to banks	108,077	106,582	27,000	73,697	1,200	4,685	-
Payables to customers	12,432	12,425	12,425	7	-	-	-
Other payables - financial derivatives	4,262	338,614	57,669	41,295	58,974	140,900	39,776
Commitments and guarantees provided	33,455	33,455	33,455	-	-	-	-
Total	**158,226**	**491,076**	**130,549**	**114,999**	**60,174**	**145,585**	**39,776**

The amounts in the tables above have been calculated and recognised as follows:

Type of financial instrument	Basis on which remaining contractual maturity is compiled
Non-derivative financial instruments	**Undiscounted cash flows**, which include estimated interest payments.
Issued financial guarantees and unrecognised loan commitments	**Earliest possible contractual maturity.** For issued financial guarantees, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.
Derivative financial instruments held for risk management purposes	**Contractual undiscounted cash flows.** The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts, currency swaps, etc.) and the net nominal cash flows that are net settled.
Trading derivatives forming part of the portfolio that are expected to be closed out before contractual maturity	**Fair values at the reporting date.** This is because contractual maturities do not reflect the liquidity risk exposure arising from these positions, because there is a presumption that these derivatives will be closed out before contractual maturity. These fair values are disclosed in the 'Less than one month' column.
Trading derivatives that have been entered into by the Entity with its customers	**Contractual undiscounted cash flows.** This is because these derivatives are not usually closed out before contractual maturity and so the Entity believes that contractual maturities are essential for understanding the timing of cash flows associated with these derivative positions.

The expected cash flows on some financial instruments may vary significantly from the contractual cash flows. The principal differences are as follows:

- deposits repayable on demand are expected to remain stable or increase;
- loan commitments are not expected to be drawn down immediately.

25. Fair value

IFRS determines hierarchy of valuation techniques based on whether the inputs for these procedures are available on markets or not. Input market data are data obtained from independent sources, the input data not observable in the market are market estimates made by the Branch. These two types of input data created the following fair value measurement levels:

- Level 1 – fair value measurements using quoted prices (unadjusted) in active markets for identical assets and liabilities. This level included quoted instruments.
- Level 2 – fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices). This level included OTC derivative transactions. The input sources, such as LIBOR yield curve of credit risk of counterparty, are Bloomberg or Reuters.
- Level 3 – fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

The following spreadsheet summarizes net book values and fair values of financial assets and liabilities measured at amortized cost and classification of financial assets and liabilities measured at fair value into fair value stages.

31/12/2022 (CZK million)	Net book value	Fair value				Total
		Due from banks	Due from customers – overdrafts	Due from customers – others	Cash and cash deposits with central banks	
Assets measured at amortized cost						
Level 2	**7,535**	7,435	-	-	100	**7,535**
Level 3	**19,679**	-	3,443	16,561	-	**20,004**
Assets measured at fair value						
Level 2	**96,361**	96,361	-	-	-	**96,361**
Level 3	**-**	-	-	-	-	**-**

31/12/2022 (CZK million)	Net book value	Fair value		Total
		Due from banks	Due from customers	
Liabilities measured at amortized cost				
Level 2	**120,617**	107,750	12,867	**120,617**

31/12/2021 (CZK million)	Net book value	Fair value				Total
		Due from banks	Due from customers – overdrafts	Due from customers – others	Cash and cash deposits with central banks	
Assets measured at amortized cost						
Level 2	**11,514**	11,491	-	-	23	**11,514**
Level 3	**11,908**	-	2,175	9,465	-	**11,640**
Assets measured at fair value						
Level 2	**100,051**	100,051	-	-	-	**100,051**
Level 3	**-**	-	-	-	-	**-**

31/12/2021 (CZK million)	Net book value	Fair value		Total
		Due from banks	Due from customers	
Liabilities measured at amortized cost				
Level 2	**120,509**	108,077	12,432	**120,509**

Financial derivatives are disclosed in Note 24.3. Financial derivatives were classified in Level 2 in 2022 and 2021, respectively.

Assets measured at fair value include customer loans (see Note 5.1) and receivables from REPO transactions (see Note 4).

The Bank did not make any transfers between the levels and did not make any profit or loss from these transfers.

The approach to calculating fair values of assets carried at amortized cost is the same as for assets carried at fair value.

Fair values are determined based on different kind and quality of market information, using the valuation techniques described below.

Bid prices are used to estimate the fair values of financial assets, while ask prices are applied to financial liabilities.

a) Due from banks

Amounts due from banks include bank deposits and other facilities under repayment. The fair value of interbank and overnight deposits is determined based on discounted cash flows, using current market interest rates.

b) Due from customers

Amounts due from customers are presented net of allowances for doubtful receivables. The estimated fair value of amounts due from customers represents discounted expected cash flows. Expected cash flows are discounted using current market interest rates + credit spreads to determine their fair values.

c) Liabilities from deposits and loans

The estimated fair value of deposits with no stated maturity is the amount payable on demand. The estimated fair value of deposits and other loans for which market prices are not available is determined based on discounted cash flows, using current market interest rates. As floating rates are widely used and there has been no change in the Bank's own credit risk, the fair values of deposits and loans approximate their carrying amounts.

26. Collateral

Present value of collateral received can be analyzed as follows:

(CZK million)	31/12/2022	31/12/2021
Cash	2,532	1,054
Real estate pledge	919	779
Other collateral received	147	148
Other guarantees and commitments	11,954	10,597
Treasury bills pledge	94,276	98,000
Total assets received as collateral for receivables from customers	**109,828**	**110,578**

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

The main type of collateral in both 2022 and 2021 was collateral in the form of treasury bills.

27. Subsequent events

As of 1 January 2023, Sabine Mlnarsky succeeded Sabine Schmittroth as the new Member of the Board of Directors of the founder Commerzbank AG.

There were no additional events subsequent to the balance sheet date until the date of the preparation of the financial statements which would have material effects on the financial statements of the Bank for the year ended 31 December 2022.

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

26 June 2023

Dr. Volkhardt Kruse
CEO

Karsten Grünheid
Person responsible for accounting,
authorized signatory

Peter Sedlár
Person responsible for financial statements preparation

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