COMMERZBANK

Financial Statements and Management Report

2022

Commerzbank Aktiengesellschaft

The bank at your side

Due to rounding, numbers and percentages in this report may not add up precisely to the totals provided.

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Management report of Commerzbank Aktiengesellschaft

Structure and organisation

Commerzbank is the leading bank for SMEs (the Mittelstand) and a partner to some 26,000 corporate client groups and almost 11 million private and small-business customers in Germany. The Bank offers a comprehensive portfolio of financial services in two business segments – Private and Small-Business Customers and Corporate Clients.

In its corporate client business, Commerzbank focuses on German SMEs, large companies and institutional customers. In international business, the Bank supports customers who have business links with Germany and companies in selected future-oriented sectors. In the Private and Small-Business Customers segment, the Bank serves its customers through the Commerzbank and comdirect brands: via online and mobile channels, in the advisory centre and in person at a local level.

The two segments Private and Small-Business Customers and Corporate Clients are each managed by a member of the Board of Managing Directors. All staff and management functions are contained in Group Management: Group Audit, Group Big Data & Advanced Analytics, Group Communications, Group Compliance, Group Finance, Group Human Resources, Group Investor Relations, Group Legal, Group Research, Group Strategy, Transformation & Sustainability, Group Tax, Group Treasury and the central risk functions. The support functions are provided by Group Services. These include Group client.data, Corporate Clients & Treasury Platforms, Group Operations, Group Business Platforms, Group Digital Transformation, Group Credit, Group Technology Foundations, Group Organisation & Security, and Group Securities & Brokerage. The staff, management and support functions are combined in the Others and Consolidation division for external reporting purposes.

On the domestic market, Commerzbank Aktiengesellschaft is headquartered in Frankfurt am Main, from where it manages its branch network and its advisory centre serving all customer groups. Following the merger with comdirect Bank AG, which will continue as a brand of Commerzbank Aktiengesellschaft, Commerz Real AG is the most significant domestic subsidiary. Outside of Germany, following the sale of Commerzbank Zrt., Budapest, as at the reporting date Commerzbank had 4 material subsidiaries, 16 operational foreign branches and 26 representative offices in just under 40 countries and was represented in all major financial centres, such as London, New York, Tokyo and Singapore. However, the focus of the Bank's international activities is on Europe. The financial year is the calendar year.

Our employees

Our employees make a key contribution to the success of the business. Thanks to their commitment and skills, we are well placed to hold our own against the competition and achieve our economic objectives over the longer term.

The key tenet of Commerzbank's human resources policy is to maintain a corporate culture that is based on trust. Treating our employees fairly and as partners is a prerequisite for long-term success. Continuity and a focus on the future play an important role here – as does a broad range of training and development opportunities. We want to offer our employees a working environment in which they can work happily and successfully, thereby ensuring the Bank's long-term success. With this aim in mind, Commerzbank conducts regular surveys among its employees to identify their needs and incorporate them into the Bank's development. In addition to professional development, the key objectives include facilitating work-life balance and promoting employee diversity within the Bank. As such, we are committed to a culture in which all employees are appreciated. Protecting health is another important concern. We offer a host of measures designed to provide targeted health support for our employees.

The number of employees at Commerzbank Aktiengesellschaft decreased year on year in connection with the headcount reduction as part of our strategy. The number of employees as at the reporting date was 28,103, as compared with 31,538 at the end of 2021.

Remuneration

The remuneration report for the Board of Managing Directors and the Supervisory Board is published as a separate report and can be found on the Commerzbank website.

As a result of the increased significance arising from greater regulation, remuneration of all employees below the level of the Board of Managing Directors is disclosed in a separate report (remuneration report pursuant to Art. 16 of the Remuneration Ordinance for Institutions (Institutsvergütungsverordnung)). This is also published on the Commerzbank website.

Details pursuant to Art. 289 of the German Commercial Code (HGB)

Information under takeover law required pursuant to Art. 289a of the German Commercial Code (HGB) and explanatory report

Share capital structure

The share capital of Commerzbank totalled €1,252,357,634.00 at the end of the financial year. It is divided into 1,252,357,634 no-par-value shares. The shares are issued in bearer form. Commerzbank has issued only ordinary shares with the same rights and obligations. Each share has one vote.

Restrictions on voting rights and transfers; nature of voting control for employee shares

We are not aware of any restrictions on voting rights or the transfer of shares. In general, the voting right in cases under Art. 136 of the German Stock Corporation Act is suspended by law for the shares concerned. Pursuant to Art. 71b of the German Stock Corporation Act, rights may also not be exercised for treasury shares.

Employees who hold Commerzbank shares exercise their rights of control like any other shareholders, in accordance with the law and the Articles of Association.

Equity holdings that exceed 10% of the voting rights

According to the German Securities Trading Act, every investor who reaches, exceeds or falls below certain proportions of voting rights through acquisition, sale or in any other way must notify us and the Federal Financial Supervisory Authority (BaFin). The lowest threshold for this notification requirement is 3%. According to the notification of voting rights dated 4 June 2013, the Financial Market Stabilisation Fund, Federal Republic of Germany, holds a stake of 17.15% in the voting capital of Commerzbank Aktiengesellschaft. Provided that the voting rights are unchanged, the Financial Market Stabilisation Fund would hold a stake of approximately 15.6% in the voting capital of Commerzbank Aktiengesellschaft following the capital increase in April 2015.

Shares with special rights granting powers of control

There are no shares with special rights granting powers of control.

Appointment and removal of the members of the Board of Managing Directors; amendments to the Articles of Association

The members of the Board of Managing Directors are appointed and removed by the Supervisory Board pursuant to Art. 84 of the German Stock Corporation Act and Art. 6 (2) of the Articles of Association. Before members of the Board of Managing Directors are appointed it must be demonstrated to BaFin, the Deutsche Bundesbank and the European Central Bank (ECB) that they are fit and proper and have sufficient time available. Being fit and proper requires them to have sufficient theoretical and practical knowledge of the Bank's business and management experience [Art. 24 (1) no. 1, Art. 25c (1) of the German Banking Act, Art. 93 of Regulation (EU) No 468/2014 (SSM Framework Regulation)]. Pursuant to Art. 6 (1) of the Articles of Association, the Board of Managing Directors must comprise a minimum of two people; otherwise, the Supervisory Board defines the number of members on the Board of Managing Directors in accordance with Art. 6 (2) of the Articles of Association. If there is a vacancy on the Board of Managing Directors for a required member and the Supervisory Board has not appointed a new member, in urgent cases one will be appointed by a court pursuant to Art. 85 of the German Stock Corporation Act.

Any amendment to the Articles of Association requires a resolution of the Annual General Meeting under Art. 179 (1) sentence 1 of the German Stock Corporation Act. Unless the law mandates a majority of the share capital represented at the date of resolution, a simple majority of the capital represented, in addition to a simple majority of the votes, is sufficient to pass resolutions (Art. 19 (3) sentence 2 of the Articles of Association). The authority to amend the Articles of Association, provided such amendments affect merely the wording of an article with no change in substance, has been transferred to the Supervisory Board under Art. 10 (3) of the Articles of Association in compliance with Art. 179 (1) sentence 2 of the German Stock Corporation Act.

Powers of the Board of Managing Directors to issue and buy back shares

The Board of Managing Directors is authorised, subject to the detailed provisions of Art. 4 (3) and (4) of the Articles of Association in effect on 31 December 2022, to increase the share capital, with the approval of the Supervisory Board, on one or more occasions until 21 May 2024, but by no more than a total of €626,178,817.00 by issuing new shares:

- By up to €500,943,054.00 against cash contributions (Authorised Capital 2019/I). The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in order to (i) exclude fractional amounts from the subscription rights or (ii) issue employee shares to employees up to a proportional amount of the share capital of €15,000,000.00.
- By up to €125,235,763.00 against cash or non-cash contributions (Authorised Capital 2019/II). The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in order to (i) exclude fractional amounts from the subscription rights; (ii) to the extent necessary, grant subscription rights to new shares to

holders of conversion or option rights; (iii) increase the share capital against contributions in kind; or (iv) issue new shares against cash contributions to the extent of no more than 10% of the Bank's share capital at the time the authorisation becomes effective or at the time the authorisation is exercised, whichever amount is lower, if the issue price of the new shares is not significantly lower than the stock market price for shares of the same class at the time the issue price is determined. For the determination of the maximum limit of 10% of the share capital, the offsetting rules set out in the Articles of Association apply.

The proportional amount of the share capital attributable to those shares issued in exchange for cash or contributions in kind subject to exclusion of shareholders' subscription rights must not, in aggregate, exceed 10% of the share capital of the Bank existing at the time when the Annual General Meeting adopts the resolution. If shares are issued to members of the Board of Managing Directors, members of the management or employees of Commerzbank Aktiengesellschaft and its Group companies within the meaning of Art. 18 (1) of the German Stock Corporation Act, subject to the exclusion of shareholders' subscription rights, the Board of Managing Directors may make use of the authorisation only up to a maximum total amount of 3% of the share capital existing at the time when the Annual General Meeting adopts the resolution. For the determination of this 3% limit, the offsetting rules set out in the Articles of Association apply. For details of the authorised capital, particularly regarding terms and conditions of exercise, please refer to the detailed explanations in Note 32.

The Board of Managing Directors was authorised by the Annual General Meeting on 13 May 2020 in accordance with Art. 71 (1) no. 8 of the German Stock Corporation Act to acquire own shares in a volume of up to 10% of the share capital existing at the time of the resolution or of the share capital existing at the time of the exercise of the present authorisation, whichever amount is lower, until 12 May 2025. Together with the Bank's treasury shares purchased for other reasons and held by the Bank or attributable to it pursuant to Art. 71a ff. of the German Stock Corporation Act, the shares purchased on the basis of this authorisation must at no time exceed 10% of the Bank's share capital.

At the discretion of the Board of Managing Directors, the shares may be acquired on the stock exchange or by means of a public purchase offer addressed to all shareholders. The permissible consideration for the acquisition of the shares (excluding ancillary costs) is subject to certain limits specified in the authorisation for both acquisition options. If, in the event of a public purchase offer, the volume of shares offered exceeds the intended repurchase volume, acceptance may be made in proportion to the respective shares offered. Provision may be made for preferential acceptance of small numbers of up to 50 shares of the Bank offered for purchase per shareholder (minimum allotment). The authorisation to acquire own shares may be exercised once or several times, in whole or in partial amounts, and in combination with the aforementioned acquisition options.

The Board of Managing Directors was authorised to use repurchased shares as follows in accordance with the resolution of the Annual General Meeting:

- sale of treasury shares on the stock exchange or by means of an offer to all shareholders;
- sale of treasury shares against a non-cash contribution for the purpose of acquiring companies, parts of companies or equity interests in companies as well as other assets;
- in the event of the sale of treasury shares by means of an offer to all shareholders, the granting of a subscription right for holders of conversion or option rights, as would be due to them after exercising the conversion or option right or after fulfilment of a corresponding conversion or option obligation;
- issue of treasury shares (i) as employee shares to employees up to a proportional amount of the share capital of €15,000,000.00 or (ii) as a component of remuneration through the granting of shares to members of the Board of Managing Directors, members of the management or employees of Commerzbank Aktiengesellschaft and its Group companies within the meaning of Art. 18 (1) of the German Stock Corporation Act;
- sale of treasury shares other than on the stock exchange or by means of an offer to all shareholders, provided that the purchase price is not significantly lower than the stock market price of the shares at the time of the sale. This authorisation may be exercised only if it is ensured that the number of shares sold on the basis of this authorisation does not exceed 10% of the existing share capital of the Bank at the time the authorisation takes effect or at the time the authorisation is exercised, whichever amount is lower. For the determination of the maximum limit of 10% of the share capital, the offsetting rules set out in the authorisation apply.

The Board of Managing Directors may make use of the authorisations to exclude subscription rights for the use of treasury shares as employee shares, as a component of remuneration by providing shares to members of the Board of Managing Directors, members of management or employees and for the issue of treasury shares in return for non-cash contributions to members of the Board of Managing Directors, members of management or employees by means of the contribution of claims to variable remuneration components, bonuses or similar claims against the Bank or its Group companies only up to a total maximum of 3% of the share capital existing at the time the resolution is adopted by the Annual General Meeting. For the determination of this 3% limit, the offsetting rules set out in the authorisation apply.

The aforementioned authorisations to use treasury shares may be exercised once or several times, in whole or in part, individually or jointly. The treasury shares may be used for one or more of the aforementioned purposes. Shareholders' subscription rights in respect of resold Commerzbank shares have been excluded to the extent that these shares are used in accordance with the authorisations set out in points 2 to 5 above.

The Board of Managing Directors was further authorised to redeem shares acquired on the basis of this authorisation without the implementation of the redemption requiring a further resolution by the Annual General Meeting.

In addition to the authorisation described above, the Board of Managing Directors was authorised by the Annual General Meeting on 13 May 2020, pursuant to Art. 71 (1) no. 8 of the German Stock Corporation Act, to acquire own shares by using put or call options and forward purchase contracts too. Accordingly, the Bank may sell put options to third parties and purchase call options from third parties for physical delivery as well as enter into forward purchase agreements for which there are more than two trading days between the conclusion of the purchase agreement for the own shares and the settlement by delivery of the shares (hereinafter collectively "Derivatives"). The terms and conditions of these derivatives must ensure that the derivatives entail delivery of only shares that have themselves been acquired in compliance with the principle of equal treatment; the acquisition of shares on the stock exchange is sufficient for this purpose. Under this condition, a combination of the aforementioned derivatives may also be used. The authorisation to acquire own shares using derivatives may be exercised once or several times, in full or in partial amounts.

All share purchases using derivatives are limited to shares up to the amount of 5% of the share capital existing at the time of the adoption of the resolution by the Annual General Meeting on this authorisation or of the share capital existing at the time of the exercise of this authorisation, whichever amount is lower. The term of each derivative may not exceed 18 months and must be determined in such a way that the acquisition of shares through the exercise of the derivatives occurs no later than 12 May 2025.

The price (excluding ancillary costs) agreed in a derivative for the acquisition of a share upon the exercise of options or the settlement of forward purchases is subject to certain limits specified in the authorisation, as is the acquisition price to be paid by the Bank for options, the sales price received by the Bank for options and the forward price agreed by the Bank for forward purchases.

If own shares are acquired using derivatives in compliance with the above provisions, a right of the shareholders to enter into such derivative transactions with the Bank is excluded by analogous application of Art. 186 (3) sentence 4 of the German Stock Corporation Act. Shareholders have a right to tender their shares in the Bank only to the extent that the Bank has an obligation to them under the derivative transactions to take delivery of the shares. Any further right to tender is excluded.

The rules described above for directly repurchased shares apply to the use of shares acquired using derivatives.

Material agreements in the event of a change of control following a takeover bid

In the event of a change of control at Commerzbank due to a merger or transfer of assets, an extraordinary right of termination in favour of certain contract parties has been negotiated by Commerzbank under ISDA master agreements. In general, the right of termination is also conditional upon a material deterioration in Commerzbank's credit standing. In the event of this type of termination, the individual agreements signed under these master agreements would have to be settled at market value, which can be determined on any stock exchange trading day. However, the possibility cannot be excluded that, if an individual customer with an especially large volume of business terminates a contract, Commerzbank's assets, liabilities, financial position and financial performance could nevertheless be heavily impacted due to the Bank's potential payment obligations.

Compensation agreements in the event of a takeover offer

There are no compensation agreements in the event of a takeover offer, either with the members of the Board of Managing Directors or with employees of Commerzbank.

Details pursuant to Art. 289 (4) of the German Commercial Code (HGB)

The aim of the internal control and risk management system in respect of financial reporting is to ensure that the annual financial statements of Commerzbank Aktiengesellschaft and the Commerzbank Group provide a true and fair view of the assets, liabilities, financial position and financial performance in accordance with the applicable accounting standards under the German Commercial Code and IFRS. The internal control system and the risk management system at Commerzbank are linked with each other, both with a view to financial reporting. Below, we shall therefore use the term ICS (internal control system). Details of the risk management system can be found in the risk report on page 37 ff.

The objective of proper and reliable financial reporting is endangered if material information in the financial reporting is erroneous. It is irrelevant whether this is due to one single matter or a combination of several. Risks to financial reporting may arise from errors in the accounting processes. Fraudulent behaviour can also result in the misstatement of information. The Bank therefore has to ensure it minimises the risks of incorrect statement, measurement or presentation of material information in the financial reporting. The Commerzbank ICS is designed to provide reasonable assurance that the relevant legal requirements are complied with, that business is conducted in a proper and cost-effective manner and that financial reporting is complete and accurate.

Legal basis and guidelines

Art. 289 (4) of the German Commercial Code requires capital market-oriented companies to describe the material features of their ICS in the management report. Commerzbank follows the principles for bank-specific organisation of the internal control system set out in the Minimum Requirements for Risk Management (MaRisk).

The Bank's internal control system is structured in line with the internationally recognised framework developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). Commerzbank derives the following objectives from this:

- that business processes be effective and efficient,
- that applicable laws and regulations be observed and
- that financial reporting be reliable.

As regards the risk assessment of the reporting process required by COSO in respect of the reliability of financial reporting (for example, ensuring that all transactions are fully and correctly recognised in the financial statements), the Bank follows the recommendations of the International Standard on Auditing (ISA) 315.

Organisation

The written rules of procedure form a sound basis for good corporate governance that provides strategic direction for the Group as a whole while taking account of risk elements. These rules are defined as the transparent description, to be updated on an ongoing basis, of the organisational structure and processes of a company, including powers. The binding standard required by regulation for the organisational structure is set down in the policy on the written rules of procedure and the process framework. These form the framework for descriptions and documentation of instructions, including processes. Documenting and updating the organisational structure is seen as part of the written rules of procedure and sets consistent and binding minimum requirements as a governance framework for all corporate units. The primary feature is the principle of clear allocation of responsibility, starting with the schedule of business responsibilities for the Board of Managing Directors and ending with administrative cost approval authorities at the lower management levels. The scope and structure of the governance framework follow both the legal and regulatory requirements and also the "Commerzbank corporate constitution" approved by the Board of Managing Directors. The governance framework translates the main guiding principles of the corporate constitution into practical rules and comprises the following elements:

- schedule of business responsibilities for the Board of Managing Directors,
- business remits of the units,
- rules of procedure,
- organisational charts and
- approval authorities for administrative costs.

The organisational control and monitoring units that ensure a functioning and efficient control structure are aligned in three successive levels at Commerzbank Aktiengesellschaft. The three lines of defence model is a central element in Commerzbank's corporate constitution. In addition, where tasks in the Bank by their nature cannot be combined, they are organised into different areas applying the principle of separation of functions. Strict checks are also carried out using the dual-control principle to minimise risks in financial reporting.

In accordance with MaRisk, responsibility for implementing, executing, applying, refining and reviewing the Bank-wide ICS lies with the Board of Managing Directors. The Board of Managing Directors is responsible for designing the Group-wide ICS and demonstrating that it is appropriate, while the CFO is responsible for designing the ICS for financial reporting and ensuring its operating effectiveness for this purpose. The CFO is responsible for the design of the ICS through appropriate and effective control steps and for embedding these into the various processes. The Board of Managing Directors is also responsible for ensuring that the financial statements for the parent company and Group are properly prepared.

The Supervisory Board is supported in its oversight of the financial reporting primarily by the Audit Committee set up for this purpose. It provides support in monitoring the accounting process and the effectiveness of the risk management system (especially the internal control system), compliance and the internal audit function. It also provides support in monitoring the performance of the annual audit, particularly with regard to the independence of the auditor and the services provided by the auditor. The Audit Committee also monitors remediation of deficiencies identified by the auditor within the scope of the follow-up and reporting done by the internal audit function (Group Audit).

Group Audit reports to the Supervisory Board and its appointed committees in line with regulatory requirements and by means of summary quarterly reports about the work it has carried out and its material findings. Group Finance (GM-F), which reports directly to the CFO, is responsible for ensuring that the financial statements are drawn up in compliance with the relevant laws and internal and external guidelines. Within GM-F, the Financial & Management Reporting unit is responsible for the intranet-based provision of accounting guidelines. Implementation of these accounting guidelines supports consistent and correct financial reporting across the Group. The cluster delivery organisation within GM-F is responsible for the operation and ongoing technical and functional development of the infrastructure for core finance processes.

Controls to minimise risk

Controls at the Bank are integrated directly into operating processes, either technically or manually (i.e. by means of organisation). Technical controls are used in the IT systems employed and consist, for example, of check sums and verification digits. Technical controls are often complemented by manual controls such as screen approvals carried out by the responsible employees. Further measures such as approval authorities, the separation of functions and the issuing of IT permissions also help increase data quality. Additional controls are in place during further processing to check that the data entered is complete and accurate.

Monitoring by Group Audit

Group Audit (GM-A) is the internal audit function and provides independent, objective and risk-oriented auditing and advisory services on behalf of the Board of Managing Directors. It supports the Bank in achieving its business objectives, using a systematic and targeted approach to evaluate the effectiveness of risk management, controls and management and monitoring processes and to help to improve them. The scope of its work encompasses all the Bank's activities, irrespective of whether they have been outsourced or not.

Group Audit is directly accountable to and reports to the full Board of Managing Directors. In performing its duties, it has a full and unrestricted right to information. GM-A performs its functions autonomously and independently. Particularly with regard to reporting and the assessment of audit results, GM-A is not subject to any directives. GM-A's activities complement the work of the subsidiaries' internal audit departments within the framework of Group risk management. It may involve these departments in its auditing activities.

GM-A promptly prepares a written report on each audit; recipients include the responsible members of the Board of Managing Directors. On the basis of internal and external audit reports, GM-A oversees and documents the steps taken to remedy any reported deficiencies within the period of time specified for this. If the required action is not taken in time, an escalation process comes into effect. Besides its quarterly summary reports, GM-A also prepares an annual report on the audits that it has carried out during the course of the financial year, adherence to the audit plan, significant deficiencies according to MaRisk and the corrective measures taken, and presents this report to the Board of Managing Directors.

The financial reporting process

The financial reporting processes at Commerzbank are supported by IT systems integrated into each process. The annual financial statements of Commerzbank Aktiengesellschaft in Germany are produced using a financial architecture consisting of a financial data warehouse that provides a consistent repository of basic information, and standard SAP software for the financial function. The parent company in Germany therefore has a single solution using consistent financial data for the financial statements under both IFRS and the German Commercial Code.

As part of the input process for financial reporting, all information relevant for drawing up the financial statements of Commerzbank Group under IFRS and Commerzbank Aktiengesellschaft under the German Commercial Code is submitted to GM-F by the reporting units. Data is transmitted via an online data entry functionality directly into SAP ECCS consolidation software, which has been adapted to the Bank's requirements. Subsidiaries submit IFRS data; German and foreign branches also submit data under the German Commercial Code. Data is automatically checked for consistency before transmission to GM-F. Once the plausibility checks have been successfully completed, the individual reports can be finalised. Further plausibility checks are carried out using this data in GM-F. After these checks have been successfully completed, the Commerzbank Aktiengesellschaft annual financial statements are drawn up and all the necessary steps are taken to produce the Group financial statements. Drawing up the Group financial statements involves individual consolidation steps (e.g. consolidating equity, liabilities, income and expenses), currency translation and the elimination of intra-Group profits.

IFRS segment reporting is done on a separate IT system. This involves reconciliation with the data from accounting.

Measures to further enhance the ICS for financial reporting

The ICS for financial reporting has been adapted to meet the needs of the Commerzbank Group and is refined on an ongoing basis. To this end, Control Environment Finance (CEF) has been permanently implemented at Group Finance. CEF is based on the GM-F "process map". This is a top-down representation of all key processes, which is refined with descriptions of procedures and in which the risks in relation to the reliability of financial reporting are determined, applying the COSO framework. The Bank also follows the recommendations of International Standard on Auditing (ISA) 315.

Suitable controls are implemented to minimise the risks identified. With respect to the effectiveness of the ICS, the way in which the controls are designed in the form of appropriate steps and embedded into the respective processes and the way the controls are performed at the operating level are decisive factors in minimising risk.

The ICS for financial reporting is reinforced by regular assessment of the effectiveness and efficiency of key controls and regular checks on how controls are implemented.

This procedure ensures that risks are identified and minimised and that any potential negative developments on the operational side are avoided.

Other

No material changes have been made to the financial reporting ICS since the reporting date.

Details pursuant to Art. 340a (1a) in conjunction with Art. 289b (3) of the German Commercial Code (HGB)

The details pursuant to Art. 340a (1a) in conjunction with Art. 289b (3) of the German Commercial Code (HGB) can be found as a combined separate non-financial report on the Commerzbank website.

Declaration on corporate governance pursuant to Art. 289f HGB

In addition to the statutory requirements pursuant to Art. 289f of the German Commercial Code (HGB), the Board of Managing Directors and Supervisory Board must report on the Bank's corporate governance in the declaration on corporate governance. This follows from Principle 23 of the German Corporate Governance Code in the version of 28 April 2022, published in the Federal Gazette (Bundesanzeiger) on 27 June 2022, on which this declaration is based.

Commerzbank attaches great importance to responsible and transparent corporate governance aimed at sustainable value creation. That is why the Board of Managing Directors and the Supervisory Board expressly support the goals and objectives set out in the German Corporate Governance Code.

Recommendations of the German Corporate Governance Code

Commerzbank declares every year whether the recommendations of the Commission regarding conduct have been and are being complied with, and explains which individual recommendations are not being implemented and the reasons why. This declaration of compliance by the Board of Managing Directors and the Supervisory Board is published on the Commerzbank website at https://www.commerzbank.de/en/hauptnavigation/aktionaere/governance_/corporate_governace_1.html. There is also an archive of all the declarations of compliance made since 2002. The declaration valid as at 31 December 2022 was made in December 2022.

As can be seen from the wording of the declaration below, Commerzbank complies with virtually all of the recommendations of the German Corporate Governance Code; it deviates from them in only a few points:

(1) From the time when the last declaration of compliance was made in November 2021 up to 27 June 2022, the recommendations of the Government Commission on the German Corporate Governance Code in the version of 16 December 2019 – published in the Federal Gazette on 20 March 2020 – were complied with except for the following:

- According to recommendation B.3 of the Code, the first-time appointment of members of the Board of Managing Directors should be made for a maximum of three years. Commerzbank Aktiengesellschaft deviated from this in the appointment of the member of the Board of Managing Directors responsible for Private and Small-Business Customers at the end of 2021, who was appointed for five years. Given his many years of service on the board of managing directors of a bank in Vienna, a longer appointment than the recommended three years was necessary in order to persuade him to join the Bank.

- According to recommendation G.10 sentence 1 of the Code, the variable remuneration amounts granted to a member of the Board of Managing Directors should be predominantly invested in the company's shares or granted as share-based remuneration, with due regard to the respective tax burdens. Until the end of 2022, Commerzbank's remuneration system provided for half of variable remuneration to be paid as share-based remuneration. With the introduction of the new remuneration system for the Board of Managing Directors on 1 January 2023, 60% of the variable remuneration will be paid as share-based remuneration, meaning that recommendation G.10 will be complied with from this date.

(2) Since 27 June 2022, the recommendations of the Government Commission on the German Corporate Governance Code in the version of 28 April 2022 – published in the Federal Gazette on 27 June 2022 – have been and are being complied with except for the following:

- According to recommendation G.10 sentence 1 of the Code, the variable remuneration amounts granted to a member of the Board of Managing Directors should be predominantly invested in the company's shares or granted as share-based remuneration, with due regard to the respective tax burdens. Until the end of 2022, Commerzbank's remuneration system provided for half of variable remuneration to be paid as share-based remuneration. With the introduction of the new remuneration system for the Board of Managing Directors on 1 January 2023, 60% of the variable remuneration will be paid as share-based remuneration, meaning that recommendation G.10 will be complied with from this date.

Suggestions of the German Corporate Governance Code

Commerzbank Aktiengesellschaft complies with all the suggestions of the German Corporate Governance Code.

Code recommendations not applicable because of overriding statutory provisions

The German Corporate Governance Code has restricted the applicability of the Code's recommendations to banks and insurance companies in that they apply to them only to the extent that the recommendations do not conflict with statutory provisions. In accordance with recommendation F.4 of the Code, these statutory provisions and the effects on the declaration of compliance are to be disclosed in the declaration on corporate governance in the Annual Report.

At Commerzbank Aktiengesellschaft this applies to recommendation D.5 of the Code, according to which the Supervisory Board should establish a Nomination Committee made up exclusively of shareholder representatives. According to the prevailing view, a general exclusion of employee representatives on the Supervisory Board from membership of a committee is only permissible if there is an objective reason for doing so. Such an objective reason could exist if a committee were to deal exclusively with matters relating only to the shareholder representatives on the Supervisory Board, for example if the sole task of the Nomination Committee were to prepare proposals for the election of shareholder representatives to be put to the Annual General Meeting. Under Article 25d (11) of the German Banking Act, however, the nomination committee of a credit institution is also assigned other tasks, including tasks for which the involvement of employee representatives is customary and necessary. For example, the nomination committee is tasked with assisting the respective company's supervisory board in identifying candidates to fill management positions, and in the regular assessment of the management board and the supervisory board. The involvement of employee representatives in these tasks is established practice at Commerzbank Aktiengesellschaft. Nonetheless, in order to comply with recommendation D.5 as far as possible, the rules of procedure of the Presiding and Nomination Committee of the Supervisory Board stipulate that the election proposals to be put to the Annual General Meeting be prepared only by the shareholder representatives on the committee.

Company values and governance practices at Commerzbank

Commerzbank is committed to its corporate, environmental and social responsibilities. To ensure sustainable corporate governance, it has defined extensive standards in various spheres of activity, which are published on the Commerzbank's website.

The corporate values of integrity, performance and responsibility create the basis for the corporate culture. They shape both the way employees interact with each other and their behaviour towards customers, business partners and other stakeholders. These values take high priority at Commerzbank and show that Commerzbank is aware of its corporate responsibility.

Based on its corporate values, Commerzbank has set out codes of conduct for acting with integrity, which provide all employees with a binding framework for lawful and ethically appropriate conduct in the day-to-day working environment.

Both the corporate values and the codes of conduct are reviewed as necessary and revised if required; they were most recently revised in the 2022 financial year.

In its environmental, social and governance (ESG) framework, Commerzbank sets out all the key components of its sustainability strategy and makes sustainability a central management parameter. In this way, the Bank provides its stakeholders with the greatest possible transparency regarding its understanding of sustainability. Commerzbank has thereby created a Bank-wide standard that enables rigorous management of all relevant products, processes and activities and ensures the sustainable transformation of Commerzbank.

The ESG framework also defines positions and policies on environmental and social issues. These are applied to the evaluation of transactions and business relationships and thus act as important points of reference. The basis for their preparation and regular review is the ongoing monitoring of media and non-governmental organisations (NGOs) on controversial environmental or social issues and regular discussion with NGOs. In addition, specific environmental guidelines have been formulated to guide the management of operational environmental impacts.

Board of Managing Directors

The Commerzbank Board of Managing Directors is responsible for independently managing the Bank in the company's best interest. In doing so, it must consider the interests of shareholders, customers, employees and other stakeholders, with the objective of sustainable value creation. It develops the Bank's strategic direction, discusses it with the Supervisory Board and ensures its implementation. In addition, it sees that efficient risk management and risk control measures are in place. The board conducts the Bank's business activities in accordance with the law, the Articles of Association, its rules of procedure, internal guidelines and the relevant employment contracts. It cooperates on a basis of trust with the Bank's other corporate bodies and with employee representatives.

The composition of the Board of Managing Directors and the responsibilities of its individual members are published on the Commerzbank website. The work of the Board of Managing Directors is specified in greater detail in its rules of procedure, which are also published on the Commerzbank website.

The remuneration of the members of the Board of Managing Directors is presented in detail in the Group remuneration report, which is published on the Commerzbank website.

Supervisory Board

Commerzbank's Supervisory Board advises and monitors the Board of Managing Directors in its management of the company and is directly involved in decisions of fundamental importance. The Supervisory Board discharges its responsibilities in accordance with legal requirements, the Articles of Association and its rules of procedure. It cooperates closely and on a basis of trust with the Board of Managing Directors in the interests of the Bank. Taking into account the recommendations of the Presiding and Nomination Committee, the Supervisory Board decides on the appointment and dismissal of members of the Board of Managing Directors and, together with the Board of Managing Directors, ensures long-term succession planning. If necessary, external consultants are brought in.

The composition of the Supervisory Board and the members of its committees are published on the Commerzbank website, in accordance with recommendation D.2 of the German Corporate Governance Code. Details of the work of the Supervisory Board, its structure and its control function can be found in the report of the Supervisory Board. Further details on how the Supervisory Board and its committees work can be found in the rules of procedure of the Supervisory Board, available on the Commerzbank website. The duties of the individual committees are set out in the respective rules of procedure, which can also be viewed on the Commerzbank website.

According to recommendation C.1 of the Code, the Supervisory Board should set concrete objectives and draw up a profile of skills and expertise for the board as a whole. In doing so, it should give consideration to diversity. The profile of skills of the Supervisory Board is also to include expertise with respect to the sustainability issues of importance to the Bank. Appointments proposed by the Supervisory Board to the Annual General Meeting should take these objectives into account while also seeking to fulfil the profile of skills and expertise for the board as a whole. The status of implementation is to be published in the form of a qualification matrix in the declaration on corporate governance. In addition, in accordance with recommendation C.3, the length of Supervisory Board membership is to be disclosed.

The Supervisory Board of Commerzbank has approved the following concrete objectives:

The composition of the Supervisory Board should be such that, overall, its members have the necessary skills, expertise, experience and knowledge to be able to perform its duties properly. In particular, the Supervisory Board should have all the expertise and experience deemed essential for the activities of the Commerzbank Group. In addition, the legal requirements with regard to special expertise and professional experience of individual members of the Supervisory Board in specific areas must be met (for example, expertise in the areas of accounting and auditing, including sustainability reporting and auditing thereof, as well as in the areas of risk management and risk controlling), and at least one member of the Supervisory Board should have special expertise with respect to ESG issues. The members of the Supervisory Board must be able to challenge and monitor the decisions made by the Board of Managing Directors. The members of the Supervisory Board should also be able to devote sufficient time to the performance of their duties. Members should be reliable, and consideration should be given to their commitment, personality, professionalism, integrity and independence. The target is that the Supervisory Board should always have at least eight members elected by the Annual General Meeting who are independent as defined in recommendation C.6 of the Code. The length of service of the Supervisory Board members elected by the Annual General Meeting should generally not exceed a period of 12 years. The Supervisory Board has resolved a detailed profile of skills and expertise for its composition, which may be consulted on Commerzbank's website.

As can be seen from the following qualification matrix based on a self-assessment by the members of the Supervisory Board, all objectives set by the Supervisory Board with regard to its composition, as well as its profile of skills, had been implemented as at 31 December 2022:

I = Basic knowledge[1] II = Good knowledge[2] III = Expert knowledge[3]	Classification ✓ = objective met ER = Employee representation SH = Shareholders	Helmut Gottschalk Chair SH	Sabine U. Dietrich SH	Burkhard Keese SH	Dr. Gertrude Tumpel-Gugerell SH	Frank Westhoff SH
Length of service						
Member since		2021	2015	2021	2012	2021
Personal suitability						
Regulatory requirements met		✓	✓	✓	✓	✓
Experience as a banking executive / member of executive board / management experience		✓	✓	✓	✓	✓
Independence		✓	✓	✓	✓	✓
No overboarding		✓	✓	✓	✓	✓
Number of other supervisory board mandates[4]		0	2	0	3	0
Soft skills (authenticity, loyalty, ability to work in a team, sense of responsibility, persuasiveness, communication, discussion, decision-making skills, commitment, ability to work under pressure)		✓	✓	✓	✓	✓
Diversity						
Gender		m	f	m	f	m
Nationality		D	D	D	A	D
Year of birth		1951	1960	1966	1952	1961
Skills, experience and professional suitability						
Financial markets and banking		III	II	II	III	III
Business strategy and planning		III	III	II	III	III
Regulatory matters / legal framework		III	II	II	III	III
Risk management (incl. ICS and auditing) / controlling		III	III	II	III	III
Compliance (incl. money laundering / terrorist financing)		II	III	III	II	III
Accounting (incl. sustainability reporting and auditing thereof)		III	II	III	II	II
Audit of financial statements (incl. sustainability reporting and auditing thereof)		II	II	III	II	II
Digitalisation, technology and data security		II	III	II	I	II
ESG, especially regarding a) sustainable corporate governance / sustainable banking b) corporate social responsibility (CSR) c) ESG risks		II	II	II	III	I
Assessing the effectiveness of a bank's regulations in terms of effective governance / supervision / control		III	II	II	III	III
Supervisory Board or committee chair						
Chair		SB, PNC, CCC	DigiTra	AC	ESG	RiskC
Specific knowledge within the committee or in relation to the Bank as a whole		✓	✓	✓	✓	✓
Experience in drawing up agendas and chairing and preparing meetings		✓	✓	✓	✓	✓

[1] Basic knowledge: sound basic knowledge in essential parts of the subject area, acquired through e.g. training or practical experience.
[2] Good knowledge: extensive knowledge in relation to the entire subject area or specialised knowledge in parts of the subject area, acquired through many years of practical experience.
[3] Expert knowledge: expert knowledge in the entire subject area, acquired through a role as a decision-maker.
[4] Number of board mandates as of 31 December 2022 to be taken into account for supervisory or regulatory purposes.

I = Basic knowledge[1] II = Good knowledge[2] III = Expert knowledge[3]	Classification ✓ = objective met ER = Employee representation SH = Shareholders	Dr. Frank Czichowski SH	Dr. Jutta Dönges SH	Daniela Mattheus SH	Caroline Seifert SH	Robin J. Stalker SH
Length of service						
Member since		2020	2020	2021	2021	2018
Personal suitability						
Regulatory requirements met		✓	✓	✓	✓	✓
Experience as a banking executive / member of executive board / management experience		✓	✓	✓	✓	✓
Independence		✓	✓	✓	✓	✓
No overboarding		✓	✓	✓	✓	✓
Number of other supervisory board mandates[4]		0	3	2	0	3
Soft skills (authenticity, loyalty, ability to work in a team, sense of responsibility, persuasiveness, communication, discussion, decision-making skills, commitment, ability to work under pressure)		✓	✓	✓	✓	✓
Diversity						
Gender		m	f	f	f	m
Nationality		D	D	D	D	NZ
Year of birth		1960	1973	1972	1966	1958
Skills, experience and professional suitability						
Financial markets and banking		III	III	II	I	III
Business strategy and planning		II	III	I	III	III
Regulatory matters / legal framework		II	III	II	I	II
Risk management (incl. ICS and auditing) / controlling		III	III	III	I	II
Compliance (incl. money laundering / terrorist financing)		II	III	II	II	II
Accounting (incl. sustainability reporting and auditing thereof)		II	III	III	I	III
Audit of financial statements (incl. sustainability reporting and auditing thereof)		II	III	II	I	III
Digitalisation, technology and data security		II	I	I	III	II
ESG, especially regarding a) sustainable corporate governance / sustainable banking b) corporate social responsibility (CSR) c) ESG risks		III	II	II	II	III
Assessing the effectiveness of a bank's regulations in terms of effective governance / supervision / control		II	III	III	I	III
Supervisory Board or committee chair						
Chair						
Specific knowledge within the committee or in relation to the Bank as a whole						
Experience in drawing up agendas and chairing and preparing meetings						

[1] Basic knowledge: sound basic knowledge in essential parts of the subject area, acquired through e.g. training or practical experience.
[2] Good knowledge: extensive knowledge in relation to the entire subject area or specialised knowledge in parts of the subject area, acquired through many years of practical experience.
[3] Expert knowledge: expert knowledge in the entire subject area, acquired through a role as a decision-maker.
[4] Number of board mandates as of 31 December 2022 to be taken into account for supervisory or regulatory purposes.

I = Basic knowledge[1] II = Good knowledge[2] III = Expert knowledge[3]	Classification ✓ = objective met ER = Employee representation SH = Shareholders	Uwe Tschäge Deputy Chair ER	Heike Anscheit ER	Alexander Boursanoff ER	Gunnar de Buhr ER	Stefan Burghardt ER
Length of service						
Member since		2003	2017	2018	2013	2013
Personal suitability						
Regulatory requirements met		✓	✓	✓	✓	✓
Experience as a banking executive / member of executive board / management experience		✓	✓	✓	✓	✓
Independence		n.a.	n.a.	n.a.	n.a.	n.a.
No overboarding		✓	✓	✓	✓	✓
Number of other supervisory board mandates[4]		0	0	0	3	0
Soft skills (authenticity, loyalty, ability to work in a team, sense of responsibility, persuasiveness, communication, discussion, decision-making skills, commitment, ability to work under pressure)		✓	✓	✓	✓	✓
Diversity						
Gender		m	f	m	m	m
Nationality		D	D	D/GR	D	D
Year of birth		1967	1971	1963	1967	1959
Skills, experience and professional suitability						
Financial markets and banking		II	II	II	II	III
Business strategy and planning		III	II	I	II	II
Regulatory matters / legal framework		I	II	I	II	II
Risk management (incl. ICS and auditing) / controlling		I	I	I	II	II
Compliance (incl. money laundering / terrorist financing)		II	II	I	III	III
Accounting (incl. sustainability reporting and auditing thereof)		I	I	I	II	II
Audit of financial statements (incl. sustainability reporting and auditing thereof)		I	I	I	II	II
Digitalisation, technology and data security		II	III	I	III	II
ESG, especially regarding a) sustainable corporate governance / sustainable banking b) corporate social responsibility (CSR) c) ESG risks		II	II	I	II	II
Assessing the effectiveness of a bank's regulations in terms of effective governance / supervision / control		III	II	I	II	II
Supervisory Board or committee chair						
Chair						
Specific knowledge within the committee or in relation to the Bank as a whole						
Experience in drawing up agendas and chairing and preparing meetings						

[1] Basic knowledge: sound basic knowledge in essential parts of the subject area, acquired through e.g. training or practical experience.
[2] Good knowledge: extensive knowledge in relation to the entire subject area or specialised knowledge in parts of the subject area, acquired through many years of practical experience.
[3] Expert knowledge: expert knowledge in the entire subject area, acquired through a role as a decision-maker.
[4] Number of board mandates as of 31 December 2022 to be taken into account for supervisory or regulatory purposes.

I = Basic knowledge[1] II = Good knowledge[2] III = Expert knowledge[3]	Classification ✓ = objective met ER = Employee representation SH = Shareholders	Monika Fink ER	Stefan Jennes ER	Kerstin Jerchel ER	Alexandra Krieger ER	Stefan Wittmann ER
Length of service						
Member since		2018	2022	2018	2008	2018
Personal suitability						
Regulatory requirements met		✓	✓	✓	✓	✓
Experience as a banking executive / member of executive board / management experience		✓	✓	✓	✓	✓
Independence		n.a.	n.a.	n.a.	n.a.	n.a.
No overboarding		✓	✓	✓	✓	✓
Number of other supervisory board mandates[4]		0	0	0	2	0
Soft skills (authenticity, loyalty, ability to work in a team, sense of responsibility, persuasiveness, communication, discussion, decision-making skills, commitment, ability to work under pressure)		✓	✓	✓	✓	✓
Diversity						
Gender		f	m	f	f	m
Nationality		D	D	D	D	D
Year of birth		1969	1968	1971	1970	1968
Skills, experience and professional suitability						
Financial markets and banking		II	II	I	II	I
Business strategy and planning		II	I	II	I	II
Regulatory matters / legal framework		II	I	II	II	I
Risk management (incl. ICS and auditing) / controlling		I	I	I	II	I
Compliance (incl. money laundering / terrorist financing)		II	I	II	I	I
Accounting (incl. sustainability reporting and auditing thereof)		II	I	II	II	II
Audit of financial statements (incl. sustainability reporting and auditing thereof)		II	I	II	II	I
Digitalisation, technology and data security		II	I	II	I	I
ESG, especially regarding a) sustainable corporate governance / sustainable banking b) corporate social responsibility (CSR) c) ESG risks		II	I	III	I	II
Assessing the effectiveness of a bank's regulations in terms of effective governance / supervision / control		I	I	III	I	II
Supervisory Board or committee chair						
Chair						
Specific knowledge within the committee or in relation to the Bank as a whole						
Experience in drawing up agendas and chairing and preparing meetings						

[1] Basic knowledge: sound basic knowledge in essential parts of the subject area, acquired through e.g. training or practical experience.
[2] Good knowledge: extensive knowledge in relation to the entire subject area or specialised knowledge in parts of the subject area, acquired through many years of practical experience.
[3] Expert knowledge: expert knowledge in the entire subject area, acquired through a role as a decision-maker.
[4] Number of board mandates as of 31 December 2022 to be taken into account for supervisory or regulatory purposes.

With Burkhard Keese as Chairman of the Audit Committee and Robin J. Stalker, who is also a member of the Audit Committee, the Supervisory Board has two members with special expertise in the areas of both accounting and auditing. Other members of the Audit Committee also have special expertise in the fields of accounting and auditing. Robin J. Stalker and other members of the Supervisory Board also have special expertise in the field of ESG. In order to remain aligned with developments within Commerzbank Aktiengesellschaft in matters of sustainability and also to ensure that the growing requirements and responsibilities of the Supervisory Board in this area are properly complied with, at the beginning of 2022 the Supervisory Board added environmental and governance matters to the work of the Social Welfare Committee, renamed it the Environmental, Social and Governance Committee accordingly and increased the number of members.

For further information on the individual members of the Supervisory Board, please also refer to their curricula vitae, which are available on the Commerzbank Aktiengesellschaft website.

In accordance with recommendation C.1 of the Code, the declaration on corporate governance should also provide information on what, in the view of the shareholder representatives, is the appropriate number of independent shareholder representatives serving on the Supervisory Board and the names of these members. According to recommendation C.6 of the Code, a Supervisory Board member is considered as independent if he or she is independent of the Bank and its Board of Managing Directors and independent of any controlling shareholder. A Supervisory Board member is independent of the Bank and its Board of Managing Directors if he or she has no personal or business relationship with the Bank or its Board of Managing Directors that may lead to a significant, non-transient conflict of interest. When assessing the independence of their members according to recommendation C.7 of the Code, the shareholder representatives should in particular take into account whether the Supervisory Board member him or herself or a close relative of the Supervisory Board member was a member of the Bank's Board of Managing Directors in the two years before his or her appointment; currently has or had in the year leading up to his or her appointment a material business relationship with the Bank or one of its dependent companies, either directly or as a shareholder or in a responsible function of a non-Group company; is a close relative of a member of the Board of Managing Directors; or has been a member of the Supervisory Board for more than 12 years. In addition, in accordance with recommendation C.11 of the Code, the Supervisory Board should not include more than two former members of the Board of Managing Directors of Commerzbank.

Based on the above criteria, all ten shareholder representatives can be classified as "independent", namely Helmut Gottschalk, Dr. Frank Czichowski, Sabine U. Dietrich, Dr. Jutta A. Dönges, Burkhard Keese, Daniela Mattheus, Caroline Seifert, Robin J. Stalker, Dr. Gertrude Tumpel-Gugerell and Frank Westhoff. Dr. Jutta A. Dönges and Dr. Frank Czichowski were proposed for election to the Supervisory Board of Commerzbank Aktiengesellschaft at the suggestion of the Financial Market Stabilisation Fund, represented by the Federal Republic of Germany – Finance Agency. The Financial Market Stabilisation Fund holds around 15.6% of the share capital of Commerzbank Aktiengesellschaft and is therefore not a controlling shareholder within the meaning of the Code. Nor does the Federal Republic of Germany – Finance Agency have a material business relationship with Commerzbank. In addition, there is no former member of the Board of Managing Directors of Commerzbank on the Supervisory Board.

As a result, the target of always having at least eight independent Supervisory Board members elected by the Annual General Meeting has been achieved. The Supervisory Board's own assessment that it contains an appropriate number of independent members is therefore well-founded.

In the 2022 financial year, the Supervisory Board and its committees addressed the results of the review of the effectiveness of their work carried out in the 2021 financial year in accordance with recommendation D.12 of the Code, combined with the assessment to be carried out by the Board of Managing Directors and Supervisory Board pursuant to Art. 25d (11) nos. 3 and 4 of the German Banking Act. Both the Supervisory Board and the individual committees drew up a catalogue of measures based on the results and implemented these measures; in the case of the Supervisory Board, these related to matters including qualification and ongoing training of Supervisory Board members, anchoring of ESG matters in the Supervisory Board, and efficient communication between the Board of Managing Directors and the Supervisory Board. At the end of the 2022 financial year, the Supervisory Board then reviewed the effectiveness of its work in the 2022 financial year and carried out the assessment required pursuant to Art. 25d (11) nos. 3 and 4 of the German Banking Act. For this purpose all members of the Supervisory Board completed various questionnaires, which were then analysed. The resulting analyses were presented to the Supervisory Board for discussion at the start of 2023. On the basis of these discussions, catalogues of measures were drawn up both by the Supervisory Board and in the committees, and these are being worked through in a timely manner. The members of the Supervisory Board believe that the board and its committees work effectively and to a high standard overall.

In accordance with recommendation E.2 of the Code and Art. 3 (6) of the rules of procedure of the Supervisory Board, each member of the Supervisory Board must disclose any conflicts of interest. No member of the Supervisory Board declared such a conflict of interest during the year under review.

In accordance with recommendation B.2 of the German Corporate Governance Code, the Supervisory Board works with the Board of Managing Directors to ensure long-term succession planning for the Board of Managing Directors, which also includes measures to ensure they can respond appropriately to any short-term changes (such as resignations for personal reasons). The Presiding and Nomination Committee of Commerzbank's Supervisory Board is responsible for succession planning. It assists the Supervisory Board in selecting applicants for positions on the Board of Managing Directors. Therefore, it takes account of the balance and range of knowledge, skills and experience of all the board members and draws up a job description with an applicant profile. In drawing up the job description, it takes account of the skills profile and suitability matrix for the Board of Managing Directors as well as other targets for its composition (such as diversity). In accordance with Art. 25 (11) no. 5 of the German Banking Act, the Presiding and Nomination Committee also reviews the principles of the Board of Managing Directors for the selection and appointment of persons at top management level. It also determines whether there are suitable succession candidates at this level for appointment to the Board of Managing Directors.

The system governing the remuneration of Supervisory Board members adopted by the Annual General Meeting on 13 May 2020 and applicable since 1 January 2020 was amended by the Annual General Meeting in 2022 with regard to remuneration for membership of committees and was therefore re-adopted in accordance with Art. 113 (3) of the German Stock Corporation Act. The resolution was published on the Commerzbank website. The remuneration of the members of the Supervisory Board is also presented in the remuneration report, which is published on Commerzbank's website.

Diversity
Commerzbank takes diversity into account in the composition of the Board of Managing Directors, appointments to management roles and recommendations for the election of Supervisory Board members (recommendations A.2, B.1 and C.1 of the German Corporate Governance Code). The aim is to reduce the risk of prejudice and "groupthink". In addition, diversity contributes to a broader range of experience and a greater spectrum of knowledge, capabilities and expertise.

Diversity policy and information on the minimum proportions of women and men on the Supervisory Board Commerzbank's Supervisory Board consists of 20 members. As already mentioned in the description of the targets for the composition of the Supervisory Board, the Supervisory Board is supposed to always have at least eight members elected by the Annual General Meeting who are independent (shareholder representatives) as defined in recommendations C.6, C.7 and C.8 of the Code. In accordance with recommendation C.2 of the Code, the Supervisory Board has also defined an age limit for Supervisory Board members by setting a standard limit of 72 years of age. The Supervisory Board aims to have a broad range of ages represented on the board. The Supervisory Board also wants its members to have a suitable range of educational and professional backgrounds and for the board to have at least one international member at all times. The Supervisory Board also considers appropriate female and male representation when proposing candidates to the Annual General Meeting for election. The Supervisory Board is committed to exceeding the statutory minimum requirement for female and male representation of at least 30% each. It must be borne in mind that the only way the Supervisory Board is able to influence its composition is by the candidates it proposes to the Annual General Meeting for election. The employee representatives on the Supervisory Board are also striving to exceed female and male representation of at least 30% each among employee representatives in future.

The Supervisory Board achieved all the stated goals in the 2021 financial year. As at 31 December 2022, with Dr. Gertrude Tumpel-Gugerell and Robin J. Stalker, the Supervisory Board of Commerzbank included two international members and nine women, five of whom were shareholder representatives. The percentage of women on the Supervisory Board is therefore 45% at present.

The members of Commerzbank's Supervisory Board are between 49 and 71 years old; the average age is 57.4. The members of the Supervisory Board have a range of educational and professional backgrounds: there are banking specialists, lawyers, members with business degrees and engineers. Many members of the Supervisory Board have significant banking experience.

Diversity policy and minimum proportions on the Board of Managing Directors In making appointments to the Board of Managing Directors, the Supervisory Board aims to increase diversity, particularly with regard to age, origin, education and professional background and to give appropriate consideration to women. As a rule, the members of the Board of Managing Directors should not be over 65 years of age. In addition, the Supervisory Board ensures that the members of the Board of Managing Directors have a suitable range of educational and professional backgrounds.

The Supervisory Board had set a target of at least one female member by 31 December 2022. This target was met ahead of schedule on 1 November 2017 and has been exceeded since 1 January 2020 with two women on the Board of Managing Directors. This means that the minimum proportions under Art. 76 (3a) of the German Stock Corporation Act have been met and indeed exceeded, according to which a Board of Managing Directors consisting of more than three people must have at least one woman and at least one man among its members. The Supervisory Board will strive to continue to exceed the statutory minimum proportions in the future. The proportion of women on the Board of Managing Directors was 28.6 % as at 31 December 2022.

Targets for the first and second levels of management Art. 76 (4) of the German Stock Corporation Act requires Commerzbank's Board of Managing Directors to set targets for female representation at the two levels of management below the Board of Managing Directors and a deadline for achieving these targets.

The Board of Managing Directors last set new targets for female representation at the first and second levels of Commerzbank's management (in Germany) in December 2021. The target is 25% for the first management level and likewise 25% for the second level. The deadline set for achieving the targets is 31 December 2026. Commerzbank has thus given itself ambitious targets. It is an important objective for the Bank and the Group as a whole to further increase the number of women in management positions.

As at 31 December 2022, the first management level below Commerzbank's Board of Managing Directors consisted of 39 managers, of whom 33 were male and 6 female. The percentage of women in the first level of management below the Board of Managing Directors was therefore 15.4%.

The second management level below the Board of Managing Directors consisted of 320 people, of whom 247 were male and 73 female. The percentage of women in the second level of management below the Board of Managing Directors was thus 22.8%.

Accounting

Accounting at Commerzbank gives a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with the respective accounting standards. The Group financial statements and Group management report are prepared in accordance with International Financial Reporting Standards as published by the International Accounting Standards Board (IASB) and applicable in the EU (IFRS) and the supplementary provisions of the German Commercial Code (HGB); the parent company financial statements and management report of Commerzbank Aktiengesellschaft are prepared in accordance with the provisions of the German Commercial Code. The Group financial statements and parent company financial statements are prepared by the Board of Managing Directors and approved by the Supervisory Board. The audit is performed by the auditor elected by the Annual General Meeting.

The management report also includes a detailed risk report, providing information on the Bank's responsible handling of the various types of risk. It may be found on pages 36 to 75 of this report.

During the financial year, shareholders and third parties receive additional information about the course of business by means of the interim report as at 30 June and interim financial information (as at 31 March and 30 September). The interim report is also prepared in accordance with IFRS. In the interim financial information as at 31 March and 30 September, the statement of comprehensive income, balance sheet and statement of changes in equity are prepared in accordance with the applicable IFRS accounting, measurement and consolidation principles for interim reporting.

Shareholder relations, transparency and communication

The Annual General Meeting of shareholders takes place once a year. It decides on the appropriation of distributable profit (if any) and approves the actions of the Board of Managing Directors and the Supervisory Board, the appointment of the auditors and any amendments to the Articles of Association.

If necessary, it authorises the Board of Managing Directors to undertake capital-raising measures and approves the conclusion of profit and loss transfer agreements. Each share entitles the holder to one vote.

The Supervisory Board submitted a remuneration system for the members of the Board of Managing Directors to the 2022 Annual General Meeting for approval in accordance with Art. 120a (1) of the German Stock Corporation Act. This proposed system had been enhanced in fundamental respects. The Annual General Meeting approved the remuneration system with 84.6% of votes in favour. The current remuneration system and the resolution of the Annual General Meeting are published on Commerzbank's website.

The Bank's shareholders may submit recommendations or other statements by letter or e-mail or may present them in person. Since the 2020 financial year, there has also been an orderly process regulated in the Engagement Policy for contacting Commerzbank as a shareholder. At the Annual General Meeting, the Board of Managing Directors or the Supervisory Board comment or reply directly. Shareholders may codetermine the course of the Annual General Meeting by submitting countermotions or supplementary motions to the agenda. Shareholders may also request an Extraordinary General Meeting be convened. The reports and documents required by law for the Annual General Meeting, including the Annual Report, as well as the agenda for the Annual General Meeting and any countermotions or supplementary motions may be downloaded from the internet.

Commerzbank informs the public – and consequently shareholders as well – about the Bank's financial position and financial performance four times a year. Corporate news that may affect the share price is also published in the form of ad hoc releases. This ensures that all shareholders are treated equally. The Board of Managing Directors reports on the annual financial statements and the quarterly results, as well as on the Bank's future strategy, at press conferences and events for analysts and investors. Commerzbank uses the options offered by the internet for reporting purposes, providing a wealth of information about the Group at https://www.commerzbank.com. In addition to the rules of procedure of the Board of Managing Directors and the Supervisory Board, the Articles of Association of Commerzbank are also available online. The financial calendar for the current and the upcoming year is also published in the Annual Report and on the internet. It shows the dates of all the significant financial communications, notably the annual press conference and analyst conferences and the date of the Annual General Meeting.

We feel an obligation to communicate openly and transparently with our shareholders and all other stakeholders. We intend to continue meeting this obligation in the future.

Business and overall conditions

Economic environment

The global economy lost considerable momentum in 2022. Although the coronavirus situation eased noticeably and coronavirus restrictions were largely lifted in most economies, Russia's war against Ukraine triggered new shock waves. Fears of an energy crisis drove up energy prices worldwide. In addition, many companies continued to complain about a lack of upstream products.

In China, the government stuck to its zero-Covid policy for almost the whole of 2022. Time and again, entire cities with millions of inhabitants were locked down at the slightest outbreak of coronavirus. This, together with the problems in the real estate sector, meant that economic growth more than halved in 2022 compared with 2021.

In the USA, the economy contracted slightly in the first half of 2022 following the expiry of the coronavirus-related assistance programmes. Nevertheless, unemployment fell back to the very low level seen before the outbreak of the coronavirus pandemic, which is why wages rose more sharply. Together with the substantial rise in energy prices, this droves inflation to historic highs.

In the eurozone, the economy was affected not only by the weaker foreign trade environment but also the fear of gas rationing following the widespread cessation of Russian gas supplies. Prices for gas and electricity therefore increased considerably, placing a huge burden on both households and businesses. In the course of the year, higher production costs due to energy prices also caused prices of non-energy goods to rise ever more sharply. In addition, the production of some goods became unprofitable because manufacturers were only able to pass on higher energy costs to their customers to a limited extent. As a result, the eurozone economy lost significant momentum in the second half of the year.

In Germany, too, economic growth weakened noticeably in the course of the year. Weaker demand from abroad impacted on the export-oriented industry in particular. At the same time, a lack of intermediate products prevented companies from working quickly through their large order backlogs. The boom in the construction industry also ended in the spring. Over the rest of the year, production in this sector followed a downward trend. By contrast, the services sector still benefited from the lifting of coronavirus restrictions, although this positive effect steadily weakened as the year progressed. The fall-off in economic activity was also reflected in the labour market. Employment growth stalled, and the number of unemployed has risen slightly since the summer.

Trends on the financial markets in 2022 were dominated by the change of course in monetary policy. Against a backdrop of high inflation, the US Federal Reserve heralded the turnaround in interest rates in March. By the beginning of February 2023, it had increased its policy rates by a total of 450 basis points. The ECB began its own cycle of interest rate increases at the end of July. Since then, it has raised its policy rates by a total of 300 basis points. The bond market reacted with a significant rise in yields. At times, ten-year US government bonds had yields of over 4%, having been below 2% at the beginning of the year. The yield on ten-year German government bonds rose from 0% to around 2%. Share prices fell substantially in 2022. The euro regained ground against the US dollar at the end of the year but was still around 10% below the level at the end of 2021.

Sector environment

The difficult economic situation – primarily in connection with the energy crisis, the sharp rise in inflation and the Russia-Ukraine war – meant that 2022 was another particularly challenging year for the banking sector. Although extensive government assistance programmes have so far prevented a more severe economic slump, the negative consequences for the economy and society are gradually beginning to show. In particular, the risks for the banking environment's short-term prospects are still considered to be very high. Nervousness has returned to the international capital markets with the geopolitical uncertainties. All over the world, the industrial sector is suffering from supply chain problems. These are primarily attributable to China's very strict zero-Covid strategy, which was applied for a long while, and to the sanctions imposed in response to Russia's invasion of Ukraine. China is now only able to fulfil its role as the engine of the global economy to a limited extent: its economic growth has slowed markedly due to high levels of corporate debt, a weaker labour market and turbulence on the real estate market.

According to the Ifo Business Climate Index, business expectations have recently improved in Germany, but remain at a low level. Energy and raw material prices as well as the cost of materials have tended to rise sharply, fuelling inflation worldwide.

High inflation reduces purchasing power and thus acts as a drag on private consumption. At the same time, the gas supply issue is causing considerable uncertainty among companies and putting a damper on investment.

The impact on the lending business of European banks has been significantly mitigated to date, mainly through support measures implemented by governments and central banks. Income losses were limited for both companies and households; employment conditions were protected and the supply of credit to the economy was guaranteed. The financial markets are also still proving robust in the face of the challenging conditions, with price losses so far significantly lower than during the Lehman crisis and at the beginning of the coronavirus pandemic. As a result, European banks have so far been spared any major defaults despite uncertainty about their provisioning requirements and volatility in their trading income. However, receivables from consumer loans and from loans to companies and self-employed persons with energy-intensive production are subject to high risk. There are also fears of loan defaults on commercial property financing if recent changes to working and shopping habits are maintained over the long term and there is a further rise in debit interest rates.

The boom in the residential real estate market abated significantly in the course of 2022. While house prices still rose by more than 10% on average last year, price momentum has slowed significantly over the course of this year. The sharp rise in mortgage rates – from around 1.3% at the start of the year to around 3.4% at the end of 2022, while house prices are still rising on average – has significantly reduced the affordability of a property purchase for households. Many prospective buyers are unlikely to be able to afford initial financing at current prices, especially as the current high level of inflation continues to put a strain on the budgets of many households. However, a lot of households still have a certain financial buffer as a result of their increased propensity to save during the first phase of the coronavirus pandemic. Long fixed-interest periods on existing properties instead of variable-rate mortgage loans, as well as the preferred choice of annuity loans instead of bullet mortgage loans, also have the effect of reducing risk. As a result, when fixed-interest periods expire, follow-up financing costs are at present generally not much higher than in the previous period. More extensive defaults on existing mortgages are therefore not to be expected in Germany in the foreseeable future. Any considerable fall in house prices is also rather improbable on a nationwide average. That is because the continuing shortage of affordable housing, the relatively low ownership rate compared with other countries, and the reallocation of assets against a backdrop of a high level of economic uncertainty and sharply increased inflation rates are bolstering the market for residential real estate.

According to official insolvency statistics for Germany, defaults in the servicing of loans have so far remained within limits. For example, the number of consumer insolvencies nationwide fell noticeably last year, although this is likely to be partly an after-effect of the law introduced in 2020 to gradually shorten residual debt discharge proceedings from six to three years. In contrast to the number of cases, the total amount of outstanding receivables increased more than fourfold. In corporate insolvencies, however, fewer major cases meant a reduction in expected creditor claims to less than a quarter. In terms of figures, corporate insolvencies declined only slightly as the SME construction sector in particular recorded increases. The change in the number of business closures was less favourable than for corporate insolvencies. For example, the number of companies discontinuing operations completely rose by 7% in the period from January to October 2022 compared with the corresponding prior-year period.

Important staffing and business policy events

A report on important staffing changes at management level and special business policy events during the past financial year is provided below.

There were changes in the composition of the Board of Managing Directors during the year under review. Changes for the current financial year 2023 were also announced at both Board of Managing Directors and Supervisory Board level. With the establishment of a Sustainability Advisory Board, Commerzbank has further anchored this particularly important topic in its sustainability strategy. In the summer of 2022, the Bank provided information on the progress it has made with the sustainability strategy through its second Sustainability Dialogue event. To give our investors the opportunity to participate in the transformation of the real economy towards greater sustainability, the Bank issued its third green bond in the middle of the year. In order to remain focused on market developments and trends with respect to the key issue of sustainability, the Main Incubator has been realigned. The bank-specific capital requirements set by the ECB for 2023 as part of the Supervisory Review and Evaluation Process (SREP) clearly confirm once again that Commerzbank is well positioned in terms of its capitalisation. The Bank also further strengthened its compliance function in the 2022 financial year.

Changes in the Board of Managing Directors of Commerzbank

At its meeting on 6 July 2022, the Supervisory Board of Commerzbank appointed Sabine Mlnarsky to the Bank's Board of Managing Directors with effect from 1 January 2023. She has assumed responsibility for the Group Human Resources division.

As Chief Human Resources Officer and Labour Relations Director she succeeded Sabine Schmittroth, who in line with her personal life planning left Commerzbank when her contract expired at the end of 2022. Sabine Mlnarsky has more than two decades of experience in human resources management. She comes to Commerzbank from the Austrian Erste Group Bank AG.

She is a lawyer and had been Head of Human Resources at the central institution of the Austrian savings bank sector since 2016.

At the same meeting, Chief Risk Officer Marcus Chromik also informed the Supervisory Board that he intends to fulfil his management contract, which runs until the end of 2023, but in line with his personal life planning will not accept a possible offer of an extension to his contract. Informing the Supervisory Board at this early stage created clarity and planning security for an orderly transition in this important function.

Change in the chairmanship of the Supervisory Board of Commerzbank initiated

Helmut Gottschalk has decided that, given his age, he will not make himself available for a new term of office as a member of the Supervisory Board and Chairman of the Supervisory Board after the next Annual General Meeting. He has therefore initiated an orderly succession process at an early stage.

In mid-November 2022, Helmut Gottschalk informed the shareholder representatives on the Presiding and Nomination Committee and subsequently the entire Supervisory Board of his decision. He also proposed Dr. Jens Weidmann (54) as a new member of the Supervisory Board who, if elected, will also be available to take on the role of Chairman of the Supervisory Board. The shareholder representatives on the Presiding and Nomination Committee and on the Supervisory Board responded positively to the proposal. In its meeting on 15 February 2023 the Supervisory Board unanimously declared that it intends to appoint Dr. Jens Weidmann as its Chairman if Dr. Weidmann is elected to the Supervisory Board by shareholders at the Annual General Meeting on 31 May 2023 as planned. Helmut Gottschalk has chaired the Supervisory Board of Commerzbank since April 2021. During his tenure to date, the Bank has successfully implemented a comprehensive restructuring under its “Strategy 2024” programme, adapted its business model in line with altered conditions and significantly improved profitability in its core business, such that a renewed distribution from profits for the 2022 financial year can be put to the 2023 Annual General Meeting. Under his leadership, he also drove forward the realignment of the Board of Managing Directors with the appointment of four new members and established a new, performance-based remuneration system and a share ownership directive for the Board of Managing Directors.

Dr. Jens Weidmann was President of the Deutsche Bundesbank from 2011 to 2021. In this capacity, he was also a member of the Governing Council of the ECB. Previously, he was head of the economic and financial policy department in Germany’s Federal Chancellery. He also served as Chairman of the Board of Directors of the Bank for International Settlements from 2015 to 2021.

Commerzbank establishes Sustainability Advisory Board and continues Sustainability Dialogue

In May 2022, Commerzbank set up a Sustainability Advisory Board made up of external experts. This makes it one of the first major banks in Germany to have such a body. The new advisory board will help advance sustainability topics at Commerzbank and deliver outside impetus for the sustainable alignment of the Bank’s activities. The new body includes representatives from business, politics, academia and society. It met for the first time in Frankfurt am Main on 23 May 2022. Going forward, the Sustainability Advisory Board is due to meet twice a year.

On 4 July 2022, Commerzbank held a second public Sustainability Dialogue event to provide information on the progress it has made with its sustainability strategy. Commerzbank has defined concrete CO_2 reduction targets for half of the loans it has granted. These are to be achieved by 2030. The Bank’s efforts to manage climate risk are initially focused on CO_2-intensive sectors. For example, we are seeking to achieve reduction targets of at least 73% by 2030 for the power generation sector, and at least 57% for the significantly larger retail mortgage financing portfolio. Achieving these targets is a key intermediate step for the Bank in its drive to reduce the CO_2 emissions of its entire lending and investment portfolio to net zero by 2050 at the latest. Further information can be found on the Commerzbank website.

Commerzbank issues its third own green bond

Commerzbank successfully issued a green bond with an issuance volume of €500m at the beginning of June 2022. Commerzbank will use the proceeds to finance renewable energy projects. Thanks to the progress made with renewable energy projects, a third own green bond has now been issued to follow those from 2018 and 2020. We have therefore responded to the still growing demand for sustainable investments and are giving our investors the opportunity to participate in the transformation of the real economy towards greater sustainability.

Commerzbank allocated the non-preferred senior bond to loans for onshore and offshore wind projects and solar projects. The bond has a term of 5.25 years with a call date in September 2026 and a coupon of 3% per annum.

Commerzbank is an established player in the market for sustainable and green bonds. For years, the bank has been supporting its customers in preparing sustainable bond issues and placing them in the international capital market.

Realignment of the Main Incubator

Commerzbank realigned its Main Incubator at the end of April 2022: the early-stage investor will in future focus not only on fintechs but also on start-ups specialising in sustainability, known as greentechs. To accompany the shift in strategy, the new brand “neosfer” was created. There has been no change to the unit’s business principles: it will continue to monitor trends, invest venture capital and make new applications work for the Bank.

SREP capital requirements for Commerzbank unchanged for 2023

The ECB has left the bank-specific capital requirements for 2023 defined for the Commerzbank Group as part of the Supervisory Review and Evaluation Process (SREP) unchanged compared with 2022. The additional capital adequacy requirement under Pillar 2 (P2R) remains at 2% of total capital, of which at least 1.125% must be covered by Common Equity Tier 1 capital. The SREP decision replaces the previous SREP decision with effect from 1 January 2023.

The Common Equity Tier 1 capital requirement for Commerzbank at Group level remained unchanged at 9.44% of risk-weighted assets (MDA threshold) as at 30 September 2022, taking into account the requirements of the current SREP decision. It comprises the CET1 minimum of 4.5%, the P2R requirement of 1.125%, the capital conservation buffer of 2.5%, the DSIB capital buffer for other systemically important banks, which is unchanged at 1.25%, the countercyclical capital buffer, currently 0.04%, and an AT1 shortfall of 0.03%.

Commerzbank expects the MDA threshold to rise to around 10.1% in the first quarter of 2023 due to the industry-wide increase in countercyclical capital buffers and the activation of the sectoral systemic risk buffer in Germany.

A requirement to hold additional own funds for the risk of excessive leverage (Pillar 2 requirement for the risk of excessive leverage – P2RLR) has not been set for the Commerzbank Group.

With a CET1 ratio of 14.1% as at 31 December 2022, we are a comfortable distance from the MDA threshold and thus have sufficient scope for the planned distribution of 30% of consolidated profit after deduction of AT1 coupon payments.

Further strengthening of the compliance function

In 2022 the Bank continued its activities to further strengthen the compliance function. In addition to the structural changes, these also related to staff training and the successful recruitment of qualified compliance experts to work at head office and in foreign locations.

To further improve the management of compliance risks, the compliance function implemented various long-term measures in areas such as global financial crime and global markets compliance, further strengthening compliance both in Germany and abroad.

In the year under review, the Bank rigorously pressed ahead with the further development of the global compliance system landscape in line with the latest market standards. Significant steps were taken in the technical renewal of transaction-based sanctions screening. At the same time, the much more stringent sanctions requirements were implemented successfully while maintaining a consistently high level of quality.

With the focus on the second line of defence tasks for compliance as a risk management and control function, the responsibilities and resources for the “Actimize Customer Due Diligence” (know-your-customer scoring) and “Watch List Filtering” (name screening) systems were transferred to the “client.data” unit, in which all processes and systems across the Bank relating to client master data, know-your-customer activities and document management are bundled.

In 2022, Global Markets Compliance completed the Global Surveillance Implementation Programme (GSIP) launched in 2018. The programme was aimed at expanding global surveillance of trade and communications. With the associated introduction of the SCILA trade monitoring software, monitoring was standardised across asset classes for all Commerzbank trading locations and a global minimum standard for trade monitoring established in line with regulatory requirements.

At the same time, Commerzbank further developed existing governance structures and further expanded the global compliance processes in the business units. This included updating and further developing the compliance sub-risk strategy as part of Commerzbank’s overall risk strategy, which in particular defines the strategic fields of action and the risk appetite for compliance risks. We also further strengthened the governance processes for managing and monitoring compliance controls.

With regard to the German Corporate Due Diligence in Supply Chains Act that entered into force on 1 January 2023, Group Compliance fulfils the role of the second line of defence in its capacity as the global functional lead, and thus defines Group-wide minimum standards for the Bank in order to identify and prevent breaches of certain human rights and certain environmental obligations at (in)direct suppliers and in the Bank’s own area of business. To ensure that the requirements are met, we have established a comprehensive compliance programme that has already been initialised and will be systematically extended in 2023. In 2022, a Human Rights Officer was appointed to assume the responsibilities arising from the German Corporate Due Diligence in Supply Chains Act.

The Chief Compliance Officer performs this important and responsible role, in which capacity they report directly to the Chief Risk Officer. The Board of Managing Directors is also assisted by other units with a view to covering human rights standards as holistically as possible within Commerzbank.

Further information on compliance risks can be found on pages 67 f. in the risk report.

Financial performance, assets, liabilities and financial position

In the 2022 reporting period, the money and capital markets were dominated in particular by the Russia-Ukraine war, the energy crisis, inflation and the ECB's interest rate increases. Commerzbank's liquidity and solvency were assured at all times. Furthermore, the Bank's liquidity management is always able to respond promptly to new market circumstances. Commerzbank's liquidity situation as at the end of the reporting period was comfortable given its conservative and forward-looking funding strategy.

Income statement

Commerzbank Aktiengesellschaft's earnings performance in the 2022 financial year was characterised in particular by a positive trend in customer business and a noticeable reduction in costs in connection with the "Strategy 2024" programme. At the same time, the year under review was marked, among other things, by valuation charges in connection with pension obligations and by the absence of income from write-ups on holdings in affiliated companies, recorded in the previous year. Overall, Commerzbank Aktiengesellschaft posted net income of €398m for the 2022 financial year, after a net loss of €–1,409m in the previous year.

The changes in the individual earnings components are set out below.

Net interest income, the balance of interest income and interest expense, was €4,152m and thus €540m higher than in the previous year. In business with private and small-business customers, interest-bearing business recorded an increase in income due to the continued growth of the credit portfolio, including in retail mortgage financing and individual loans. The turnaround in interest rates since the start of the year also generated additional deposit income.

Furthermore, the income generated in the first half of the year in connection with special repayments of mortgage loans had a noticeable impact compared with the prior-year period. Net interest income in business with corporate clients was also higher than in the prior-year period, with the increase attributable in particular to a positive performance in SME business.

Net commission income decreased markedly by 4.1% year on year to €3,011m. While there was an increase in income from foreign exchange, notes/coins and precious metals trading and from payment transactions, securities volumes were significantly lower in business with private and small-business customers. This was mainly attributable to the weak market performance in the reporting period and was reflected in declining commission income.

Net trading income came to €594m in the year under review, after €210m in the previous year. A decline in the mark-to-market result and in net income from trading reserves was offset by a significant improvement in net interest income from trading portfolios reported under net trading income.

The balance of other operating income and expenses for the reporting period was €–2,378m, compared with €–938m in the previous year. The significant decrease resulted in particular from a fall in pension assets and from increased additions to provisions for pensions due to a decrease in the discount rate used to calculate the retirement benefit obligations at the balance sheet date.

The cost of assuming subsidiaries' losses under profit and loss transfer agreements was €–74m in the year under review. In contrast, income from profit pooling and from partial or full profit transfer agreements amounted to €196m, compared with €317m in the previous year. While income from the profit and loss transfer agreement with Commerz Real increased year on year, a capital gain on the sale of an investment at Commerz Ventures in the previous year led to a decline in earnings. This resulted in net income from profit and loss transfer agreements of €122m for 2022, compared with €264m in the previous year.

General operating expenses fell 6.1% to €5,310m in the year under review. With regard to the 7.3% reduction in personnel expenses to €3,126m, the effects of the reduction in the number of full-time employees more than offset countervailing effects, including in particular a profitability-related increase in variable remuneration. Other operating expenses were down 4.3% on the previous year at €2,184m. The decrease was primarily attributable to a fall in IT expenses and lower costs in connection with the streamlining of the branch network.

Depreciation, amortisation and write-downs of intangible and fixed assets decreased significantly in the year under review, falling by €231m to €432m. The decrease was due both to an impairment loss recognised in 2021 on internally generated software and to lower amortisation on internally generated and purchased software.

Income of €860m from write-ups on loans and certain securities and from the release of provisions in lending business was recorded for the 2022 reporting year, compared with write-downs and valuation allowances on loans and certain securities and allocations to provisions in lending business totalling €–797m in the previous year.

Income from write-ups of equity holdings, holdings in affiliated companies and securities accounted for as fixed assets amounted to €61m for the reporting year, compared with €600m in the previous year resulting mainly from valuations of equity holdings.

Overall, Commerzbank Aktiengesellschaft reported a profit on ordinary activities of €799m in the 2022 financial year, compared with a loss of €–140m in the previous year.

An extraordinary result of €–66m was recorded in the period under review. This related to restructuring expenses included in extraordinary expenses in connection with the "Strategy 2024" programme.

Tax expenses amounted to €335m for the year under review, compared with €188m in the previous year.

Commerzbank Aktiengesellschaft therefore made a net profit of €398m in 2022, after a net loss of €–1,409m in the previous year. Of the net profit for the year under review, €148m will be transferred to other retained earnings. Subject to the approval of the decision-making bodies, the remaining distributable profit will be used to pay a dividend of €0.20 per share eligible for dividends. Furthermore, in line with its policy on returning capital, Commerzbank has applied to the ECB and the Finance Agency for a share repurchase programme in the amount of €122m.

Balance sheet

Commerzbank Aktiengesellschaft had total assets of €442.2bn as at the reporting date, up 8.9% or €36.2bn compared with the end of 2021.

Within assets, the cash reserve fell by €29.8bn to €16.5bn. The marked decrease compared with the end of 2021 was due primarily to a significant fall in demand deposits held with central banks. Claims on banks rose significantly compared with the previous year, by €55.9bn to €86.2bn. While secured money market transactions increased only slightly by €2.0bn, other receivables – particularly from money market transactions – rose by a total of €53.2bn to €58.6bn.

Claims on customers grew by €5.1bn to €244.4bn. This was attributable in particular to a marked rise of €7.3bn in retail property and mortgage loans, and to municipal lending, which increased by €1.2bn. Secured money market transactions showed only a slight increase of €0.2bn year on year to €11.9bn. Bonds and other fixed-income securities rose by €7.3bn to €56.3bn. The increase resulted from higher holdings of bonds and notes in the investment portfolio, which rose by €12.0bn to €24.9bn. By contrast, holdings of bonds and notes in the liquidity portfolio and of own bonds decreased by a total of €4.7bn. Trading assets recorded a volume of €18.4bn, compared with €16.5bn in the previous year. While the portfolio of derivative financial instruments decreased slightly by €0.6bn to €8.9bn – with the increase in foreign currency derivatives largely offsetting the decline in interest rate derivatives – the receivables reported here rose by €2.8bn.

By contrast, equity holdings fell slightly by €0.5bn to €1.2bn. Holdings in affiliated companies decreased by just €0.2bn compared with the end of 2021 to €4.5bn.

On the liabilities side, liabilities to banks fell by 26.1% to €55.6bn. While sight deposits increased by €3.2bn and secured money market transactions were up by €2.9bn, other bank liabilities decreased by €25.7bn to €36.1bn. Liabilities to customers were €276.1bn, up €36.7bn compared with the end of the previous year. The increase was attributable to a rise in both sight and term deposits, which grew significantly by a total of €31.3bn. Securitised liabilities were €46.7bn, up €3.4bn on the previous year. Issues of debt securities increased by €3.1bn, while other securitised liabilities rose by €0.3bn. Trading liabilities increased slightly by €0.3bn year on year to €10.4bn due to slightly higher fair values of derivatives overall. While the fair values of foreign currency derivatives increased, the fair values of interest rate derivatives declined.

Other liabilities increased markedly by €12.5bn to €17.7bn compared with the end of 2021. Provisions rose by €1.7bn year on year to €6.3bn. The increase was mainly due to higher pension provisions. Subordinated liabilities totalled €7.2bn and were thus €0.5bn higher than at the end of the previous year.

Off-balance-sheet liabilities showed only a minor change overall compared with the previous year. Contingent liabilities rose by €0.5bn year on year to €45.1bn, while irrevocable lending commitments decreased by €0.2bn to €77.3bn.

Equity

Commerzbank Aktiengesellschaft's reported equity as at 31 December 2022 was €15.5bn, up €0.4bn compared with the end of 2021. The increase was attributable to higher retained earnings and the reported distributable profit for the year. Both the capital reserve and subscribed capital remained unchanged compared with the level at year-end 2021.

Since 2007, the Bank has made use of the waiver rule under Art. 2a of the German Banking Act, which means it only reports risk-weighted assets and capital ratios for the banking group to the supervisory authority.

In these terms, risk-weighted assets were €168.7bn as at 31 December 2022 and thus €6.5bn lower than at year-end 2021. This change was attributable to a decrease in risk-weighted assets from credit and market risks. The decrease in credit risks mainly resulted from declines in securities positions and two new securitisation transactions at mBank. This was partly offset by increases from the anticipation of initial effects from model adjustments under the "IRB Repair" programme set up by the banking supervisory authorities.

The decrease in risk-weighted assets from market risks was caused by improved regulatory requirements due to a reduction in the regulatory multiplier and by position changes. The inclusion of the increased income for 2022 due to the annual update of the three-year time series (standardised approach) led to an increase in risk-weighted assets from operational risks and thus had a slightly offsetting effect. The switch from the internal model to the standardised approach was made in the fourth quarter of 2021.

As at the reporting date, Common Equity Tier 1 capital was €23.9bn, compared with €23.8bn as at 31 December 2021. The positive impact of the net profit, actuarial gains and improved foreign currency reserve on Common Equity Tier 1 capital was partly offset by a negative development of the revaluation reserve and higher regulatory capital deductions. The Common Equity Tier 1 ratio was 14.1%, compared with 13.6% in the previous year. This increase in the ratio was mainly due to the decrease in risk-weighted assets. The Tier 1 ratio was 16.0% as at the reporting date, compared with 15.5% as at the end of 2021. This improvement was also attributable to the decrease in risk-weighted assets, even though it was no longer possible to count AT1 instruments as core capital under the CRR provisional rules. Tier 2 capital was reduced due to the cancellation of a Tier 2 bond, the elimination of Tier 2 instruments from temporary grandfathering and amortisation effects (eligibility based on residual maturity). The new issues of two Tier 2 bonds increased Tier 2 capital by around €0.9bn. The total capital ratio (with transitional provisions) was 18.9% as at the reporting date, compared with 18.4% as at the end of 2021. Own funds decreased by €0.3bn year on year to €31.9bn as at 31 December 2022.

The leverage ratio, which is equal to Tier 1 capital divided by leverage ratio exposure, was 4.9%.

Summary of 2022 business position

The difficult economic situation – primarily in connection with the energy crisis, the sharp rise in inflation and the Russia-Ukraine war – meant that the 2022 financial year was another particularly challenging one for the banking sector.

Despite these challenging conditions, Commerzbank can look back on a successful 2022 financial year. Major parts of the restructuring, which had a profound impact on the entire organisation and characterised large periods of the first two years of the implementation process, have now been largely completed. For example, we have already finalised most of the planned gross reduction of 10,000 full-time positions. The reduction of almost 9,000 positions was contracted by the end of 2022, the majority of them in Germany. A large part of the remaining reduction will come from the optimisation or closure of foreign locations, which can be achieved without major implementation risks. At the same time, we have rationalised our domestic branch network more quickly than we had planned two years ago. Of the original 1,000 branches, 450 remained by mid-2022, meaning that we achieved the reduction originally announced as part of our strategy ahead of schedule.

As the Bank is managed via its segments, the information that follows is geared towards the performance of the Group. For more information on corporate management and the key figures and data used to manage the Group, please see the Group Annual Report 2022, which is published on the Commerzbank website.

In the Private and Small-Business Customers segment, the focus in the 2022 financial year was on implementing the central initiatives under the "Strategy 2024" programme. The main focal points were the expansion of the online and mobile banking channels, the digitalisation of processes and procedures, and the launch of the "advisory centre" distribution channel. The advisory centre has been progressively and successfully launched at all 12 locations since mid-September 2022. Skilled advisors are available to customers by telephone, e-mail or video, including in the evenings and at weekends, to discuss all financial matters such as accounts, cards, securities investments and real estate financing. On the income side, supported by the turnaround in interest rates we were again able to achieve tangible growth in the Private and Small-Business Customers segment in the past financial year. This was reflected in a significant increase in net interest income. As expected, net commission income failed to match the previous year's level. The decrease compared with 2021 reflects a €30bn drop in the volume of securities to €189bn as a result of the weaker stock markets.

By contrast, the volume of loans further increased by around €3bn to €124bn. The volume of retail mortgage lending increased to €95bn, although new business cooled noticeably in the course of the year under review. The volume of deposits expanded by around €7bn to €155bn. Overall, the Private and Small-Business Customers segment significantly increased its operating income compared with the previous year, in line with our expectations. It was also able to more than offset the high charges from the provisions for foreign currency loans at mBank. Against the backdrop of the difficult macroeconomic environment, the risk result increased significantly compared with the previous year. This was also in line with our expectations. Costs in Germany fell slightly as expected, but this was not fully reflected in total operating expenses for the segment as a whole due to an increase in costs at mBank. We were nevertheless able to keep operating expenses slightly below the prior-year level; given the significantly higher operating income recorded, this led to a tangible improvement in the cost/income ratio. Overall, the segment's operating profit increased as expected, while the operating return on equity also showed a pleasing year-on-year improvement, as anticipated.

The Corporate Clients segment focused on implementing strategy measures in the 2022 reporting year. The establishment of a business model offering differentiated and efficient relationship management, the creation of the technical infrastructure and further digitalisation projects were the focal points of capital expenditure in the Corporate Clients business. With our "Mittelstandsbank Direkt", we established the first genuine direct banking offering for companies in the German market. As at the end of the year, we were already servicing around 6,000 customers through this channel. Earnings in the individual areas showed a positive trend compared with the prior-year period. The Mittelstand division benefited in cash management from higher income in deposit business and higher payment transactions income. The division also generated higher income from hedging transactions in connection with currency and commodity trading in the capital market business, while the lending business posted a stable performance. In the International Corporates division, higher income from transaction banking and the capital markets business in particular contributed to higher profit. The Institutionals division also posted an extremely positive performance. Higher income – particularly from cash management – contrasted with somewhat lower income from bond issues. The Others division, which includes hedging and remeasurement effects, recorded a significant year-on-year rise in income that was primarily attributable to remeasurement effects. Contrary to our expectations, the segment recorded a pleasing increase in income overall compared with the previous year.

As expected, the risk result was significantly higher than the previous year's figure, mainly due to individual cases connected with Russia. Also as expected, operating expenses fell year on year thanks to successful cost management. Overall, the higher income – despite an appreciable rise in the risk result – led to a significant increase in operating profit. Accordingly, the cost/income ratio improved as expected. Contrary to our expectations, the operating return on equity increased significantly compared with the previous year.

Overall, Commerzbank Aktiengesellschaft achieved a net profit of €398m for the year under review, after a net loss of €–1,409m in the previous year.

Outlook and opportunities report

Future economic situation

The global tightening of monetary policy will markedly slow growth in the world economy. China is the only economy likely to experience stronger growth in 2023. Although the current wave of coronavirus infections is likely to still weigh on growth at the beginning of this year, the cancellation of the strict zero-Covid strategy means that economic activity should pick up again from the spring. This will also be helped by the fact that the government is to again place greater emphasis on promoting growth in its 2023 economic policy. For example, it has implemented far-reaching measures to support the ailing real estate sector.

In the USA, the Federal Reserve is likely to increase its policy rate corridor by a further 75 basis points to between 5.25% and 5.50% by the summer. That is because the labour market is still very tight and wage pressure is correspondingly high. The marked tightening of monetary policy suggests there may be a recession in the US economy in 2023. Higher financing costs have already put a significant damper on the real estate market.

A recession in the USA will weigh on the eurozone economy, as will high inflation and tighter monetary policy at the ECB. By the summer, the ECB is likely to have raised its deposit rate by a further 100 basis points to 3.50%. For a number of reasons, however, the economy is not expected to collapse in the way that it did during the financial crisis of 2008–2009 or after the outbreak of coronavirus. Firstly, gas rationing has become unlikely. Secondly, many governments have decided to provide assistance to their citizens and businesses. Thirdly, supply chain issues have now peaked. Many companies will now find it easier to work through their order backlogs, which are still at a very high level.

The suspension of the Stability and Growth Pact will continue into 2023, meaning that member states will still be allowed to have budget deficits that exceed 3% of GDP. EU member states will also continue to receive money from the EU Recovery and Resilience Facility in 2023. We are expecting the eurozone economy to stagnate on average over the year in 2023. We predict that the German economy will contract by 0.5%.

We are anticipating some easing on the financial markets in 2023. Though yields are likely to rise somewhat in the first few months of the new year, if the US Federal Reserve and the ECB respond to the decline in inflation by ending the cycle of interest rate increases in the summer, bond yields are likely to fall. That is particularly true for corporate bonds.

The euro has slipped below parity against the US dollar at times owing to fears of an energy crisis, which would have mainly affected the eurozone and less so the US with its own supplies. As the risk of gas rationing has now decreased, the euro/US dollar exchange rate has recovered. The alignment of ECB and US Federal Reserve monetary policy suggests that the euro/US dollar exchange rate will remain largely unchanged in 2023.

Shares rallied significantly in the autumn, due mainly to the prospect of falling inflation rates. Nevertheless, equity markets are likely to remain volatile in the first half of the year. This is mainly due to disappointing corporate earnings, which are likely to be impacted by rising interest rates, high input costs and the recession.

Exchange rates	31.12.2022	31.12.2023[1]
Euro/US dollar	1.07	1.08
Euro/Sterling	0.89	0.91
Euro/Zloty	4.68	4.65

[1] The figures for 2023 are Commerzbank forecasts.

Future situation in the banking sector

Our views regarding the expected development of the banking sector structurally and over the short and medium term are basically unchanged from the statements we published in recent reports. In the short term especially, the risks are still to be regarded as very challenging. Against the backdrop of the higher cost of debt and enormous increases in the cost of living, more corporate and personal insolvencies must be expected in the coming months. The net debt of many borrowers has risen sharply in recent years due to very favourable financing conditions. The resulting need for value adjustments will affect both retail and corporate banking business.

Russia's war in Ukraine and the suspension of its gas supplies have exacerbated the economic situation, particularly in Europe, to such an extent that both industry and households are suffering as a result. Although the negative effects on the economy and society are being mitigated by the support packages that have been agreed, this means having to accept a significant increase in public debt everywhere in Europe. For most European countries, Germany included, recession or at best economic stagnation therefore appears inevitable in the coming months, which will put pressure on the earnings situation in the banking sector. Because many companies have so far passed on only part of their additional costs to consumers, the core rate of inflation in particular is likely to remain high.

Added to this are ongoing risks associated with the coronavirus pandemic. Further waves of infection and the associated adverse effects on the economy – especially in China – are thus conceivable. German banks' net interest and commission income would be negatively affected by the feared weakness of the export industry, which is so important for the country's economy. Heightened volatilities on financial markets are also contributing to the noticeable burden in the form of increased loan loss provisions and financial requirements for banks. Business with corporate and small-business customers is therefore under considerable pressure. Business with retail customers is also being affected, as the sharp rise in inflation is having a negative impact on private consumption. The financial buffers built up during the coronavirus restrictions due to the increased propensity to save are now likely to be running out for many households. Demand for residential mortgages, which has so far been very robust owing to the lack of affordable housing, is also beginning to weaken markedly as mortgage interest rates continue to rise.

In the case of residential real estate, the first indications of a noticeable slowdown in the price momentum seen for many years are becoming increasingly apparent in Germany. The partly weak and uncertain prospects for income, coupled with the significant increase in interest rates since the beginning of 2022, are increasingly slowing the previous upswing in the residential real estate market.

The sharp rise in interest rates has led to a marked decline in new mortgage business, both in Germany and in many other eurozone countries, even though mortgage volumes as a whole have continued to grow. Noticeable declines were recorded above all for loans with long fixed-interest periods of at least ten years. This is likely to lead to declining earnings. At the same time, however, margins on deposits are improving as a result of the general rise in interest rates, which may well more than offset the negative effect mentioned above. In this respect, the risks for the banking sector are more likely to result from a decline in the quality of the assets held. That is because long-term loans increase exposure to interest rate risks, payment delays and defaults. They also harbour the risk of losses in the value of property pledged as loan collateral.

According to the Deutsche Bundesbank's Financial Stability Report from the end of November 2022, this issue presents considerable downside risks for the banking sector in Germany. Above all, a further worsening of the energy crisis accompanied by a sharp economic slump represents a risk scenario for the German financial system. Vulnerabilities to adverse macroeconomic trends have increased over the years owing to the prolonged low interest rate environment and associated very cheap credit, along with considerable asset price growth. That applies both to the corporate sector – despite a significant increase in core capital ratios since the financial crisis – and to households. The sustainability of household debt still appears robust at present, but it is being undermined by the sharp decline in real income. The risk of contagion effects between the countries of the eurozone, which are closely interconnected in economic, political and financial terms, should also not be underestimated.

To enhance the resilience of the German financial system, the German Federal Financial Supervisory Authority (BaFin) issued general rulings in 2022 to activate the countercyclical capital buffer of 0.75% and introduce a sectoral systemic risk buffer of 2% for residential real estate financing. Both buffers must be held since the beginning of February 2023. In addition, regulators are requiring lenders to be mindful of prudent lending standards for residential mortgages. At the European level, the European Union is carrying out a review of the macroprudential framework. In view of the high risks to financial stability, the European Systemic Risk Board advocates further enhancing resilience in the European financial system through higher capital buffers, or at least maintaining the existing capital buffers. To expand the scope for macroprudential policy action, additional income-related instruments are also being called for. There are concerns, however, that a constant expansion of regulatory requirements may well have a counterproductive effect in view of the financing efforts that banks need to make in connection with the digital and above all sustainable transformation of the economy.

The outlook with regard to banks' interest margins has brightened. For a long time, persistently low interest rates were considered one of the key challenges. Central banks reacted to the far-reaching economic impact of the pandemic with bond purchase programmes, extensive liquidity provision and a zero interest rate policy. Government lending programmes also had a negative impact on banks' interest margins and profitability. Achievable net interest margins were therefore very low throughout Europe, but particularly in the German banking market. At the same time, refinancing costs rose due to the growth in customer deposits. The picture has now changed. In response to the rapid pace of inflation, central banks around the world have significantly tightened their monetary policy. A marked increase in credit interest rates, including in Germany, is enabling banks to improve their interest margins and thus also boosting the income trend across the entire financial sector. It remains to be seen, however, whether central banks, such as the Fed or the ECB in particular, will decide to change course in favour of an interest rate reduction policy given the heightened danger of a recession in their economic areas. In addition, the fierce national competition among German banks means that earnings potential in retail banking remains limited even with improved interest margins, especially as deposit rates are also likely to rise further over time.

As in the dominant interest-bearing business, the prospects in trading business can currently be regarded as positive as a result of the volatile market environment. However, many institutions have partially or even completely withdrawn from direct trading in the past. But the banking sector can also benefit indirectly: together with increasing trading volumes, higher market volatility means higher commission income in securities business. It is highly likely that the number of private shareholders in Germany will continue to increase over the next few years despite the growth in investment alternatives as interest rates continue to rise. As a consequence, and with the growing popularity of digital and mobile products, there will be greater demand for individual financial advice among bank customers who are less comfortable with technology and hugely unsettled by the economic turbulence. Given the existing demand for advice on complex banking transactions such as retail mortgage financing, branch business will therefore remain part of the basic service provided by banks, albeit in a pared back form.

In view of the income problems and ongoing competitive pressure, cost reduction remains the main issue both for German banks and for their European competitors. As a result, digitalisation of business processes and the utilisation of the data generated will advance rapidly.

The pandemic has already massively accelerated the trend towards digital banking services. The trends in customer behaviour that were pushed forward during the crisis – more online banking and new payment habits – are set to continue. This calls for highly automated IT processes and comprehensive data analytics methods that permit rapid adjustments in response to changing market conditions. This is encouraging the increasing shift away from branch-based retail banking, resulting in efficiency gains and a reduction in the range of products and services but also making it more difficult to generate commission income.

The new digital business models, with their ever shorter innovation cycles and the need for faster product delivery, require the use of forward-looking technologies such as the cloud and artificial intelligence. A cloud-first strategy with corresponding migration of the IT systems also offers the advantage of driving forward the modernisation of the existing core systems. At the same time, despite the pressure to innovate and reduce costs many traditional banks are faced with the central challenge of ensuring the quality and stability of their IT systems, protecting themselves against the growing threat of cyber attacks and maintaining the integrity of their data.

Against the background of the technological transformation referred to, the German banking market in particular is on the brink of a major upheaval. Over the longer term there will be a drastic reduction in the number of institutions and even more intense competition. More and more global technology groups, fintech companies, foreign banks and market infrastructure providers such as stock exchanges, clearing houses and information service providers will start offering a selection of traditional banking products. It seems unlikely that competitors from the tech segment will provide a full range of banking services, however. A significantly stricter regulatory framework for financial market players outside of the traditional banking sector, as recently advocated by the Bank for International Settlements (BIS), is also likely to limit the current competitive advantages of young fintech companies in the foreseeable future. Overall, established banks must invest continuously in their digital competitiveness in order not to lose their direct customer access and the associated data advantage. Adequately positive returns can only be achieved through additional cost reductions and further expansion of commission-based business areas.

In the long term, the banking sector will be shaped by the further development of the European monetary union into an integrated financial market union. The aim of the European Commission's digital finance strategy is to establish a financial market that applies uniform EU-wide rules and thus ensures technology neutrality and sustainability as well as identical framework conditions for all providers.

Many banking markets in Europe are still dominated by national legislation, with at times significant divergence in terms of regulations and customer requirements. There is also overcapacity almost everywhere, which reduces profitability. Although the market consolidation process is continuing, with the number of banks falling steadily both in Germany and in Europe over the past few years, this has mainly involved smaller banks being taken over or merged with one another. Greater consolidation is being prevented above all by the marked rise in the risks associated with takeovers and mergers, which is due to the increasing importance of technology for sales channels.

The European banking union is still a work in progress, leaving a great deal of leeway for individual member states in terms of banking regulation. Progress has been made, however, with the completion of the Basel 3 capital rules. Most recently, agreement was also reached on revising the rules for banks that get into difficulties. However, the lack of an acceptable EU-wide deposit insurance system (EDIS) in particular has thus far prevented further market integration. The EDIS is the third element in the European banking union, alongside the already active Single Supervisory Mechanism (SSM) and the existing Single Resolution Mechanism (SRM).

In addition to the planned introduction of a digital euro, another intended step towards greater harmonisation across Europe is the creation of a common payment system (EPI) that is set to become the new standard for payments by consumers and merchants. The EPI could provide European banks with greater lending volumes, as it would give them an entry into the business of payment card companies based outside the EU. In addition to the way in which we will use money in the future, and the role of central bank money in this, banking regulation is focusing increasingly on the management of ESG (environmental, social and governance) risks. According to the World Economic Forum (WEF), the three greatest challenges of our time in the coming years will be climate change, extreme weather events and the loss of biodiversity. With this in mind, the EBA intends to embed climate and environmental risks more firmly in banks' risk management processes, including mandatory disclosure of climate risks. For example, an initial climate stress test was carried out last year. Climate risks are also set to be a focus of future ECB stress tests, enabling banks to better assess their consequences for their business environment.

According to the Bundesbank, the German financial system is well equipped to overcome the risks arising from higher taxes on fossil fuels. However, the financing requirements of the European Commission's planned green deal could lead to green quantitative easing. This is new, and moreover not uncontroversial, because to date none of the world's central banks have pursued a monetary policy that is explicitly oriented towards climate protection goals.

Climate-friendly project financing is entering a new phase. Initiatives targeted include increased electrification, expansion of energy transmission and distribution infrastructure including grid-scale storage, emissions reductions in energy-intensive industries such as steel and cement, and solutions for preserving natural biodiversity. The signs of this new era are already visible. In addition to continued investment in power generation, they include increased support for new technologies such as hydrogen generation and grid storage, as well as product innovations to finance CO_2 reduction.

Managing opportunities at Commerzbank

The demands placed on modern, sustainable banking business and the overall framework conditions have changed markedly in the past few years. Whereas personal customer relationship management was formerly a key element, these days customers expect multi-channel advisory services, digital financial offerings and individual, tailor-made products that are available at any time. We have responded to this by continuously adapting our strategic direction over the past few years. We are undertaking a far-reaching restructuring under our "Strategy 2024" programme. The aim of the restructuring is to combine the benefits of a fully digitalised bank with personal advisory services, an unwavering customer focus and sustainability. Our goal is to be *the* digital advisory bank for Germany. With our new positioning, we want to become more efficient and create sustainable prospects for our workforce, customers and shareholders.

As part of its comprehensive digitalisation, the Bank is significantly streamlining its branch network and expanding its range of digital services. In our branches that remain in the target portfolio, we will offer advice on all aspects of accounts, cards and instalment loans and, at selected locations, additional comprehensive support on all matters relating to assets and financing. The round-the-clock service is also being significantly expanded. This is being offered through our advisory centre, which will become the most important contact channel for personal service and for advising our customers. With the advisory centres we are creating something completely new, drawing on the expertise and experience of Commerz Direktservice, the comdirect brand and the branches. Whereas personal advice was previously only available in our branches, in future our customers will also be able to obtain advice through the new advisory centres. Advisory services can be obtained at home or while out and about, wholly in line with customer needs. This can be done by telephone, video or chat – including in the evening and at the weekend.

Going forward, therefore, we will be offering our customers three access routes: the advisory centre, our branches and the digital channel. Through this approach, we can offer them the appropriate services at a time that suits them and via their preferred access route. All 12 advisory centre locations are already up and running. Staffing and customer migration had been completed by the end of November. In addition to an already successful relaunch of the online customer portal, we have now also started the pilot project for small-business customers.

We will continue to automate our business processes consistently and across the board. Within the lending process for private customers, this includes, for example, standardised products such as instalment loans or increases in credit card limits. We are also taking advantage of the high growth potential in the German premium market to restructure our service model for high-net-worth private and small-business customers. In this way, we aim to become *the* bank for entrepreneurial wealth management. In the future, both generalists and specialists covering a diverse range of customer requirements will be represented in premium branches at a number of locations. By working closely with each other and with colleagues in the Corporate Clients segment, they will help the Bank ensure seamless customer service in both the private and the business sphere.

We intend to further enhance our strong positioning in serving German SMEs. As the leading trade finance bank in Germany, we ensure a presence along altered trade corridors. To this end, we are steadily simplifying the trading platform. In the Corporate Clients segment, we are focusing on clients with a clear connection to Germany. As such, we closed several international sites in the course of 2022. We are gradually introducing an innovative direct banking offering – Mittelstandsbank Direkt – for corporate clients that require standardised products and advisory services. Corporate customers with complex advisory requirements will continue to benefit from personalised relationship management. Advice is being combined with innovative services such as the digital bank for companies and forward-looking, sustainable products. Data-based solutions and sales analytics support sales and enable efficient relationship management. The employee migration in the Corporate Clients segment took place in mid-November 2022. This was the starting signal for the new target structure and the new service model. The full migration of 6,000 clients to Mittelstandsbank Direkt was completed by the end of 2022.

We will transform the Bank across all segments. This transformation affects our strategy, technology, skills and culture, while also taking into account the particular risk in the form of cyber attacks.

Customer trust built up over years facilitates the use of smart data and is thus a competitive advantage in the digital age. When introducing new applications, the focus is on the customer perspective. For some time now, we have been supported in this by our subsidiaries CommerzVentures (venture capital fund for participation in fintechs, insurtechs and climate fintechs) and neosfer (formerly Main Incubator). As a research and development unit for future technologies, neosfer enables innovations and early-stage investments by Commerzbank. This is done by investing in early-stage start-ups (neosfer.invest), developing business models or ventures internally (neosfer.build), and building ecosystems around the sustainable and digital future of our society (neosfer.connect). With this realignment, neosfer is now consciously linking up its future-oriented skills in the area of digitalisation with those it possesses in the area of sustainability.

Commerzbank is driving its cultural change with the aim of strengthening a performance culture geared to success. We want to strengthen entrepreneurial thinking, as befits the start-up mentality, including among our own employees, applying modern forms of cooperation and agile methods to develop innovative products. To this end, we introduced the Delivery Organisation (DO) at head office back in 2019. Its overarching purpose is to modernise the IT architecture while maintaining operational stability, expand capabilities and capacities, and develop new professional functionalities for our customers. An innovative collaboration model was also launched within the DO to reduce complexity and create clear responsibilities. For this purpose, we have assigned clusters to different layers in order to simplify complex processes. In mid-2022, we entered the implementation phase of the structure set up as a project; the organisational target structure is to be put in place in the course of 2023.

Our transformation offers both potential cost savings and growth opportunities in future markets such as digital ecosystems, embedded finance, digital assets and sustainability. Our activities in the area of sustainability, one of the four cornerstones of our “Strategy 2024” programme, are based on ESG (environmental, social and governance) criteria. Given the clear evidence of the impact of climate change, we are currently focusing more heavily on climate protection. Further information on our sustainability strategy and on our sustainability goals and activities can be found on the Commerzbank website.

Overall, we are convinced that rigorous implementation of the measures already initiated and those recently adopted will enable us to create added value for our customers, employees, investors and shareholders, and for society as a whole. We have a clear goal in mind: to create a strong Commerzbank that is fit for the future.

The funding plan for 2023 envisages a volume of around €5bn. Commerzbank’s borrowing on the capital market is influenced by its business performance and planning as well as the evolution of risk-weighted assets. Commerzbank has access to the capital market through a broad range of products. In addition to unsecured funding instruments (preferred and non-preferred senior bonds, Tier 2 subordinated debt and Additional Tier 1 capital), when refinancing Commerzbank can also issue secured funding instruments, in particular mortgage Pfandbriefe and public-sector Pfandbriefe. As such, Pfandbriefe are a key element of Commerzbank’s funding mix. These give Commerzbank stable access to long-term funding with cost advantages compared with unsecured sources of funding. Issuance formats range from large-volume benchmark bonds to private placements.

By regularly reviewing and adjusting the assumptions used for liquidity management and the long-term funding requirement, Commerzbank will continue to respond actively to changes in the market environment and business performance in order to secure a comfortable liquidity cushion and an appropriate funding structure.

Anticipated performance of Commerzbank Aktiengesellschaft

As the Bank is managed via its segments, the information in the following sections of the outlook and opportunities report is geared towards the performance of the Commerzbank Group as a whole.

Commerzbank has successfully completed the first half of its four-year transformation programme “Strategy 2024”. While the focus in the past two years was on restructuring with the associated reduction in personnel, the emphasis is now on expanding profitable customer business.

The framework conditions for the Bank’s financial ambitions in 2024 have changed. While increased interest rates open up additional earnings potential, Commerzbank will not be able to fully escape the pressure on costs due to high inflation. With a slightly weaker forecast for the risk result, these factors mean that the Bank is targeting an operating profit of €3.2bn in 2024. We had previously been expecting an operating profit of €3.0bn for 2024. As a result, a higher net return on tangible equity of more than 7.3% is expected, while the target cost/income ratio is unchanged at an ambitious 60%.

The strategic priorities for 2023 are shaped in particular by the successful establishment of the new business model for both private and small-business customers and corporate clients. With a clear focus on profitable customer business, the speed of transformation is to be maintained unabated. Huge importance will be placed on continued strict cost discipline, with a focus on the cost/income ratio. At the same time, Commerzbank plans to make further progress in the area of ESG and sustainability. Finally, a high priority for Commerzbank is to increase its attractiveness as an employer so that it can successfully manage demographic change.

Commerzbank expects the environment for banking to remain challenging in 2023. A mild recession with continued high inflation and associated higher interest rates has a material impact on the expected financial results for 2023.

Anticipated performance of individual earnings components

Higher interest rates already had a positive impact on net interest income in 2022. For 2023, we expect a further slight increase in net interest income to over €6.5bn. In the event that the higher forward interest rates from January 2023 are realised on the market and the interest pass-through on deposit balances remains five percentage points below the expected 30%, net interest income is expected to total €7.1bn. The driver for this increase is wider margins in customer deposits. In particular, non-interest-bearing demand deposits from customers can be invested at higher interest rates than in the past. In 2023, this will more than offset the loss of €189m in extraordinary income received in 2022 from longer-term refinancing operations with the ECB (TLTRO). The slowdown in new retail mortgage business will not yet have a significant impact on net interest income in 2023. Instead, Commerzbank expects volumes and margins to remain largely stable across the entire loan book. mBank in Poland contributed in particular to the increase in net interest income for the Group last year. However, the Bank expects the trend to be largely flat in 2023, reflecting an increased pass-through of interest rates to mBank customers.

Net commission income for the current year is expected to be at the same level as in the previous year. Slightly weaker commission income in securities business with retail customers is likely to be offset by higher income in corporate client business, as are effects in private customer business from customer attrition due to branch closures.

Net income from financial assets and liabilities measured at fair value through profit or loss is generally subject to increased volatility, which can be influenced only to a limited extent. This is due in part to the fundamental uncertainty regarding developments on the global capital markets. Accounting rules are a factor too. Sometimes they may require similar items to be presented as fair value measurements in the fair value result in one time period, whereas the interest component dominates in another. Year-on-year shifts between the income items net interest income and fair value result – and vice versa – are therefore possible. A portion of this income component is therefore directly related to net interest income. With its risk-oriented and customer-focused approach, Commerzbank, like mBank, seeks to achieve income that is as high and stable as possible. After the fair value result made a clearly positive contribution of €451m to Group earnings in the 2022 financial year, a lower or even negative contribution cannot be ruled out for the current year.

Experience has shown that the other income items, including realised profit or losses on financial instruments and other net income, are often affected to a large extent by one-off income and measurement effects that are usually impossible to predict. A largely break-even result is forecast for the 2023 financial year. Further charges cannot be ruled out in respect of the provisions for legal risks in connection with mortgage loans issued in foreign currencies at mBank, whose effects are reflected under other net income. After large provisions were recognised in 2022, however, no material expense is expected for the current year.

Following a figure of €–876m last year, Commerzbank also expects a charge from the risk result of less than €–900m for 2023. This expectation takes into account at least partial utilisation of the top-level adjustment (TLA) of €482m as at the end of 2022. This TLA reflects expected secondary effects in the loan book due to factors including global supply chain bottlenecks and the consequences of the war in Ukraine.

Operating expenses, including compulsory contributions, are to be further reduced to €6.3bn in the current year despite high inflation. However, the cost/income ratio is used as the core performance indicator for the Bank. This means that operating expenses reflect any deviations from budgeted income and, for example, determine whether funds for investment are released or withheld. The expenses for variable remuneration are also affected by deviations from budgeted income.

Overall, in addition to operating profit the consolidated profit attributable to Commerzbank shareholders and investors in additional equity components is also expected to increase significantly in 2023. This should be accompanied by an increase in the distribution ratio for shareholders from 30% to 50% for the 2023 financial year.

Anticipated segment performance

In the **Private and Small-Business Customers (PSBC)** segment, the focus in the current year will be on effectively adapting customer business to the new business model. With the branch network in Germany reduced to around 450 branches last year and expected to reach the target size of 400 branches this year, around 8 million branch customers will be served from the advisory centre with its 12 locations. The aim is to ensure that earnings potential is leveraged in line with the altered customer service situation and that potential customer attrition is effectively limited. At the same time, further investments will be made in digital applications and processes. This is intended to further strengthen comdirect’s very good market position. In the current year, particular attention will be paid to personal service and business potential with high-net-worth private customers.

Net interest income should increase due to the rise in interest rates in the current year, when the prior-year figure is adjusted for the Group-neutral extraordinary income from fair value adjustments of around €90m in the second quarter of 2022. A similar position is excluded for 2023 as the underlying offsetting procedure in the Group has been adjusted.

Commerzbank is expecting a slight decline in net commission income for the PSBC segment. The reason for this forecast is the expectation of largely unchanged equity indices, particularly in Germany. As a result, both portfolio-related and transaction-related income from securities is likely to be lower than in the previous year, when stronger markets – particularly in the first quarter of 2022 – boosted income.

With regard to both net interest income and net commission income in the PSBC segment, mBank is expected to contribute at the same level as in the previous year.

Overall, we expect net income in the PSBC segment to be significantly higher than in the previous year, on the assumption that the high one-time charges at mBank in Poland resulting from the credit holidays and from provisions for legal risks in connection with mortgage loans issued in foreign currencies will not recur in the current year.

Operating expenses in the PSBC segment, including mandatory levies, are expected to be at the same level in 2023 as in 2022. While lower costs are expected for Germany owing to the advanced progress of the headcount reductions, the planning for mBank foresees higher costs in the current year because of inflation.

Despite expecting a higher charge for the risk result in the PSBC segment than in the previous year, we expect operating profit to increase year on year due to rising income. As such, the operating return on equity should increase significantly and the cost-income ratio in the PSBC segment should fall.

In the **Corporate Clients (CC)** segment, too, the focus in the current year will be on intensifying customer business. The overriding priority is to generate further earnings potential by providing effective support for German SMEs in their business activities. In so doing, Commerzbank is responding to altered global trade flows and will ensure that it supports its customers along the relevant trade corridors. For smaller SMEs, Commerzbank has established “Mittelstandsbank Direkt”, which is already providing high-quality direct banking services for 6,000 customers nationwide from its Hamburg location. This model will be further expanded in the current year and is set to be opened up to new external customers in the second half of the year. Commerzbank will continue its efforts to improve the return on capital employed in the CC segment in 2023.

Commerzbank is expecting a further significant increase in net interest income in the CC segment due to higher market interest rates, which allow corporate client deposits to be reinvested at higher margins than in the past.

Net commission income is also expected to be slightly higher than in the previous year. In addition to hedging transactions, such as those carried out in connection with foreign currency transactions, cash management is also a driver of this increase.

As the quality of forecasting for all other income items in the Corporate Clients segment is subject to a high degree of uncertainty, the possibility that other income will not reach the 2022 level cannot be ruled out. Overall, therefore, the possibility that total income in the segment will be lower than in the previous year cannot be ruled out either.

In terms of operating expenses, Commerzbank expects costs in the Corporate Clients segment to be lower than in 2022. This will be driven by the advanced progress of the headcount reductions in the segment and in the back office units, which will then have a positive impact on the segment through lower cost allocations.

We are expecting slightly lower charges for the risk result in the Corporate Clients segment compared with the previous year. This is based on the assumption that the economic slowdown will only lead to a mild recession in Germany and that the expected negative effects have already been partially anticipated through the TLA in place at the end of 2022.

In summary, without the additional potential from higher forward interest rates materialising, we are expecting a slightly higher operating profit for the Corporate Clients segment in 2023. The operating return on equity should therefore remain stable with slightly higher risk-weighted assets, while there is likely to be a slight improvement in the cost-income ratio.

General statement on the outlook for the Group

Based on our current estimates, we expect Commerzbank Aktiengesellschaft's parent company financial statements to show a net profit for 2023 that is significantly higher than the prior-year figure.

For the 2023 financial year, Commerzbank expects to significantly exceed both the operating profit of the previous year and the consolidated profit attributable to Commerzbank shareholders and investors in additional equity components. The main reasons for the expected increase are higher net interest income, the elimination of high one-time charges at mBank in Poland and lower operating expenses in the Group. Accordingly, Commerzbank is expecting a further increase in the net return on tangible equity towards the target of more than 7.3% in 2024.

Commerzbank's target for its Common Equity Tier 1 capital ratio is based in part on the capital requirements resulting from the Supervisory Review and Evaluation Process (SREP). This minimum requirement culminates in the MDA threshold, which is approximately 10.1% for the first quarter of 2023. This compares with a CET1 ratio of 14.1% at year-end 2022. Commerzbank thus has a significant capital buffer above the regulatory minimum requirements. Commerzbank is still expecting a CET1 ratio of around 14% for 2023. This target already takes into account a planned distribution of 50% of net income after deduction of fully discretionary AT1 coupons for the 2023 financial year.

There are numerous risk factors that could nonetheless affect the 2023 profit forecast to a considerable, though not reliably quantifiable extent, should events take an unfavourable turn. These still include high global economic risks. Geopolitical risks such as the Russia-Ukraine war, which could significantly accelerate existing inflationary trends through the massive increase in raw material prices, also have the potential to weaken the expected economic recovery and thus have an impact on our business performance. Moreover, trade disputes triggered by political tensions between the economic blocs of Europe, North America and Asia remain possible.

Other risk factors include unfavourable trends in the regulatory or legal environment and a further tightening of the competitive situation in Germany. Along with inflation-related cost increases, a fall in margins to levels that are unattractive from a risk-return perspective could also delay and/or limit the effectiveness of the expected positive effects of the measures to increase Commerzbank's profitability over the coming years. For further information on other risks, see the risk report on page 64 ff.

In Poland, there is still no immediate prospect of a final supreme court ruling on the legal situation concerning lawsuits brought by private customers relating to Swiss franc real estate loans, meaning that further charges cannot be ruled out. Further information on the statement on this matter made in mid-February 2023 by the Advocate General of the European Court of Justice can be found in the report on the events after the reporting period in the notes on page 84 f.

Risk Report

Risk reporting takes place according to the internal risk management of Commerzbank at the Group and segment level. The basis for this is formed by the financial figures according to IFRS as well as the key risk parameters according to the regulatory requirements.

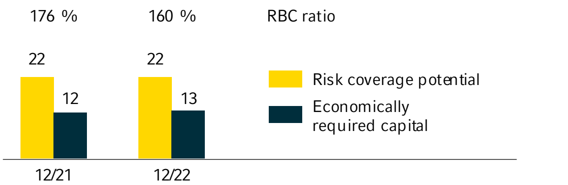
Executive Summary 2022

Economic uncertainty and the consequences of the Russian invasion of Ukraine are still weighing heavily on the macroeconomic outlook. The model-based parameters used to establish loan loss provisions do not yet fully reflect these effects. The secondary effects TLA booked in this regard continues to reflect adequately the anticipated effects. In the remaining risk figures, the expected uncertain development is currently primarily perceptible in the figures for Central and Eastern Europe, where the current situation is reflected in an increased expected loss and thus a higher risk density.

Risk-bearing capacity ratio stood at 160% as at 31 December 2022

- The risk-bearing capacity ratio remains well above the minimum requirement.
- The increase in economically required capital compared to December 2021 is mainly due to higher market and operational risks.

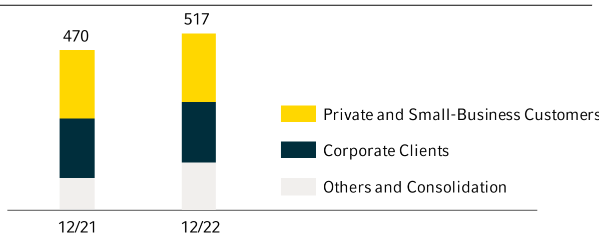
Risk-bearing capacity
€bn



The Group's exposure at default increased

- The Group's exposure at default increased from €470bn to €517bn in 2022.
- The risk density declined from 18 basis points to 17 basis points over the same period.

EaD
€bn

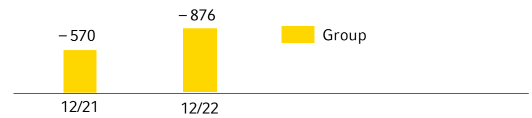


The following Risk Report is also part of the Management Report.

Risk result for the Group amounted to €–876m in 2022

- Compared to the previous year the risk result increased significantly and was impacted in particular by the Russia-Ukraine war.
- The direct effects of the coronavirus pandemic have abated to the point where no further charge is expected from it.

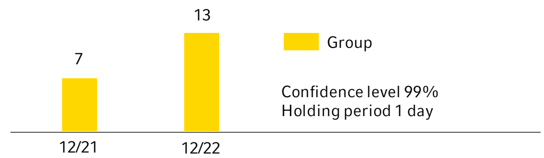
Risk result
€m



Market risk in the trading book increased in 2022

- Value at Risk (VaR) increased in 2022 from €7m to €13m.
- The reason for this is the increased market volatility resulting from the Russia-Ukraine war, which led to new crisis scenarios in the VaR calculation.

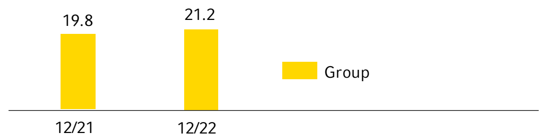
VaR
€m



Operational risk increased year on year

- In 2022 risk-weighted assets from operational risks increased to €21.2bn.
- The total charge for OpRisk events fell from €1,136m in the previous year to €951m.

Risk-weighted assets from operational risks
€bn



Risk-oriented overall bank management

Commerzbank defines risk as the danger of possible losses or profits foregone due to internal or external factors. In risk management, we normally distinguish between quantifiable and non-quantifiable types of risk. Quantifiable risks are those to which a value can normally be attached in financial statements or in regulatory capital requirements, while non-quantifiable risks include compliance and reputational risk.

Risk management organisation

Commerzbank regards risk management as a task for the whole Bank. The Chief Risk Officer (CRO) is responsible for developing and implementing the Group's risk policy guidelines for quantifiable risks, laid down by the Board of Managing Directors, as well as for measuring these risks. The CRO regularly reports to the Board of Managing Directors and the Supervisory Board's Risk Committee on the overall risk situation within the Group.

The risk management organisation comprises Group Credit Risk Management, Group Risk Control, Group Cyber Risk & Information Security as well as Group Big Data & Advanced Analytics.

The CRO also has responsibility for Group Compliance. It is Group Compliance's responsibility to establish appropriate governance, procedures and systems to allow the Bank to avoid unintentional endangerment as a consequence of compliance risks. Group Compliance is led by the Chief Compliance Officer.

All divisions have a direct reporting line to the CRO.

The Board of Managing Directors has exclusive responsibility for fundamental strategic decisions. The Board of Managing Directors has delegated operative risk management to committees. Under the relevant rules of procedure, these are: the Group Credit Committee, the Group Market Risk Committee, the Group OpRisk Committee, the Group Cyber Risk & Information Security Committee and the Group Strategic Risk Committee, which decides on risk issues of an overarching nature. The CRO chairs all these committees and has the right of veto. The CRO is also a member of the Group Asset Liability Committee. Here the CRO also has a right of veto on certain topics (e.g. liquidity risk issues).

The tasks and competencies of the respective committees are described below:

The **Supervisory Board's Risk Committee** is the Bank's highest risk committee. It comprises at least five Supervisory Board members. The Risk Committee's tasks include monitoring the risk management system and dealing with risks such as market, credit and operational risk, reputational risk and cyber risks (including information security at the Bank). The Risk Committee determines the type, scope, format and frequency of the information that must be presented to the Board of Managing Directors about strategy and risk.

The **Group Credit Committee** is the decision-making committee for operative credit risk management, comprising two representatives each from the back office and front office. The Group Credit Committee takes decisions in line with the competencies delegated to it by the Board of Managing Directors and is responsible for managing all credit risks. It acts on the basis of the prevailing Group credit risk strategy.

The **Group Market Risk Committee** monitors market risk in the interests of the Bank as a whole and manages limit requirements in line with risk-bearing capacity. To do this, all market risks from the trading and banking book are analysed to identify risks early and for active risk management purposes. The focus here is on optimising the risk/return profile.

The **Group OpRisk Committee** (OpRiskCo) is responsible for managing operational risks within the Group and in this regard acts as the highest escalation and decision-making committee below the Board of Managing Directors. The OpRiskCo also addresses all important regulatory issues that arise in connection with the management of operational risks within the Group. In addition, it deals with standards on governance and assessing the functioning of the Internal Control System (ICS) within the Commerzbank Group. Details about the ICS can be found in the section on operational risks.

The **Cyber Risk & Information Security Committee** (CRISCo) monitors and manages cyber and information security risks in the overall interests of the Bank. In this respect, it acts as the highest decision-making and escalation committee below the Board of Managing Directors. The CRISCo addresses all regulatory aspects relevant to cyber and information security issues and ensures appropriate risk management in this regard in accordance with internationally recognised standards.

The **Group Strategic Risk Committee** acts as the discussion and decision-making committee for all types of risk, and its main objective is to monitor and manage risks at portfolio level. This covers risk measurement, risk transparency and risk management.

The **Group Asset Liability Committee** (Group ALCO) is the Commerzbank Group committee responsible for the Group-wide and integrated management of financial resources, namely capital, liquidity and balance sheet structure as well as net interest income, in accordance with the regulatory framework. The Group ALCO monitors in particular the Group's risk-bearing capacity and as such plays an important part in the Internal Capital Adequacy Assessment Process (ICAAP). The Group ALCO resolves the recovery plan. Resolutions of the Group ALCO are presented to the Board of Managing Directors for confirmation. In case of violation of a recovery plan indicator, the Group ALCO plays a central role regarding the escalation, the estimation of the situation and the introduction of measures.

Moreover, risk issues are dealt with in other committees listed below:

The **Group Risk Management Executive Committee** acts as the discussion and decision-making committee within Group Risk Management and is responsible in particular for the organisation and strategic development of risk management as well as the creation and maintenance of a uniform risk culture. It also ensures that the Group risk strategy and the resolutions of the Board of Managing Directors are implemented in the risk function.

Compliance topics are dealt with in the **Global Compliance Board** (GCB). The GCB has been established as a forum to share updates on major compliance topics and supervisory actions regarding compliance in the Bank. Furthermore, the GCB serves as information platform for segments and functions about compliance culture, changes in compliance regulations, updates of compliance-related policies and their implications.

Risk strategy and risk management

The overall risk strategy, in line with the business strategy, governs the strategic risk focus of the Commerzbank Group. It sets the risk appetite as the maximum risk that the Bank is prepared and able to accept while following its business objectives without exposing itself to existential threats over and above the risks inherent in the business. The guiding idea is to ensure that the Group holds sufficient liquidity and capital. That also includes ensuring that the business strategy can be implemented through a risk profile that is commensurate with the leeway in the Group's capitalisation as determined by regulatory and capital market factors. Based on these requirements, suitable limits are defined for the risk resources of capital and liquidity available to the Group. The overarching limits of the overall risk strategy are consistent with the indicator thresholds of the recovery plan.

The core functions of banks as transformers of liquidity and risk give rise to inevitable threats that can in extreme cases endanger the continued existence of the institution. These depend on the bank's particular business model and are accepted in the pursuit of business objectives. The basis for Commerzbank's strategic alignment is its business strategy. In the event of a sustained change in the assessment of the inherent and existential threats to Commerzbank, the Board of Managing Directors may have to adjust the business model and thus the business and risk strategy in the medium and long term. A distinction can be made between the types of risk accepted on the basis of two fundamental threat scenarios. The occurrence of an inherent, existential threat jeopardises the continued existence of Commerzbank. In this case, rescuing Commerzbank would hardly be feasible without state measures or significant regulatory support measures (e.g. protective guarantees, tolerance of significant deviations from regulatory capital requirements, rescue merger) or activation of the Single Resolution Mechanism (SRM).

However, mitigation strategies are developed to counter these inherent existential threats in order as far as possible to reduce the probability of damage or the extent thereof. On the other hand, if a threat materialises that is inherent in the business model but not existential, there is always the possibility of mitigation through, among other things, capital measures available on the market or the use of appropriate capital buffers. It is therefore not necessary to activate the Single Resolution Mechanism (SRM) in this threat scenario. For Commerzbank, the existential threats inherent in its business model include, for example, the default of Germany, a tactical nuclear attack on Frankfurt/Main as Germany's financial nerve centre and Commerzbank's head office location, the disintegration of the eurozone and a default of one or more of the other major European countries or a default of the United States, a collapse of the financial markets in connection with the loss of the ECB's basic functionalities or a bank run, a collapse or a massive malfunction in global clearing houses, as well as extreme cyber attacks on states and institutions due to increasing digitalisation and geopolitical tensions.

The (non-existential) threats inherent in the business model include a default of one or more of the less important (peripheral) countries in the eurozone without significant systemic spread, and a deep recession lasting several years with severe effects on the German economy (e.g. triggered by a global pandemic, an extreme rise in energy prices or originating in the USA or China) and the resulting consequences such as huge loan defaults or a sharp outflow of customer deposits affecting the liquidity situation. Geopolitical crises, such as that currently resulting from Russia's war with Ukraine, or trade wars, for example between the USA and China, may have a huge impact on global markets and threaten Commerzbank's business model as an international institution. With the Russian army's invasion of Ukraine, Commerzbank quickly adapted to the new scenario and adjusted the management of market, liquidity, credit and operational risks in line with the specific requirements of the geopolitical crisis. The observable effects on value chains and commodity prices show, however, that the effects are also still ongoing and remain difficult to assess. In general, the geopolitical risk profile needs to be taken into account when defining the risk appetite in the sense of a forward-looking determination of the (country) risk disposition for possible geopolitical crises (e.g. with regard to China). As the digitalisation of the business environment continues to increase and Commerzbank undertakes its own digital transformation, cyber risk is an inherent threat that must be accepted. Depending on the severity and impact of a cyber attack, cyber risk can also be considered an existential threat, which is why Commerzbank is continuously working to improve its cyber resilience. The further evolution and possible consequences of mBank's situation in connection with the Swiss franc residential mortgage loan portfolio and with the additional credit holidays granted by the national regulator in combination with a default by Poland pose political risks. These may significantly threaten Commerzbank and could require special mitigating capital market measures.

Climate change – also associated with a rapid decline in biodiversity – may pose another inherent threat. Climate change may be reflected in physical and transition risks for Commerzbank. The transition aspects in particular harbour risks (as well as opportunities) in the short term that are difficult to assess. Identifying and mitigating this threat to Commerzbank is one of the objectives of risk strategy. Accordingly, Commerzbank has determined for each type of risk whether environmental risks are a key driver. All risk types that are material in relation to environmental risks were reflected in risk strategy and management in the context of current industry-wide standards, the degree of maturity of the methodology and the availability of data. Commerzbank has made substantial progress in this area in recent years. Nevertheless, environmental risk management remains a field of development, which is being expanded by the bank with a high risk strategic priority.

When pursuing its business targets, the Bank accepts these threats inherent in its business model. It may be necessary to adjust the business model and hence the business and risk strategies in the medium and long term if the Board of Managing Directors' assessment of these threats to Commerzbank changes substantially. To the extent that it is able to do so, Commerzbank makes early preparations in anticipation of forthcoming changes in regulatory requirements and accounting standards. Such changes and their (retrospective) interpretation may have lasting implications for – and even threaten the survival of – Commerzbank's business model. Commerzbank accepts these regulatory risks because there are many cases where there is no option to mitigate or manage them.

The overall risk strategy covers all material risks to which Commerzbank is exposed. It is updated annually or on an ad hoc basis as required and set out in further detail in the form of sub-risk strategies for the risk types which are material. These are then specified and made operational through policies, regulations and instructions/guidelines. By means of the upstream risk inventory process, Commerzbank ensures that all risk types of relevance to the Group are identified and their materiality assessed. The assessment of the materiality of a risk is based on whether its occurrence could have a major direct or indirect impact on the Bank's risk-bearing capacity.

As part of the planning process, the Board of Managing Directors decides how much of the risk coverage potential of the Group should be utilised. On that basis, individual types of quantifiable risk contributing to the capital requirements are limited in a second stage. A capital framework is allocated to the management-relevant units through the planning process. Compliance with limits and guidelines is monitored during the year, and management measures are put in place where required. In addition, further qualitative and quantitative early warning indicators are established in the overall risk strategy. Potential negative developments can be identified at an early stage with the help of these indicators.

One of the primary tasks of risk management is the avoidance of risk concentrations. These can arise from the synchronous movement of risk positions both within a single risk type (intra-risk concentrations) and across different risk types (inter-risk concentrations). The latter result from common risk drivers or from interactions between different risk drivers of different risk types.

By establishing risk management and controlling processes, Commerzbank provides for the identification, assessment, management, monitoring and communication of material risks and related risk concentrations. This ensures that all Commerzbank-specific risk concentrations are taken into account in its risk management. Scenario analyses are regularly used to ensure transparency regarding risk concentrations. The structure of the scenarios and the integrated approach ensure that the impact of adverse scenarios on portfolio priorities and risk concentrations are examined in a targeted manner. Management is regularly informed about the results of the analyses so that the potential risk of losses can be avoided in good time.

The Group Risk & Capital Monitor is the monthly risk report, designed for management purposes, on capital, credit risk, market risk, liquidity risk and OpRisk topics within Commerzbank risk management. It shows all the above risk types, including economic and regulatory risk-bearing capacity, for the Commerzbank Group. The report's aims include providing the Board of Managing Directors and the Supervisory Board's Risk Committee with transparent and comprehensive information, highlighting important developments from a risk perspective and setting management measures. The report is also used in particular to monitor limits and guidelines within the overall risk strategy. Responsibility for approving the overall risk strategy and the Group Risk & Capital Monitor lies with the Board of Managing Directors.

Commerzbank has adopted a code of conduct that defines binding minimum standards for Commerzbank's corporate responsibility, its dealings with customers, business partners and colleagues, and its day-to-day business. It goes without saying that the Bank complies with relevant laws, regulatory requirements, industry standards and internal rules, and this therefore forms a particularly important part of its risk culture. It actively requires employees to behave appropriately, courageously, with integrity and in compliance with rules, and any failure to comply with rules is penalised. Expanded procedures ensure that misconduct is evaluated in a uniform and fair manner, strengthening consequence management on a long-term basis.

The main pillar of the Bank's overall risk management and culture is the concept of three lines of defence, which is a core element of the Corporate Charter. Under the three lines of defence principle, protecting against undesirable risks is an activity that is not restricted to the risk function. Each unit (segment or function) forms the first line of defence within its area of operational responsibility and is directly responsible for identifying and managing risks within it while complying with the prescribed risk standards and policies. For example, the front office forms the first line of defence in all business decisions and has to take risk aspects into account in reaching them. The second line of defence for each type of risk lays down standards for appropriate management of risks of that type, monitors this and ensures the application of such standards, and analyses and evaluates the risks. The risk function forms the second line of defence against credit and market risks associated with business decisions. Particularly for credit risk, this includes involvement in the credit decision process by means of a second vote. Units outside the risk function (e.g. Group Finance) also operate as the second line of defence for certain risk types. The third line of defence is Internal Audit.

Risk ratios

Commerzbank uses a comprehensive system of ratios and procedures for measuring, managing and limiting various types of risk. The most important of these are listed below:

Economically required capital is the amount, corresponding to a high confidence level (currently 99.90% at Commerzbank), that will cover unexpected losses arising from risk positions.

The **risk-bearing capacity ratio (RBC ratio)** indicates the excess coverage of the economically required capital by the risk coverage potential. Risk-bearing capacity is deemed to be assured as long as the RBC ratio is higher than 100%.

Exposure at default (EaD) is the expected exposure amount taking into account a potential (partial) drawing of open lines and contingent liabilities that will adversely affect risk-bearing capacity in the event of default. EaD is hereinafter also referred to as "exposure".

Expected loss (EL) measures the potential loss on a loan portfolio that can be expected within one year on the basis of historical loss data.

Risk density is the ratio of expected loss to exposure at default and thus represents the relative risk content of an exposure or a portfolio.

Value at risk (VaR) is a methodology for quantifying risk. It involves setting a holding period (such as one day) and a confidence level (such as 97.5%). The VaR value then denotes the relevant loss threshold that will not be exceeded within the holding period with a probability in line with the confidence level.

Credit value at risk (CVaR) is the economic capital requirement for credit risk with a confidence level of 99.90%. The term results from the application of the value at risk concept to credit risk measurement. Credit VaR is an estimate of the amount by which losses from credit risks could potentially exceed the expected loss within a single year, i.e. unexpected loss. The idea behind this approach is that expected loss simply represents the long-term average of lending losses, but this may vary (positively or negatively) from actual credit losses for the current financial year.

Risk-bearing capacity and stress testing

Risk-bearing capacity analysis is a key part of overall bank management and Commerzbank's ICAAP. The purpose is to ensure that sufficient capital is held at all times. The risk-bearing capacity concept is reviewed and optimised annually.

When determining the economically required capital, allowance is made for potential unexpected fluctuations in value. Where such fluctuations exceed forecasts, they must be covered by the available economic capital to absorb unexpected losses (risk coverage potential). Only the economic value of equity components that absorb losses in the going concern approach is taken into account in determining the economic risk coverage potential.

The capital requirement for the risks taken is quantified using the internal economic capital model. All risk types of the Commerzbank Group classified as significant and quantifiable within the annual risk inventory are taken into account when determining the economically required capital. The economic risk approach therefore also comprises risk types that are not included in the regulatory requirements for banks' capital adequacy. The model also reflects diversification effects incorporating all types of risk. The confidence level for the calculation of economically required capital is 99.90% and is harmonised with the going concern approach. The quantifiable significant risks in the economic capital model are divided into default risk, market risk, operational risk and (not separately disclosed in the following table) business risk and property value change risk. Furthermore, reserve risk is included in the risk-bearing capacity calculation by means of a corresponding risk buffer. Business risk is the risk of a potential loss resulting from deviations in actual income and expense from the respective budgeted figures. Business risk is used to substantiate a higher-level management buffer that ensures the responsiveness of capital management. Physical asset risk is the risk of an unexpected fall in the value of owned property which is either already recognised as an asset in the Group's balance sheet or which can be recognised during the next 12 months under contractually assured obligations with option character (especially real estate). Climate and environmental risks are defined as horizontal risks within Commerzbank that are manifested in existing risk categories, with both transition and physical risks being considered. The annual materiality assessment of climate and environmental risks provides a holistic overview of the impact on existing material risk types identified in the risk inventory. Climate and environmental risks are reflected in Commerzbank's risk-bearing capacity analysis through a risk buffer for default and market risks that are materially influenced by climate and environmental risks. Further information on climate and environmental risks can be found in the "Environmental, social and governance (ESG) risks" section on page 69 ff.

The results of the risk-bearing capacity analysis are shown using the risk-bearing capacity ratio (RBC ratio), indicating the excess of the risk coverage potential in relation to the economically required capital. Risk-bearing capacity is monitored and managed monthly at Group level. Risk-bearing capacity is deemed to be assured as long as the RBC ratio is higher than 100%. In 2022, the RBC ratio was consistently above 100% and stood at 160% as at 31 December 2022. The increase in economically required capital compared to December 2021 is mainly due to higher market and operational risks. The increase in market risk reflects the heightened market volatility resulting from the war between Russia and Ukraine. The main drivers for the sharp increase in operational risk are changes in the Swiss franc complex, the inclusion of further risks in connection with the issue of consumer protection and the first-time inclusion of inflation in loss data. The decrease in credit risk is mainly explained by the annual update of the parameters in the credit risk model. The RBC ratio is still well above the minimum requirement.

Risk-bearing capacity Group | €bn	31.12.2022	31.12.2021
Economic risk coverage potential	**22**	**22**
Economically required capital[1]	**13**	**12**
thereof for default risk[2]	8	9
thereof for market risk[3]	4	3
thereof for operational risk	2	1
thereof diversification effects	−2	−2
RBC ratio (%)[4]	**160**	**176**

[1] Including physical asset risk, risk of unlisted investments and the risk buffer for reserve risk, for the quantification of potential fluctuations in value of intangibles, and for climate and environmental risks.
[2] Including buffer for planned parameter update and model change.
[3] Including deposit model risk.
[4] RBC ratio = economic risk coverage potential/economically required capital (including risk buffer).

Commerzbank uses macroeconomic stress tests to review the risk-bearing capacity in the event of assumed adverse changes in the economic environment. The underlying scenarios take into account the interdependence of the development of the real economy and the financial economy. They are updated quarterly and approved by the Group ALCO. The scenarios describe an extraordinary but plausible adverse development in the economy, focusing in particular on portfolio priorities (e.g. export-based sectors in Germany) and business strategies of relevance to Commerzbank. Current adverse developments (e.g. rising energy costs) are also taken into account when creating the scenarios. Stress tests in the economic perspective cover a time horizon of 12 months. The scenario simulation is run quarterly at Group level using the input parameters of the economic capital requirements calculation for all material and quantifiable risk types. In addition to the capital required, the income statement is also subjected to a stress test based on the macroeconomic scenarios.

Based on this, changes in the risk coverage potential are simulated. Whereas the RBC ratio is embedded into Commerzbank's limit system, guidelines for risk-bearing capacity are set as an early warning system in the stressed environment. The ongoing monitoring of the limits and guidelines is a key part of internal reporting. Defined escalations are triggered if the limits are breached.

The risk-bearing capacity and stress testing concept is subject to an annual internal review and is refined on an ongoing basis. The development of the regulatory environment is also taken into account. In addition to the regular stress tests, reverse stress tests are implemented annually at Group level. Unlike regular stress testing, the result of the simulation – a sustained threat to the Bank – is determined in advance. The aim of the analysis process in the reverse stress test is to improve the transparency of Bank-specific risk potential and interactions of risk by identifying and assessing extreme scenarios and events. On this basis, for instance, action fields in risk management including the regular stress tests can be identified and taken into account in the ongoing development efforts. In 2022 Commerzbank participated in the ECB climate risk stress test. In addition to a qualitative analysis of the status of the internal climate risk stress test framework, both transition and physical climate risk factors were analysed in relation to counterparty and market risks on a scenario basis. In addition, Commerzbank conducted an internal reverse climate stress test for the first time as a strategic analysis of its own net zero targets for specific portfolios.

In 2022 the risk-weighted assets resulting from Commerzbank's business activities decreased from €175bn to €169bn.

The table below gives an overview of the distribution of risk-weighted assets, broken down by segment and risk type:

	31.12.2022				31.12.2021			
Risk-weighted assets €bn	**Default risk**	**Market risk**	**Operational risk**	**Total**	**Default risk**	**Market risk**	**Operational risk**	**Total**
Private and Small-Business Customers	40	1	13	54	42	1	10	53
Corporate Clients	73	4	5	82	70	6	5	81
Others and Consolidation	28	2	3	34	33	3	5	41
Group	**140**	**7**	**21**	**169**	**145**	**10**	**20**	**175**

The global economy lost considerable momentum in 2022. Although the coronavirus situation eased noticeably and coronavirus restrictions were largely lifted in most economies, Russia's war against Ukraine triggered new shock waves. Fears of an energy crisis drove up energy prices worldwide. In addition, many companies continued to complain about a lack of upstream products.

Russia's war in Ukraine and the suspension of its gas supplies have exacerbated the economic situation, particularly in Europe, to such an extent that both industry and households are suffering as a result. Although the negative effects on the economy and society are being mitigated by the support packages that have been agreed, this means having to accept a significant increase in public debt everywhere in Europe. For most European countries, Germany included, recession or at best economic stagnation therefore appears inevitable in the coming months.

Added to this are ongoing risks associated with the coronavirus pandemic. Further waves of infection and the associated adverse effects on the economy – especially in China – are thus conceivable.

Regulatory environment

With Basel 3, the Basel Committee on Banking Supervision published among other things comprehensive rules on the components of equity and equity ratios as well as the management of liquidity risk. Since 1 January 2014, the associated Capital Requirements Regulation and Directive (CRR and CRD) have been in force as the European implementation of Basel 3, with some of the rollout taking place in stages up to 2019 ("phase-in"). Numerous supplementary regulations have since been published, in particular by the European Banking Authority (EBA), and these are now progressively entering into force; this will continue in the years to come.

With Basel 4 ("finalisation of Basel 3"), the next banking regulation package is currently being agreed in Europe. The entry into force of the corresponding CRR III and CRD VI is currently planned for 1 January 2025.

Commerzbank has analysed the effects of the increase in the countercyclical capital buffer in Germany, which will take effect from February 2023, and other currently foreseeable changes in the countercyclical capital buffer, as well as the introduction of a sectoral systemic risk buffer in Germany on loans secured by residential real estate, and reflects them in its internal capital planning.

The ECB, in its capacity as the supervisory authority for the eurozone banks directly supervised by it, conducted the annual Supervisory Review and Evaluation Process (SREP). On 21 December 2022, in its final SREP decision for 2022, the ECB informed Commerzbank of the results of the SREP and the associated supervisory requirements. It did not change the bank-specific capital requirements for the Commerzbank Group, “P2R” and “P2G”, set for 2023. With effect from 1 January 2023 the SREP decision replaces the previous SREP decision.

In 2022, the ECB progressed with the establishment of environmental risk management by supervised SSM banks through both a thematic review and a comprehensive ECB supervisory climate stress test. Commerzbank participated in both ECB initiatives with great success, especially in comparison with its peers. The ECB expects full compliance with the requirements set out in its “Guide on climate-related and environmental risks” by the end of 2024.

The EU Bank Recovery and Resolution Directive has been in force since mid-2014. Responsibility for the drafting of resolution plans and the resolution of at-risk banks supervised by the ECB was transferred to the Single Resolution Board (SRB) in Brussels with effect from 1 January 2016. At the same time, eurozone banks started to fund the Single Resolution Fund. The SRB defines the formal minimum requirement for own funds and eligible liabilities (MREL) for the banks under its responsibility on a consolidated and individual basis.

The legal basis for setting the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) and Total Loss-Absorbing Capacity (TLAC) was revised at European level and published on 7 June 2019 as part of the Risk Reduction Package in the form of the Single Resolution Mechanism Regulation (SRMR II), the Bank Recovery and Resolution Directive II (BRRD II) and the CRR II. The BRRD II as a European directive requires implementation into national law within 18 months. The amendments included, among other things, adjustments to the calculation logic and, for certain banks, a statutory subordination requirement for parts of MREL. Most of the new provisions came into force in December 2020.

The Group-wide recovery plan was updated in the fourth quarter of 2022 to reflect the regulatory requirements. The recovery plan describes in detail for instance the courses of action and recovery potential available to the Bank in the event of a crisis and which specific recovery measures, in various stress scenarios, will enable the Bank to complete its recovery.

Commerzbank operates in markets subject to national and supranational regulation. In addition, it is subject to the overarching requirements imposed by accounting standards. Changes in regulatory requirements and accounting standards have significantly grown in frequency and materiality in recent years. They may have lasting implications for the financial industry in general and Commerzbank’s business model in particular. Commerzbank continues to participate actively and at an early stage in the consultation processes aimed at preparing for the constant changes in the operating environment. It also monitors and evaluates current developments as regards future regulatory projects. Specific examples of these at global level are the final standards for revising capital requirements for market risk now published by the Basel Committee on Banking Supervision, and the revision of the framework for operational risk and credit risk, including the associated floor rules and disclosure requirements (“Basel 4”). At the European level, Commerzbank is following, among other things, the implementation of Basel 4, initiatives by the European Commission to introduce a European deposit insurance scheme and to create a capital markets union, the European Green Deal and the EBA initiative to revise the internal risk models.

The regulatory environment also remains challenging with regard to compliance risks. The focus here remains on the issues of anti-money laundering (including the implementation of the new BaFin administrative practice and the requirements of international standard-setters such as the EBA) and sanctions. In addition, anti-bribery and corruption (including the United Kingdom Bribery Act and the United States Foreign Corrupt Practices Act) and market compliance (among other things new EU requirements in sustainable finance, US requirements and CFTC regulations) are putting further risk types into the regulatory focus.

In response to Russia’s war of aggression against Ukraine in violation of international law, the G7 states have adopted a large number of comprehensive and, in some cases, new sanctions. However, some of these differ in detail from each other. Furthermore, sanctions generally come into force immediately after publication, and no prior consultation is planned. Due to these peculiarities in the sanctions regulation, one of the Bank’s compliance functions focuses on supporting the Bank's operating units in adapting their processes to new regulatory requirements at short notice, so that the applicable sanctions regulations are fully complied with both in domestic and foreign business.

Default risk

Default risk is defined as the risk of losses sustained or profits foregone due to the default of a counterparty. It is a quantifiable material risk and includes the sub-risk types of credit default risk, issuer risk, counterparty risk, country and transfer risk, dilution risk and reserve risk.

Strategy and organisation

The credit risk strategy is the sub-risk strategy for default risks and is derived from the overall risk strategy. It is embedded in the ICAAP process of the Commerzbank Group and forms a link between the Bank's overall risk management across all risk types and the operationalisation of default risk management. The overriding aim is to ensure the adequate quality of the credit portfolio. To this end, the credit risk strategy defines the credit risk tolerance, specifies risk strategy priorities, provides an overview of the material credit risk management concepts and thereby plays an integral part in maintaining the Group's risk-bearing capacity. The credit risk strategy makes use of quantitative and qualitative management tools that give decision-makers clear guidance on both portfolio management and decisions in specific cases.

Credit risk management is a joint task of the front office and the risk function, based on a standardised Group-wide credit risk culture. Impeccable moral and ethical conduct in compliance with the law and regulations is a key element of a culture of integrity and core to the credit risk culture. Default risks are assessed against uniform standards, regardless of segment limits. In line with the three lines of defence principle, the front office is the first line of defence and must take risk aspects into account when taking business decisions. The risk function (back office and Risk Controlling) is the second line of defence, its fundamental task being to manage, limit and monitor risks. The third line of defence is Internal Audit. It is tasked with independently auditing the Bank's processes and safeguards, and as such also assesses the activities of the first and second lines of defence.

The Group Credit Committee is the highest decision-making committee for operative credit risk management, comprising two representatives each from the back office and front office. It takes decisions in line with the competencies delegated to it by the Board of Managing Directors and is responsible for managing all credit risks. In so doing, the Group Credit Committee operates on the basis of the valid credit risk strategy. Reporting to the Group Credit Committee are sub-credit committees, which operate on the basis of their respective rules of procedure and within the competencies approved by the Board of Managing Directors. They comprise at least two representatives from the segments and two representatives from Group Risk Management. The sub-credit committees are responsible for managing all credit risks in the sub-portfolios within their respective remit and are entitled, in turn, to sub-delegate certain credit decisions within their prescribed competencies.

Discrete back-office areas are responsible for operational credit risk management at portfolio level and on a case-by-case basis. The responsibilities are separated between the performing loan area on the one hand and Intensive Care on the other. All credit decisions in the performing loan area are risk/return decisions. The front and back office take joint responsibility for risk and return from an exposure, with the front office having primary responsibility for the return, and the back office for the risk. Accordingly, neither office can be overruled in its primary responsibility in the credit decision process.

Higher-risk customers are handled by specialist Intensive Care areas. The customers are moved to these areas as soon as they meet defined criteria for assignment or mandatory transfer. The principal reasons for assignment to Intensive Care areas are criteria relating to number of days overdrawn, together with event-related criteria such as rating, third-party enforcement measures or credit fraud. The Intensive Care function decides on further action based on the circumstances of individual cases. Customers must be transferred to Intensive Care if they are in default (for example due to insolvency). This graduated approach ensures that higher-risk customers can continue to be managed promptly by specialists in a manner appropriate to the risks involved and in defined standardised processes.

Risk management

Commerzbank manages default risk using a comprehensive risk management system. The management framework comprises an organisational structure, methods and models, quantitative and qualitative management tools and regulations and processes. The risk management system ensures that the entire portfolio and the sub-portfolios, right down to individual exposure level, are managed consistently and thoroughly on a top-down basis.

The ratios and measures required for the operational process of risk management are based on the overarching Group objectives. The principle of seeking a low-risk profile in all business decisions is closely combined here with the risk function's aim of providing the front office with appropriate support. Preference is given to transactions and products with a low level of complexity. Another focus is on the responsiveness of a credit line or exposure.

Quantitative credit risk strategy guidelines limit risks with regard to poorer credit ratings and exposures with high loss-at-default contributions (concentration management) and for selected sub-portfolios with a high risk weight or regulatory importance, and, as applicable, for individual products with a high portfolio share. Detailed arrangements for operationalising the guidelines for selected sub-portfolios are set out in separate portfolio policies. In addition, qualitative management guidelines in the form of credit policies define the target business of the Bank. At the level of individual transactions, they regulate the transaction type for which the available risk resources are to be used. These credit policies are firmly embedded in the credit process: transactions which do not meet the requirements are escalated through a fixed competence regulation.

Group-wide guiding principles are based on risk-oriented analyses of trends (e.g. of the development of weaker credit ratings over time) combined with an assessment of external framework conditions and internal rules. Risk-oriented analyses on key dates (e.g. rating profile of individual asset classes) are used in particular to derive portfolio guiding principles. Trend analyses of product-specific risk drivers are key factors for determining product guiding principles (e.g. loan-to-value of mortgage lending). In contrast, credit and portfolio policies are primarily produced through a multi-level coordination process involving the product and portfolio managers from the front and back offices, combined with an assessment of internal and external information sources.

To monitor compliance with credit risk strategic rules, continuous monitoring and reporting has also been set up at whole Group level and at segment or sub-portfolio level. Asset quality reviews by the risk function make an important contribution here to quality assurance and early risk detection. The focal points of the monitoring vary depending on the issue and target group. Ad hoc reporting processes have been established. In addition, crisis events may pose a risk to the Bank's capital and liquidity adequacy and thereby to its risk-bearing capacity. In a crisis, the Risk Mitigation Task Force will manage decisions flexibly in a coordinated, Group-wide process. For example, in the context of the Russia-Ukraine war the Task Force was established at the beginning of 2022 in order to identify effects on the Group portfolio as quickly as possible and to be able to take countermeasures. As part of the process, emergency action plans ensure that risk-mitigation measures are implemented quickly and efficiently.

The avoidance of risk concentrations is a core strategy of risk management. Risk concentrations are actively managed in order to identify at an early stage and contain the increased potential for loss from the synchronous movement of risk positions. In addition to exposure-related credit risk concentrations (bulk risks), default risk also includes country and sector concentrations. Segment-specific features are taken into account here.

Management and the Supervisory Board's Risk Committee are regularly informed about the results of the analyses.

The Task Force Corona established in 2020 as part of crisis management under the direction of the Chief Credit Risk Officer continued its work in 2022 to a reduced extent. The existing monthly reports were integrated into standard reporting so that the continuity of information transfer was ensured. The EBA reporting formats will end in the first quarter of 2023 with the last report as at 31 December 2022. The established exchange formats with the supervisory authorities focusing on the coronavirus continued to take place until the end of February 2022. After 24 February 2022, the focus of the weekly exchanges between the Joint Supervisory Team (JST) and Credit Risk and the quarterly JST meetings with senior management was on the Russia-Ukraine war.

Management of economic capital commitment

Economic capital commitment is managed in order to ensure that the Commerzbank Group holds sufficient capital. To this end, all relevant risk types in the overall risk strategy for economic risk capital are given limits on a Group-wide basis, with, in particular, a CVaR limit being specified. Due to the systematically restricted options for reducing default risk on a short-term basis, it is important to take account of expected trends (medium-term and long-term) in order to manage credit risk. For this reason, forecast values of credit risk parameters play a key role in ongoing management. At segment and business area level, changes to forecasts are monitored and adjustments made when necessary. There is no cascaded capital limit concept for credit risk below Group level.

Overview of management instruments and levels

	Risk strategies and policies	Limit and guideline systems	Portfolio monitoring and reporting	Structures of organisation and committees
Group	Overall risk strategy plus sub-risk strategies for significant risk types Establishment of a general risk understanding and creation of a uniform risk culture	Definition of Group limits (across all risk types) for capital and liquidity management Additional definition of guidelines as key points of the aspired target portfolio	Group Risk & Capital Monitor plus risk type specific Group formats (including flash reporting) Uniform, consolidated data repository as basis for Group reporting	Ensuring exchange of information and networking in committees that operate across all risk types Retaining qualified staff in line with progressive product innovation or regulatory adjustments
Sub-portfolios	Clear formulation of risk policy in guidelines (portfolios, asset classes, etc.) Differenciated credit authorities based on compliance of transactions with the Bank's risk policy	Performance metrics on level of risk categories and sub-portfolios Expansion of Group-wide performance metrics using sub-portfolio-specific indicators	Portfolio batches as per established portfolio calendar* Asset quality review and analysis of High Attention Parts (HAP) Trigger monitoring with clear escalation and reporting lines	Interdisciplinary composition of segment committees Ensuring uniform economic opinions
Individual exposures	Rating-dependent and bulk-sensitive credit authority regulations with clear escalation processes	Limitation of bulk risk	Limit monitoring at individual exposure level Monthly report to the Board of Managing Directors on the development of bulk risks Review of individual customers/exposures resulting from asset quality review or HAP analyses	Deal team structures Institutionalized exchange within the risk function, also taking account of economic developments Sector-wise organization of domestic corporate business

Rating classification

The Commerzbank rating method comprises 25 rating classes for customers not in default (1.0 to 5.8) and 5 default classes (6.1 to 6.5). The Commerzbank master scale allocates precisely one rating class, stable over time, to each probability of default. The rating methods are validated annually and recalibrated where necessary so that they reflect the latest assessment based on all actual observed defaults.

The probability of default ranges assigned to the ratings are the same for all portfolios. This ensures internal comparability consistent with the master scale method. For guidance and indicative purposes, the Commerzbank master scale also shows external ratings as well as credit quality steps in accordance with Article 136 CRR. However, a direct reconciliation is not possible, because external ratings of different portfolios show fluctuating default rates from year to year.

In lending decisions, which are based among other things on the rating result, the credit approval authorities of both individual staff and the committees (Board of Managing Directors, Credit Committee, sub-credit committees) are graduated by a range of factors including size of exposure and rating class.

Commerzbank master scale

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]	
1.0	0	0	AAA	AAA	I	Investment Grade
1.2	0.01	0 – 0.02				
1.4	0.02	0.02 – 0.03	AA+	AA		
1.6	0.04	0.03 – 0.05	AA, AA–			
1.8	0.07	0.05 – 0.08	A+, A	A	II	
2.0	0.11	0.08 – 0.13	A–			
2.2	0.17	0.13 – 0.21	BBB+	BBB	III	
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+	BB	IV	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+	B	V	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	VI	
5.4	16.15	14.48 – 18.01	CCC, CCC–			
5.6	20.09	18.01 – 22.41	CC, C	CC, C		
5.8	47.34	22.41 – 99.99				
6.1		> 90 days past due	D			Default
6.2		Imminent insolvency				
6.3	100	Restructuring with recapitalisation				
6.4		Termination without insolvency				
6.5		Insolvency				

[1] CRR = Capital Requirements Regulation (EU) No 575/2013.

Risk mitigation

The collateral taken into account in risk management changed in the period under review from €123.3bn to €126.4bn for positions in the Group's performing portfolio and from €1.1bn to €1.4bn for positions in the default portfolio.

Commerzbank mitigates credit risk through various measures including collateral and netting procedures.

Types of collateral include in particular land charges, financial collateral, guarantees, indemnities, credit derivatives, life insurance policies, other registered liens and other physical collateral.

The Bank takes account of credit risk mitigation effects from the acceptance of recognisable warranties (guarantees, comparable claims on third parties) by using the guarantor's risk parameters (PD and LGD) and/or the regulatory risk weightings.

As at the reporting date, no loan loss provisions were created for transactions in the performing portfolio with a total volume of €5.5bn (31 December 2021: €5.9bn), as these are entirely collateralised.

Where eligible from a regulatory point of view, guarantors are subject to a creditworthiness check and rating assignment based on their sector and business as part of the assessment of their declaration of liability. The aim of the creditworthiness check is to establish the guarantor's creditworthiness and maximum solvency.

The quality of the collateralisation recognised for regulatory purposes is rigorously checked and monitored on an ongoing basis. This includes in particular checks on legal enforceability and regular measurement of the collateral, carried out at appropriate intervals depending on the type of collateral, at least annually or on an event-driven basis. Positive correlations between the debtor's creditworthiness and the value of the collateral or guarantee are defined in the credit and collateral processing process; collateral instruments affected are not counted. Collateral is processed and evaluated primarily outside the front office.

The Bank analyses all credit collateral (physical and personal collateral) for evidence of collateral concentrations. The analysis includes checks on various dimensions such as collateral categories, the borrower's rating classes or regional allocations of collateral. The Board of Managing Directors receives regular information in respect of the above dimensions about changes in the collateral pool and possible issues/concentrations.

The measurement and processing of collateral is governed by generally applicable standards and collateral-specific instructions (guidelines, process descriptions, IT instructions). Collateral agreements are legally reviewed; standard agreements and templates are used where possible. The standards drawn up to hedge or mitigate the risk of loans, which also take into account the regulatory requirements of the CRR, include, among other things:

- Legal and operational standards for documentation and data collection and measurement standards.
- Standards to ensure the uniformity and timeliness of collateral measurement through the definition of measurement processes, uniform measurement methods, parameters and defined collateral discounts, clear definition of competences and responsibility for the processing and measurement process, and regular remeasurement frequencies.
- Other standards to take account of specific risks such as operational risk, correlation and concentration risk, market price change risk (e.g. due to currency fluctuations), country risk, legal and legal change risk and the risk of inadequate insurance coverage.

Commerzbank Group

Commerzbank focuses its business on two customer segments, Private and Small-Business Customers and Corporate Clients.

Economic uncertainty and the consequences of the Russian invasion of Ukraine are still weighing heavily on the macroeconomic outlook. The model-based parameters used to establish loan loss provisions do not yet fully reflect these effects. The secondary effects TLA booked in this regard continues to reflect adequately the anticipated effects. In the remaining risk figures, the expected uncertain development is currently primarily perceptible in the figures for Central and Eastern Europe, where the current situation is reflected in an increased expected loss and thus a higher risk density.

Credit risk parameters

The credit risk parameters in the Commerzbank Group are distributed in the rating classes 1.0 to 5.8 over the segments as follows:

	31.12.2022				31.12.2021			
Credit risk parameters	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**CVaR** €m	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**CVaR** €m
Private and Small-Business Customers	204	431	21	2,088	203	408	20	2,180
Corporate Clients	177	378	21	4,299	174	347	20	4,197
Others and Consolidation[1]	137	65	5	1,184	93[2]	114	12	2,141
Group	**517**	**874**	**17**	**7,571**	**470[2]**	**869**	**18**	**8,518**

[1] Mainly liquidity portfolios of Treasury.
[2] Excluding deposits with the Deutsche Bundesbank amounting to €28bn.

When broken down on the basis of PD ratings, 87% of the Group's portfolio is in the internal rating classes 1 and 2, which comprise investment grade.

	31.12.2022					31.12.2021				
Rating breakdown EaD | %	**1.0-1.8**	**2.0-2.8**	**3.0-3.8**	**4.0-4.8**	**5.0-5.8**	**1.0-1.8**	**2.0-2.8**	**3.0-3.8**	**4.0-4.8**	**5.0-5.8**
Private and Small-Business Customers	30	56	11	2	1	30	55	12	2	1
Corporate Clients	19	61	14	4	2	18	62	15	3	2
Others and Consolidation	77	22	2	0	0	49	47	3	0	0
Group	**38**	**49**	**10**	**2**	**1**	**29**	**56**	**11**	**2**	**1**

The Group's country risk assessment covers both transfer risks and event risks driven by political and economic events which impact on the individual economic entities of a country. Country risks are managed on the basis of transfer risk limits defined at country level. Country exposures which are significant for Commerzbank due to their size are handled by the Credit Committee on a separate basis.

The regional breakdown of the exposure corresponds to the Bank's strategic direction and reflects the main areas of its global business activities.

	31.12.2022			31.12.2021		
Group portfolio by region	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	312	390	12	257	363	14
Western Europe	85	133	16	96	198	21
Central and Eastern Europe	53	261	49	55	222	40
North America	40	38	10	37	35	9
Asia	16	22	14	15	23	16
Other	11	30	27	11	28	27
Group	**517**	**874**	**17**	**470**	**869**	**18**

More than half of the Bank's exposure relates to Germany, just under one-third to other countries in Europe, 8% to North America and 3% to Asia. The rest is broadly diversified and is split among a large number of countries where we serve German exporters in particular or where Commerzbank has a local presence. The expected loss of the Group portfolio is mainly divided between Germany and the other European countries.

Risk result The risk result relating to the Group's lending business in 2022 amounted to €–876m (prior-year period: €–570m).

The following table shows the breakdown of the risk result by stage according to IFRS 9. In Note (31) of the Group financial statements (credit risks and credit losses) details regarding the stages can be found; in Note (11) (risk result) the definition of the risk result can be found.

Any fluctuations in the market values of fair value loans are not recognised in the risk result. They are recognised in the net income from financial assets and liabilities measured at fair value through profit or loss.

	31.12.2022					31.12.2021				
Risk result | €m	**Stage 1**	**Stage 2**	**Stage 3**	**POCI[1]**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI[1]**	**Total**
Private and Small-Business Customers	–5	–122	–256	–8	–392	–23	–6	–287	–3	–319
Corporate Clients	–6	65	–480	–24	–446	6	15	–96	–75	–149
Others and Consolidation	0	53	–91	0	–38	6	–35	–65	–7	–101
Group	**–12**	**–5**	**–827**	**–32**	**–876**	**–11**	**–26**	**–448**	**–85**	**–570**

[1] POCI – Purchased or Originated Credit-impaired.

Compared to the previous year, the risk result increased and was impacted in particular by the Russian invasion of Ukraine. The top-level adjustment (TLA) booked during the year for this was no longer in place as at the end of the year, as the risk provisioning requirements remaining after the exposure reduction are now reflected in individual transactions. The direct effects of the coronavirus pandemic have abated to the point where no further charge is expected from it. The coronavirus TLA of €–523m was therefore fully reversed in the second quarter of 2022.

Economic uncertainty and the consequences of the Russian invasion of Ukraine are still weighing heavily on the macroeconomic outlook. The model-based parameters used to establish loan loss provisions do not yet fully reflect these effects. The secondary effects TLA booked in this regard in the second quarter was reviewed during the year at the quarterly reporting dates and continues to reflect adequately the anticipated effects. The scenario on which the TLA is based includes the following assumptions:

- Problems in supply chains and in the provision of raw materials continue to hamper industrial production and lead to rising procurement prices (for paper, wood, metals, oil, etc.).
- The US Federal Reserve's sharp interest rate hikes will lead to a decline in growth in early 2023.
- Although the Chinese government has eased its zero-Covid policy, growth remains below pre-pandemic levels because of the issues in the real estate sector and the high level of corporate debt.
- In Europe, the high cost of energy due to the war has a significant negative impact on GDP growth and continues to drive inflation.
- The German economy is burdened by rising inflation, shrinking export markets and the higher interest rate environment, while extensive state support programmes somewhat lessen the impact of higher energy costs.
- Rising consumer price inflation further increases consumer restraint across the eurozone or triggers a wage-price spiral. If cost increases can only be passed on to a limited extent, this will weigh heavily on corporate earnings.

As at 31 December 2022, the total for the TLA for secondary effects stood at €–482m. The adequacy of the TLA is continually reviewed. (Details on the background to and adjustment of the TLA can also be found in Note 31 of the Group financial statements (Credit risks and credit losses)).

Further drivers of the risk result in the reporting period are addressed in the following explanatory notes on the segments.

In the pessimistic scenario described in Note 31 of the Group financial statements (Credit risks and credit losses), Commerzbank, in addition to its current process for calculating its loan loss provisions, simulates the potential impact of deteriorating creditworthiness that could occur if the gas supply is rationed due to a material shortage in the supply of Russian gas (compared to 31 December 2022) along with the simultaneous assumption of direct or indirect government support measures to support any households and businesses impacted. The analysis shows an increased need for loan loss provisions in the amount of approximately €–600m in the event that this scenario, contrary to current expectations, should come to pass.

Default portfolio The Group's default portfolio increased by €1,502m in 2022 and stood at €5,658m as at the end of the year. The additions in 2022 mainly comprised additions of individual exposures to the default portfolio as a result of the Russian invasion of Ukraine in the Corporate Clients segment and in the Others and Consolidation segment.

The following breakdown of the default portfolio shows the claims in the default portfolio in the amortised cost and fair value OCI (other comprehensive income) categories. The loans are almost exclusively assigned to the amortised cost category, of which by far the greatest share of €5.4bn (31 December 2021: €3.9bn) relates to the loans and receivables class and €249m (31 December 2021: €244m) to off-balance-sheet transactions. As at 31 December 2022, the volume of defaulted securities that can be assigned to the debt securities class was €0m (31 December 2021: €3m fair value OCI category). The collateral shown is liable to the full extent for loans in the amortised cost category, with €1,373m (31 December 2021: €1,087m) relating to loans and receivables and €16m (31 December 2021: €27m) to off-balance-sheet transactions.

As at 31 December 2022 there was €57m default volume to be reported for credit transactions in the fair value OCI category (31 December 2021: €0m).

	31.12.2022			31.12.2021		
Default portfolio Group | €m	**Loans**	**Securities**	**Total**	**Loans**	**Securities**	**Total**
Default portfolio	5,601	57	5,658	4,152	3	4,156
LLP[1]	2,247	9	2,256	2,055	0	2,055
Coverage ratio excluding collateral (%)[2]	40	16	40	49	–	49
Collateral	1,389	0	1,389	1,109	0	1,109
Coverage ratio including collateral (%)[2]	65	16	64	76	–	76
NPE ratio (%)[3]			1.1			0.9

[1] Loan loss provisions.
[2] Coverage ratio: LLP (and collateral) as a proportion of the default portfolio.
[3] NPE ratio: default portfolio (non-performing exposures – NPE) as a proportion of total exposures (EaD including NPE) according to EBA Risk Dashboard.

Commerzbank uses the definition in Article 178 CRR as the criterion for default. The EBA guidelines on the application of the definition of default referred to in Article 178 of Regulation (EU) No 575/2013 are taken into account. The default portfolio is divided into the following 5 classes based on the nature of the default:

- Rating class 6.1: Over 90 days past due;
- Rating class 6.2: Unlikely to pay;
- Rating class 6.3: The Bank is assisting in financial rescue or distressed restructuring at the customer by making concessions;
- Rating class 6.4: The Bank has demanded immediate repayment of its claims;
- Rating class 6.5: The customer is in insolvency.

The table below shows the breakdown of the default portfolio based on the 5 rating classes:

	31.12.2022				31.12.2021			
Group rating classification | €m	**6.1**	**6.2/6.3**	**6.4/6.5**	**Total**	**6.1**	**6.2/6.3**	**6.4/6.5**	**Total**
Default portfolio	739	3,295	1,624	5,658	668	1,722	1,766	4,156
LLP	259	1,094	902	2,256	274	690	1,090	2,055
Collateral	299	641	450	1,389	287	441	382	1,109
Coverage ratio including collateral (%)	76	53	83	64	84	66	83	76

Overdrafts in the performing loan book In order to avoid an increase in the default portfolio, overdrafts are closely monitored at Commerzbank. In addition to the 90 days-past-due trigger event, IT-based management of overdrafts starts on the first day the account is overdrawn. The table below shows overdrafts outside the default portfolio based on the exposure at default as at the end of December 2022. The changes may also be due to short-term overdrafts:

	31.12.2022					31.12.2021				
EaD €m	**> 0 ≤ 30 days**	**> 30 ≤ 60 days**	**> 60 ≤ 90 days**	**> 90 days**	**Total**	**> 0 ≤ 30 days**	**> 30 ≤ 60 days**	**> 60 ≤ 90 days**	**> 90 days**	**Total**
Private and Small-Business Customers	724	90	45	1	861	568	80	38	0	686
Corporate Clients	2,752	41	25	0	2,819	1,553	62	0	0	1,615
Group[1]	**3,476**	**131**	**70**	**1**	**3,680**	**2,121**	**142**	**38**	**0**	**2,301**

[1] Including Others and Consolidation.

Private and Small-Business Customers segment

The Private and Small-Business Customers (PSBC) segment includes activities with private and small-business customers, in private banking and in wealth management, and with customers of the comdirect and Commerz Real brands. mBank is also shown in the Private and Small-Business Customers segment.

The focus of the portfolio is on traditional owner-occupied home financing and the financing of real estate capital investments (residential mortgage loans and investment properties with a total EaD of €103bn). We provide our small-business customers with credit mainly in the form of individual loans with a volume of €29bn. In addition, we meet our customers' day-to-day demand for credit with consumer loans (overdrafts, instalment loans and credit cards, to a total of €15bn).

The realignment in the front office as of October 2022 resulting from Strategy 2024 led to shifts in credit risk metrics in the sub-segments, in particular from Private Customers to Private Banking.

Compared with the previous year, the risk density of the portfolio rose to 21 basis points.

	31.12.2022			31.12.2021		
Credit risk parameters	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Private Customers	64	91	14	83	108	13
Small-Business Customers	30	53	18	35	54	15
comdirect	2	6	28	2	5	24
Commerz Real	0	0	5	0	0	10
Private Banking	35	31	9	11	9	8
Wealth Management	27	29	11	26	25	10
mBank	46	221	49	45	207	46
PSBC	**204**	**431**	**21**	**203**	**408**	**20**

The risk result in the Private and Small-Business Customers segment was €–392m in the 2022 financial year (previous year: €–319m). The increase was largely due to the posting of the secondary effects TLA. The secondary effects TLA is still necessary in view of the crisis-related economic uncertainty – increased energy costs, for example – and will therefore remain in place for 2023. The TLA amounted to €–189m as at 31 December 2022 and was fully recognised in the income statement in 2022. Of this amount, €–70m was attributable to the Private Customers portfolio and €–112m to the Small-Business Customers portfolio. The utilisation and reversal of the coronavirus TLA removed €126m from the overall adjustment.

mBank's loan loss provisions are driven by the difficult economic and geopolitical situation and amounted to €–174m as at 31 December 2022 (previous year: €–187m). Portfolio sales and economic recovery after the coronavirus pandemic in some areas have provided some relief.

The default portfolio in the segment stood at €1,842m as at the reporting date (31 December 2021: €1,846m), which was almost on a level with the previous year.

	31.12.2022			31.12.2021		
Default portfolio PSBC | €m	**Loans**	**Securities**	**Total**	**Loans**	**Securities**	**Total**
Default portfolio	1,842	0	1,842	1,846	0	1,846
LLP	841	0	841	826	0	826
Coverage ratio excluding collateral (%)	46	–	46	45	–	45
Collateral	707	0	707	717	0	717
Coverage ratio including collateral (%)	84	–	84	84	–	84

Corporate Clients segment

The Corporate Clients segment (CC) comprises the Group's activities with mid-size corporate clients, the public sector, institutional customers and multinational corporates. The segment is also responsible for the Group's relationships with banks and financial institutions in Germany and abroad, as well as with central banks. The regional focus of our activities is on Germany and Western Europe. The Group's customer-oriented capital markets activities are also bundled in this segment.

The EaD of the Corporate Clients segment increased from €174bn to €177bn compared with 31 December of the previous year. Risk density increased from 20 basis points to 21 basis points.

For details of developments in the Financial Institutions portfolio, please see page 55.

	31.12.2022			31.12.2021		
Credit risk parameters	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Mittelstand	77	175	23	77	158	20
International Corporates	64	126	20	60	120	20
Financial Institutions	22	61	28	21	47	23
Other	14	16	12	16	23	14
CC	**177**	**378**	**21**	**174**	**347**	**20**

The risk result for the Corporate Clients segment in the 2022 financial year was €–446m (previous year: €–149m). Compared with the previous year, the segment was impacted in particular by the effects of the Russian invasion of Ukraine. The share of the secondary effects TLA attributable to the segment amounted to €–284m as at 31 December 2022, which was fully recognised in the income statement in 2022.

The need for the TLA resulted from the assumptions for sectors/sub-portfolios, which were checked and in part adjusted on the basis of the macroeconomic scenario, for which indirect effects are to be expected. Relevant examples include the automotive industry with a high degree of vulnerability in its supply chains as well as the availability and costs of resources. The metals industry is confronted with high prices for resources and energy, while demand is falling. In the mechanical engineering sector, price increases can only be passed on to customers with a time lag. In the retail sector, declining consumer purchasing power is leading to lower sales. Resulting rating migrations and defaults are expected for 2023, which are currently not yet reflected in the model-based calculation of loan loss provisions and are therefore covered by the TLA.

The utilisation and reversal of the coronavirus TLA removed €392m from the adjustment in the 2022 financial year.

The default portfolio in the segment stood at €2,811m as at the end of 2022 (31 December 2021: €2,096m). The expansion in 2022 resulted mainly from additions of individual exposures to the default portfolio as a consequence of the Russian invasion of Ukraine in the International Corporates portfolio.

	31.12.2022			31.12.2021		
Default portfolio CC | €m	**Loans**	**Securities**	**Total**	**Loans**	**Securities**	**Total**
Default portfolio	2,811	0	2,811	2,092	3	2,096
LLP	1,174	0	1,174	1,076	0	1,076
Coverage ratio excluding collateral (%)	42	–	42	51	–	51
Collateral	681	0	681	387	0	387
Coverage ratio including collateral (%)	66	–	66	70	–	70

The risk result in the Others and Consolidation segment was €–38m in the 2022 financial year (previous year: €–101m). The driver for the risk provisioning in 2022 was the negative development of an individual exposure, which required an increase in existing risk provisioning. The secondary effects TLA for the segment was €–9m.

Further portfolio analyses

The analyses below are independent of the existing segment allocation. The positions shown are already contained in full in the Group and segment presentations above.

Corporates portfolio by sector

On the whole, the German industrial sectors coped well with the strains of the coronavirus pandemic and the immediate effects of the Russian war of aggression on Ukraine, assisted by government lending and support programmes. However, the recovery is patchy and not all sectors have returned to pre-pandemic levels of revenue and income.

At present, the indirect consequences of the war in Ukraine, in particular higher prices, continue to have a negative impact. Energy and raw material prices have risen significantly, while inflation has reached a level that few would have expected. As a result, an appreciable increase in interest rates has also been recorded. With continuing robust demand and incipient catch-up effects as a result of the easing in supply chain issues, companies are mostly able to pass on the increased costs to a broad extent. However, disposable household income will shrink, depending partly on wage growth and energy prices, and this will dampen demand, with corresponding effects on corporate earnings.

Investments in environmental protection and CO_2-neutral production will require considerable capital expenditure. Reducing dependencies and ensuring a stable supply chain will also create a cost burden. However, we regard our clients as being broadly well positioned in these respects.

A key factor for the medium-term performance of the German economy will be the stabilisation of energy prices in Germany and Europe and the establishment of a competitive price level in Germany in particular. Furthermore, it must be ensured that the country's gas requirements are met. A shortage of gas supplies could have a considerable impact and bring major upheaval. The coronavirus has become widespread in China, and supply chain disruptions could result. Potential mutations would again pose great challenges to the world.

A breakdown of the corporates exposure by sector is shown below:

	31.12.2022[1]			31.12.2021		
Corporates portfolio by sector	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Consumption	14	39	27	16	38	24
Technology/Electrical industry	14	29	20	15	27	18
Wholesale	12	28	24	13	37	27
Energy supply/Waste management	12	28	24	22	51	23
Automotive	10	24	25	10	30	30
Transport/Tourism	9	27	30	13	46	37
Basic materials/Metals	8	15	18	10	25	24
Services/Media	8	17	21	10	28	28
Chemicals/Plastics	8	19	23	8	26	31
Mechanical engineering	8	15	20	7	19	25
Construction	4	8	18	5	12	22
Pharma/Healthcare	4	8	20	6	25	42
Other	30	78	26	5	3	6
Total	**142**	**335**	**24**	**141**	**367**	**26**

[1] The definition of the sectors was adjusted in January 2022, and the figures as at 31 December 2022 are therefore only to a limited extent comparable to those as at 31 December 2021.

Financial Institutions portfolio

Our network of correspondent banks continued to focus on trade finance activities on behalf of our corporate customers and on capital market activities. In derivatives, we enter into trades with selected counterparties under the European Market Infrastructure Regulation (EMIR) standards.

We continue to keep a close watch on the impact of regulatory requirements on banks. In this context, we continue to pursue our strategy of holding as few exposures as possible which might absorb losses in the event of a bail-in of an affected institution.

We are keeping a close eye on developments in various countries affected by specific issues such as recessions, embargoes and economic uncertainty caused by political events (at present in particular Russia's invasion of Ukraine) and are responding with flexible portfolio management that is tailored to the individual situation of each country. That also applies to disruption that may still be caused by the coronavirus pandemic, changes in energy prices and energy supply, and the effects of rising inflation. All this impacts heavily on the operational environment of our correspondent banks, both in industrialised countries and in developing countries. Overall, our risk appetite is geared to keeping the portfolio as responsive as possible.

	31.12.2022			31.12.2021		
FI portfolio by region	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	61	6	1	5	4	9
Western Europe	17	7	4	15	10	7
Central and Eastern Europe	13	41	30	2	9	44
North America	12	0	0	2	1	2
Asia	8	14	17	5	15	28
Other	7	22	30	6	18	31
Total	**119**	**90**	**8**	**35**	**56**	**16**

Non-Bank Financial Institutions portfolio

The Non-Bank Financial Institutions (NBFI) portfolio mainly comprises insurance companies, asset managers, regulated funds and central counterparties. Business activities are focused on Germany, Western Europe, the United States and Asia.

Commerzbank conducts new business with NBFIs partly in consideration of regulatory requirements (clearing via central counterparties) and partly in the interests of our institutional customers, with a focus on attractive opportunities with customers with good credit ratings and valuable security. We manage our portfolios with the aim of ensuring their high quality and responsiveness. We are keeping a close eye on risks arising from global events such as recessions, embargoes and economic uncertainty caused by political events (at present in particular Russia's invasion of Ukraine) and are responding with flexible portfolio management that is tailored to the individual situation. That also applies to current issues such as changes in the level of interest rates and energy prices as well as the effects of rising inflation.

	31.12.2022			31.12.2021		
NBFI portfolio by region	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	19	20	11	18	18	10
Western Europe	15	20	13	13	18	14
Central and Eastern Europe	2	12	70	2	14	75
North America	8	8	10	9	5	6
Asia	2	3	18	1	1	11
Other	1	2	22	1	3	39
Total	**46**	**65**	**14**	**44**	**60**	**14**

Originator positions

Commerzbank has in recent years securitised receivables from loans to the Bank's customers with a current volume of €10.3bn for capital management purposes (31 December 2021: €11.5bn). As at the reporting date 31 December 2022, risk exposures with a value of €8.8bn were retained (31 December 2021: €9.8bn). By far the largest share of all positions was accounted for by €8.7bn (31 December 2021: €9.6bn) on senior tranches, which are almost entirely rated good to very good. In the first quarter of 2023 Commerzbank is planning to launch a synthetic transaction with a volume of €3.2bn based on corporate receivables.

		Commerzbank volume[1]			
Securitisation pool | €bn	**Maturity**	**Senior**	**Mezzanine**	**First loss piece**	**Total volume[1]**
Corporates	2025 – 2036	8.7	<0.1	0.1	10.3
Total 31.12.2022		**8.7**	**<0.1**	**0.1**	**10.3**
Total 31.12.2021		9.6	<0.1	0.2	11.5

[1] Tranches/retentions (nominal): banking and trading book.

Conduit exposure and other asset-backed exposures

The Bank provides financing to securitise receivables, in particular trade and leasing receivables, from customers in the Corporate Clients segment. In this context, Commerzbank acts mainly as an arranger of asset-backed securities transactions via the Commerzbank-sponsored multi-seller conduit Silver Tower. The volume and risk values for the securitisation of receivables in the Corporate Clients segment were stable at €3.9bn in 2022.

Liquidity risk subsumes the risk that Commerzbank will be unable to meet its payment obligations on a day-to-day basis. Liquidity risks from securitisations are modelled in the internal liquidity risk model on a risk-adjusted basis. In the case of transactions subject to variable utilisation, it is assumed that the purchase facilities provided to the special-purpose companies must be refinanced almost in full by Commerzbank for the duration of their term and until the maturity of the last financed receivable. Securitisations only qualify as liquid assets if they are eligible for rediscount at the European Central Bank. These positions are only included in the liquidity risk calculation after risk-adjusted discounts are applied.

The other asset-backed exposures mainly comprise government-guaranteed asset-backed securities (ABS) held by Commerzbank Finance & Covered Bond S.A. and Commerzbank AG in Germany. In 2022 the volume declined to €3.4bn (December 2021: €3.9bn), as did the risk values[1] at €3.4bn (December 2021: €3.9bn).

There are also investments in the Structured Credit area. The volume of new investments entered into since 2014 stood at €7.1bn (December 2021: €6.9bn). We have invested in bonds of senior tranches of securitisation transactions in the consumer (auto) ABS, UK RMBS and CLO asset classes, which have a robust structure and a moderate risk profile. At 31 December 2022, this portfolio solely contained AAA-rated CLO positions (also the case at the end of 2021). Remaining structured credit positions with a volume of €0.2bn were already in the portfolio prior to 2014 (December 2021: €0.2bn), while risk values stood at €0.1bn (December 2021: €0.2bn).

Forbearance portfolio

The EBA's definition of forbearance comprises two requirements, which have to be met concurrently: the debtor is in financial difficulties and the measures of the bank to help the debtor include concessions to the debtor that the bank would not have agreed to under different circumstances. Examples of concessions include deferrals, increases in limits or loans and waivers in connection with restructuring. The definition of forbearance applies independently of whether the debtor is in the performing or the non-performing portfolio.

[1] Risk value is the balance sheet value of cash instruments. For long CDS positions, it comprises the nominal value of the reference instrument less the net present value of the credit derivative.

The following tables show Commerzbank's total forbearance portfolio on the basis of the EBA definition as well as the loan loss provisions for these positions:

	31.12.2022			31.12.2021		
Forbearance portfolio by segment	**Forborne exposure** €m	**LLP** €m	**LLP coverage ratio** %	**Forborne exposure** €m	**LLP** €m	**LLP coverage ratio** %
Private and Small-Business Customers	1,064	195	18	920	140	15
Corporate Clients	1,951	503	26	2,240	413	18
Others and Consolidation	213	212	100	207	142	69
Group	**3,228**	**909**	**28**	**3,367**	**695**	**21**

The forbearance portfolio by region is as follows:

	31.12.2022			31.12.2021		
Forbearance portfolio by region	**Forborne exposure** €m	**LLP** €m	**LLP coverage ratio** %	**Forborne exposure** €m	**LLP** €m	**LLP coverage ratio** %
Germany	2,045	489	24	1,744	390	22
Western Europe	412	261	63	858	183	21
Central and Eastern Europe	623	148	24	472	112	24
North America	11	0	1	8	1	7
Asia	90	5	6	220	1	1
Other	46	7	15	65	8	13
Group	**3,228**	**909**	**28**	**3,367**	**695**	**21**

The decline in forbearance exposure in 2022 stems primarily from Corporate Customers. The LLP coverage ratio at Group level increased to 28%.

In addition to the LLP of €909m (31 December 2021: €695m), the risks in the forbearance portfolio are covered by collateral totalling €1,067m (31 December 2021: €1,179m).

Market risk

Market risk is the risk of potential financial losses due to changes in market prices (interest rates, commodities, credit spreads, exchange rates and equity prices) or in parameters that affect prices such as volatilities and correlations. Losses may impact profit or loss directly, e.g. in the case of trading book positions. However, for banking book positions they are reflected generally in the revaluation reserve or in hidden liabilities/reserves.

Strategy and organisation

Commerzbank's market risk strategy is derived from its overall risk strategy and the business strategies of the individual segments. It sets targets for market risk management in relation to Commerzbank's main business activities. The core market risk management tasks are the identification of all material market risks and drivers of market risk and the independent measurement and evaluation of these. The results and estimates serve as the basis for risk/return-oriented management.

The Board of Managing Directors of Commerzbank is responsible for ensuring the effective management of market risk throughout the Commerzbank Group. Specific levels of authority and responsibility in relation to market risk management have been assigned to the appropriate market risk committee.

In the Group Market Risk Committee, segment representatives, along with representatives from the risk function and finance area, discuss current risk positioning issues and decide on appropriate action. Chaired by the risk function, the Group Market Risk Committee, which meets monthly, deals with the Commerzbank Group's market risk position. Discussions centre on the monthly market risk report, which is also presented to the Board of Managing Directors for their consideration. The report summarises the latest developments on financial markets, the Bank's positioning and related risk ratios.

The risk management process involves the identification, measurement, management and monitoring of risks and reporting on them. It is the responsibility in functional terms of market risk management, which is independent of trading activities. Central market risk management is complemented by decentralised market risk management units at segment level and for regional units and subsidiaries. The close integration of central and local risk management with the business units means that the risk management process starts in the trading areas themselves. The trading units are responsible in particular for the active management of market risk positions, e.g. reduction measures or hedging.

Risk management

Commerzbank uses a wide range of quantitative and qualitative tools to manage and monitor market risk. Quantitative limits for sensitivities, value at risk, stress tests, scenario analyses and ratios on economic capital limit the market risk. Our comprehensive rulebook, in the form of market risk policies and guidelines as well as restrictions on portfolio structure, new products, maturities and minimum ratings, establishes the qualitative framework for market risk management. The market risk strategy lays down the weighting of figures in each segment by reference to their relevance. Thereby allowance is made for the varying impact of the parameters for the management of the segments in line with the business strategy.

Market risk is managed internally at Group level, segment level and in each segment's reporting units. A comprehensive internal limit system broken down to portfolio level is implemented and forms a core part of internal market risk management.

The quantitative and qualitative factors limiting market risk are determined by the market risk committees by reference to the Group's management of economic capital. The utilisation of these limits, together with the relevant net income figures, is reported daily to the Board of Managing Directors and the responsible heads of the Group divisions. Based on qualitative analyses and quantitative ratios, the market risk function identifies potential future risks, anticipates potential financial losses in collaboration with the finance function, and draws up proposals for further action, which are discussed with the front office units. Voting on the proposed measures or risk positions takes place in the above-mentioned market risk committee and is subsequently submitted to the Board of Managing Directors for approval.

Risk concentrations are restricted directly using specific limits or are indirectly avoided, for example, using stress test limits. In addition, the combination of various conventional risk measures (e.g. VaR, sensitivities) ensures the appropriate management of concentration risks. Furthermore, risk drivers are analysed on a regular basis in order to identify concentrations. The risk management of existing concentrations is also reviewed using situation-driven analyses and, where necessary, supplemented by targeted measures such as limits.

Any limits that are breached are handled in a separate escalation procedure. After a limit breach has been identified, the front office and risk units design adequate countermeasures. If the limit breach cannot be remedied within a reasonable period, it will be escalated by the market risk function to the next hierarchical level.

Regulatory risk measures that are not included in economic risk-bearing capacity are limited and managed separately. These include, for example, stressed VaR and incremental risk charge.

In internal management, all positions relevant to market risk are covered, and trading and banking book positions are jointly managed. In addition, for regulatory purposes the trading book is managed separately (in accordance with regulatory requirements, including currency and commodity risks in the banking book) and interest rate risks in the banking book are managed on a stand-alone basis. In order to provide a consistent presentation in this report, all figures relating to VaR are based on a confidence level of 99%, a holding period of one day, equally weighted market data and a 254-day history.

Trading book

Below, we show how the regulatory market risk ratios of the trading book portfolio developed. Most of Commerzbank's trading book positions derive from the Corporate Clients segment and Group Treasury division. The VaR figures comprise all risks in the internal VaR model. Commerzbank subsidiaries use standardised approaches for their regulatory capital calculation under partial use rules. They are not included in the regulatory VaR figures presented.

The VaR rose from €7m to €13m in 2022. The reason for this is the increased market volatility resulting from the Russia-Ukraine war, which led to new crisis scenarios in the VaR calculation.

VaR of portfolios in the trading book | €m	31.12.2022	31.12.2021
Minimum	6	3
Mean	9	7
Maximum	14	20
VaR at end of reporting period	**13**	**7**

The market risk profile is diversified across all asset classes and across interest rates, currencies, credit spreads, commodities and inflation risks. The asset classes that dominate at the end of 2022 are interest rates and currency rate changes.

VaR contribution by risk type in the trading book | €m	31.12.2022	31.12.2021
Credit spreads	2	1
Interest rates	6	2
Equities	0	0
FX	4	2
Commodities	2	2
Total	**13**	**7**

Further risk ratios are calculated for regulatory capital adequacy. This includes the calculation of stressed VaR. Stressed VaR is calculated using the internal model on the basis of the VaR method described above. The main difference lies in the market data used to value the assets. Stressed VaR measures the risk in the present position in the trading book by reference to market movements from a specified crisis period in the past. The crisis observation period used for this is checked regularly through model validation and approval processes and adjusted where necessary. The crisis observation period remained the same during the year.

The market risk profile in stressed VaR is also diversified across all asset classes. The dominant asset classes are interest rates, currencies and commodities. The decrease in the commodities asset class results in particular from trading in emissions certificates.

Stressed VaR contribution by risk type in the trading book | €m	31.12.2022	31.12.2021
Credit spreads	4	7
Interest rates	8	10
Equities	0	1
FX	6	5
Commodities	6	16
Total	**25**	**39**

In addition, the incremental risk charge and the equity event VaR figures quantify the risk of deterioration in creditworthiness and event risks in trading book positions. The incremental risk charge rose from €31m to €39m in the course of 2022.

The reliability of the internal model (historical simulation) is monitored in various ways, including backtesting on a daily basis. The VaR calculated is set against actually occurring changes in the portfolio value (profits and losses). In the process, a distinction is made between the variants backtesting of the hypothetical change in portfolio value (clean P&L) and backtesting of the actual change in portfolio value (dirty P&L). In the former, exactly the same positions in the income statement are used as were used for calculating the VaR. This means that the profits and losses result only from changes in market prices (hypothetical changes in the portfolio value). In dirty P&L backtesting, by contrast, profits and losses from newly concluded and expired transactions from the day under consideration are also included (actual profits and losses induced by portfolio value changes). Profits and losses from valuation adjustments and model reserves are factored into dirty and clean P&L according to the regulatory requirements.

If the actual loss exceeds the VaR, it is described as a negative backtesting outlier. Analysing the results of backtesting provides an informative basis for checking parameters and for potential improvement to the market risk model. In 2022 three negative clean P&L outliers/dirty P&L outliers were measured. The clean P&L/dirty P&L outliers are mainly due to market movements in interest rates, foreign currencies and commodities, against the backdrop of the Ukraine war.

Backtesting is also used by the supervisory authorities for evaluating internal risk models. Negative outliers are classified by means of a traffic-light system laid down by the supervisory authorities. All negative backtesting outliers at Group level (from both clean P&L and dirty P&L) must be reported to the supervisory authorities, citing their extent and cause.

As the VaR concept gives a prediction of potential losses assuming normal market conditions, it is supplemented by stress tests. These stress tests measure the risk to which Commerzbank is exposed, based on unlikely but still plausible events. These events may be simulated using extreme movements on various financial markets. The key scenarios relate to major changes in credit spreads, interest rates and yield curves, exchange rates, share prices and commodities prices. Events simulated in stress tests include all stock prices falling by 15%, a parallel shift in the yield curve or changes to the curve's gradient.

Extensive Group-wide stress tests and scenario analyses are carried out as part of risk monitoring.

The internal model's individual components are validated at regular intervals to assess their appropriateness for risk measurement. The identification and elimination of model weaknesses are of particular importance in this.

Banking book

The key drivers of market risk in the banking book are the Group Treasury portfolios, with their credit spread, interest rate and basis risks.

In market risk management, credit spread sensitivities in the banking and trading books are considered together. Credit spread sensitivities (downshift of 1 basis point) for all securities and derivative positions (excluding loans) were at €30m as at the end of fiscal year 2022 (31 December 2021: €50m). The main reason for the decrease was the rise in the level of interest rates.

Most credit spread sensitivities related to securities positions measured at amortised cost. Changes in market price have no impact on the revaluation reserve or the income statement for these positions. The impact of an interest rate shock on the economic value of the Group's banking book is simulated monthly in compliance with regulatory requirements. In accordance with the EU Banking Directive, the German Federal Financial Supervisory Authority and the European Central Bank have prescribed two scenarios of uniform, sudden and unexpected changes in interest rates (+/–200 basis points) to be used by all banks, which have to report on the results of this stress test every quarter. In the scenario –200 basis points, the yield curve is floored at 0 (negative sections of the yield curve are left unchanged).

As a result of the scenario +200 basis points, a potential economic loss of €2,062m as at 31 December 2022 (31 December 2021: €2,523m potential economic loss) was determined, and in the scenario –200 basis points a potential economic profit of €1,133m (31 December 2021: €746m potential economic profit). Commerzbank does not, therefore, need to be classified as a bank with elevated interest rate risk, as the decline in net present value represents less than 20% of its regulatory capital.

The interest rate sensitivity of the overall banking book (excluding pension funds) fell to €2.4m as at 31 December 2022 (31 December 2021: €7.3m) per basis point of falling interest rates mainly due to increased interest rate levels and position changes in the treasury.

Pension fund risk is also part of market risk in the banking book. Our pension fund portfolio comprises a well-diversified investment section and the insurance-related liabilities. The duration of the liabilities is extremely long (cash outflows modelled over almost 90 years), and the main portion of the overall portfolio's present value risk is in maturities of 15 years and over. The main risk drivers are long-term euro interest rates, credit spreads and expected euro inflation due to anticipated pension dynamics. Equity, volatility and foreign exchange risk also need to be taken into consideration. Diversification effects between individual risks reduce the overall risk. The extremely long maturities of these liabilities represent the greatest challenge, particularly for hedging credit spread risk. This is because there is insufficient liquidity in the market for corresponding hedging products.

Market liquidity risk

Market liquidity risk is the risk of the Bank not being able to liquidate or hedge risky positions in a timely manner, to the desired extent and on acceptable terms as a result of insufficient liquidity in the market.

Market liquidity risk is taken into account in Commerzbank's risk-bearing capacity concept by scaling the value at risk to one year, i.e. the implicitly recognised liquidation period. Additional valuation adjustments for market liquidity risk are also reflected in the calculation of the risk coverage capital.

Liquidity risk

We define liquidity risk in the narrower sense as the risk that Commerzbank will be unable to meet its payment obligations on a day-to-day basis. In a broader sense, liquidity risk describes the risk that future payments cannot be funded for the full amount, in the required currency or at standard market conditions, as and when they are due.

Strategy and organisation

The Board of Managing Directors adopts the business strategy and the Bank's risk tolerance, which is associated with it. Liquidity risk tolerance is then operationalised by defining the liquidity reserve period and the limit framework. In order to ensure an appropriate liquidity risk management process, the Board of Managing Directors delegates certain competences and responsibilities in connection with the Group-wide liquidity risk strategy to the Risk and Treasury functions.

The Group Asset Liability Committee (Group ALCO) is responsible for limiting, analysing and monitoring liquidity risk and for strategic liquidity positioning. The Group ALCO is supported by various sub-committees in this.

Risk management

Commerzbank uses a wide range of tools to manage and monitor liquidity risks on the basis of its own liquidity risk model. The stress scenario within the Bank that underlies the model and is relevant for management purposes allows for the impact of both a bank-specific stress event and a broader market crisis. Binding regulatory requirements are an integral component of the management mechanism.

Group Treasury is responsible for the Group's liquidity management operations. Group Treasury is represented in all major locations of the Group in Germany and abroad and has reporting lines into all subsidiaries. Commerzbank manages its global liquidity centrally using cash pooling. This approach ensures that liquidity resources are used efficiently and that this occurs across all time zones, as Group Treasury units are located in Frankfurt, London, New York and Singapore.

Liquidity risk is monitored on the basis of the Bank's own liquidity risk model by the independent risk function.

The Bank has established early warning indicators for the purpose of managing liquidity risk. These ensure that appropriate steps can be taken in good time to secure long-term financial solidity.

Risk concentrations can lead to increased outflows of liquidity, particularly in a stress situation, and thus to increased liquidity risk. They can, for example, occur with regard to maturities, large individual creditors or currencies. By means of ongoing monitoring and reporting, emerging risk concentrations in funding can be recognised in a timely manner and mitigated through suitable measures.

This also applies to payment obligations in foreign currencies. The Bank also mitigates concentration by continuously using its access to broadly diversified sources of funding, in particular diverse customer deposits and capital market instruments.

Commerzbank also ensures that it limits and monitors foreign exchange risks.

In the event of a market-driven and/or idiosyncratic liquidity crisis, the liquidity contingency plan provides for certain measures which, depending on the nature of the crisis, can be initiated either through Treasury's extended authority to act or through the recovery process of the recovery plan. The liquidity contingency plan is an independent part of emergency planning and upstream of the recovery plan. Both the liquidity contingency plan and the recovery plan at Commerzbank are updated at least once a year; the individual measures of the recovery plan are checked regularly during the year for plausibility. The liquidity contingency plan also defines a clear allocation of responsibilities for the processes to be followed in emergency situations and gives details of any action that may need to be taken.

The internal rules and the models used are reviewed at least annually and regularly audited by Internal Audit, the auditor and the supervisory authority (ECB).

Liquidity risk model

A key component of liquidity risk management is the daily calculation of the liquidity gap profile. The liquidity gap profile shows the deterministic or stochastic inflows and outflows expected in the future on a given reporting date and across all portfolios. This forms the basis for calculating liquidity requirements or excess liquidity per maturity band. This also includes modelling the proportion of customer deposits that will be permanently available, known as the core deposit base.

The liquidity gap profile is also used to set the issuance strategy of the Commerzbank Group, which is operationalised by the Group Treasury division. The Group Finance division is responsible for calculating and allocating liquidity costs on the basis of the liquidity gap profile, which are then incorporated in the management of the segments' business activities.

Based on the liquidity gap profile, management mechanisms such as recovery and early warning indicators are limited and monitored accordingly. The liquidity gap profile is limited in the maturity bands up to 1 year. The Group limits are broken down into individual Group units and currencies. The internal liquidity risk model is complemented by the regular analysis of additional adverse, reverse and historical stress scenarios.

Quantification and stress testing

Commerzbank uses a wide range of tools to manage and monitor liquidity risks on the basis of its own liquidity risk model. In addition to internal economic considerations, liquidity risk modelling also factors in the binding regulatory requirements under the Capital Requirements Regulation (CRR) and the requirements of the Minimum Requirements for Risk Management (MaRisk). Commerzbank incorporates this within its liquidity risk framework, thereby quantifying the liquidity risk appetite established by the Board of Managing Directors.

The stress scenarios within the Bank that underlie the model and are relevant for management purposes allow for the impact of both a bank-specific stress event and a broader market crisis. The Commerzbank-specific idiosyncratic scenario simulates a stress situation arising from a rating downgrade of two notches, whereas the market-wide scenario is derived from experience of the subprime crisis and simulates an external market-wide shock. The main liquidity risk drivers of both scenarios are a markedly increased outflow of short-term customer deposits, above-average drawdown of credit lines, prolongations of lending business regarded as commercially necessary, the need to provide additional collateral for secured transactions and the application of higher risk discounts to the liquidation values of assets.

As a complement to the individual scenarios, the Bank also simulates the impact on the liquidity gap profile (net liquidity position) of a scenario that combines idiosyncratic and market-specific effects. The liquidity gap profile is shown for the whole of the modelling horizon across the full spectrum of maturities and follows a multi-level concept. This allows for a nuanced presentation – deterministic and modelled cash flows in existing business on the one hand and the inclusion of prolongations on the other.

The table below shows the liquidity gap profile values after application of the respective stress scenarios for periods of one and three months as at the end of the year. Significantly more liquidity flows out in a combined scenario compared with the individual scenarios. As at the end of 2022, in the one-month and three-month periods, the combined stress scenario leaves net liquidity of €21.2bn and €20.9bn respectively.

Net liquidity in the stress scenario | €m		31.12.2022	31.12.2021
Idiosyncratic scenario	1 month	30.0	20.8
	3 months	31.4	24.1
Market-wide scenario	1 month	30.0	24.1
	3 months	29.6	26.0
Combined scenario	1 month	21.2	12.8
	3 months	20.9	14.7

Liquidity reserves

Significant factors in the liquidity risk appetite include the reserve period, the size of the liquidity reserve portfolio held to compensate for unexpected short-term liquidity outflows, and the limits in the various maturity bands. As the liquidity reserve portfolio consists of highly liquid assets, it functions as a buffer in stress situations. The liquidity reserve portfolio is funded in line with the liquidity risk appetite to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors.

As at the end of 2022, the Bank had highly liquid assets of €104.7bn. This liquidity reserve is funded in line with the liquidity risk appetite to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors.

Part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Group Treasury to cover liquidity outflows should a stress event occur and always ensure solvency. The amount of the stress liquidity reserve portfolio is checked and, if necessary, adjusted as part of the daily liquidity risk calculation.

The Bank also holds an intraday liquidity reserve portfolio. As at the 2022 reporting date, the total value of this portfolio was €6.1bn (31 December 2021: €6.1bn).

The liquidity reserves in the form of highly liquid assets consisted of the following three components:

Liquidity reserves from highly liquid assets | €bn	31.12.2022	31.12.2021
Highly liquid assets	104.7	60.0
of which level 1	97.5	56.3
of which level 2A	6.8	3.4
of which level 2B	0.4	0.3

Liquidity ratios

Throughout the 2022 financial year, Commerzbank's internal liquidity ratios, including the regulatory liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR), were above the limits set at least annually by the Board of Managing Directors.

The LCR is calculated as the ratio of liquid assets to net liquidity outflows under stressed conditions. It is used to measure whether a bank has a large enough liquidity buffer to independently withstand any potential imbalance between inflows and outflows of liquidity under stressed conditions over a period of 30 calendar days.

In 2022, Commerzbank significantly exceeded the minimum ratio of 100% stipulated for that year on every reporting date. As at the end of 2022, the average month-end value of the LCR over the last 12 months was 141.1% (as at the end of 2021: 145.1%).

The Bank has established corresponding limits and early warning indicators to ensure the LCR minimum requirements are met.

The NSFR sets the requirement of stable refinancing as a ratio of the amount of the available stable refinancing and the amount of the required stable refinancing over a one-year horizon.

The quota itself is defined as the ratio of the weighted available stable refinancing and the necessary weighted stable refinancing. The minimum quota is 100%.

As at 31 December 2022 the NSFR stood at 128.3% (31 December 2021: 128.8%) and underlines the sound financial situation of Commerzbank.

Operational risk

Based on the Capital Requirements Regulation (CRR), Commerzbank defines operational risk (OpRisk) as the risk of loss resulting from the inadequacy or failure of internal processes, people and systems or from external events. This definition includes, among other things, legal risk, human resources risk, IT risk, outsourcing risk or tax risk, as well as product risk, conduct risk and risks from the area of environmental, social, governance (ESG). In this definition the focus is not on strategic or reputational risk. In view of their increased economic significance, compliance risk and cyber risk are managed as separate risk types. However, losses from compliance risks and cyber risks are incorporated into the model for determining the economic capital required for operational risks.

Strategy and organisation

Within Commerzbank, OpRisk and governance issues of the Internal Control System (ICS) are closely connected in terms of both organisational structure and methodology and are continuously being enhanced. This is because many OpRisk cases are closely linked with failures in the control mechanisms. A properly functioning ICS thereby helps to reduce or avoid losses from operational risks and thus to lower the amount of economic capital required to cover operational risks in the medium to long term. Conversely, the operational risk management systems enable the ICS to adapt itself consistently to them. The further development of the ICS structure is an essential aspect of the proactive reduction or prevention of operational risks.

Chaired by the CRO, the Group OpRisk Committee meets at least four times a year and deals with the management of operational risks within the Commerzbank Group. It also acts as the escalation and decision-making committee for key OpRisk topics that span all areas. The Management Boards and/or the Segment Committees with responsibility for operational risk deal with the management of operational risk in the relevant units. They analyse OpRisk issues that affect them, such as loss events, and define subsequent measures or recommend action.

Commerzbank's OpRisk strategy is approved on an annual basis by the Board of Managing Directors after it has been discussed and voted upon in the Group OpRisk Committee. The OpRisk strategy describes the risk profile, key elements of the desired risk culture, its management framework and measures to be taken by Commerzbank to manage operational risk. OpRisk management is based on three consecutive levels (three lines of defence) which, when taken together, are crucial for reaching the given strategic aims.

Risk management

Commerzbank takes an active approach to managing operational risk, aiming to systematically identify OpRisk profiles and risk concentrations and to define, prioritise and implement risk mitigation measures.

Operational risks are characterised by asymmetric distribution of losses. This means that most of the losses are relatively small, while isolated losses with a very low probability of occurrence have the potential to be large and devastating. This makes it necessary not only to limit high loss potential but also to proactively manage losses that can be expected to occur frequently.

To do this, Commerzbank has set up a multi-stage system that brings together the defined limits on economic capital (risk capacity) and those set for operative risk management during the year (risk appetite/tolerance), complemented by rules on the transparent and conscious acceptance and approval of individual risks (risk acceptance).

OpRisk management includes an annual evaluation of the Bank's ICS key controls and a risk scenario assessment. OpRisk loss events are also subject to ongoing analysis and ICS backtesting on an event-driven basis. Lessons learned activities are carried out after all material loss events.

Since the fourth quarter of 2021 Commerzbank has measured regulatory capital using the standardised approach (SA), while economic capital for operational risks continues to be measured using a dedicated internal model (OpRisk ErC model). Risk-weighted assets for operational risks on this basis at the end of the fourth quarter of 2022 amounted to €21.2bn (31 December 2021: €19.8bn). Main driver of the rise compared to the previous year were the revenues in 2022. The economically required capital was €2.3bn. The internal model used for this corresponds to the advanced measurement approach (AMA) previously in use. A comparison with the previous year (31 December 2021: €1.5bn) shows a sharp increase.

The following table gives an overview of risk-weighted assets and the economically required capital (ErC) by segment:

	31.12.2022		31.12.2021	
€bn	RWA	ErC	RWA	ErC
Private and Small-Business Customers	13.3	1.6	10.3	0.8
Corporate Clients	4.5	0.3	4.9	0.3
Others and Consolidation	3.3	0.5	4.6	0.4
Group	**21.2**	**2.3**	**19.8**	**1.5**

The total charge for OpRisk events as at the end of the fourth quarter of 2022 was approximately €951 (full-year 2021: €1,136m). The events mainly related to losses in the “Products and business practices” category. The provisions of mBank for legal risks in connection with Swiss franc credit agreements and the Polish amendment to the law "Credit Vacation" are to be mentioned in the first place. The amendment grants mortgage loan borrowers the right to request a temporary suspension of interest and repayment payments.

OpRisk events[1] | €m	31.12.2022	31.12.2021
Internal fraud	0	–1
External fraud	1	35
Damage and IT failure	4	2
Products and business practices	936	738
Process related	13	352
HR related	–3	9
Group	**951**	**1,136**

[1] Losses incurred and provisions, less OpRisk-based income and repayments.

A structured, centralised and decentralised reporting system ensures that the management of the Bank and its segments, members of the OpRisk Committee and the supervisory bodies are informed regularly, promptly and fully about operational risk. Detailed and extensive OpRisk reports are prepared on a quarterly basis. They contain changes in OpRisk losses, the segments’ main loss events, current risk analyses, changes in the capital requirement and the status of measures implemented.

Operational risks are also part of the regular risk reporting process to the Board of Managing Directors and to the Supervisory Board’s Risk Committee.

Other risks

To meet the requirements of the Basel framework, MaRisk requires an integrated approach to risk that also includes unquantifiable risk categories. At Commerzbank, these are subjected to a qualitative management and control process. The following risk types except compliance risk, model risk and cyber risk are outside the responsibility of the CRO.

Legal risk

According to the CRR, legal risk falls within the definition of operational risk. It primarily arises for the Commerzbank Group when the Bank’s claims cannot be enforced for legal reasons or when claims can be made against the Bank because the underlying law was not observed or has changed since a transaction was concluded.

The operation of banking and financial services transactions that are subject to regulatory provisions may also result in legal risk. This risk may also take the form of orders or sanctions issued or imposed by one or more authorities whose supervision Commerzbank is subject to anywhere in the world. Legal risk also arises in realised losses or provisions due to or in connection with court cases brought against Commerzbank (passive proceedings). Cases brought by Commerzbank (active proceedings) generally represent a credit risk rather than an operational risk, so the risk of loss is already taken into account through write-downs. However, the costs of legal action (court and lawyers’ costs) for active proceedings are classified as legal risk.

Organisation Within Commerzbank, the functional management of legal risk throughout the Group is the responsibility of Group Legal. All legal staff at the various Group Legal locations including the foreign branches as well as the legal staff of the legal departments of the domestic and foreign subsidiaries are as legal risk managers operationally responsible for the identification and management of the Group-wide legal risk within Commerzbank.

Risk management The task of the Group's legal risk managers is to detect legal risks and all losses potentially resulting from them at an early stage, to highlight possible solutions that might avoid or minimise such losses, and to play an active part in reaching decisions concerning legal risks. They must ensure that they are always up to date with all legal changes or new findings within their area of responsibility and inform the business units affected about the impact on legal risk and any action that needs to be taken as a result.

The legal risk managers are responsible for arranging or adjusting legal provisions and look after and monitor new and ongoing court proceedings.

In the case of passive proceedings, provisions are recognised on the basis of the risk assessment carried out by the responsible legal risk manager. The expected risk of loss for proceedings generally corresponds to the size of the provisions to be recognised. To estimate the expected loss, the amount that the Bank would reasonably have to pay to settle the dispute at the current point in time is calculated after each significant stage in the proceedings. In the case of active proceedings, provisions are usually only recognised for the expected court and lawyers' costs.

Group Legal provides information about all major court proceedings and risk trends in a quarterly litigation report. This report is sent to the Bank's management and Supervisory Board, the supervisory authority and the OpRisk Committee.

Current developments Commerzbank and its subsidiaries are involved in a variety of court and arbitration cases, claims and official investigations (legal proceedings) in connection with a broad range of issues. They include, for example, allegations of defective advice, disputes in connection with credit finance or payment transactions, entitlements to occupational pensions, allegedly false accounting and incorrect financial statements, enforcement of claims due to tax issues, allegedly incorrect prospectuses in connection with underwriting transactions, alleged violations of competition laws, and cases brought by shareholders and other investors as well as investigations by supervisory authorities. In addition, changes to rulings by supreme courts, which may render them more restrictive, as well as to legal conditions, e.g. in the private customer business, may result in more claims being brought against Commerzbank or its subsidiaries. In these court cases, claimants are mostly asking for the payment of compensation, claims on account of unjust enrichment or the reversal of agreements already entered into. If the courts were to find in favour of one or more of the claimants in these cases, Commerzbank could be liable to pay compensation, which could in some cases be substantial, or could incur the expense of reversing agreements or of other cost-intensive measures.

Regulatory authorities and governmental institutions in various countries in which Commerzbank and its subsidiaries are or have been active have for some years been investigating irregularities in connection with the fixing of foreign exchange rates and with foreign exchange business in general. In the course of these investigations, regulatory authorities and governmental institutions have also sought checks on Commerzbank or have approached the Bank with requests for information. Commerzbank has cooperated fully with these bodies and also looked into the relevant matters on the basis of its own comprehensive investigations. The cases are no longer active with the exception of one case in which the investigating authority transferred the matter to the national competition tribunal. Financial consequences cannot be ruled out.

The public prosecutor's office in Frankfurt is investigating equity transactions conducted by Commerzbank and the former Dresdner Bank around the dividend record date (cum-ex transactions). Commerzbank had already initiated a forensic analysis of cum-ex transactions at the end of 2015, which was concluded at the start of 2018 in respect of Commerzbank's equity transactions and in September 2019 in respect of the equity transactions of the former Dresdner Bank. All back taxes demanded by the tax authorities have been paid.

The public prosecutor's office in Cologne has been conducting investigations at Commerzbank since September 2019 in connection with a separate case concerning cum-ex transactions. It is investigating on suspicion that the Bank (including Dresdner Bank) was involved in cum-ex transactions in various roles, including by supplying shares to third parties who were allegedly acting as short sellers. According to the current understanding, these proceedings do not involve Commerzbank's own tax credit claims with regard to capital gains tax and the solidarity surcharge on dividends.

The Bank is cooperating fully with authorities conducting investigations into cum-ex transactions. It is currently not possible to predict whether this will result in a burden, whether it will occur, or the amount of any resulting burden.

Based on the circular on cum/cum transactions published by the Federal Ministry of Finance (BMF) in 2017, the tax auditors commented on the treatment of these transactions in the form of audit notes. The tax office reduced the credit for capital gains taxes accordingly. In response, Commerzbank AG made value adjustments to tax credits shown in the balance sheet and set up additional provisions for possible repayment claims in order to reflect the changed risk situation fully and appropriately. The BMF published a revised version of its circular on cum/cum transactions on 9 July 2021. In view of the potential impact of the BMF circular, the provision was adjusted in the second quarter of 2021. Based on current knowledge, the tax risks arising from this issue have thereby been adequately covered. The possibility of further charges over and above the provisions recognised by the Bank cannot be completely ruled out.

With respect to securities lending transactions, Commerzbank is exposed to compensation claims (including in court) from third parties for crediting entitlements that have been denied. In the context of these securities lending transactions, the contracting parties were obliged to reimburse Commerzbank for dividends and retained capital gains taxes. However, the tax offices of various contracting parties partially refused or subsequently disallowed subsequent crediting against corporate income tax.

In May 2017, a Polish court admitted a class action lawsuit against mBank alleging the ineffectiveness of index clauses in loan agreements denominated in Swiss francs. A total of 1,731 plaintiffs have joined the class action. The plaintiffs have lodged an appeal against the ruling of the court of first instance rejecting their claims.

Independently of this, numerous borrowers have also filed individual lawsuits for the same reasons. In addition to the class action, 17,627 other individual proceedings were pending as at 31 December 2022 (31 December 2021: 13,036). mBank has contested these claims.

As at 31 December 2022, there were 1,941 final rulings in individual proceedings against mBank, of which 97 were decided in favour of mBank and 1,844 were decided against mBank. A total of 33 proceedings before courts of second instance are suspended because of legal issues that are being considered by the Polish Supreme Court and the European Court of Justice (ECJ).

The questions submitted to the ECJ by the Polish Supreme Court on the legality of the process for appointing new judges to the Polish Supreme Court are still unanswered and the further course of the proceedings and the outcome remain to be seen.

New requests for preliminary rulings sent to the ECJ by Polish courts in proceedings concerning mBank raise key issues about how to deal with indexed loans, such as the declaration of such loan agreements as null and void, the statute of limitations for repayment claims and the compensation for use owed to the banks (C138/22, C139/22 and C140/22). A date for the hearing or pronouncement of a decision has not yet been set.

A referral proceeding of another bank at the ECJ (C520/21) mainly addresses issues regarding compensation for use and other benefits for funds that are to be returned under a void loan agreement. Representatives of the plaintiffs, the defendant, the supervisory authorities and the European Commission presented their positions at a hearing in October 2022. The court did not comment specifically on the matter. Once implemented by the Polish courts, a decision in favour of the plaintiffs could result in considerable economic burdens for mBank. A decision by the court is expected in mid-2023.

mBank established a settlement programme beginning in the fourth quarter of 2022 that is aimed at all customers with active loans, including those who already have lawsuits against the bank. Customers will be offered the option of having their loans converted into zloty loans with a fixed or variable interest rate as well as the cancellation of an individually negotiated part of the outstanding loan value. As at the reporting date, mBank had accounted for risks in connection with future settlement payments in the amount of €122.1m.

In the third quarter of 2022, the Group changed the methodology used to calculate the risk provisions for loan agreements indexed to Swiss francs. The methodology is now based on historical data, supplemented by expert assessments. The main assumptions are: The expected number of borrowers who will still sue, the nature of the expected court judgments, the amount of the Bank's loss in the event of a judgment, and the acceptance rate for settlements. The methodology used to calculate the provision is based on parameters that are varied, discretionary and in some cases associated with considerable uncertainty. Fluctuations in the parameters as well as their interdependencies and rulings of the Polish courts and the ECJ may mean that the amount of the provision has to be adjusted significantly in the future.

As at 31 December 2022, the portfolio of loans denominated in Swiss francs that have not been fully repaid had a carrying amount of 6.1bn Polish zloty; the portfolio that had already been repaid amounted to 7.5bn Polish zloty when it was disbursed. Overall, the Group recognised a provision of €1.4bn for the risks arising from the matter, including potential settlement payments and the class action lawsuit (31 December 2021: €899m).

New legal provisions in Poland permit consumers, irrespective of their financial position, to defer their monthly payments for current mortgage loans up to eight times until the end of 2023. In calculating the impact of these provisions, mBank is expecting borrowers accounting for 82.5% of the eligible mortgage loan portfolio to exercise this right and to request deferrals averaging 7.7 months. As at 31 December 2022, customers accounting for 81.8% of the portfolio had requested deferrals averaging 6.8 months.

In April 2021, the German Federal Court of Justice ruled on the mechanism for changes to banks' general terms and conditions (AGB Banken) in a case against another bank and declared the relevant clauses of the general terms and conditions to be void. This mechanism stipulated that the customer's consent to certain changes in the contract was given after a certain period of time if the customer had not objected. The Bank has examined the impact of this case law on its business units and products, as the charges introduced or increased for consumers as a result of the mechanism for changes to banks' general terms and conditions may be void.

Some of these cases could also have an impact on the reputation of Commerzbank and its subsidiaries. The Group recognises provisions for such proceedings if liabilities are likely to result from them and the amounts to which the Group is likely to be liable can be determined with sufficient accuracy. Since there are considerable uncertainties as to how such proceedings will develop, the possibility cannot be ruled out that some of the provisions recognised for them may prove to be inadequate once the courts' final rulings are known. As a result, substantial additional expense may be incurred. This is also true in the case of legal proceedings for which the Group did not consider it necessary to recognise provisions. The eventual outcome of some legal proceedings might have an impact on Commerzbank's results and cash flow in a given reporting period; in the worst case, it cannot be fully ruled out that the liabilities which might result from them may also have a significant impact on Commerzbank's earnings performance, assets and financial position.

Further information on legal proceedings may be found in Note 55 regarding provisions and Note 57 regarding contingent liabilities and lending commitments in the Group financial statements.

Compliance risk

Compliance risk falls within the definition of operational risk according to the Capital Requirements Regulation (CRR). Commerzbank acknowledges and understands the existence of inherent compliance risk in its areas of business, which are subject to the risk of abuse in general and in particular by financial crime. Compliance risk in this context comprises risks relating to money laundering, terrorist financing, sanctions/embargoes, markets compliance, fraud, bribery and corruption, as well as consideration of human rights and environmental risks in accordance with the German Supply Chain Due Diligence Act (LkSG).

In order to actively promote a compliance culture in the Bank, the Board of Managing Directors of Commerzbank has laid down and communicated corresponding values in the Code of Conduct.

Organisation Group Compliance is led by the Divisional Board member for Group Compliance, who reports directly to the Board of Managing Directors. Pursuant to Art. 87 (5) of the German Securities Trading Act (WpHG) and BT 1.1 MaComp (minimum requirements of the compliance function), the division head of Group Compliance is both the Group's Compliance Officer and, under Art. 25 h (7) of the German Banking Act (KWG) and Arts. 7 and 9 of the German Anti-Money Laundering Act (GwG), the Anti-Money Laundering Officer; this person is supervised as such by the Federal Financial Supervisory Authority (BaFin).

The Group Compliance division head also assumes the role as human rights officer according to the German Supply Chain Due Diligence Act (LkSG). The human rights officer shall have a deputy human rights officer who shall have the rights and powers of the human rights officer.

Group Compliance is responsible for:

A. The five types/areas of compliance risk:
  1) anti money laundering / fighting terrorist financing
  2) sanctions and embargoes
  3) combating fraud, bribery and corruption
  4) markets compliance
  5) consideration of human rights and environmental risks in accordance with the LkSG

as well as

B. Further responsibilities:
  1) coordination of the requirements under MaRisk section 4.4.2 ("MaRisk compliance function"),
  2) independent implementation of internal special investigations with compliance relevance.

In the third quarter of 2022, the Bank decided to implement in Compliance the requirements set out in the LkSG.
The responsibilities based on the obligations under the QI (Qualified Intermediary), FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standard) regimes as well as in relation to the prevention of the aiding and abetting of tax evasion (Anti-Tax Evasion Facilitation – ATEF) have been bundled within the Group Tax function; the corresponding role of the QI and FATCA Responsible Officer was transferred to Group Tax in July 2022. In the foreign locations, the roles and responsibilities with regard to ATEF-related tasks under the overall responsibility of Group Tax remain unaffected by this structural change and will continue to be carried out there by the local compliance function.

Risk management To prevent compliance risks, Commerzbank has implemented security systems and controls for its transactions, customers, products and processes. These procedures for ensuring compliance with material legal provisions and requirements are referred to in their entirety as a compliance management system. Commerzbank's compliance management system is based on international market standards and the regulatory requirements in the various countries which are relevant for Commerzbank's business activities. Commerzbank is constantly developing its compliance management system in order to meet its responsibilities and address the growing complexity and increasing regulatory requirements. Under the three lines of defence principle, protecting against undesirable compliance risks is an activity that is not restricted to the compliance function (Group Compliance). Instead, the organisational control and monitoring elements are aligned in three sequential levels. The units in the first line of defence (1st LoD) assume responsibility as part of their operational activities for identifying and managing risks and for complying with their own business rules; they are also responsible for setting up process-oriented control mechanisms. Group Compliance, the second line of defence (2nd LoD), sets standards for appropriate risk management, oversees the appropriateness and effectiveness of the procedures and controls in the first line of defence, and assesses and communicates any deficiencies found. In addition, Group Compliance carries out analyses and assessments of compliance risks and ensures that the risk management framework is implemented. Internal Audit, the third line of defence (3rd LoD), uses regular and independent audits to check that compliance in both the 1st LoD and 2nd LoD is appropriate and effective.

Compliance risks are managed in a control circuit with interacting elements. Commerzbank constantly monitors relevant regulatory requirements and ensures the definition and/or adjustment of corresponding internal standards intended to make sure it complies with the requirements. Regular internal training measures and consulting services from the compliance function support the effective implementation of these standards in the Group. Implementation encompasses setting up and carrying out suitable processes and controls in daily work, assuring their quality and testing their effectiveness in the 1st and 2nd LoD. Compliance risks are monitored and are the subject of regular internal reporting. Where necessary, matters are escalated according to their urgency and severity.

The compliance sub-risk strategy, as part of the overall risk strategy of Commerzbank, sets the risk strategy framework for dealing with compliance risks and contains a detailed description of compliance risk management in addition to strategic and organisational elements. In particular, the risk appetite per compliance risk type is specified and the strategic fields of action are defined.

Risk analysis (compliance risk analysis) is one of the core elements of risk management. It assesses the inherent risk arising from doing business with different customer groups and products and compares this in the Control Assessment with an evaluation of the corresponding control environment for mitigating the inherent risk. A residual risk is determined as the outcome. The Bank defines measures to further enhance risk management (e.g. introducing additional controls) as necessary and tracks implementation closely.

Current developments In recent years, Commerzbank has worked through all the findings from the settlements with various US authorities regarding violations of US sanctions and money laundering prevention regulations. Commerzbank last reported to the DFS (Department of Financial Services) for the fourth quarter of 2022.

On 13 April 2022 Commerzbank London received confirmation from the UK financial services supervisory authority, the Prudential Regulation Authority (PRA), that its application to be recognised as a "third-country branch" had been approved. This approval allows the Bank to continue operating as a branch of Commerzbank AG in the UK; it had been operating under the Temporary Permissions Regime (TPR) since 1 January 2021. The approval also means discontinuation of all voluntary restrictions on business, which were put in place during the review carried out in the branch by the "skilled person" appointed by the UK Financial Conduct Authority (FCA).

In August 2022 Commerzbank reached an agreement with the Hong Kong Monetary Authority (HKMA) to pay a fine of HKD 6m. The fine is due to breaches of the Money Laundering Ordinance in the area of KYC for the period April 2012 to June 2016. Following the report from the HKMA, an immediate programme to work through the infringements was launched, and this has already been completed.

Reputational risk

Reputational risk is the risk that stakeholders may lose confidence in Commerzbank or that its reputation may be damaged as a result of negative events in its business activities. Commerzbank's stakeholder groups include in particular the public and the media, non-governmental organisations and its customers. In the present-day competitive environment, a company's reputation is becoming more and more important. The main factor determining this is how companies handle sustainability considerations (environmental or social risks) in the market segments' customer business (intrinsic reputational risks). Companies are judged not only on the basis of people's personal experiences of them, but also on reports reaching the public, especially through the media. Reputational risk therefore goes hand in hand with communication risk.

Strategy and organisation All employees and managers have a fundamental duty to protect and reinforce Commerzbank's good reputation as a significant element of its enterprise value. The segments and significant subsidiaries bear direct responsibility for reputational risk resulting from their particular business activity. The Reputational Risk Management department is part of the central Group Communications division of the Commerzbank Group and focuses on intrinsic reputational risk that may directly lead to reputational damage among stakeholder groups. The department maintains close links with the relevant front office units. Management of intrinsic reputational risk is the responsibility of the Chairman of the Board of Managing Directors. It is a component of Commerzbank's overall risk strategy. Reputational Risk Management's tasks include identifying, evaluating and addressing intrinsic reputational risk in systematic processes at an early stage and suggesting or implementing appropriate measures (early warning function).

Risk management Managing intrinsic reputational risk means identifying and reacting to potential environmental and social risks at an early stage, thereby reducing any potential communication risk or even preventing it completely. Intrinsic reputational risk is managed by means of a qualitative approach. As part of a structured process, transactions, products and customer relationships in connection with sensitive areas are assessed with reference to environmental and social risks on a qualitative five-point scale. This assessment can contain conditions and in some cases a negative verdict, which could lead to a rejection. In addition to the qualitative assessment of intrinsic reputational risks, an annual scenario-based ICAAP materiality analysis is used to quantitatively assess the impact of climate and environmental risks on reputational risks and to ensure appropriate ICAAP consideration via business risk.

The sensitive areas regularly and comprehensively analysed in Reputational Risk Management include armaments exports and transactions, products and customer relationships relating to power generation and commodities extraction. Commerzbank's attitude towards these areas is laid down in positions and guidelines that are binding for all employees. Commerzbank's Reputational Risk Management department regularly observes and analyses new environmental and social issues and informs the relevant parts of the Bank about these. The reputational risks identified and addressed by the department are incorporated into the quarterly reputational risk report – part 1: non-quantifiable risks; part 2: high and major intrinsic reputational risks (sustainability issues) – which is prepared for the Board of Managing Directors and the Risk Committee of the Supervisory Board.

Environmental, social and governance (ESG) risks

The integration of ESG aspects into the Bank's risk management processes is hugely important for sustainable finance.

The three lines of defence concept for ESG risks was refined during 2022. ESG risks are considered a type of horizontal risk and as such are managed by various control units across the Bank. Group Sustainability Management also acts the second line of defence for social (S) and governance (G) risks, serving as a central point of oversight. Environmental (E) risks are dealt with within the risk control function. A Chief Environmental Risk Officer (CERO) has also been appointed and tasked with bringing the Environmental Risk Control unit into operation.

Through the ESG framework published in July 2022 we have made our understanding of and commitment to sustainability transparent for all stakeholders. The framework creates **a** Bank-wide standard that enables stringent management of all relevant products, processes and activities and ensures the sustainable transformation of Commerzbank. The focus of the ESG framework is on our core business. We distinguish between "transformation finance" and "sustainable finance". We are convinced that the entire economy has a role to play in sustainable transformation and must act accordingly. Therefore, we classify all portfolio components that are not affected by our exclusion criteria as transformation finance. Sustainable finance, on the other hand, describes that part of our portfolio that we classify as explicitly sustainable. This includes financial products and services that serve positive environmental and/or social purposes and thus contribute, for example, to achieving the goals of the Paris Agreement or the UN Sustainable Development Goals. In order to determine which exposures meet our sustainability requirements and are thus part of sustainable finance, we have developed a transparent review system and our own criteria, which are disclosed in the ESG framework. The ESG framework also provides an overview of our sustainability directives and exclusion criteria.

To this end, we have formulated sector-specific requirements, for example for mining, energy and fossil fuels, including oil and gas. Cross-sector requirements relate to human rights and indigenous peoples. Exclusion criteria were defined for particularly critical products, transactions or business relationships. This includes, for example, financing for oil and gas production projects (conventional and unconventional production methods), as well as the Group-wide decision not to finance new construction or expansion for coal mines, coal infrastructure or coal-fired power plants. Financing of such projects is excluded under our Fossil Fuels Policy. In this way, we ensure that even existing customers are not supported by any business that is prohibited under the Fossil Fuels Policy. For years now, environmental and biodiversity aspects have been integrated into the core business by means of minimum environmental standards and corresponding exclusion criteria, and compliance with these standards has been monitored.

Sustainability in the core business is assessed by the Reputational Risk Management department at Commerzbank Aktiengesellschaft. We do not limit ourselves to what is legally required; instead, we consider the legitimacy of all transactions. In view of the special risks associated with fossil fuels and armaments, the Board of Managing Directors of Commerzbank Aktiengesellschaft has passed its own binding directives on these matters that define many of the relevant transactions and business relationships in these areas as being subject to assessment, and encompass exclusion criteria. The fossil fuels directive was revised at the beginning of 2022 and includes Commerzbank Aktiengesellschaft's requirements for customers in the coal, oil and gas sectors.

Adjustments were also made in relation to arms during the year under review. What has not changed is that we recognise the basic right of states to defend themselves and do not question the need for the German armed forces to exist or to be adequately equipped. We therefore continue to finance arms manufacturers who produce weapons and armament systems for the Federal Republic of Germany and its allies. Nevertheless, we have tightened and expanded the requirements and criteria for the arms industry applying to Commerzbank Aktiengesellschaft, which have been in place since 2008. The Board of Managing Directors approved the new Arms and Surveillance Technology Policy in January 2023. It preserves the fundamental parameters of the old policy, which means that Commerzbank will not fund arms business in conflict zones or areas of tension, or business relating to what are termed "controversial weapons". In addition, the new policy now also governs the approach in relation to autonomous weapons and surveillance technology.

In the Reputational Risk Management department, business transactions and business relationships in sectors in which human rights play a significant role, such as mining, raw materials extraction or the cotton sector, are intensively researched, analysed and assessed in detail. In addition, Commerzbank Aktiengesellschaft worked intensively in the reporting year to implement the LkSG, which has come into force on 1 January 2023.

Commerzbank Aktiengesellschaft's Reputational Risk Management department thus defines the criteria for and limits of business operations and assesses transactions, products and customer relationships after careful analysis. The assessment process starts in the front office: as soon as an issue defined as sensitive by the Bank is affected, Reputational Risk Management must be brought in. The assessment uses a five-point scale and can result in a rejection of the product, the transaction or the business relationship.

mBank in Poland operates its own Reputational Risk Management department based on its commitment to the United Nations Global Compact. mBank's risk management strategy is based on three pillars: supporting sustainable growth, striving for prudent and stable risk management, and strengthening its skills in managing ESG and cyber risks. mBank has formulated its own exclusion criteria for various sectors based on the EU's climate and energy policies. These include the mining and energy sectors, among others: for example, financing for the construction or expansion of hard coal and lignite mines is excluded. mBank's reputational risk strategy is reviewed annually and coordinated with the parent company.

In order to lay the foundation for future management of biodiversity, in 2022 we conducted an impact analysis for the first time using the "Encore" tool. Encore provides a science-based link between economic activities and biodiversity-damaging impacts. In our analysis, we compared the business volume of the sectors we finance with the tool's external data and then weighted them. We identified potential areas of action and strategic priorities and will develop further analyses and measures to protect biodiversity.

We are pursuing the strategic goal of reducing the CO_2 emissions of our entire loan and investment portfolio to net zero by 2050. For this purpose, in 2022 we analysed the CO_2 intensity of the loan portfolio of Commerzbank Aktiengesellschaft using sector-specific target values in accordance with the Paris Agreement. In terms of methodology, we are guided by the Science Based Targets Initiative (SBTi), which advocates the reduction of greenhouse gases on the basis of scientifically calculated targets. This enables companies to align their climate policy with the goals of the Paris Agreement and effectively counteract climate change. Using the SBTi method we have set specific sector-specific goals with a view to reducing the CO_2 emissions associated with our loan portfolio (what are called "financed emissions") and ultimately to meet our net zero commitment.

We aim to manage all portfolios highlighted as requiring attention in the SBTi method, with a particular focus on emissions-intensive sectors. These include power generation, fossil fuels, automotive manufacturing, as well as the production of cement, iron and steel. We will likewise consider the private residential mortgage loan portfolio, which is deemed optional in the SBTi analysis. In the 2022 reporting year, corresponding emissions intensity reduction targets were formulated for all these portfolios and validated under the SBTi. The portfolio targets according to the SBTi are published in the ESG framework, and the status of target achievement is regularly updated there. Our ambition is to support companies in the real economy in their transition process and to sustainably reduce emissions.

At Commerzbank, we do not consider climate risks as a separate type of risk, but as a horizontal risk. This can materialise across the different known types of risk. In 2022, we again carried out a comprehensive materiality analysis for climate risks across all risk types for the Commerzbank Group, in particular with regard to the expectations set out in the ECB's guidance on climate and environmental risks. In this process, all risk types assessed as material in the risk inventory are evaluated in terms of their materiality in relation to climate risks, and both transition and physical risks are taken into consideration. Transition risks arise for companies, for example, as a result of regulatory or legal changes in energy policy, changes in market sentiment and preferences, or technological innovations. Physical risks, on the other hand, develop as a result of changing climatic conditions and the associated more extreme and more frequent acute weather events, such as floods, or chronic effects, such as rising sea levels.

Depending on the risk type, the assessment was made on a qualitative and/or quantitative basis. As a result of the analysis, the influence of climate and environmental risks for the risk types credit risk, market risk, operational risk (including compliance and cyber risk), reputational risk and business risk was confirmed as material. The findings of the materiality analysis feed into the creation of the business strategy, the overall risk strategy and the sub-risk strategies as well as into other core elements of the Bank's internal process to ensure an adequate capital position, such as the internal stress test framework and the risk-bearing capacity concept.

With regard to credit risk, relevant parameters of various climate scenarios were holistically translated into economic effects. For transition risks, changes in regulation, price changes, changes in supply or demand, and the effects of technological changes are considered, among other things; to assess physical risks, climate scenarios involving acute flooding and heat events are used and analysed. This is followed by a statement on the impact of climate risks in the short, medium and long term up to 2050.

Transition risks are industry-specific, with sometimes significant differences in the sub-sectors within an industry (e.g. mechanical engineering). We look at the impact on an industry from both a macroeconomic and an internal Bank perspective. Potential impacts of physical climate risks vary, in some cases significantly, by geographic location and circumstances, and must be considered when taking a portfolio perspective.

As a major financier of the German economy, we are also active in sectors that are particularly exposed to climate-related physical or transition risks. However, we have little exposure to some of the hardest-hit sectors (agriculture, for example). Sectors that could potentially be more heavily affected by climate risks and that have a sufficiently large exposure are, for example, the energy sector, the automotive sector and mechanical engineering. Owing to the geographical focus of our portfolio in Germany and Europe, we are less affected by physical climate risks, such as hurricanes and rising sea levels, than other regions in the world. Overall, both climate-related transition and physical risks are considered material to credit risk over a long-term time horizon.

In order to proactively manage the effects of climate risks in Commerzbank Aktiengesellschaft's lending business, we are systematically optimising our processes and methods. Lending decisions for companies and institutional customers therefore take into account not only an individual risk assessment but also – where relevant – the extent to which they involve climate risks and the level of resilience to them.

In this, we are progressively combining the specific findings from the scenario analyses with the individual risk analysis at customer level. We take a portfolio-specific approach and thus take appropriate account of the differences in terms of affectedness and the risk drivers. In the particularly relevant portfolios, such as large, international companies, special financing and commercial real estate finance, we have supplemented the qualitative risk analysis in the individual loan decisions with specific aspects for the analysis of climate risks.

The results of the analyses are aggregated into a structured assessment that is incorporated into the decision-making processes. We take this score into account in individual lending decisions, but we also use it as part of portfolio analysis and management. We will progressively extend this approach to other relevant portfolios and include smaller companies, for example. In our target state, we want to integrate climate risks – as far as possible – into the quantitative credit risk analysis and thus fully reflect them across the process chain, including in pricing and reporting.

Climate risks also play a major role in Commerz Real's asset management, both physical and transition risks. The Bank uses the future scenarios based on the representative CO_2 concentration pathways set out by the Intergovernmental Panel on Climate Change to determine an accurate exposure of assets and the portfolio. In its risk assessment, including scenario analyses, Commerz Real relies on tools such as the Carbon Risk Real Estate Monitor (CRREM) and the PwC Climate Excellence Tool. The CRREM tool shows climate pathways using asset class and country-specific CO_2 and final energy target values for a 1.5° and a 2.0° scenario. The Climate Excellence Tool, on the other hand, allows for a site-specific evaluation of physical climate risks for different scenarios. In this way, Commerz Real tries to perform a risk analysis that is as accurate as possible for the location on the basis of existing data and to derive specific measures to prevent damage at an early stage. The results feed into the risk assessment and the sustainability assessment of all real estate transactions and are taken into account accordingly in the management phase. The basis of climate risk management is collecting all consumption and emissions data and location data in a way that is as reliable as possible. To this end, Commerz Real has implemented a sustainability data management system and also uses external partners to collect data on a global level.

In addition to climate risks, risks from the loss of biodiversity are also among the relevant environmental risks. In 2022 the materiality analysis examined for the first time the extent to which biodiversity is material as a risk driver for the Commerzbank Group. As with climate risks, biodiversity risks can be divided into physical and transition risks. While physical biodiversity risks arise from a loss or degradation of things provided by the ecosystem on which the economic system depends (e.g. pollination or genetic diversity), transition risks in this context refer to risks that arise from the transformation process towards a more sustainable and environmentally friendly economy.

The physical risk analysis focused on an assessment of the dependence on the ecosystem of sectors in which Commerzbank is represented through credit exposures. To do this, we used external data that classify the degree of dependence of sectors on the ecosystem, and we considered these data in conjunction with the volume of business in each sector.

In the case of transition biodiversity risks for credit risk, the negative impact of business activities on the environment and the consequences due to anticipated future regulatory changes to protect biodiversity were included. As a result, we currently assess physical biodiversity risks as not material, but consider transition risks to be material risk drivers for credit risk in the medium and long term. It can be assumed that biodiversity risks will tend to increase with time. In the future, a more in-depth analysis is planned, supported by corresponding scenarios – where available – and more advanced evaluation methods in this context.

IT risk

IT risk is a form of operational risk. In our internal definition, we define IT risk as risks to the security of information processed in our systems in terms of meeting the four IT security objectives set out below:

Confidentiality: Information is confidential if it is not accessible to, or capable of being reconstructed by, unauthorised persons, business processes or IT systems.

Integrity: Information possesses integrity if it has not been modified or destroyed by any unauthorised means. An information-processing system (IT system) possesses integrity if it can perform its intended functions without hindrance and free of unauthorised manipulations, whether deliberate or accidental.

Traceability: Actions and technologies applied to information are traceable if they themselves and their source can be traced back without any ambiguity.

Availability: Information is available if it is always capable of being used to a predefined extent by authorised persons, business processes and IT systems when it is required.

Commerzbank attaches great importance to the protection and security of its own information, of that entrusted to it by customers, and of the business processes and IT products used to process it. They form a permanent core element in our IT strategy. IT security requirements are based on the IT security objectives referred to above and are set down in policies and procedural instructions.

IT risks are identified, evaluated and regularly reviewed as part of IT governance processes. IT risk is covered in the quarterly IT risk report. Information security is also established as a principal objective for our Internal Control System. As a result of altered conditions, more attention has been given to consideration of the four IT security objectives for home office technologies.

Relevant IT risks are also evaluated as part of operational risk management through risk scenarios and considered in the Bank's RWA calculation. This includes the risk of a breakdown of critical IT, the risk of external attack on the Bank's systems or data and, since 2021, the risks of modern cloud sourcing (cyber crime, advanced persistent threat (APT)[1] and cloud scenarios), the theft of corporate data or the default of service providers and vendors. See also the description of cyber risk.

Given the major importance of IT security to Commerzbank, it is further developed and improved on an ongoing basis by means of strategic initiatives. We have taken into account the significance of the "human" factor in IT security and cyber security by introducing additional training and awareness-raising measures.

[1] An advanced persistent threat is a special form of cyber attack. The intention of an APT attack is to remain undetected for as long as possible in order to steal sensitive information (internet espionage) or cause other types of damage over a longer period.

Cyber risk

Cyber risk comprises risks with direct relevance to security and risks that lead to relevance to security (with respect to cyber space). The part of cyber space of relevance to Commerzbank is all connected IT environments within the Bank and those outside the Bank that lead to customers, business partners and service providers. Cyber risk is therefore concerned with the digital representation of the Bank's assets (data, information) within cyber space.

The strategic guidelines from the Group risk strategy and the cyber and information security strategy apply without limitation to cyber risk.

Commerzbank manages cyber and information security risks via the Group division "Group Risk Management – Cyber Risk & Information Security" (GRM-CRIS), which reports to the Group Chief Information Security Officer (CISO). In addition to established security functions such as the ISO 27001 certified Information Security Management System (ISMS) as well as risk reporting on key risk indicators, GRM-CRIS focuses on managing cyber risk appropriately and on strengthening Commerzbank's cyber-resilience (including its information security incident management capabilities). It also addresses the interaction between cyber and information security risks and other types of material risk relating to areas such as operational risk.

The main factor in the current cyber risk situation is the geopolitical tension surrounding the Ukraine war. The actual threat situation has so far been limited to cross-sector attacks by pro-Russian and pro-Ukrainian activists. Cyber attacks and sabotage campaigns by state actors have thus far been focused on Ukraine. Developments in the cyber context are observed on an ongoing basis at Commerzbank by an interdisciplinary task force (top management and specialists from GRM-CRIS and Group Technology Foundations – GS-TF).

In connection with the increased remote use of Bank resources, for example in connection with split operations or working from home, there are still no new or expanded methods of attack against the Bank and its employees.

In the last two years the increasing spread of ransomware in cyber crime has to be emphasised, even if Commerzbank has not been affected by this so far. Ransomware is a special type of malware that blocks access to or encrypts data on IT devices and then requires the victim to pay a ransom for its recovery. The significant damage potential of such attacks is illustrated by a number of recent incidents in which supply chains were disrupted. By closely interlinking the 1st and 2nd line of defence (LoD) activities in the field of cyber threat analysis, including corresponding protective measures and incident management processes, the Bank shall continue to be adequately protected against ransomware attacks.

Human resources risk

Human resources risk falls within the definition of operational risk referred to in the Capital Requirements Regulation (CRR). The internal, management-oriented interpretation of this definition at Commerzbank includes the following elements in human resources risk:

Adjustment risk: Adjustment risk results when organisational and operational circumstances change (for example, restructuring, changes in management culture, qualification needs), these changes impact employees' scope of responsibilities and therefore require a greater willingness to change on the part of the staff. We offer selected internal and external training, continuing education and change programmes to ensure that the qualification levels of our employees keep pace with the current requirements, guidance is provided for structural changes and our employees can fulfil their duties and responsibilities.

Motivation risk: Motivation risk arises when demotivating factors are not eliminated and employees do not adequately perceive motivating factors such as management or remuneration. The effects (such as withheld performance by employees) can have a direct impact on the working environment and the organisation's productivity. Employee surveys enable us to respond as quickly as possible to potential changes in our employees' level of corporate loyalty and to initiate adequate measures.

Departure risk: Departure risk takes into account the consequences of undesired employee departures (for example, if an employee resigns voluntarily), particularly when high performers are involved. We take great care to ensure that the absence or departure of employees does not result in long-term disruptions to our operations. We also monitor staff turnover on a regular basis from both a quantitative and a qualitative perspective.

Supply risk: Supply risk reflects the consequences of insufficient staffing (for example, inadequate development of young staff) and the resulting consequences (operating bottlenecks, increased workload, lower productivity and illness). Appropriate quantitative and qualitative staffing aims to ensure that internal operating requirements, business activities and Commerzbank's strategy can be implemented.

Employees are a key resource for Commerzbank. Human resources risk is systematically managed by Group Human Resources with the aim of identifying, assessing and managing risks, for instance by applying selected personnel tools. The Board of Managing Directors is regularly informed about human resources risk.

Overall, the Bank will continue to monitor human resources risk. There is a risk that the human resources risk situation will deteriorate as a result of frequent structural changes due to a change in Group strategy. Change and organisational measures have already been initiated to counter human resources risk.

Business strategy risk

Business strategy risk is the medium- to long-term risk of negative influences on the achievement of Commerzbank's strategic goals, for example as a result of changes in the market or competitive environment, capital market requirements, regulatory/political factors or the inadequate implementation of the Group strategy (primary risk drivers).

Group strategy is developed further in a process that takes both external and internal factors into account. On the basis of these factors, the Board of Managing Directors sets out a sustainable business strategy describing the major business activities and steps required to meet the targets. To ensure proper implementation of the Group strategy to achieve the business targets, strategic controls are carried out through regular monitoring of quantitative and qualitative targets in the Group and the segments.

Responsibility for strategic corporate management lies with the Board of Managing Directors. Specific business policy decisions (acquisition and sale of equity holdings > €300m) also require the authorisation of the Supervisory Board's Risk Committee. In addition, all major initiatives and projects are decided by the Board of Managing Directors.

Model risk

Model risk is the risk of incorrect management decisions based on an inaccurate depiction of reality by the models used. With regard to the causes of model risk we distinguish between model risk from exceeding model boundaries and model risk from model errors (manual errors in model development/implementation). In line with the focus of the Group risk strategy, namely to ensure that the Bank has adequate capital and liquidity, the models for assessing risk-bearing capacity (capital requirements under the Basel framework and economic capital requirements, respectively) and liquidity resources are central for risk management.

The basic principles of model risk management are the identification and avoidance of model risks and appropriate consideration of known model risks (e.g. through conservative calibration or consideration of margins of conservatism or model reserves). Model risks that are unknown and hence cannot be mitigated are accepted as an inherent risk in the complexity of the Commerzbank business model. In respect of the governance of model risk management, requirements relating to model validation and model changes are established.

The war in the Ukraine and its geopolitical impact as well as the economic secondary effects from the Corona pandemic pose challenges for the risk models used. Commerzbank has introduced measures to counter the increased model risk and to ensure appropriate management even in the current phase.

The initiative from 2022 to strengthen management of model risks will further continue. This concerns both aspects of governance and the scope of monitoring and validation activities. In addition, strategically relevant models are currently being revised fundamenttally (various credit risk models). In this context, high standards in model development and initial validation play a major role.

Further development

In May 2017, a Polish court admitted a class action lawsuit against a subsidiary of Commerzbank alleging the ineffectiveness of index clauses in loan agreements denominated in Swiss francs (CHF). Since then, various legal issues have come before the Polish courts and the ECJ. On 16 February 2023, the opinion of the Advocate General of the ECJ in case C520/21, in proceedings against another bank, was presented, the subject of which is whether, in the event a mortgage loan agreement is void in its entirety, the contracting parties can assert claims from a contracting party beyond reimbursement of the monetary consideration, in particular to remuneration.

The Advocate General points out that "it is a matter for the national court to determine, by reference to national law, whether consumers have the right to assert such claims and, if so, to rule on their merits." If the referring court takes the view that national law entitles the consumer to claim additional benefits from the bank, Directive 93/13 does not preclude this. National courts may also have the power to dismiss such actions if they are abusive.

With regard to the bank's claims against the consumer, the Advocate General also notes that "it is, in principle, a matter for the national court to determine, by reference to domestic law, whether (...) a bank is entitled to assert against a consumer claims that go beyond reimbursement of the loan capital transferred and payment of default interest at a statutory rate."

However, the Advocate General considers that Directive 93/13, even if this were permissible under national law, excludes those claims, since it is clear from its general notion that, rather than seeking to ensure a contractual balance between the rights and obligations of the parties to the contract, it seeks to avoid an imbalance between those rights and obligations to the detriment of consumers. In addition, a bank cannot derive any economic benefit created by its own unlawful behaviour. The sanction of free credit is the normal consequence of the ex tunc annulment of the loan agreement upon the removal of its unfair terms.

The Advocate General's opinion is not binding on the ECJ, nor is it binding in the national courts and the Polish Supreme Court. The ECJ can share the position of the Advocate General's, but it may also rule otherwise, interpreting Directive 93/13 differently.

The ruling will be of significant importance for the shaping of case law in matters of foreign currency indexed loans and it cannot be ruled out that it will have a significant negative impact on the estimation of the legal risk associated with mortgage loans in Swiss francs in the future.

This has no effect on Commerzbank's Group financial statements as at 31 December 2022.

Disclaimer Commerzbank's internal risk measurement methods and models which form the basis for the calculation of the figures shown in this report are state-of-the-art and based on banking sector practice. The risk models produce results appropriate to the management of the Bank. The measurement approaches are regularly reviewed by Risk Controlling and Internal Audit as well as by German and European supervisory authorities. Despite being carefully developed and regularly checked, models cannot cover all the influencing factors that have an impact in reality or illustrate their complex behaviour and interactions. These limits to risk modelling apply in particular in extreme situations. Supplementary stress tests and scenario analyses can only show examples of the risks to which a portfolio may be exposed in extreme market situations; stress-testing all imaginable scenarios is not feasible. They cannot definitively estimate the maximum loss should an extreme event occur.

Income statement of Commerzbank Aktiengesellschaft for the period from 1 January to 31 December 2022

€m				2022	2021
Interest income from					
a) Lending and money market transactions	6,588				4,289
less negative interest from money market transactions	-443				-652
		6,144			3,637
b) Fixed-income securities and debt register claims		653			479
			6,798		4,116
Interest expenses					
Interest expenses from banking business		-3,246			-1,680
less positive interest from banking business		601			1,177
			-2,645		-503
				4,152	**3,613**
Current income from					
a) Equities and other non-fixed-income securities			0		0
b) Equity holdings			6		5
c) Holdings in affiliated companies			112		78
				119	**83**
Income from profit-pooling and from partial or full profit-transfer				**196**	**317**
Commission income			3,463		3,582
Commission expenses			-452		-442
				3,011	**3,140**
Net trading income/expense				**594**	**210**
of which: allocations as defined by Art. 340 g (2) HGB	-66				-23
Other operating income				**270**	**151**
General administrative expenses					
a) Personnel expense					
aa) Wages and salaries		-2,286			-2,377
ab) Compulsory social-security contributions, expenses for pensions and other employee benefits		-839			-994
of which: for pensions	-477				-616
			-3,126		-3,371
b) Other administrative expenses			-2,184		-2,281
				-5,310	**-5,652**
Depreciation, amortisation and write-downs of intangible and fixed assets				**-432**	**-663**
Other operating expenses				**-2,648**	**-1,089**
Write-downs and valuation allowances on loans and certain securities and allocations to provisions in lending business				**–**	**-797**
Income from write-ups on loans and certain securities and from the release of provisions in lending business				**860**	**–**
Write-downs and valuation allowances on equity holdings, holdings in affiliated companies and securities accounted for as fixed assets				**–**	**–**
Income from write-ups on equity holdings, holdings in affiliated companies and securities accounted for as fixed assets				**61**	**600**
Expenses from the transfer of losses				**-74**	**-53**
Profit or loss on ordinary activities				**799**	**-140**
Extraordinary income			–		–
Extraordinary expenses			-66		-1,081
Profit or loss on extraordinary activities				**-66**	**-1,081**
Taxes on income			-303		-165
Other taxes			-32		-23
				-335	**-188**
Net profit/loss				**398**	**-1,409**
Withdrawals from capital reserve				–	1,409
Transfer to other retained earnings				**-148**	**–**
Distributable profit				**250**	**–**

Balance sheet of Commerzbank Aktiengesellschaft as at 31 December 2022

Assets | €m				**31.12.2022**	**31.12.2021**
Cash reserve					
a) Cash on hand			729		8,894
b) Balances with central banks			15,775		37,396
of which: with Deutsche Bundesbank		2,953			28,107
				16,504	**46,290**
Debt issued by public-sector borrowers, and bills of exchange rediscountable at central banks					
a) Treasury bills and discountable treasury notes, as well as similar debt issues by public-sector borrowers			985		2,027
				985	**2,027**
Claims on banks					
a) Payable on demand			60,064		6,688
b) Other claims			26,104		23,627
of which: public-sector loans		847			903
				86,168	**30,315**
Claims on customers				**244,402**	**239,276**
of which: secured by mortgages on real estate		75,671			68,393
of which: secured by mortgages on ships		–			–
of which: public-sector loans		15,945			14,763
Bonds and other fixed-income securities					
a) Money market instruments					
aa) Issued by public-sector borrowers		–			–
of which: rediscountable at Deutsche Bundesbank	–				–
ab) Issued by other borrowers		77			–
of which: rediscountable at Deutsche Bundesbank	–				–
			77		–
b) Bonds and notes					
ba) Issued by public-sector borrowers		13,287			16,393
of which: rediscountable at Deutsche Bundesbank	10,850				13,723
bb) Issued by other borrowers		31,819			20,626
of which: rediscountable at Deutsche Bundesbank	23,567				13,297
			45,106		37,019
c) Own bonds			11,151		12,013
Nominal amount €10 909m					
				56,334	**49,032**

Assets | €m			**31.12.2022**	**31.12.2021**
Equities and other non-fixed-income securities			**21**	**28**
Trading assets			**18,447**	**16,503**
Equity holdings			**92**	**96**
of which: investments in banks	14			14
of which: investments in financial services companies	27			20
Holdings in affiliated companies			**4,489**	**4,689**
of which: investments in banks	1,731			1,809
of which: investments in financial services companies	2,724			1,307
Fiduciary assets			**2,552**	**2,490**
of which: loans at third-party risk	2,058			1,888
Intangible assets				
a) Proprietary intellectual property rights and similar rights and assets		814		774
b) Purchased concessions, industrial property rights and similar rights and assets as well as licences relating to such rights and assets		161		167
			975	**941**
Fixed assets			**355**	**401**
Other assets			**7,545**	**9,266**
Accrued and deferred items				
a) From issuing and lending business		180		189
b) Other		3,105		3,447
			3,286	**3,635**
Excess of plan assets over liabilities			**9**	**949**
Total assets			**442,161**	**405,936**

Balance sheet of Commerzbank Aktiengesellschaft as at 31 December 2022

Liabilities and shareholders' equity | €m			31.12.2022	31.12.2021
Liabilities to banks				
a) Payable on demand		18,308		11,484
b) With agreed term or notice period		37,244		63,680
of which: issued registered mortgage Pfandbriefe	484			366
of which: issued registered public Pfandbriefe	571			565
of which: issued registered ship Pfandbriefe	–			–
			55,552	**75,164**
Liabilities to customers				
a) Savings deposits				
aa) With agreed notice period of three months	8,877			9,377
ab) With agreed notice period of more than three months	7			9
		8,885		9,386
b) Other liabilities				
ba) Payable on demand	208,229			194,094
bb) With agreed term or notice period	58,962			35,914
		267,192		230,008
of which: issued registered mortgage Pfandbriefe	1,837			1,968
of which: issued registered public Pfandbriefe	3,950			4,407
of which: issued registered ship Pfandbriefe	59			120
			276,076	**239,394**
Securitised liabilities				
a) Bonds and notes issued		46,415		43,327
aa) Mortgage Pfandbriefe	25,424			19,558
ab) Public Pfandbriefe	4,249			7,082
ac) Ship Pfandbriefe	–			–
ad) Other bonds	16,742			16,687
b) Other securitised liabilities		287		21
ba) Money market instruments	233			–
bb) Own acceptances and promissory notes outstanding	54			21
			46,701	**43,348**
Trading liabilities			**10,421**	**10,091**
Fiduciary liabilities			**2,552**	**2,490**
of which: loans at third-party risk	2,058			1,888
Other liabilities			**17,679**	**5,147**
Accrued and deferred items				
a) From issuing and lending business		9		10
b) Other		654		462
			663	**472**

Liabilities and shareholders' equity | €m				31.12.2022	31.12.2021
Provisions					
a) Provisions for pensions and similar commitments			1,679		33
b) Provisions for taxes			755		589
c) Other provisions			3,834		3,981
				6,267	**4,604**
Subordinated liabilities				**7,171**	**6,674**
Profit-sharing certificates outstanding				**–**	**–**
of which: maturing in less than two years		–			–
Additional Tier 1 Instruments				**3,330**	**3,268**
Fund for general banking risks				**248**	**182**
of which: special item pursuant to Art. 340 e (4) HGB		248			182
Equity					
a) Subscribed capital					
aa) Share capital	1,252				1,252
Treasury shares	–				–
(conditional capital €0m)		1,252			1,252
ab) Silent participations		–			–
			1,252		1,252
b) Capital reserve			10,075		10,075
c) Retained earnings[1]			3,923		3,775
d) Distributable profit			250		–
				15,501	**15,102**
Liabilities and shareholders' equity				**442,161**	**405,936**
1. Contingent liabilities					
a) Contingent liabilities from rediscounted bills of exchange credited to borrowers			0		0
b) Liabilities from guarantees and indemnity agreements			45,063		44,601
				45,063	**44,601**
2. Other commitments					
a) Irrevocable lending commitments				**77,349**	**77,552**

[1] Other retained earnings only.

Notes

General information

(1) Basis of preparation

Commerzbank Aktiengesellschaft is headquartered in Frankfurt am Main and is registered in the Commercial Register at the District Court of Frankfurt am Main under registration no. HRB 32000. The financial statements of Commerzbank Aktiengesellschaft as at 31 December 2022 have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB) and the Regulation on the Accounting of Credit Institutions and Financial Services Institutions (RechKredV) and in accordance with the provisions of the German Stock Corporation Act (Aktiengesetz, AktG) and the German Pfandbrief Act (Pfandbriefgesetz, PfandBG). In order to appropriately reflect the universal nature of Commerzbank Aktiengesellschaft's banking business, the structuring rules for Pfandbrief banks were taken into account by including „Of which" sub-headings under the relevant items. In order to make the financial statements clearer, we have expanded the details of mortgages on ships and of ship Pfandbriefe.

In addition to the financial statements – consisting of the income statement, the balance sheet and the notes – a management report has been prepared in accordance with Art. 289 HGB.

Unless otherwise indicated, all amounts are shown in millions of euros. In the income statement and balance sheet, amounts under €500,000.00 are shown as €0m; where an item is €0.00, this is denoted by a dash. Due to rounding, in some cases the individual figures presented may not add up precisely to the totals provided.

Commerzbank Aktiengesellschaft publishes quarterly disclosures in accordance with Art. 28 PfandBG on mortgage Pfandbriefe, public-sector Pfandbriefe and ship Pfandbriefe on its website.

In the notes on Pfandbriefe the amounts in millions of euro are quoted to one decimal place. Small differences may occur in totals and percentage figures due to rounding.

(2) Accounting and measurement policies

The cash reserve is stated at nominal value. Debt issued by public-sector borrowers is shown at net present value. Claims on banks and customers are reported at amortised cost, less any valuation allowances that have been recognised. Ancillary costs are added to the acquisition cost of claims, while fees received are the main deduction. Differences between acquisition cost and the nominal amount are recognised in net interest income over the life of the claim at a constant effective interest rate.

Loan loss provisions are calculated in three stages for all significant on-balance-sheet claims, all significant off-balance-sheet transactions at individual transaction level and all insignificant loans on a portfolio basis using internal parameters and models. Provision is also made for country risks in these calculations. The Bank recognises a valuation allowance in the amount of the expected credit losses within 12 months or, if shorter, within the remaining time to maturity after the reporting date, using a parameter-based expected loss calculation, if the credit risk has not materially increased since it was first recognised (stage 1). A loan loss provision is recognised in the amount of the expected credit loss over the remaining time to maturity (lifetime expected credit loss) for those financial assets for which a material increase in credit risk has been identified since initial recognition (stage 2). The level of the provision for each individual default risk is based on the difference between the carrying amount of the claim and the net present value of the expected future cash inflows on the claim (stage 3), calculated using the discounted cash flow method and allowing for any collateral held. The increase in net present value due to the decreased discounting effect over time is shown under interest income in the income statement. General loan loss provisions are estimated using models.

The Bank made use of its option to include the loan loss provisions calculated according to the three-stage model under IFRS 9 in its HGB financial statements as well. An adjustment to the results of the model result was deemed necessary in the 2022 financial year, as the parameters used in the respective models did not reflect the economic uncertainties and the consequences of the Russian war of aggression against Ukraine. This has led to an increase in loan loss provisions in the form of a top level adjustment (TLA). The methodology used for determining the need for adjustments to the ECL model result corresponds to the methodology used for determining the coronavirus TLA in 2021. The TLA for direct effects from the Russian war of aggression against Ukraine is no longer in place, as the risk provisioning requirements remaining after the exposure reduction are now reflected in individual transactions. The effects of the adjustments on the stage allocation were taken into account in the calculation of the TLA. This booking was portfolio-based. No across-the-board stage transfers of individual transactions were made.

Securities in the liquidity reserve are shown according to the rules for current assets at the lower of acquisition cost or fair value with the strict lower-of-cost-or-market value principle applied, unless they are reported as a hedge relationship. Securities held as fixed assets are treated in accordance with the modified lower-of-cost-or-market principle.

Equity holdings and holdings in affiliated companies are carried at amortised cost, in accordance with the rules for fixed assets. If the impairment of a holding is expected to be permanent, the carrying amount of the asset is written down. If the reasons for an impairment cease to exist, the asset is written up to a maximum of the amortised cost.

Write-downs and valuation allowances are shown net of write-ups in the income statement. Securities in the liquidity reserve are reported according to type either under write-downs and valuation allowances on loans and certain securities and allocations to provisions in lending business or under income from write-ups on loans and certain securities and from reversals of provisions in lending business. Securities held as fixed assets are reported under write-downs and valuation allowances on equity holdings, holdings in affiliated companies and securities accounted for as fixed assets or under income from write-ups on on equity holdings, holdings in affiliated companies and securities accounted for as fixed assets.

We use derivative financial instruments both to hedge the fair value of positions and for trading purposes and measure them individually as at the reporting date. Hedge relationships including derivative hedging transactions are recognised in accordance with the principles of Art. 254 HGB. We predominantly use the gross hedge presentation method for the hedge accounting of micro hedges in the liquidity reserve, with the net hedge presentation method used for a small number of selected portfolios. The underlying and hedging transactions in micro hedges on the liabilities side and portfolio hedges are accounted for using the net hedge presentation method, with the gross hedge presentation method used for one selected portfolio. Internal transactions are accounted for using the arm's length principle.

We measure the trading portfolio at fair value minus a risk charge in accordance with Art. 340 e (3) HGB. In accordance with Art. 255 (4) HGB, the fair value corresponds to the market price. For listed products, market prices are used; for unlisted products, comparable prices and indicative prices from pricing service providers or other banks as well as valuation models are used. If mathematical valuation models are used to determine fair value, we use parameters available on the market as far as possible (for example yield curves, volatilities and spreads), including further discounts and premiums to take into account risk, liquidity, funding and administrative costs and the cost of capital. The risk discount is calculated on the basis of the regulatory value-at-risk approach in such a way that the anticipated maximum loss from the trading books will not be exceeded with a 99% probability over a holding period of 10 days. A historical observation period of one year is used. The value-at-risk is calculated centrally for the entire portfolio and deducted from trading assets on the balance sheet. If an addition to the fund for general banking risks is required in the reporting year in accordance with Art. 340 e (4) HGB, this is deducted from net trading income. In accordance with Art. 340 e (4) sentence 2 no. 1 HGB, we reverse, if needed, the fund for general banking risks wholly or in part to offset a net trading expense. Variation margins payable and due on exchange-traded derivatives are reported on a net basis within other assets and other liabilities. We report collateral to be provided in advance for exchange-traded unconditional forward transactions on a gross basis within other assets and other liabilities.

Commerzbank Aktiengesellschaft offsets positive and negative fair values and the associated margin payments (cash collateral) of OTC derivatives with both central counterparties and non-central counterparties in the trading portfolio. In order for offsetting to be carried out with non-central counterparties, a framework agreement must be in place containing an enforceable credit support annex with the daily exchange of cash collateral and only insignificant residual credit or liquidity risk. In a first step, positive fair values of derivative financial instruments are offset against negative fair values. In a second step, margin payments relating to the fair values – contained within liabilities to banks – are offset against positive fair values of derivative financial instruments. Moreover, collateral paid – which is contained in the claims on banks item – is offset against negative fair values of derivative financial instruments. The amounts thus offset from the margins and fair values are reported in the trading assets or liabilities on a net basis.

The fair value of securities and derivative financial instruments of the non-trading portfolio is based either on prices available on a market or valuation models. If fair value cannot be determined, the amortised cost is used in accordance with Art. 255 (4) HGB. If mathematical valuation models are used to determine fair value, we use parameters available on the market as far as possible (for example yield curves, volatilities and spreads), including further discounts and premiums to take into account risk, liquidity, funding and administrative costs and the cost of capital.

The fair value of derivative financial instruments is closely linked to the performance of the underlying instruments. The underlying instruments for derivatives are, in particular, shares, bonds, foreign currencies, precious metals and commodities as well as indices and interest rates. Future expected fluctuations in value of the underlying and the term of the derivative itself also have an impact on the fair value.

Where the fair value is determined by models, the fair value is based on various valuation methods and valuation models. Both the valuation models selected and the parameters used depend on the individual product and are in line with market standards.

As far as possible, forward transactions are concluded to cover interest rate, exchange rate and market price fluctuations. The fair value for forward transactions and swaps is determined using discounted cash flow methodology based on the yield curve for the relevant currency.

In principle, the Bank measures standard options using analytical methods. Such methods are usually not available for exotic options. In this case, the Bank applies numeric methods (e.g. Monte-Carlo) to determine the net present value of the expected future payment.

For non-exchange-traded derivatives held in the trading portfolio, counterparty default risk is accounted for by recognising credit valuation adjustments (CVAs), with Commerzbank Aktiengesellschaft's non-performance risk accounted for by recognising debit valuation adjustments (DVAs). In the case of funding valuation adjustments (FVAs), the funding costs or benefits of uncollateralised derivatives, as well as collateralised derivatives where there is only partial collateral or the collateral cannot be used for funding purposes, are recognised at fair value. The FVA takes account of the funding costs of Commerzbank Aktiengesellschaft. In order to determine fair value, CVAs, DVAs and FVAs are based on observable market data (for example credit default swap spreads) where available. Changes in the fair value of the trading portfolio are netted and shown in net trading income. Own issues which have been bought back in the trading portfolio and own bonds are shown net where there is no longer a debt outstanding.

Repurchase agreements are stated in accordance with the regulations of Art. 340 b HGB. Securities lent continue to be recognised on the balance sheet of Commerzbank Aktiengesellschaft as the title is retained, while securities borrowed are not recognised on the balance sheet. Claims and liabilities from repos and reverse repos with central and bilateral counterparties and the same maturity are offset and reported on a net basis.

Intangible assets and fixed assets are stated at acquisition or production cost, less scheduled amortisation and depreciation if applicable. The amortisation and depreciation rates are based on the useful economic life of the asset. If an asset is expected to be permanently impaired, it is written down to the impaired value.

Intangible assets developed in-house are recognised at the value of development costs incurred. Low-value assets are recognised in accordance with the relevant local tax simplification rules.

Liabilities are stated at their settlement amount. Premiums and discounts are reported as accrued liabilities and deferred income or accrued income and deferred charges respectively and are recognised over their life in net interest income at a constant effective interest rate. Non-current discounted liabilities (zero bonds) are recognised at net present value.

Pension provisions are calculated annually by independent actuaries using the projected unit credit method. The calculation parameters can be found in the note on provisions. Plan assets to cover pension obligations are measured at fair value and netted against the provisions created for this purpose in accordance with Art. 246 (2) sentence 2 HGB. In the case of obligations for age-related short-time working, the plan assets are netted against the payment arrears in accordance with IDW AcP HFA 3. If an asset surplus arises from offsetting plan assets against the provisions for pensions and obligations for age-related short-time working, this is shown on the balance sheet under excess of plan assets over liabilities. The contribution required for provisions for pensions under Art. 67 (1) of the Introductory Law of the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch, EGHGB) was completely provided in the financial year 2020 already.

Provisions for taxes and other provisions are recognised at the settlement amount estimated as necessary using reasonable commercial judgement. Provisions with a residual term of more than one year are discounted to their present value.

Interest-related financial instruments in the non-trading portfolio, which are subject to the loss-free valuation of the interest book, are examined annually in their entirety for excess liabilities. Commerzbank Aktiengesellschaft has used a simplified step-by-step procedure for this purpose, based on a present value calculated for interest rate risk management. The valuation did not show any need to recognise a provision for contingent losses.

Net interest from derivatives in the non-trading portfolio (including negative interest) is recognised in interest income or interest expense, depending on the net balance.

We report negative interest on financial instruments held as assets and positive interest on financial instruments held as liabilities as deductions in interest income and interest expenses respectively.

As part of the Interbank Offered Rates reform (IBOR reform), the IBOR reference rates and the Euro Overnight Index Average (EONIA) will be replaced by other reference rates called risk-free rates (RFR). On 31 December 2021, Commerzbank carried out the conversion of various LIBOR interest rates to the respective new reference interest rates for GBP, CHF and JPY as well as the conversion of EONIA to €STR in EUR. The SONIA (Sterling Overnight Index Average), SARON (Swiss Average Rate Overnight) and TONA (Tokyo Overnight Average rate) rates have been used for new business in GBP, CHF and JPY respectively since 1 January 2022. Transactions denominated in EUR are conducted by reference to €STR or EURIBOR (European Interbank Offered Rate), which continues to exist. The necessary methodological and technical changes have been fully implemented in the relevant systems and processes for trading and settlement. The IBOR project was terminated at the end of 2021 as planned. Any conversion work that had not yet been completed was handed over to the respective line functions. This concerns mainly the conversion of contracts from USD LIBOR (London Interbank Offered Rate) to Secured Overnight Financing Rate ('SOFR) or Term SOFR (Secured Overnight Financing Rate) by 30 June 2023 and, to a lesser extent, business agreements in CAD and SGD. Commerzbank is implementing the conversion by following procedures that have already been established in the market. The IBOR reform does not create any fundamentally new economic risk elements. The changes made so far have not had any significant impact on the consolidated financial statements. Nor, based on current information, do we expect any significant impact on the consolidated financial statements in the future. The Bank's risk strategy is not affected by the IBOR reform.

Deferred taxes are recognised for temporary differences between the accounting values of assets, liabilities and accrued and deferred items and their tax values, as well as for tax loss carryforwards. Deferred tax liabilities mainly arising from the differences between the accounting and tax value of intangible assets, liabilities to customers, securitised liabilities and trading liabilities were netted mainly against deferred tax assets arising from differences between the accounting and tax value of trading assets, claims on customers, pension provisions and tax loss carryforwards. Deferred tax assets remaining after this netting process are not reported, in accordance with the option set out in Art. 274 (1) sentence 2 HGB.

Commerzbank Aktiengesellschaft values the deferred taxes on the basis of the tax rates applying to each individual entity. The income tax rate of the domestic entities is 31.5% (previous year: 31.5%). This made up of the German corporate income tax rate of 15.0%, plus the solidarity surcharge of 5.5% and an average rate of 15.7% for trade tax. Deferred taxes in the foreign branches are measured using the tax rates applicable in these countries, which range between 14.5% and 33.1%.

(3) Currency translation

We translate assets and liabilities and income and expenses denominated in foreign currencies and pending spot market transactions at the spot mid-rate on the reporting date. This also applies to the translation of the principal amounts in cross-currency swaps outside the trading book. By way of exception, gains and losses in foreign currency are translated into euro immediately on realisation, so that their level is then fixed. The Bank reports exchange rate fluctuations from the trading portfolios in net trading income/net trading expense. Currency-related forward transactions in the trading book are measured at fair value. If a special cover in the same currency exsists, profits and losses from currency translation are recognised through profit or loss.

(4) Changes in accounting policies

We have applied the same accounting policies to the 2022 financial year as to the previous financial year.

(5) Report on events after the reporting period

In May 2017, a Polish court admitted a class action lawsuit against an affiliated company of Commerzbank alleging the ineffectiveness of index clauses in loan agreements denominated in Swiss francs (CHF). Since then, various legal issues have come before the Polish courts and the ECJ.

On 16 February 2023, the opinion of the Advocate General of the ECJ in case C-520/21, in proceedings against another bank, was presented, the subject of which is whether, in the event a mortgage loan agreement is void in its entirety, the contracting parties can assert claims from a contracting party beyond reimbursement of the monetary consideration, in particular to remuneration.

The Advocate General points out that "it is a matter for the national court to determine, by reference to national law, whether consumers have the right to assert such claims and, if so, to rule on their merits." If the referring court takes the view that national law entitles the consumer to claim additional benefits from the bank, Directive 93/13 does not preclude this. National courts may also have the power to dismiss such actions if they are abusive.

With regard to the bank's claims against the consumer, the Advocate General also notes that "it is, in principle, a matter for the national court to determine, by reference to domestic law, whether (...) a bank is entitled to assert against a consumer claims that go beyond reimbursement of the loan capital transferred and payment of default interest at a statutory rate."

However, the Advocate General considers that Directive 93/13, even if this were permissible under national law, excludes those claims, since it is clear from its general notion that, rather than seeking to ensure a contractual balance between the rights and obligations of the parties to the contract, it seeks to avoid an imbalance between those rights and obligations to the detriment of consumers. In addition, a bank cannot derive any economic benefit created by its own unlawful behaviour. The sanction of free credit is the normal consequence of the ex tunc annulment of the loan agreement upon the removal of its unfair terms.

The Advocate General's opinion is not binding on the ECJ, nor is it binding in the national courts and the Polish Supreme Court. The ECJ can share the position of the Advocate General's, but it may also rule otherwise, interpreting Directive 93/13 differently. The ruling will be of significant importance for the shaping of case law in matters of foreign currency indexed loans and it cannot be ruled out that it will have a significant negative impact on the estimation of the legal risk associated with mortgage loans in Swiss francs in the future.

This has no effect on Commerzbank AG's financial statements as at 31 December 2022.

Notes to the income statement

(6) Breakdown of revenues by geographic markets

€m	2022	2021
Germany	9,309	6,872
Europe without Germany	1,192	726
America	480	255
Asia	262	288
Total	**11,243**	**8,141**

The total amount includes the items interest income, current income from equities and other non-fixed-income securities, equity holdings, holdings in affiliated companies, commission income and other operating income. As in the previous year, there was likewise a net income in the trading volume.

(7) Auditors' fee

The fees for audit services include the audit of the annual financial statements of Commerzbank Aktiengesellschaft and the performance of reviews of the interim financial statements as well as statutory and voluntary audits of the annual financial statements of controlled companies. The audit-related services mainly comprise fees for legally required, contractually agreed or voluntarily commissioned audit and attest services. They also include the audit of the non-financial report in accordance with Art. 340a HGB in connection with Art. 289b HGB, the audit of the remuneration report in accordance with Art. 162 of the German Stock Corporation Act (AktG) and comfort letter issuance. The fees for other services are mainly for advisory services on quality assurance in connection with external inspections. We report the auditors' fee in the Group Financial Statements in accordance with Art. 285 no. 17 HGB.

(8) Other operating income and expenses

Other operating income of €270m (previous year: €151m) mainly comprises, reversals of provisions of €92m (previous year: €29m), gain on sale of fixed assets and intangible assets of : €43m (previous year: €8m), interest refunds from back taxes of €20m (previous year: €46m) and rental income of €18m (previous year: €19m). Income from currency translation of €5m (previous year: €0m) is also included in the current reporting year.

Other operating expenses of €2,648m (previous year: €1,089m) are primarily comprised of net income from the offsetting of expenses and income from discounting and from plan assets offset against pension obligations of €2,334m (previous year: €538m). In addition hire-purchase and sublease expenses of €113m (previous year: €8m) as well as €1m (previous year: €2m) of expenses from currency translation are also included.

(9) Non-periodic income and expenses

Non-periodic income includes € 56m (previous year: €6m) from the reversal of various provisions. In addition, non-periodic tax expenses of €8m (previous year: €134m) are shown in the financial year, which mainly resulted from Great Britain

(10) Depreciation, amortisation and write-downs of intangible and fixed assets

There have been no unscheduled write-down of intangible assets within the current financial year.

In the previous financial year, amortisation of intangible assets included an unscheduled write-down of assets totalling €212m. The main reason for this is an unscheduled write-down of €206m due to Commerzbank's decision to end the project to outsource securities settlement to HSBC Transaction Services GmbH.

(11) Extraordinary income

The Bank did not realise any extraordinary income in the financial year, as in the previous year.

Extraordinary expenses include restructuring expenses in the amount of €66m (previous year: €1,081m), particularly for the recognition of restructuring provisions for the consolidation and closure of branches and sites as well as headcount reductions abroad as part of "Strategy 2024".

(12) Administrative and agency services

The following material administrative and agency services were provided for third parties:

- Custody account administration
- Agency services for insurance and home loan savings plans
- Asset management
- Management of fiduciary assets
- Securities commission business
- Processing of payment transactions
- Agency services for mortgage loans

The income from these services is included in commission income.

Notes to the balance sheet

(13) Maturity structure of claims and liabilities

€m	31.12.2022	31.12.2021
Other claims on banks	**26,104**	**23,627**
with a residual term of		
less than three months	14,931	14,189
over three months up to one year	4,594	4,072
over one year up to five years	4,990	3,214
over five years	1,589	2,152
Claims on customers	**244,402**	**239,276**
with an indefinite term	15,232	18,099
with a residual term of		
less than three months	32,357	27,754
over three months up to one year	22,161	23,962
over one year up to five years	74,378	75,465
over five years	100,275	93,996

€m	31.12.2022	31.12.2021
Liabilities to banks with an agreed term or notice period	**37,244**	**63,680**
with a residual term of		
less than three months	8,112	5,458
over three months up to one year	9,796	4,914
over one year up to five years	12,577	45,602
over five years	6,759	7,706
Savings deposits with an agreed notice period of more than three months	**7**	**9**
with a residual term of		
over three months up to one year	7	9
Other liabilities to customers with an agreed term or notice period	**58,962**	**35,914**
with a residual term of		
less than three months	34,882	18,227
over three months up to one year	11,804	4,296
over one year up to five years	5,524	6,019
over five years	6,753	7,372
Other securitised liabilities	**287**	**21**
with a residual term of		
less than three months	63	21
over three months up to one year	224	–
over one year up to five years	–	–

Of the €46,415m (previous year: €43,327m) in bonds and notes issued within securitised liabilities, €6,355m will be due in the 2023 financial year.

(14) Cover assets for bonds issued by the Bank

€m	31.12.2022	31.12.2021
Claims on banks	366	496
Claims on customers	50,982	47,318
Bonds and other fixed-income securities	2,803	3,072
Total	**54,151**	**50,886**

(15) Securities

As at 31 December 2022 the breakdown of marketable securities was as follows:

	Listed on a stock exchange		Not listed	
€m	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Bonds and other fixed-income securities	45,758	44,861	10,576	4,171
Equities and other non-fixed-income securities	0	0	14	23
Equity holdings	1	1	–	–
Holdings in affiliated companies	1,600	1,603	–	190

Of the bonds and other fixed-income securities of €56,334m (previous year: €49,032m), €2,700m will be due in the 2023 financial year.

For bonds and other fixed-income marketable securities held in the investment portfolio with a book value of €5,616m (previous year: €2,247m), write-downs in the amount of €723m (previous year: €493m) were not recognised in accordance with the modified lower-of-cost-or-market principle, pursuant to Art. 253 (3) sentence 5 of the HGB, as the impairments are only temporary.

(16) Trading securities

The criteria laid down within the Bank for the inclusion of financial instruments in the trading portfolio did not change during the financial year.

In 2022, Commerzbank Aktiengesellschaft allocated an amount of €66m (previous year: €23m) from net trading income to the fund for general banking risks.

€m	31.12.2022	31.12.2021
Trading assets	**18,447**	**16,503**
Derivative financial instruments	8,896	9,457
Claims	5,206	2,371
Bonds and other fixed-income securities	3,169	2,939
Equities and other non-fixed-income securities	1,218	1,759
Risk charge value at risk	-42	-23

€m	31.12.2022	31.12.2021
Trading liabilities	**10,421**	**10,091**
Derivative financial instruments	9,033	8,727
Liabilities	1,388	1,364

(17) Hedge relationships

Micro and portfolio hedge relationships are recognised to offset opposing changes in value, with both the gross and net hedge presentation methods being used. In the gross hedge presentation method, the effective and ineffective portions of the contrary changes in the underlying and hedging transactions are recognised in income. In the net hedge presentation method, contrary changes in the underlying and hedging transactions are not recognised in income.

The gross hedge presentation method is used for the overwhelming majority of securities in the liquidity reserve where the general risk of a change in interest rates is hedged. Interest-rate-induced changes in the value of the securities are almost entirely compensated by the change in the value of the associated hedges. The effectiveness of the hedge relationships is demonstrated using regression analysis. The average term to maturity of these hedge relationships is five years (previous year: four years).

For a small number of selected portfolios in the liquidity reserve, hedge relationships are accounted for on the basis of the net hedge presentation method. In this method, interest rate-related changes in the value of the securities are hedged in full, while non-interest-rate-related changes are reported in income. The effectiveness of the interest rate hedges is measured on the basis of a portfolio-based value-at-risk approach. The average term to maturity of these hedge relationships is seven years (previous year: eight years).

In addition, certain securities and receivables forming part of fixed assets and derivatives for hedging against interest rate risks have been designated as a portfolio hedge relationship that is accounted for using the net hedge presentation method. The effectiveness is determined on the basis of the dollar-offset method. The average term to maturity of this hedge relationship is 39 years (previous year: 39 years).

Furthermore, fixed asset securities and derivatives for hedging against interest rate and inflation risks have been designated as a portfolio hedge relationship that is accounted for using the net hedge presentation method. The effectiveness is determined on the basis of the dollar-offset method. The average term to maturity of these hedge relationships is 19 years (previous year: 22 years).

In addition, a micro net hedge relationship was added in the year under review for a banking book containing bonds where the full change in their market value is hedged with derivatives. The effectiveness is determined on the basis of the dollar-offset method. The average term to maturity of these hedge relationships is eight years (previous year: eight years).

Under the net hedge presentation method, the effectiveness of hedge relationships for own issues in the non-trading portfolio is measured using a simplified test based on a portfolio-based sensitivity analysis or a qualitative comparison of the characteristics of the hedged transaction and the hedging instrument. The average term to maturity of these hedge relationships is four years (previous year: five years).

In addition, in the interest rate risks from derivatives with corresponding offsetting hedging derivatives were designated as micro hedge relationships that are likewise accounted for using the net hedge presentation method. The effectiveness is determined on the basis of the dollar-offset method or on a portfolio-based sensitivity analysis. From these hedge relationships, positive and negative changes in the amount of €36m were netted as of 31 December 2022. The average term to maturity of the derivatives was 22 years (previous year: 23 years)

Furthermore, CO2 certificates and the related hedging derivatives were grouped together in portfolio hedge relationships that are accounted for using the gross hedge presentation method. The effectiveness is determined on the basis of the dollar-offset method.

The table below shows the assets and liabilities included in hedge relationships. The amount of the hedged risk represents the changes in value of the underlying transactions, which are offset within effective hedge relationships by contrary changes in the hedging transactions. Positive amounts are to be understood here as an increase in the value of assets and liabilities.

	Book values		Nominal values		Level of hedged risk	
€m	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Securities of liquidity reserve	18,096	20,439	19,926	20,116	-1,972	-27
Securities and receivables of the non-trading portfolio	6,188	5,930	4,967	4,431	-1,014	1,113
Other assets	2,080	3,541	–	–	1,270	949
Issues of the non-trading portfolio	67,646	61,546	67,623	64,841	-3,754	3,072

(18) Relationships with affiliated companies and equity holdings

	Affiliated companies		Equity holdings	
€m	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Claims on banks	3,920	4,486	0	0
Claims on customers	17,114	18,697	102	134
Bonds and other fixed-income securities	14,081	1,746	–	–
Trading assets excluding derivative financial instruments	2	2	11	14
Liabilities to banks	1,247	1,471	0	2
Liabilities to customers	5,674	8,019	178	212
Securitised liabilities	–	–	–	–
Trading liabilities excluding derivative financial instruments	–	–	4	6
Subordinated liabilities	939	1,000	–	–

(19) Fiduciary transactions

€m	31.12.2022	31.12.2021
Claims on banks	–	7
Claims on customers	2,058	1,881
Other fiduciary assets	494	602
Fiduciary assets	**2,552**	**2,490**
of which loans at third-party risk	2,058	1,888
Liabilities to banks	2,054	1,681
Liabilities to customers	3	207
Other fiduciary liabilities	494	602
Fiduciary liabilities	**2,552**	**2,490**
of which loans at third-party risk	2,058	1,888

(20) Changes in book value of fixed assets

€m	Intangible assets	Fixed assets	Securities/promissory note loans held as fixed assets	Equity holdings	Holdings in affiliated companies
Residual book values as at 1.1.2022	**941**	**401**	**12,854**	**96**	**4,689**
Cost of acquisition/production as at 1.1.2022	**4,189**	**1,661**	**12,913**	**124**	**7,429**
Additions	399	41	27,928	3	91
Disposals	311	95	15,999	12	393
Transfers	-1	-0	–	–	-0
Exchange rate changes	-3	-1	100	–	-31
Cost of acquisition/production as at 31.12.2022	**4,273**	**1,604**	**24,942**	**115**	**7,095**
Cumulative write-downs as at 1.1.2022	**3,248**	**1,260**	**59**	**28**	**2,739**
Write-downs in the financial year	364	73	0	0	43
Additions	–	–	–	–	–
Disposals	311	82	0	5	128
Transfers	-1	-0	–	–	-0
Exchange rate changes	-3	-1	-3	–	-35
Cumulative write-downs as at 31.12.2022	**3,298**	**1,250**	**57**	**23**	**2,620**
Write-ups	**–**	**–**	**2**	**–**	**13**
Residual book values as at 31.12.2022	**975**	**355**	**24,887**	**92**	**4,489**

Of the land and buildings with an overall book value of €124m (previous year: €143m), €116m (previous year: €134m) are used by Commerzbank Aktiengesellschaft. Office furniture and equipment included in fixed assets amounted to €230m (previous year: €257m). As at 31 December 2022, development costs for intangible assets developed in-house were capitalised in the amount of €814m (previous year: €774m). Commerzbank Aktiengesellschaft does not undertake research in connection with the in-house development of intangible assets. As a result, the Bank did not incur any costs in this respect.

Write-downs of fixed assets include increased write-downs of €6m (previous year: €24m) from restructuring activities due to reduced remaining useful life of the operating and business equipment at closing locations which is shown in the extraordinary income.

(21) Other assets

Other assets amounted to €7,545m (previous year: €9,266m). They were mainly comprised of claims from collateral to be provided in advance for forward transactions amounting to €2,672m (previous year: €980m), emissions allowances of €2,080m (previous year: €3,541m), interest accruals on non-trading derivatives of €561m (previous year: €385m), claims on tax authorities of €230m (previous year: €281m), amounts due under profit and loss transfer agreements of €196m (previous year: €317m), precious metals in the non-trading portfolio of €87m (previous year: €80m) as well as initial/variation margins receivable of €78m (previous year: €277m).

(22) Subordinated assets

€m	31.12.2022	31.12.2021
Claims on banks	86,168	30,315
of which: subordinated	–	259
Claims on customers	244,402	239,276
of which: subordinated	156	288
Bonds and other fixed-income securities	56,334	49,032
a) Money market instruments	77	–
of which: subordinated	–	–
b) Bonds and notes issued by other borrowers	45,106	37,019
of which: subordinated	–	–
c) Own bonds	11,151	12,013
of which: subordinated	5	6
Equities and other non-fixed-income securities	21	28
of which: subordinated	–	–
Trading assets	18,447	16,503
of which: subordinated	226	80
Total subordinated assets	**388**	**634**

(23) Repurchase agreements

As at 31 December 2022, the carrying amount recorded in the balance sheet for assets transferred under repurchase agreements amounted to €9,200m (previous year: €5,317m).

(24) The Bank's foreign currency position

As at 31 December 2022, the Bank had €77,756m (previous year: €83,806m) in foreign currency assets and €47,543m (previous year: €48,477m) in foreign currency liabilities.

(25) Collateral pledged for own liabilities

€m	31.12.2022	31.12.2021
Liabilities to banks	23,502	23,430
Liabilities to customers	12,760	9,690
Securitised liabilities	–	–
Other commitments	2,977	2,659
Total	**39,238**	**35,779**

As in the previous year, no bonds issued by the Bank are backed by collateral which, although legally sold, remains under the beneficial ownership of Commerzbank Aktiengesellschaft.

(26) Other liabilities

Other liabilities of €17,679m (previous year: €5,147m) were mainly comprised of an True Sale Securitisation Transaction of €13,018m, liabilities from collateral to be provided in advance for forward transactions amounting to €2,542m (previous year: €1,865m), derivatives on CO2 certificates in the amount of €268m (the previous year: €1,486m), interest accruals on non-trading derivatives of €181m (previous year: €346m), liabilities to tax authorities of €159m (previous year: €232m), liabilities attributable to film funds of €80m (previous year: €192m) and liabilities from profit and loss transfer agreements of €71m (previous year: €53m).

(27) Provisions

a) Provisions for pensions and similar commitments

Pension provisions are calculated on the basis of actuarial principles using an average discount rate, set by the Deutsche Bundesbank, over ten years, applying the projected unit credit method on the basis of the Heubeck 2018 G mortality tables.

The discount rate used is based on the information published by the Deutsche Bundesbank as at 31 December 2022. In accordance with Art. 253 (6) sentence 1 HGB, provisions for pension obligations are discounted using the average annual interest rate over ten years of 1.78 % (previous year: 1.87 %), instead of over seven years at 1.44 % (previous year: 1.35 %). The resulting difference as at 31 December 2022 was €458m (previous year: €689m), thus increasing the non-distributable amounts.

This assumes an expected general salary and wage increase including assumed career trends of 2.50 % per annum (previous year: 2.50 % per annum), and we have set an interest rate of 2.40 % per annum (previous year: 2.00 % per annum) for pension increases. An increase of 2.00 % per annum (previous year: 2.00 % per annum) is assumed for the income threshold for assessing contributions. At year-end, the shortfall due to unrecognised pension obligations within the meaning of Art. 28 (2) EGHGB amounted to €77m (previous year: €9m).

In accordance with Art. 246 (2) sentence 2 HGB, the plan assets held to cover pension obligations are netted against the provisions created for this purpose. As at 31 December 2022, the following values were recorded for these items before offsetting:

€m	31.12.2022	31.12.2021
Fair value of the plan assets	6,195	8,524
Settlement amount	7,873	7,610

In accordance with Art. 246 (2) sentence 2 HGB, changes in the value of the plan assets are netted against the time value of money effects from the remeasurement of the pension obligation. Prior to offsetting, the interest expense from unwinding the discount on provisions for pensions covered by plan assets amounted to €254m (previous year: €656m). Prior to offsetting, expense from plan assets amounted to €2,080m (previous year: income of €118m).

The historical cost of the plan assets for pension obligations amounted to €6,534m (previous year: €6,386m). The plan assets are mainly invested in special funds focusing on fixed-income securities, equities and derivatives.

b) Other provisions

Other provisions largely consist of provisions for restructuring, for contingent losses, for personnel, for the lending business and for litigation and recourse risks.

The restructuring provisions of €906m (previous year: €1,492m) relate primarily to personnel and – to a lesser extent – real estate. The allocations in the 2021 reporting year were related to "Strategy 2024", which includes headcount reduction in Germany and abroad by 2024, a reduction of domestic branch network and the closure of sites or outsourcing (job relocation) abroad.

The plan assets to cover obligations for age-related short-time working of €205m (previous year: €146m) were offset against the settlement amount of €196m (previous year: €145m). Prior to offsetting, the interest expense from unwinding the discount on provisions for age-related short-time working covered by plan assets amounted to €3m (previous year: €3m). Prior to offsetting, there were expenses of € 11m from cover assets in the current reporting year (previous year: €2m). The historical cost of the plan assets for age-related short-time working amounted to €214m (previous year: €144m).

(28) Subordinated liabilities

Subordinated liabilities, which amount to €7,171m (previous year: €6,674m), may not, in the event of insolvency or winding-up, be repaid until the claims of all non-subordinated creditors have been satisfied. There is no obligation to repay early the liabilities or right to claim interest until this condition has been met.

The obligations arising from the bonds and notes are subordinated obligations of the issuer which rank pari passu with all the issuer's other subordinated liabilities. The bearer may not put bonds and notes. The terms and conditions for subordinated liabilities apply. Conversion into equity or another form of debt is not stipulated in the contractual agreements.

Interest paid on subordinated liabilities amounted to €347m in the financial year (previous year: €367m). The following borrowings exceeded 10% of the subordinated liabilities as at 31 December 2022:

German securities identification no. (WKN)	Currency	€m	Interest rate %	Due date
DE000CZ40LD5	EUR	1,031	4.00	23.3.2026
XS0097772965[1]	USD	939	8.15	30.6.2031
DE000CZ45V25	EUR	752	4.00	5.12.2030
US20259BAA98	USD	731	8.13	19.9.2023

[1] ISIN represents the trust certificates of Dresdner Funding Trust I, placed in the market. This capital was transferred via the entity Dresdner Funding Trust I to Commerzbank Aktiengesellschaft as subordinated loan.

In accordance with Art. 46f (6) sentence 1 KWG, additional subordinated liabilities, which amount to €12.5bn (previous year: €12.4bn) are shown under securitised liabilities.

(29) Profit-sharing certificates

Currently, Commerzbank Aktiengesellschaft does not have any profit-sharing certificates. The last two outstanding certificates expired as planned on 31 December 2020 and were repaid during the financial year 2021.

(30) Additional Tier 1 instruments

In total AT1 bonds with principal values of €2 250m and $1 000m have been issued. As at 31 December 2022, the bonds had a carrying amount of €3 330m (previous year:: €3,268m). The decline in the carrying amount is attributable to exchange rate effects. The interest expense attributable to the bonds was € 199m in the financial year.

Contrary to IFRS, in accordance with HGB the bonds including accrued interest are not defined as equity.

(31) Equity

€	31.12.2022		31.12.2021	
Equity		**15,500,842,125.74**		**15,102,374,508.76**
a) Subscribed capital		1,252,357,634.00		1,252,357,634.00
Share capital	1,252,357,634.00		1,252,357,634.00	
Silent participations	–		–	
b) Capital reserve		10,075,129,096.63		10,075,129,096.63
c) Retained earnings		3,922,883,868.31		3,774,887,778.13
d) Distributable profit		250,471,526.80		–

a) Subscribed capital

As at 31 December 2022, the share capital of Commerzbank Aktiengesellschaft of €1,252,357,634 was divided into 1,252,357,634 no-par-value bearer shares (accounting value per share €1.00).

On the reporting date, there were no silent participations.

b) Capital reserve

In the capital reserve, premiums from the issue of Commerzbank Aktiengesellschaft shares are shown. Additional cash payments from the issue of conversion and option rights entitling holders to purchase Commerzbank Aktiengesellschaft shares are also recognised here. The capital reserve as at 31 December 2022 amounted to €10,075,129,097 (previous year: €10,075,129,097).

c) Retained earnings

€	
As at 31.12.2021	**3,774,887,778.13**
Allocation to retained earnings	147,996,090.18
of which addition from distributable profit of prior year	–
As at 31.12.2022	**3,922,883,868.31**

The retained earnings of Commerzbank Aktiengesellschaft consist of other retained earnings.

€148m from the annual net income of the financial year was transferred to the retained earnings.

At the Annual General Meeting to be held on 31 May 2023, shareholders will vote on a proposal that the distributable profit for 2022 be used to distribute a dividend totalling €0.20 per share.

(32) Authorised capital

Date of AGM resolution | €	Original authorised capital	Remaining authorised capital	Date of expiry	Pursuant to the Articles of Association
2019	626,178,817	626,178,817	21.5.2024	Art. 4 (3) and (4)
As at 31.12.2021	**626,178,817**	**626,178,817**		
As at 31.12.2022	**626,178,817**	**626,178,817**		

The conditions for capital increases from authorised capital as at 31 December 2022 are stipulated in the Articles of Association of Commerzbank Aktiengesellschaft dated 18 July 2022.

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to increase the Company's share capital until 21. May 2024 through the issuance of new shares with no par value in exchange for cash, in either one or several tranches, but not exceeding a maximum amount of €500,943,054.00 (Authorised Capital 2019/I). In principle, shareholders shall be offered subscription rights; the statutory subscription right may also be granted in such manner that the new shares are underwritten by one or more banks or enterprises equivalent to a bank pursuant to Art. 186 (5) sentence 1 of the German Stock Corporation Act under an obligation to offer them for subscription to shareholders of Commerzbank Aktiengesellschaft. However, the Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in the following circumstances:

- in order to exclude fractional amounts from subscription rights,
- in order to issue shares to employees of Commerzbank Aktiengesellschaft or of companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in Art. 18 (1) of the German Stock Corporation Act) up to a proportional amount of the share capital of €15,000,000.00.

If shares are issued against cash to employees of the Company or of its Group companies within the meaning of Art. 18 (1) of the German Stock Corporation Act subject to the exclusion of shareholders' subscription rights, the proportional amount of the share capital attributable to them may not exceed a total of 3% of the share capital of the Company existing at the time of the resolution of the Annual General Meeting. This 3% limit shall take into account the proportional share capital issued against cash or contributions in kind or sold during the term of this authorisation under another authorisation subject to the exclusion of shareholders' subscription rights to members of the Board of Managing Directors, members of the management or employees of the Company or of its Group companies within the meaning of Art. 18 (1) of the German Stock Corporation Act. The Board of Managing Directors is authorised to determine the further details of the capital increase and its implementation.

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to increase the Company's share capital until 21 May 2024 through the issuance of new shares with no par value in exchange for cash or contributions in kind, in either one or several tranches, but not exceeding a maximum amount of €125,235,763.00 (Authorised Capital 2019/II). In principle, shareholders shall be offered subscription rights; the statutory subscription right may also be granted in such manner that the new shares are underwritten by one or more banks or enterprises equivalent to a bank pursuant to Art. 186 (5) sentence 1 of the German Stock Corporation Act under an obligation to offer them for subscription to shareholders of Commerzbank Aktiengesellschaft. However, the Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in the following circumstances:

- in order to exclude fractional amounts from subscription rights;
- to the extent necessary, to grant the holders of conversion or option rights, either already issued or still to be issued by Commerzbank Aktiengesellschaft or by companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in in Art. 18 h(1) of the German Stock Corporation Act), subscription rights in the amount to which they would be entitled after exercising their conversion or option rights or fulfilling their corresponding conversion or option obligation;
- in order to increase the share capital in exchange for contributions in kind,
- in the event of capital increases for cash, if the issue price of the new shares is not significantly lower than the market price for identical shares of the Company at the time the issue price is determined. The shares issued with the exclusion of subscription rights pursuant to Art. 203 (1) and Art. 186 (3) sentence 4 of the German Stock Corporation Act on the basis of this authorisation may not exceed a total of 10% of the share capital of the Company, either at the time the authorisation becomes effective or at the time the authorisation is exercised, whichever amount is lower. The upper limit of 10% of the share capital is reduced by the proportional amount of share capital corresponding to those of the Company's treasury shares that are sold during the period of validity of Authorised Capital 2019/II, while excluding shareholders' subscription rights in accordance with Art. 71 (1) no. 8 sentence 5 and

Art. 186 (3) sentence 4 of the German Stock Corporation Act. The upper limit is further reduced by the proportional amount of share capital corresponding to those shares that must be issued to service bonds with warrants or convertible bonds with option or conversion rights or with option or conversion obligations, provided such bonds are issued during the period of validity of Authorised Capital 2019/II, while excluding subscription rights subject to appropriate application of Art. 186 (3) sentence 4 of the German Stock Corporation Act.

The proportional amount of the share capital attributable to those shares issued in exchange for cash or contributions in kind with exclusion of the shareholders' subscription right must not, in aggregate, exceed 10% of the share capital of the Company existing at the time when the Annual General Meeting adopts the resolution. Regarding the above limit, those shares shall be taken into account – subject to any renewed authorisation to exclude subscription rights that may be adopted as a resolution by a subsequent Annual General Meeting – which are issued subject to exclusion of the subscription right during the term of this authorisation under another authorisation, or on which financial instruments with conversion or option rights or obligations are based which are issued subject to exclusion of the subscription right of the shareholders during the term of the authorisation under another authorisation. If shares are issued to members of the Board of Managing Directors, members of the management or employees of Commerzbank Aktiengesellschaft and its Group companies within the meaning of Art. 18 (1) of the German Stock Corporation Act with the exclusion of shareholders' subscription rights against contributions in kind by contributing claims for variable remuneration components, bonuses or similar claims against the Company or its Group companies, the Board of Managing Directors may only make use of the authorisation up to a maximum total amount of 3% of the share capital existing at the time of the resolution by the Annual General Meeting. This 3% limit shall take into account the proportional share capital issued against cash or contributions in kind or sold during the term of this authorisation under another authorisation with the exclusion of shareholders' subscription rights to members of the Board of Managing Directors, members of the management or employees of the Company or of its Group companies within the meaning of Art. 18 (1) of the German Stock Corporation Act. The Board of Managing Directors is authorised to determine the further details of the capital increase and its implementation.

€	Remaining authorised capital 31.12.2021	Added in financial year	Used in financial year	Expired in financial year	Remaining authorised capital 31.12.2022
Total	**626,178,817**	–	–	–	**626,178,817**

(33) Non-distributable amounts

€m	31.12.2022	31.12.2021
In-house developed intangible assets[1]	814	774
Difference arising from the recognition of plan assets at fair value[1]	7	2,161
Difference between an average 10-year and 7-year market interest rate for the discounting of provisions for pension obligations[2]	458	689
Non-distributable amount	**1,279**	**3,624**

[1] Details pursuant to Art. 268 (8) of the HGB.
[2] Details pursuant to Art. 253 (6) of the HGB.

(34) Significant shareholder voting rights

As at 31 December 2022, Commerzbank Aktiengesellschaft had received the following notifications of voting rights:

Company required to report	Registered office	Total %[1]	Report date
Federal Republic of Germany	Berlin	15.60	04.06.2013
BlackRock Inc.	Wilmington, Delaware, USA	9.96	27.12.2022
Ministry of Finance on behalf of the state of Norway	Oslo, Norway	3.02	28.11.2022

[1] Voting rights held directly and indirectly.

(35) Treasury shares

On 13. May 2020, the Annual General Meeting authorised the Board of Managing Directors to purchase and sell treasury shares for purposes other than trading until 12- May 2025 pursuant to Art. 71 (1) no. 8 of the German Stock Corporation Act. The possible uses for the treasury shares were specified in the resolution. The Bank's treasury shares held by it or attributable to it pursuant to Arts. 71a ff. of the German Stock Corporation Act must at no time exceed 10% of Commerzbank's share capital. The shares may also be acquired using derivatives (put or call options and forward purchase contracts). All share purchases using derivatives are limited to shares in the amount of 5% of the share capital existing at the time of the adoption of the resolution by the Annual General Meeting on this authorisation or – if this amount is lower – of the share capital existing at the time of the exercise of this authorisation. The term of each derivative may not exceed 18 months and must be determined in such a way that the acquisition of shares through the exercise of the derivatives occurs no later than 12 May 2025.

No treasury shares were acquired during the financial year and Commerzbank Aktiengesellschaft held no treasury shares as at the reporting date. Customers pledged 1,493,258 shares as collateral (previous year: 1,742,906 shares).

The Bank has given an undertaking to the Financial Market Stabilisation Fund (SoFFin), represented by the Federal Republic of Germany – Finanzagentur GmbH (Deutsche Finanzagentur), that neither it nor any of its affiliated companies will buy back shares or other components of its liable equity capital, except as specified under Art. 71 (1) no. 2 and no. 4 (purchase on behalf of another party) or no. 7 of the German Stock Corporation Act.

Other notes

(36) Off-balance-sheet transactions

a) Contingent liabilities

€m	31.12.2022	31.12.2021
Contingent liabilities from rediscounted bills of exchange credited to borrowers	0	0
Liabilities from guarantees and indemnity agreements[1]	45,063	44,601
Other guarantees	37,273	34,093
Letters of credit	4,750	6,125
Credit guarantees	3,039	4,383
Total	**45,063**	**44,601**

[1] See note 36 d) Other financial commitments.

Contingent liabilities from guarantees and indemnity agreements are mainly related to retail banking with customers which generates commission income. Commerzbank Aktiengesellschaft runs the risk that a claim will be made under its contractual obligations due to the deteriorating credit quality of the borrower Credit risks are reflected in the balance sheet by creating provisions. The risk of a claim under contingent liabilities is estimated on the basis of credit risk parameters. These parameters are in line with EU Regulation 575/2013, which implements the supervisory regulations of the Basel 3 regulatory framework at European level.

b) Other commitments

€m	31.12.2022	31.12.2021
Irrevocable lending commitments	**77,349**	**77,552**
Loans to customers	74,089	74,825
Loans to banks	1,328	1,025
Acceptance credits and letters of credit	1,933	1,702

Irrevocable lending commitments are part of Commerzbank Aktiengesellschaft's lending business and are reported outside the balance sheet. Risks may arise due to the deterioration of a customer's credit quality, for which a corresponding provision is created on the balance sheet.

Commerzbank Aktiengesellschaft arranges securitisations of the Bank's own receivables as well as of customers' receivables portfolios via special purpose entities. The transactions serve to procure liquidity or to tap new sources of funding for customers or for Commerzbank Aktiengesellschaft.

The liquidity facilities and back-up credit lines provided to the securitisation vehicles are also shown under irrevocable lending commitments. Liquidity or back-up lines may be used if the risks relating to the underlying financial instruments increase, or the securitised paper can no longer be sold on the market as planned.

c) Securities lending transactions

Commerzbank Aktiengesellschaft carries out securities lending transactions with the aim of ensuring that its securities trading operations are able to meet delivery obligations and generate income from lending securities held in our trading portfolios. Securities borrowed are not recognised in the balance sheet because beneficial ownership remains with the lender due to the structure of the transactions. Securities lent out therefore continue to be recognised in the balance sheet. A key benefit for Commerzbank Aktiengesellschaft is the additional income generated by lending our securities holdings. As at the reporting date, the fair value of securities lent amounted to €1,805m (previous year: €1,624m), while the fair value of securities borrowed amounted to €7,676m (previous year: €8,363m).

As part of these securities transactions, collateral for securities lent amounted to €1,806m (previous year: €1,624m) and that for securities borrowed to €3,842m (previous year: €3,607m).

d) Other financial commitments

In the context of operating lease agreements where Commerzbank Aktiengesellschaft is the lessee, economic ownership is retained by the lessor and the lease asset is therefore not shown in the balance sheet of Commerzbank Aktiengesellschaft. Commerzbank Aktiengesellschaft's liabilities under operating leases are mainly related to buildings, office furniture and equipment. As at 31 December 2022, existing commitments from rental, tenancy and leasing agreements amounted to €1,482 m (previous year: €1,614m); €63m of this amount relates to affiliated companies (previous year: €133m).

Payment commitments for shares, shareholdings in limited companies and other shareholdings amounted to €4m on the reporting date (previous year: €6m).

In accordance with Art. 5 (10) of the statutes of the German Deposit Protection Fund, we have undertaken to indemnify the Association of German Banks for any losses incurred through support provided for banks in which Commerzbank Aktiengesellschaft holds a majority interest.

In 2021 Commerzbank made use of the opportunity to meet part of its obligations with regard to the banking levy and the Compensation Scheme of German Private Banks (EdB) in the form of irrevocable payment commitments (IPCs). It assumed IPCs amounting to €33m (previous year: €43m) for the EdB and €41m for the bank levy (previous year: €33m). These amounts are included in the balance sheet item other liabilities. Cash collateral was deposited for these amounts, that are reported in the balance sheet item other assets.

Securities with a book value of €18,066m (previous year: €10,920m) were furnished as collateral for obligations on futures exchanges and clearing houses.

Based on the circular on cum/cum transactions published by the Federal Ministry of Finance (BMF) in 2017, the tax auditors commented on the treatment of these transactions in the form of audit notes. The tax office reduced the credit for capital gains taxes accordingly. In response, Commerzbank Aktiengesellschaft made value adjustments to tax credits shown in the balance sheet and set up additional provisions for possible repayment claims in order to reflect the changed risk situation fully and appropriately.

The BMF published a revised version of its circular on cum/cum transactions on 9 July 2021. In view of the potential impact of the BMF circular, the provision was adjusted in the second quarter of 2021. Based on current knowledge, the tax risks arising from this issue have thereby been adequately covered. The possibility of further charges over and above the provisions recognised by the Bank cannot be completely ruled out.

With respect to securities lending transactions, Commerzbank is exposed to compensation claims (including in court) from third parties for crediting entitlements that have been denied. In the context of these securities lending transactions, the contracting parties were obliged to reimburse Commerzbank for dividends and retained capital gains taxes. However, the tax offices of various contracting parties partially refused or subsequently disallowed subsequent crediting against corporate income tax. We have not stated the provision amounts to avoid influencing the outcome of the proceedings.

The public prosecutor's office in Frankfurt am Main is investigating equity transactions conducted by Commerzbank and the former Dresdner Bank around the dividend record date (cum-ex transactions). Commerzbank had already initiated a forensic analysis of cum-ex transactions at the end of 2015, which was concluded at the start of 2018 in respect of Commerzbank's equity transactions and in September 2019 in respect of the equity transactions of the former Dresdner Bank. All back taxes demanded by the tax authorities have been paid.

The public prosecutor's office in Cologne has been conducting investigations at Commerzbank since September 2019 in connection with a separate case concerning cum-ex transactions. It is investigating on suspicion that the Bank (including Dresdner Bank) was involved in cum-ex transactions in various roles, including by supplying shares to third parties who were allegedly acting as short sellers. According to the current understanding, these proceedings do not involve Commerzbank's own tax credit claims with regard to capital gains tax and the solidarity surcharge on dividends.

The Bank is cooperating fully with authorities conducting investigations into cum-ex transactions. It is currently not possible to predict whether this will result in a burden, whether it will occur, or the amount of any resulting burden.

Commerzbank Aktiengesellschaft has given an undertaking to the Polish Financial Supervision Authority that it will provide its affiliated companies mBank S. A., Warsaw and mBank Hipoteczny S. A., Warsaw with sufficient liquidity and capital to ensure that they are in a position to meet their financial obligations at all times.

In respect of the subsidiaries listed below and included in the Group financial statements, Commerzbank Aktiengesellschaft is obliged to ensure that, except in the case of political risks, they are able to meet their contractual liabilities ("letter of comfort").

Name	Registered office
Commerzbank (Eurasija) AO	Moscow
Commerzbank Brasil S.A. - Banco Múltiplo	São Paulo
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main
Commerzbank Finance & Covered Bond S.A.	Luxembourg
CommerzTrust GmbH	Frankfurt/Main
Commerz Markets LLC	New York
LSF Loan Solutions Frankfurt GmbH	Eschborn

(37) Forward transactions

As at 31 December 2022, forward transactions entered into by Commerzbank Aktiengesellschaft could be broken down as follows:

€m	Nominal values	Fair value	
		positive	negative
Foreign-currency-based forward transactions			
OTC products	661,314	12,248	11,513
Foreign exchange spot and forward contracts	427,070	1,079	1,199
Interest rate and currency swaps	209,817	10,778	9,905
Currency call options	58	391	–
Currency put options	4	–	410
Other foreign exchange contracts	24,364	–	–
Exchange-traded products	1,197	–	–
Currency futures	1,197	–	–
Currency options	–	–	–
Total	**662,510**	**12,248**	**11,513**
of which trading securities	654,876	12,013	11,122
Interest-based forward transactions			
OTC products	4,065,329	147,530	144,693
Forward rate agreements	581,511	1,223	1,291
Interest rate swaps	3,015,066	143,665	141,460
Interest rate call options	27,308	2,182	–
Interest rate put options	24,575	–	1,904
Other interest rate contracts	416,869	460	38
Exchange-traded products	107,785	4	2
Interest rate futures	107,776	4	2
Interest rate options	8	–	–
Total	**4,173,114**	**147,534**	**144,695**
of which trading securities	4,123,380	139,671	139,950
Other forward transactions			
OTC products	30,614	1,292	728
Structured equity/index products	1,931	747	63
Equity call options	–	3	–
Equity put options	40	–	20
Credit derivatives	19,709	185	215
Precious metal contracts	327	60	-0
Other transactions	8,607	297	431
Exchange-traded products	15,277	319	280
Equity futures	990	1	5
Equity options	3,135	128	126
Other futures	7,115	4	1
Other options	4,038	185	148
Total	**45,891**	**1,611**	**1,008**
of which trading securities	40,420	1,409	871
Total pending forward transactions			
OTC products	4,757,257	161,070	156,934
Exchange-traded products	124,258	323	282
Total	**4,881,515**	**161,393**	**157,216**
of which trading securities		153,093	151,943
Net Result of trading securities		8,896	9,033

The total effect of netting on the assets and on the liabilitites side amounted to €157,514m as at 31 December 2022 (previous year: €84,462m). On the assets side, this included positive fair values of €144,197m (previous year: €75,699m), claims on banks of €1,812m (previous year: €3,937m) and other assets of €11,506m (previous year: €4,827m). On the liabilities side, negative fair values of €142,910m (previous year: €76,100m), liabilities to banks of €2,905m (previous year: €2,898m) and other liabilities of €11,699m (previous year: €5,464m) were netted.

In accordance with Art. 249 (1) HGB, a provision for impending losses for derivative financial instruments in the non-trading portfolio was created in the amount of €688m (previous year: €647m).

(38) Employees

The figures for the average annual number of employees at Commerzbank Aktiengesellschaft include both full-time and part-time personnel, but not apprentices.

	2022			2021		
	Total	male	female	Total	male	female
Employees (number)	**27,891**	**14,364**	**13,527**	**31,032**	**15,763**	**15,269**
in Germany	24,351	12,035	12,316	27,528	13,524	14,004
outside Germany	3,540	2,329	1,211	3,504	2,239	1,265

(39) Remuneration and loans to board members

The interest rate and collateralisation of loans to members of the Board of Managing Directors and the Supervisory Board are at normal market terms. If necessary, the loans are secured through land charges or rights of lien. The Bank did not grant any advances to members of the Board of Managing Directors and the Supervisory Board during the year under review. In addition, the companies of Commerzbank Aktiengesellschaft did not have any material contingent liabilities in connection with these persons.

Claims on members of the Board of Managing Directors as at 31 December 2022 amounted to €2,510 thousand (previous year: €7,165 thousand) and those on members of the Supervisory Board to €1,057 thousand (previous year: €284 thousand). In the financial year, members of the Board of Managing Directors repaid €4,961 thousand, and members of the Supervisory Board repaid €228 thousand.

Excluding the interest-rate-adjusted change in the net present value of pension entitlements included in the calculation of pension liabilities, the total remuneration of the members of the Board of Managing Directors and Supervisory Board in accordance with Art. 285 no. 9a HGB was as follows:

€1,000	31.12.2022	31.12.2021
Board of Managing Directors	11,751	11,371
Supervisory Board	3,483	3,283
Total	**15,234**	**14,654**

The total remuneration in accordance with Art. 285 no. 9a of the German Commercial Code for the members of the Board of Managing Directors does not include any payments of long-term components of the remuneration for the 2022 financial year, as these can be granted by the Supervisory Board in a legally binding manner only after a retention period of 5 to 7 years and the completion of a retrospective performance evaluation. The total remuneration therefore also includes the payment of long-term components of the remuneration for the 2017 financial years (previous year: 2015 and 2016 financial years), since these were legally binding in the year under review. Total remuneration also includes 149,488 (previous year: 256,554) virtual shares with a total value of €1,470 thousand (previous year: €1,897 thousand), which will not be paid out until spring of 2023 or 2024 at the share price valid prior to the respective payment. These virtual shares were included in the total remuneration in accordance with German Accounting Standard No. 17 (DRS 17) at the share price on the day they were granted by the Supervisory Board plus any dividend adjustments for the dividend in the 2018 financial year.

The assets backing the Bank's retirement benefit plan for present and former members of the Board of Managing Directors or their surviving dependants have been transferred to Commerzbank Pensions-Trust e.V. as part of a contractual trust arrangement.

The net present value of pension entitlements for active members of the Board of Managing Directors as at 31 December 2022 was €9,324 thousand (previous year: €7,550 thousand).

Payments to former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft and their surviving dependants in the financial year came to €13,591 thousand (previous year: €12,724 thousand). The pension liabilities for these persons amounted to €130,149 thousand (previous year: €127,794 thousand). Payments to former board members of merged companies and their surviving dependants were €10,697 thousand (previous year: €10,712 thousand). There were also outstanding pension obligations to these persons, which amounted to €146,237 thousand (previous year: €147,227 thousand). Commerzbank Aktiengesellschaft has recognised provisions for all of the above pension obligations.

(40) Corporate Governance Code

We have issued our declaration of compliance with the German Corporate Governance Code pursuant to Art. 161 of the German Stock Corporation Act (AktG). It forms part of the corporate governance declaration and has been published on the internet (https://www.commerzbank.de/de/hauptnavigation/aktionaere/governance_/corporate_governace_1.html).

(41) Investment funds

The disclosable investment fund units are included in the liquidity reserve and the trading portfolio and are measured at fair value. The data for the fair value therefore correspond to the carrying amount. In some cases restrictions may apply to daily redemptions. In the year under review, there were no distributions from the index funds subject to disclosure (previous year: € 0 m). The distributions from the balanced funds subject to disclosure amounted to € 0 m (previous year: € 0m).

The table below shows the value of domestic and foreign investment funds in which Commerzbank Aktiengesellschaft had holdings of more than 10% as at 31 December 2022 by category:

€m	31.12.2022	31.12.2021
Index funds	–	–
Balanced funds	16	34
Bonds and other fixed-income funds	–	–
Equity funds	–	–
Total	**16**	**34**

(42) Mortgage Pfandbriefe

Commerzbank Aktiengesellschaft publishes quarterly disclosures in accordance with Art. 28 PfandBG on mortgage Pfandbriefe, public-sector Pfandbriefe and ship Pfandbriefe on its website.

Art. 28 (1) S. 1 No. 1, 3 and 7 PfandBG | €m	31.12.2022			31.12.2021		
Cover calculation mortgage Pfandbriefe	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**
Liabilities to be covered	27,632.6	26,230.9	23,566.2	21,815.7	22,686.7	21,917.0
of which Pfandbriefe outstanding	27,632.6	26,230.9	23,566.2	21,815.7	22,686.7	21,917.0
of which derivatives	–	–	–	–	–	–
Cover assets	40,107.5	36,991.5	30,643.0	36,976.0	39,771.9	37,804.9
of which cover loans	38,854.5	35,726.0	29,601.8	35,907.1	38,571.5	36,662.1
of which cover assets Art. 19 (1) PfandBG	1,253.0	1,265.6	1,041.2	1,068.9	1,200.4	1,142.8
of which derivatives	–	–	–	–	–	–
Risk-adjusted net present value after interest rate stress test			7,076.8			15,887.9
Loss from currency stress test			–			–
Cover surplus	**12,475.0**	**10,760.6**	**7,076.8**	**15,160.3**	**17,085.2**	**15,887.9**
Statutory cover surplus[2]	**1,114.1**	**1,034.2**	**893.3**	**–**	**–**	**–**
Contractual cover surplus	**–**	**–**	**–**	**–**	**–**	**–**
Voluntary cover surplus	**11,360.9**	**9,726.5**	**6,183.5**	**–**	**–**	**–**

[1] Risk-adjusted net present value including currency stress test.

[2] The statutory overcollateralisation requirement consists of two components: the net present value of statutory overcollateralisation pursuant to Art. 4 (1) of the German Pfandbrief Act (Pfandbriefgesetz, PfandBG) including interest rate and currency stress scenarios, and the principal value of the overcollateralisation pursuant to Art. 4 (2) PfandBG. According to Art. 55 PfandBG, the previous year’s data will only be published as of the third quarter of 2023.

Art. 28 (1) S. 1 no. 4 and 5 PfandBG | €m	31.12.2022	31.12.2021
Mortgage Pfandbriefe outstanding with a residual term of		
up to 6 months	1,142.1	1,127.2
over 6 months up to 12 months	1,623.0	2,737.0
over 12 months up to 18 months	1,207.5	1,140.0
over 18 months up to 2 years	1,022.0	1,668.0
over 2 years up to 3 years	6,371.5	2,244.5
over 3 years up to 4 years	6,040.0	3,371.5
over 4 years up to 5 years	2,665.0	4,040.0
over 5 years up to 10 years	5,590.0	4,076.5
over 10 years	1,971.5	1,411.0
Total	**27,632.6**	**21,815.7**
Cover assets mortgage Pfandbriefe with a residual fixed interest period of		
up to 6 months	1,738.0	1,294.5
over 6 months up to 12 months	1,339.6	1,200.9
over 12 months up to 18 months	1,868.6	1,848.8
over 18 months up to 2 years	1,851.8	1,444.2
over 2 years up to 3 years	3,927.5	4,045.0
over 3 years up to 4 years	4,437.4	3,954.5
over 4 years up to 5 years	4,820.4	4,172.3
over 5 years up to 10 years	16,710.7	16,355.1
over 10 years	3,413.5	2,660.8
Total	**40,107.5**	**36,976.0**
Mortage Pfandbriefe maturity displacement (12 months)[1,2]		
up to 6 months	–	–
over 6 months up to 12 months	–	–
over 12 months up to 18 months	1,142.1	–
over 18 months up to 2 years	1,623.0	–
over 2 years up to 3 years	2,229.5	–
over 3 years up to 4 years	6,371.5	–
over 4 years up to 5 years	6,040.0	–
over 5 years up to 10 years	6,195.0	–
over 10 years	4,031.5	–
Total	**27,632.6**	**–**

[1] Effects of a change in maturity on the maturity structure of the Pfandbriefe / postponement scenario: 12 months. This is an extremely unlikely scenario, which could only come into effect after the appointment of a property manager.
[2] According to § 55 PfandBG, the previous year's data will not be published until Q3 2023.

Information on postponing the maturity of Pfandbriefe

Prerequisites for postponing the maturity of Pfandbriefe

Postponing the maturity date is necessary in order to avoid the insolvency of the mortgage-lending institution with limited business activity (to prevent default), the mortgage-lending institution with limited business activity is not over-indebted (no existing over-indebtedness) and there is reason to believe that the mortgage-lending institution with limited business activity will in any case be able to meet its liabilities that are due at the end of the longest possible postponement period, taking into account further postponement possibilities (positive fulfilment prognosis). See also Art. 30 (2b) PfandBG.

Powers of the cover pool administrator when postponing the maturity of the Pfandbriefe

The cover pool administrator may postpone the due dates of the principal payments if the relevant requirements according to Act. 30 (2b) PfandBG are met. The cover pool administrator determines as needed the duration of the postponement, which may not exceed 12 months.

The cover pool administrator may postpone any principal or interest payments due within one month of his or her appointment to the end of that one-month period. If the cover pool administrator decides in favour of such a postponement, it is irrefutably presumed that the requirements under Art. 30 (2b) PfandBG are met. Such postponement must be taken into account within the maximum postponement period of 12 months.

The cover pool administrator may only make uniform use of his or her powers for all Pfandbriefe of an issue. The due dates may be postponed in full or in part. The cover pool administrator must postpone the due date for a Pfandbrief issue in such a way that the original sequencing in which the Pfandbriefe were serviced, which could be overtaken as a result of the postponement, is not changed (overtaking ban). This can mean that the due dates of later issues also have to be postponed in order to comply with the ban on overtaking. See also Art. 30 (2a) and (2b) PfandBG.

Art. 28 (1) S. 1 no. 6 PfandBG | €m[1]	31.12.2022	31.12.2021
Absolute value of the largest negative sum resulting from zero in the next 180 days, i.e. § 4 (1a) p. 3 for Pfandbriefe (liquidity requirements)	919.1	–
Day on which the largest negative amount occurs	55	–
Total amount of the cover values which meet the requirements of § 4 (1a) p. 3 PfandBG (liquidity coverage)	1,214.8	–

[1] According to § 55 PfandBG, the previous year's data will not be published until Q3 2023

Art. 28 (1) S. 1 no. 8, 9 and 10 PfandBG Other cover assets | €m	**31.12.2022**	**31.12.2021**
Equalisation claims as defined by Art. 19 (1) S. 1 no. 2 a) and b) Pfandbriefgesetz		
Germany	–	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Total	**–**	**–**
Loans as defined by Art. 19 (1) S. 1 no. 3 a) to c) Pfandbriefgesetz		
Germany	–	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Total	**–**	**–**
Loans as defined by Art. 19 (1) S. 1 no. 4 Pfandbriefgesetz		
Germany	425.0	490.0
Greece	45.0	–
Italy	628.0	339.9
Austria	100.0	109.0
Spain	55.0	130.0
Total	**1,253.0**	**1,068.9**
Total	**1,253.0**	**1,068.9**

Art. 28 (2) S. 1 no. 1 a PfandBG Size categories | €m	**31.12.2022**	**31.12.2021**
Up to €0.3m	29,156.6	27,299.9
Over €0.3m up to €1m	7,282.3	6,514.6
Over €1m up to €10m	1,335.8	1,153.2
Over €10m	1,079.8	939.3
Total	**38,854.5**	**35,907.1**

Art. 28 (1) S.1 no. 14 PfandBG Foreign currency | €m	**31.12.2022**	**31.12.2021**
Net present value	–	–

Art. 28 (1) S. 1 no. 13 PfandBG Interest structure | %	**31.12.2022**	**31.12.2021**
Share of fixed-income cover assets	98.4	98.3
Share of fixed-income Pfandbriefe	74.6	77.1

Art. 28 (2) S. 1 no. 3 and 4 PfandBG Other structural data	**31.12.2022**	**31.12.2021**
Average weighted loan-to-value ratio in %	51.7	52.3
Average age of the loans weighted by value, in years (seasoning)	5.0	4.9

Art. 28 (2) S. 1 no. 1 b and c PfandBG Mortgage Pfandbriefe by object type and type of use I €m	**31.12.2022**		**31.12.2021**	
Germany	**Commercial**	**Residential**	**Commercial**	**Residential**
Flats	–	11,097.4	–	10,025.9
Single family house	–	22,795.9	–	21,123.8
Multi-dwellings	–	4,081.1	–	3,921.3
Office buildings	627.1	–	585.1	–
Retail buildings	192.9	–	179.0	–
Industrial buildings	0.2	–	0.2	–
Other commercially used real estate	59.9	–	71.9	–
Unfinished new buildings not yet generating income	–	0.0	–	0.0
Building sites	–	–	–	–
Total	**880.1**	**37,974.4**	**836.2**	**35,070.9**

Art. 28 (1) no. 11 PfandBG Limit breaches I €m	**31.12.2022**	**31.12.2021**
Total amount of loans according to Art. 12 (1) PfandBG that exceed the limits defined by Art. 13 (1) S. 2 2nd part of the sentence PfandBG	–	–
Total amount of values that exceed the limits defined by Art. 19 (1) S. 7 PfandBG	–	–

§ 28 (1) S. 1 Nr. 12 PfandBG Limit breaches I €m	**31.12.2022**	**31.12.2021**
Loans that exceed the limits defined by Art. 19 (1) no. 2 PfandBG	–	–
Loans that exceed the limits defined by Art. 19 (1) no. 3 PfandBG	–	–
Loans that exceed the limits defined by Art. 19 (1) no. 4 PfandBG	–	–

Art. 28 (2) S. 1 no. 2 PfandBG Payments in arrear Germany I €m	**31.12.2022**	**31.12.2021**
Total payments overdue by at least 90 days	–	–
Total amount of these receivables where the arrears represent at least 5% of the receivable concerned	–	–

Art. 28 (1) S. 1 no. 15 PfandBG Payments in arrear Germany I €m	**31.12.2022**	**31.12.2021**
Part of cover assets on the cover pool, for which or for whose borrowers a loss is classified as according to Art. 178 (1) CRR	–	–

§ 28 (1) S. 1 Nr. 2 PfandBG | ISIN-list by type of Pfandbrief[1]	
31.12.2022	31.12.2021
DE000CB0HR27	–
DE000CB0HR43	–
DE000CB0HR50	–
DE000CZ40J26	–
DE000CZ40KZ0	–
DE000CZ40LG8	–
DE000CZ40LM6	–
DE000CZ40LQ7	–
DE000CZ40LS3	–
DE000CZ40MB7	–
DE000CZ40MH4	–
DE000CZ40MJ0	–
DE000CZ40MN2	–
DE000CZ40MQ5	–
DE000CZ40MU7	–
DE000CZ40MV5	–
DE000CZ40MW3	–
DE000CZ40NN0	–
DE000CZ40NP5	–
DE000CZ40NU5	–
DE000CZ40NY7	–
DE000CZ43ZE7	–
DE000CZ43ZF4	–
DE000CZ43ZJ6	–
DE000CZ45VF8	–
DE000CZ45VS1	–
DE000CZ45W08	–
DE000CZ45W16	–
DE000CZ45W24	–
DE000CZ45W32	–
DE000CZ45W40	–
DE000CZ45W65	
DE000CZ45W73	
DE000CZ45W99	
DE000CZ45WY7	–
DE000EH1A3P2	–

[1] According to § 55 PfandBG, the previous year's data will not be published until Q3 2023

(43) Public Pfandbriefe

Art. 28 (1) S. 1 no. 1, 3 and 7 PfandBG | €m	31.12.2022			31.12.2021		
Cover calculation public Pfandbriefe	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**
Liabilities to be covered	8,688.9	9,188.8	8,162.6	11,963.9	13,894.0	13,354.7
of which Pfandbriefe outstanding	8,689.0	9,188.8	8,162.6	11,963.9	13,894.0	13,354.7
of which derivatives	–	–	–	–	–	–
Cover assets	13,958.3	14,239.8	11,326.7	13,765.1	17,484.0	15,547.5
of which loans for export finance	2,154.0	2,228.2	2,109.0	2,459.5	2,570.3	2,488.9
of which cover assets Art. 20 (1) PfandBG	13,958.3	14,239.8	11,326.7	13,692.1	17,394.1	15,461.8
of which cover assets Art. 20 (2) PfandBG	–	–	–	73.0	89.9	85.7
of which derivatives	–	–	–	–	–	–
Risk-adjusted net present value after interest rate stress test			3,469.3			2,533.9
Loss from currency stress test			-305.2			-341.0
Cover surplus	**5,269.4**	**5,051.0**	**3,164.1**	**1,801.2**	**3,590.0**	**2,192.8**
Statutory cover surplus[2]	**353.8**	**361.1**	**303.7**	**–**	**–**	**–**
Contractual cover surplus	**–**	**–**	**–**	**–**	**–**	**–**
Voluntary cover surplus	**4,915.6**	**4,690.0**	**2,860.5**	**–**	**–**	**–**

[1] Risk-adjusted net present value including currency stress test.

[2] The statutory overcollateralisation requirement consists of two components: the net present value of statutory overcollateralization pursuant to Art. 4 (1) of the German Pfandbrief Act (Pfandbriefgesetz, PfandBG) including interest rate and currency stress scenarios, and the principal value of the overcollateralisation pursuant to Art. 4 (2) PfandBG. According to Art. 55 PfandBG, the previous year's data will only be published as of the third quarter of 2023.

Art. 28 (1) S. 1 no. 4 and 5 PfandBG | €m	31.12.2022	31.12.2021
Public Pfandbriefe outstanding with a residual term of		
up to 6 months	192.2	149.9
over 6 months up to 12 months	130.1	273.0
over 12 months up to 18 months	1,089.5	3,040.0
over 18 months up to 2 years	518.0	128.7
over 2 years up to 3 years	2,469.0	1,607.5
over 3 years up to 4 years	1,399.6	2,454.3
over 4 years up to 5 years	209.0	1,407.2
over 5 years up to 10 years	1,388.9	1,438.7
over 10 years	1,292.6	1,464.7
Total	**8,688.9**	**11,963.9**
Cover assets public Pfandbriefe with a residual fixed interest period of		
up to 6 months	771.0	752.0
over 6 months up to 12 months	557.8	702.0
over 12 months up to 18 months	501.0	448.7
over 18 months up to 2 years	492.6	461.1
over 2 years up to 3 years	1,150.0	1,118.1
over 3 years up to 4 years	1,088.6	1,073.2
over 4 years up to 5 years	1,108.7	1,039.2
over 5 years up to 10 years	3,312.2	3,480.8
over 10 years	4,976.4	4,690.1
Total	**13,958.3**	**13,765.1**
Public Pfandbriefe maturity displacement (12 months)[1,2]		
up to 6 months	–	–
over 6 months up to 12 months	–	–
over 12 months up to 18 months	192.2	–
over 18 months up to 2 years	130.1	–
over 2 years up to 3 years	1,607.5	–
over 3 years up to 4 years	2,469.0	–
over 4 years up to 5 years	1,399.6	–
over 5 years up to 10 years	1,434.8	–
over 10 years	1,455.7	–
Total	**8,688.9**	**–**

[1] Effects of a change in maturity on the maturity structure of the Pfandbriefe / postponement scenario: 12 months.
This is an extremely unlikely scenario, which could only come into effect after the appointment of a property manager.
[2] According to § 55 PfandBG, the previous year's data will not be published until Q3 2023.

Information on postponing the maturity of Pfandbriefe

Prerequisites for postponing the maturity of Pfandbriefe

Postponing the maturity date is necessary in order to avoid the insolvency of the mortgage-lending institution with limited business activity (to prevent default), the mortgage-lending institution with limited business activity is not over-indebted (no existing over-indebtedness) and there is reason to believe that the mortgage-lending institution with limited business activity will in any case be able to meet its liabilities that are due at the end of the longest possible postponement period, taking into account further postponement possibilities (positive fulfilment prognosis). See also Art. 30 (2b) PfandBG.

Powers of the cover pool administrator when postponing the maturity of the Pfandbriefe

The cover pool administrator may postpone the due dates of the principal payments if the relevant requirements according to Act. 30 (2b) PfandBG are met. The cover pool administrator determines as needed the duration of the postponement, which may not exceed 12 months.

The cover pool administrator may postpone any principal or interest payments due within one month of his or her appointment to the end of that one-month period. If the cover pool administrator decides in favour of such a postponement, it is irrefutably presumed that the requirements under Art. 30 (2b) PfandBG are met. Such postponement must be taken into account within the maximum postponement period of 12 months.

The cover pool administrator may only make uniform use of his or her powers for all Pfandbriefe of an issue. The due dates may be postponed in full or in part. The cover pool administrator must postpone the due date for a Pfandbrief issue in such a way that the original sequencing in which the Pfandbriefe were serviced, which could be overtaken as a result of the postponement, is not changed (overtaking ban). This can mean that the due dates of later issues also have to be postponed in order to comply with the ban on overtaking. See also Art. 30 (2a) and (2b) PfandBG.

Art. 28 (1) S. 1 no. 6 PfandBG | €m[1]	31.12.2022	31.12.2021
Absolute value of the largest negative sum resulting from zero in the next 180 days, i.e. § 4 (1a) p. 3 for Pfandbriefe (liquidity requirements)	0.6	–
Day on which the largest negative amount occurs	1	–
Total amount of the cover values which meet the requirements of § 4 (1a) p. 3 PfandBG (liquidity coverage)	1,293.1	–

[1] According to § 55 PfandBG, the previous year's data will not be published until Q3 2023.

Art. 28 (1) no. 8 and 9 PfandBG Other cover assets | €m	31.12.2022	31.12.2021
Loans as defined by Art. 20 (2) S. 1 no. 2 Pfandbriefgesetz		
Germany	–	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013		
Total	**–**	**–**
Loans as defined by Art. 20 (2) S. 1 no. 3 a) to c) Pfandbriefgesetz		
Germany	–	73.0
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Total	**–**	**73.0**
Loans as defined by Art. 20 (2) S. 1 no. 4 Pfandbriefgesetz	–	–
Germany	–	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Total	**–**	**–**
Total	**–**	**73.0**

Art. 28 (3) no. 1 PfandBG Size categories | €m	31.12.2022	31.12.2021
up to €10m	1,557.5	931.8
over €10m up to €100m	4,952.6	4,129.6
over €100m	7,448.2	8,630.7
Total	**13,958.3**	**13,692.1**

Art. 28 (1) S. 1 no. 14 PfandBG Foreign currency | €m	31.12.2022	31.12.2021
Net present value in Swiss francs	402.1	500.2
Net present value in British pounds	1,033.4	2,701.4
Net present value in US dollars	1,001.0	1,259.2

Art. 28 (1) S. 1 no. 13 PfandBG Interest structure | %	31.12.2022	31.12.2021
Share of fixed-income cover assets	75.4	72.4
Share of fixed-income Pfandbriefe	48.9	39.1

Art. 28 (3) no. 2 PfandBG Registered office of borrowers or guarantors | €m	31.12.2022	31.12.2021
Total	**13,958.3**	**13,692.1**
of which borrowers have a registered office in		
Countries	**707.3**	**934.2**
Greece	–	160.0
Iceland	–	44.1
Italy	36.2	44.9
Canada	16.1	15.2
Austria	325.0	325.0
Portugal	65.0	120.0
Spain	265.0	225.0
Regional authorities	**3,869.4**	**4,224.6**
Germany	2,705.6	2,993.8
France including Monaco	17.9	23.9
Italy	312.1	256.5
Japan	42.0	42.0
Canada	17.8	16.8
Switzerland	578.9	646.5
Spain	195.1	245.1
Local authorities	**6,734.2**	**5,475.2**
Germany	4,684.3	3,126.1
Finland	60.0	64.9
France including Monaco	11.9	13.8
Great Britain/North Ireland/Channel Islands/Isle of Man	1,406.8	1,580.8
Italy	228.9	333.5
Switzerland	101.6	96.5
USA	240.8	259.7
Other borrowers with a registered office in	**224.0**	**223.3**
Germany	195.0	195.0
USA	29.0	28.3
Total	**11,535.0**	**10,857.3**
of which guarantors have a registered office in		
Countries	**2,154.0**	**2,459.5**
Germany	1,443.3	1,707.2
of which receivables from export credit agencies	1,443.3	1,707.2
Belgium	8.8	23.9
of which receivables from export credit agencies	8.8	23.9
Denmark	85.7	84.8
of which receivables from export credit agencies	85.7	84.8
Finland	29.8	21.5
of which receivables from export credit agencies	29.8	21.5
France including Monaco	174.6	143.7
of which receivables from export credit agencies	174.6	143.7
Great Britain/North Ireland/Channel Islands/Isle of Man	87.2	104.9
of which receivables from export credit agencies	87.2	104.9
Norway	42.1	–
of which receivables from export credit agencies	42.1	–
Austria	6.7	23.5
of which receivables from export credit agencies	6.7	23.5
Sweden	1.9	9.8
of which receivables from export credit agencies	1.9	9.8
Switzerland	159.8	163.7
of which receivables from export credit agencies	159.8	163.7
International Organisations	114.1	176.5
of which receivables from export credit agencies	114.1	176.5
Regional authorities	**60.0**	**66.1**
Belgium	60.0	66.1
Local authorities	**–**	**–**
Germany	–	–
Other borrowers	**209.4**	**309.1**
Germany	209.4	309.1
Total	**2,423.4**	**2,834.8**
Other cover assets as defined by Art. 20 (2) Pfandbriefgesetz	–	73.0
Total	**13,958.3**	**13,765.1**

Art. 28 (1) S. no. 11 PfandBG **Limit breaches** | €m	**31.12.2022**	**31.12.2021**
Total amount of loans according to Art. 20 (1) and (2), that exceed the limits defined by Art. 20 (3) PfandBG	–	–

§ 28 (1) S. 1 Nr. 12 PfandBG **limit breaches** | €m	**31.12.2022**	**31.12.2021**
Loans that exceed the limits defined by Art. 20 (2) no. 2 PfandBG	–	–
Loans that exceed the limits defined by Art. 20 (2) no. 3 PfandBG	–	–

Art. 28 (3) no. 3 PfandBG **Payments in arrear** | €m	**31.12.2022**	**31.12.2021**
Total payments overdue by at least 90 days	–	–
Total amount of these receivables where the arrears represent at least 5% of the receivable concerned	–	–

§ 28 (1) S. 1 no. 15 PfandBG **Payments in arrear** | €m	**31.12.2022**	**31.12.2021**
Part of cover assets on the cover pool, for which or for whose borrowers a loss is classified as according to Art. 178 (1) CRR	–	–

§ 28 (1) S. 1 Nr. 2 PfandBG | ISIN-list by type of Pfandbrief[1]	
31.12.2022	**31.12.2021**
CH0026096567	
DE000CB0HR19	–
DE000CZ45V33	–
DE000CZ45VW3	
DE000CZ45VX1	–
DE000EH0A1W3	–
DE000HBE1MF6	–
XS0164165416	–

[1] According to § 55 PfandBG, the previous year's data will not be published until Q3 2023.

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(44) Shipping Pfandbriefe

Commerzbank surrendered its licence to operate shipping Pfandbrief business with effect from 31 May 2017. As of 1 June 2017 the Federal Financial Supervisory Authority granted an exception to the cap set for further cover assets under the Pfandbrief Act Art. 26 (1) no. 4. Shipping Pfandbriefs issued are fully secured by additional assets that satisfy the requirements for covering public-sector Pfandbriefs and (to the extent that they exceed the cap on other cover assets under the Pfandbrief Act) also the credit rating criteria set by the Federal Financial Supervisory Authority.

Art. 28 (1) S. 1 no. 1, 3 and 7 PfandBG | €m	31.12.2022			31.12.2021		
Cover calculation ship Pfandbriefe	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**
Liabilities to be covered	59.0	60.4	57.8	119.0	130.5	127.9
of which Pfandbriefe outstanding	59.0	60.4	57.8	119.0	130.5	127.9
of which derivatives	–	–	–	–	–	–
Cover assets	85.1	90.2	68.6	145.0	184.2	168.5
of which cover loans	–	–	–	–	–	–
of which cover assets as defined by Art. 26 (1) PfandBG	85.1	90.2	68.6	145.0	184.2	168.5
of which derivatives	–	–	–	–	–	–
Risk-adjusted net present value after interest rate stress test			10.8			40.6
Loss from currency stress test			–			–
Cover surplus	**26.1**	**29.9**	**10.8**	**26.0**	**53.7**	**40.6**
Statutory cover surplus[2]	**4.2**	**4.4**	**3.5**	**–**	**–**	**–**
Contractual cover surplus	**–**	**–**	**–**	**–**	**–**	**–**
Voluntary cover surplus	**21.9**	**25.5**	**7.3**	**–**	**–**	**–**

[1] Risk-adjusted net present value including currency stress test.

[2] The statutory overcollateralisation requirement consists of two components: the net present value of statutory overcollateralisation pursuant to Art. 4 (1) of the German Pfandbrief Act (Pfandbriefgesetz, PfandBG) including interest rate and currency stress scenarios, and the principal value of the overcollateralisation pursuant to Art. 4 (2) PfandBG. According to Art. 55 PfandBG, the previous year's data will only be published as of the third quarter of 2023.

Art. 28 (1) S. 1 no. 4 and 5 PfandBG I €m	31.12.2022	31.12.2021
Ship Pfandbriefe outstanding with a residual term of		
up to 6 months	–	10.0
over 6 months up to 12 months	10.0	50.0
over 12 months up to 18 months	–	–
over 18 months up to 2 years	5.0	10.0
over 2 years up to 3 years	42.0	5.0
over 3 years up to 4 years	2.0	42.0
over 4 years up to 5 years	–	2.0
over 5 years up to 10 years	–	–
over 10 years	–	–
Total	**59.0**	**119.0**
Cover assets ship Pfandbriefe with a residual fixed interest period of		
up to 6 months	–	–
over 6 months up to 12 months	7.0	40.0
over 12 months up to 18 months	–	–
over 18 months up to 2 years	–	–
over 2 years up to 3 years	–	5.0
over 3 years up to 4 years	–	–
over 4 years up to 5 years	–	–
over 5 years up to 10 years	78.1	–
over 10 years	–	100.0
Total	**85.1**	**145.0**
Ship Pfandbriefe maturity displacement (12 months)1,2		
up to 6 months	–	–
over 6 months up to 12 months	–	–
over 12 months up to 18 months	–	–
over 18 months up to 2 years	10.0	–
over 2 years up to 3 years	5.0	–
over 3 years up to 4 years	42.0	–
over 4 years up to 5 years	2.0	–
over 5 years up to 10 years	–	–
over 10 years	–	–
Total	**59.0**	**–**

[1] Effects of a change in maturity on the maturity structure of the Pfandbriefe / postponement scenario: 12 months.
This is an extremely unlikely scenario, which could only come into effect after the appointment of a property manager.
[2] According to § 55 PfandBG, the previous year's data will not be published until Q3 2023.

Information on postponing the maturity of Pfandbriefe

Prerequisites for postponing the maturity of Pfandbriefe

Postponing the maturity date is necessary in order to avoid the insolvency of the mortgage-lending institution with limited business activity (to prevent default), the mortgage-lending institution with limited business activity is not over-indebted (no existing over-indebtedness) and there is reason to believe that the mortgage-lending institution with limited business activity will in any case be able to meet its liabilities that are due at the end of the longest possible postponement period, taking into account further postponement possibilities (positive fulfilment prognosis). See also Art. 30 (2b) PfandBG.

Powers of the cover pool administrator when postponing the maturity of the Pfandbriefe

The cover pool administrator may postpone the due dates of the principal payments if the relevant requirements according to Act. 30 (2b) PfandBG are met. The cover pool administrator determines as needed the duration of the postponement, which may not exceed 12 months.

The cover pool administrator may postpone any principal or interest payments due within one month of his or her appointment to the end of that one-month period. If the cover pool administrator decides in favour of such a postponement, it is irrefutably presumed that the requirements under Art. 30 (2b) PfandBG are met. Such postponement must be taken into account within the maximum postponement period of 12 months.

The cover pool administrator may only make uniform use of his or her powers for all Pfandbriefe of an issue. The due dates may be postponed in full or in part. The cover pool administrator must postpone the due date for a Pfandbrief issue in such a way that the original sequencing in which the Pfandbriefe were serviced, which could be overtaken as a result of the postponement, is not changed (overtaking ban). This can mean that the due dates of later issues also have to be postponed in order to comply with the ban on overtaking. See also Art. 30 (2a) and (2b) PfandBG.

Art. 28 (1) S. 1 no. 6 PfandBG | €m[1]	31.12.2022	31.12.2021
Absolute value of the largest negative sum resulting from zero in the next 180 days, i.e. § 4 (1a) p. 3 for Pfandbriefe (liquidity requirements)	0.1	–
Day on which the largest negative amount occurs	21	–
Total amount of the cover values which meet the requirements of § 4 (1a) p. 3 PfandBG (liquidity coverage)	95.7	–

[1] According to § 55 PfandBG, the previous year's data will not be published until Q3 2023.

Art. 28 (1) S. 1 no. 8, 9 and 10 PfandBG Other cover assets | €m	31.12.2022	31.12.2021
Loans as defined by Art. 26 (1) S. 1 no. 3 PfandBG		
Germany	–	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Total		
Loans as defined by Art. 26 (1) S. 1 no. 4 PfandBG	**–**	**–**
Germany	–	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013		
Total		
Loans as defined by Art. 26 (2) S. 1 no. 5 PfandBG	**–**	**–**
Germany	–	40.0
Italy	8.1	–
Austria	70.0	100.0
Portugal	–	5.0
Slovakia	7.0	–
Total	**85.1**	**145.0**
Total	**85.1**	**145.0**

Art. 28 (4) S. 1 no. 1 a Size categories | €m	31.12.2022	31.12.2021
Up to €0.5m	–	–
Over €0.5m up to €5m	–	–
More than €5m	–	–
Total	**–**	**–**

Art. 28 (1) S. 1 no. 14 PfandBG Foreign currency | €m	31.12.2022	31.12.2021
Net present value in Swiss francs	–	–
Net present value in Japanese yen	–	–
Net present value in US dollars	–	–
Total	**–**	**–**

Art. 28 (1) S. 1 no. 13 PfandBG Interest structure | %	31.12.2022	31.12.2021
Share of fixed-income cover assets	100.0	72.4
Share of fixed-income Pfandbriefe	100.0	100.0

Art. 28 (4) S. 1 no. 1 b PfandBG Country in which the mortgaged vessel or vessel under construction is registered | €m	31.12.2022	31.12.2021
Ocean going vessels	**–**	**–**
Inland waterway vessels	**–**	**–**
Total	**–**	**–**

Art. 28 (1) S. 1 no. 11 PfandBG Limit breaches | €m	31.12.2022	31.12.2021
Total amount of ship mortage as defined by Art. 21 PfandBG, which exceeds the limits defined by Art. 22 (5) S. 2 PfandBG	–	–
Total amount according to Art. 26 (1) that exceeds the limits defined by Art. 26 (1) S. 6 PfandBG	–	–

Art. 28 (1) S. 1 no. 12 PfandBG Limit breaches | €m	31.12.2022	31.12.2021
Loans that exceed the limit as defined by Art. 26 (1) no. 3	–	–
Loans that exceed the limit as defined by Art. 26 (1) no. 4	–	–
Loans that exceed the limit as defined by Art. 26 (1) no. 5	–	–

§ 28 (1) S. 1 Nr. 2 PfandBG | ISIN-list by type of Pfandbrief[1]	
31.12.2022	31.12.2021
–	–
–	–
–	–

[1] According to § 55 PfandBG, the previous year's data will not be published until Q3 2023.

Foreclosure sales

There were no foreclosure sales in 2022. No foreclosures are currently pending.

Acquisition of ships or of ships under construction

As in the previous year, Commerzbank Aktiengesellschaft did not acquire any ships as a loss prevention measure.

Payments in arrears

The nominal value of the loan receivables used to cover for ship Pfandbriefe was €0 m; as a consequence, there were also no payments in arrears. In the previous year the nominal value of the loan receivables used to cover for ship Pfandbriefe was also €0 m, as a consequence, there were also no payments in arrears in the previous year.

(45) Holdings in affiliated and other companies

We provide the following information pursuant to Art. 271 (1) and Art. 285 no. 11, 11a and 11b HGB. Footnotes and comments on the tables below appear at the end of this note.

a) Equity holdings

Name	Registered office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000	
AKA Ausfuhrkredit-Gesellschaft mbH	Frankfurt/Main, Germany	31.6	EUR	258,665	14,936	
ALWIGA Netzbeteiligungen GmbH	Düsseldorf, Germany	100.0	EUR	96	–	a)
Asekum Sp. z o.o.	Warsaw, Poland	100.0	PLN	18,881	9,344	
Atlas Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	118,111	–	a)
CBG Commerz Beteiligungsgesellschaft Holding mbH	Frankfurt/Main, Germany	100.0	EUR	2,137	–	a)
CBG Commerz Beteiligungsgesellschaft mbH & Co. KG	Frankfurt/Main, Germany	100.0	EUR	13,617	5,352	
CBG Commerz Beteiligungskapital GmbH & Co. KG	Frankfurt/Main, Germany	100.0	EUR	7,031	3,804	
CERI International Sp. z o.o.	Lódz, Poland	100.0	PLN	79,722	14,713	
Coba Vermögensverwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	26	–	a)
Commerz (East Asia) Limited	Hong Kong, Hong Kong	100.0	EUR	3,749	356	
Commerz Business Consulting GmbH	Frankfurt/Main, Germany	100.0	EUR	239	–	a)
Commerz Direktservice GmbH	Duisburg, Germany	100.0	EUR	1,856	–	a)
Commerz Grundbesitz Beteiligungsgesellschaft mbH & Co. KG	Frankfurt/Main, Germany	90.0	EUR	17,101	712	
Commerz Markets LLC	Wilmington, Delaware, USA	100.0	USD	243,142	13,358	
Commerz Real AG	Wiesbaden, Germany	100.0	EUR	408,407	–	a)
Commerz Real Fonds Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	151	–	a)
Commerz Real Fund Management S.à r.l.	Luxembourg, Luxembourg	100.0	EUR	14,612	-9,306	
Commerz Real Investmentgesellschaft mbH	Wiesbaden, Germany	100.0	EUR	21,968	–	a)
Commerz Real Kapitalverwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	5,000	–	a)
Commerz Real Mobilienleasing GmbH	Düsseldorf, Germany	100.0	EUR	41,000	–	a)
Commerz Real Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	EUR	26	–	a)
Commerz Service-Center Intensive GmbH	Düsseldorf, Germany	100.0	EUR	1,664	–	a)
Commerz Services Holding GmbH	Frankfurt/Main, Germany	100.0	EUR	15,979	–	a)
Commerz Trade Services Sdn. Bhd.	Kuala Lumpur, Malaysia	100.0	MYR	17,545	1,905	
Commerzbank (Eurasija) AO	Moscow, Russia	100.0	RUB	11,986,361	985,584	
Commerzbank Brasil S.A. - Banco Múltiplo	São Paulo , Brazil	100.0	BRL	135,563	-32,141	
Commerzbank Finance & Covered Bond S.A.	Luxembourg, Luxembourg	100.0	EUR	1,142,739	-33,714	
Commerzbank Finance BV	Amsterdam, Netherlands	100.0	EUR	941	–	
Commerzbank Finance Limited	London, United Kingdom	100.0	GBP	234,157	97,121	
Commerzbank Holdings France	Paris, France	100.0	EUR	16,730	549	
Commerzbank Immobilien- und Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	462,597	–	a)
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main, Germany	100.0	EUR	269,465	–	a)
Commerzbank Leasing December (3) Limited	London, United Kingdom	100.0	GBP	281	125	
Commerzbank Leasing Limited	London, United Kingdom	100.0	GBP	61	–	
Commerzbank Leasing September (5) Limited	London, United Kingdom	100.0	GBP	42	20	
Commerzbank U.S. Finance, Inc.	Wilmington, Delaware, USA	100.0	USD	363	–	
CommerzFactoring GmbH	Mainz, Germany	50.1	EUR	1,099	–	a)
CommerzVentures Beteiligungs GmbH & Co. KG	Frankfurt/Main, Germany	99.5	EUR	-130,403	185,835	
CommerzVentures GmbH	Frankfurt/Main, Germany	100.0	EUR	83,137	–	a)
CommerzVentures II Beteiligungs GmbH & Co. KG	Frankfurt/Main, Germany	33.3	EUR	52,693	2,019	

Name	Registered office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000
CommerzVentures III Beteiligungs GmbH & Co. KG	Frankfurt/Main, Germany	33.3	EUR	–	–
ComTS Finance GmbH	Halle (Saale), Germany	100.0	EUR	1,550	– a)
ComTS Logistics GmbH	Magdeburg, Germany	100.0	EUR	1,550	– a)
ComTS Mitte GmbH	Erfurt, Germany	100.0	EUR	2,714	– a)
ComTS Nord GmbH	Magdeburg, Germany	100.0	EUR	1,492	– a)
ComTS Ost GmbH	Halle (Saale), Germany	100.0	EUR	1,550	– a)
ComTS Rhein-Ruhr GmbH	Duisburg, Germany	100.0	EUR	1,050	– a)
ComTS West GmbH	Hamm, Germany	100.0	EUR	1,256	– a)
Coubag Unternehmensbeteiligungsgesellschaft mbH	Frankfurt/Main, Germany	40.0	EUR	89,569	5,495
CR Hotel Target Pty Ltd	Sydney, Australia	50.0	AUD	12,758	1,154
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schwabing KG	Düsseldorf, Germany	100.0	EUR	-2	2
Dresdner Capital LLC I	Wilmington, Delaware, USA	100.0	USD	1,950	42
Dresdner Kleinwort Luminary Inc.	Wilmington, Delaware, USA	100.0	USD	27,539	881
Dresdner Lateinamerika Aktiengesellschaft	Hamburg, Germany	100.0	EUR	39,567	– a)
DSB Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	25	– a)
DTE Energy Center, LLC	Wilmington, Delaware, USA	50.0	USD	41,871	5,237
FABA Vermietungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	2,026	– a)
Frega Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	302	-72
Future Tech Fundusz Inwestycyjny Zamkniety	Warsaw, Poland	99.0	PLN	223,416	11,903
Gesellschaft für Kreditsicherung mbH	Berlin, Germany	63.3	EUR	2,067	6,181
Greene Elm Trading VII LLC	Wilmington, Delaware, USA	100.0	USD	1,774,612	5,546
ILV Immobilien-Leasing Verwaltungsgesellschaft Düsseldorf mbH	Düsseldorf, Germany	50.0	EUR	57,217	4,976
KENSTONE GmbH	Eschborn, Germany	100.0	EUR	1,250	– a)
Kira Vermögensverwaltungsgesellschaft mbH	Munich, Germany	100.0	EUR	74,830	– a)
Kommanditgesellschaft MS "CPO ALICANTE" Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	32,642	1,824
Kommanditgesellschaft MS "CPO ANCONA" Offen Reederei GmbH & Co.	Hamburg, Germany	77.2	EUR	46,112	2,747
Kommanditgesellschaft MS "CPO BILBAO" Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	32,678	2,228
Kommanditgesellschaft MS "CPO MARSEILLE" Offen Reederei GmbH & Co.	Hamburg, Germany	77.2	EUR	45,355	2,083
Kommanditgesellschaft MS "CPO PALERMO" Offen Reederei GmbH & Co.	Hamburg, Germany	73.9	EUR	55,827	4,575
Kommanditgesellschaft MS "CPO TOULON" Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	46,425	1,997
Kommanditgesellschaft MS "CPO VALENCIA" Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	33,139	3,022
LeaseLink Sp. z o.o.	Warsaw, Poland	100.0	PLN	9,073	7,529
LSF Loan Solutions Frankfurt GmbH	Eschborn, Germany	100.0	EUR	163,996	– a)
Main Incubator GmbH	Frankfurt/Main, Germany	100.0	EUR	33,372	– a)
mBank Hipoteczny S.A.	Warsaw, Poland	100.0	PLN	1,245,488	18,802
mBank S.A.	Warsaw, Poland	69.2	PLN	14,597,176	-1,215,353
mElements S.A.	Warsaw, Poland	100.0	PLN	21,440	251
mFaktoring S.A.	Warsaw, Poland	100.0	PLN	128,362	19,989
mFinanse CZ s.r.o.	Prague, Czech Republic	100.0	CZK	18,962	-1,488
mFinanse S.A.	Warsaw, Poland	100.0	PLN	154,709	43,500
mFinanse SK s.r.o.	Bratislava, Slovakia	100.0	EUR	235	-53
mLeasing Sp. z o.o.	Warsaw, Poland	100.0	PLN	593,416	72
MOLARIS Verwaltungs- und Vermietungsgesellschaft mbH	Düsseldorf, Germany	75.0	EUR	4,714	1,289
NAVIPOS Schiffsbeteiligungsgesellschaft mbH	Hamburg, Germany	100.0	EUR	107,752	– a)
NOVELLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	11,176	– a)

Name	Registered office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000	
Project Gloria S.a.r.l.	Luxembourg, Luxembourg	50.0	EUR	24	-15	
REFUGIUM Beteiligungsgesellschaft mbH	Grünwald, Germany	100.0	EUR	2,962	–	a)
SECUNDO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	5,811	–	a)
TOMO Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	22,778	–	a)
Zelos Luxembourg S.C.S.	Luxembourg, Luxembourg	100.0	EUR	1,886	-62,720	

b) Equity holdings in permanently-linked companies where the investment exceeds 5% of the voting rights

Name	Registered Office	Share of capital held %	
21strategies GmbH	Zolling, Germany	13.2	
Alma Atlas Investments Limited	Lathom, Lancashire, United Kingdom	12.0	
AUTHADA GmbH	Darmstadt, Germany	12.4	
BBB Bürgschaftsbank zu Berlin-Brandenburg GmbH	Berlin, Germany	7.9	
BERGFÜRST AG	Berlin, Germany	24.9	
BGG Bayerische Garantiegesellschaft mit beschränkter Haftung für mittelständische Beteiligungen	Munich, Germany	5.3	
Bilendo GmbH	Munich, Germany	12.9	
BTG Beteiligungsgesellschaft Hamburg mbH	Hamburg, Germany	13.3	
BÜRGSCHAFTSBANK BRANDENBURG GmbH	Potsdam, Germany	10.8	
Bürgschaftsbank Bremen GmbH	Bremen, Germany	8.3	
Bürgschaftsbank Hamburg GmbH	Hamburg, Germany	17.8	1)
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin, Germany	12.0	
Bürgschaftsbank Sachsen GmbH	Dresden, Germany	10.6	
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg, Germany	10.4	
Bürgschaftsbank Schleswig-Holstein Gesellschaft mit beschränkter Haftung	Kiel, Germany	5.0	
Bürgschaftsbank Thüringen GmbH	Erfurt, Germany	12.3	
Candis GmbH	Berlin, Germany	5.7	
Circula GmbH	Berlin, Germany	6.8	
Conpend B.V.	Amsterdam, Netherlands	16.7	
DABBEL - Automation Intelligence GmbH	Düsseldorf, Germany	6.2	
Deutsche Börse Commodities GmbH	Frankfurt/Main, Germany	16.2	
etvas GmbH	Hamburg, Germany	12.8	
Fnality International Limited	London, United Kingdom	6.7	
Gini GmbH	Munich, Germany	13.4	
Interessengemeinschaft Frankfurter Kreditinstitute GmbH	Frankfurt/Main, Germany	16.9	
Kreditgarantiegemeinschaft des Hotel- und Gaststättengewerbes in Bayern Gesellschaft mit beschränkter Haftung	Munich, Germany	9.7	
LiquidityMatch LLC	Wilmington, Delaware, USA	13.6	
MBG Mittelständische Beteiligungsgesellschaft Rheinland-Pfalz mbH	Mainz, Germany	11.1	
MBG Mittelständische Beteiligungsgesellschaft Schleswig-Holstein mbH	Kiel, Germany	7.3	
Mittelständische Beteiligungsgesellschaft Berlin-Brandenburg GmbH	Potsdam, Germany	18.2	
Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH	Schwerin, Germany	18.4	
Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mit beschränkter Haftung	Hanover, Germany	12.4	
Mittelständische Beteiligungsgesellschaft Sachsen mbH	Dresden, Germany	16.4	
Mittelständische Beteiligungsgesellschaft Sachsen-Anhalt (MBG) mbH	Magdeburg, Germany	17.5	
Mittelständische Beteiligungsgesellschaft Thüringen mbH	Erfurt, Germany	16.5	
Mittelstandsfonds Schleswig-Holstein GmbH	Kiel, Germany	9.2	
Niedersächsische Bürgschaftsbank (NBB) Gesellschaft mit beschränkter Haftung	Hanover, Germany	5.6	
Open as App GmbH	Munich, Germany	10.1	
paydirekt GmbH	Frankfurt/Main, Germany	16.7	

Name	Registered Office	Share of capital held %
PINOVA Fund 3 GmbH & Co. KG	Munich, Germany	10.0
Pinova GmbH & Co. Beteiligungs 2 KG	Munich, Germany	8.1
Saarländische Kapitalbeteiligungsgesellschaft mit beschränkter Haftung	Saarbrücken, Germany	8.5
Scompler Technologies GmbH	Munich, Germany	12.1
spaciv GmbH	Munich, Germany	14.8
Stock Republic AB	Bromma, Sweden	8.5
TransFICC Limited	London, United Kingdom	13.3
True Sale International GmbH	Frankfurt/Main, Germany	25.0
Userlane GmbH	Munich, Germany	7.6
Valsight GmbH	Berlin, Germany	12.8

c) Equity holdings in large corporations where the investment exceeds 5% of the voting rights

Name	Registered Office	Share of capital held %	Deviating Voting Rights %
EURO Kartensysteme GmbH	Frankfurt/Main, Germany	15.4	–
SCHUFA Holding AG	Wiesbaden, Germany	18.6	–

Footnotes	
1)	Renamed: from Bürgschaftsgemeinschaft Hamburg GmbH to Bürgschaftsbank Hamburg GmbH

Comments and explanations	
a)	Control and/or profit transfer agreement.
*	Financial figures as of last year’s annual report.

Foreign exchange rates for €1 as at 31.12.2022		
Australia	AUD	1.5693
Brazil	BRL	5.6386
United Kingdom	GBP	0.8869
Japan	JPY	140.6600
Poland	PLN	4.6808
Russia[1]	RUB	78.1233
Switzerland	CHF	0.9847
Hungary	HUF	400.8700
USA	USD	1.0666

[1] Decision of the ECB to suspend its publication of a EURO reference rate to Russian rouble until further notice. We as Commerzbank decided to calculate a manual EUR / RUB conversion rate for 31. December 2022 by using the USD / RUB rate and the USD / EUR rate (both as of 31. December 2022).

(46) Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Helmut Gottschalk
Chairman

Uwe Tschäge[1]
Deputy Chairman
Banking professional
Commerzbank Aktiengesellschaft

Heike Anscheit[1]
Banking professional
Commerzbank Aktiengesellschaft

Alexander Boursanoff[1]
Banking professional
Commerzbank Aktiengesellschaft

Gunnar de Buhr[1]
Banking professional
Commerzbank Aktiengesellschaft

Stefan Burghardt[1]
Banking professional
Commerzbank Aktiengesellschaft

Dr. Frank Czichowski
Former Senior Vice President / Treasurer
KfW Banking Group

Sabine U. Dietrich
Former Member of the Management Board
BP Europa SE

Dr. Jutta A. Dönges
Chief Financial Officer Uniper SE

Monika Fink[1]
Banking professional
Commerzbank Aktiengesellschaft

Stefan Jennes[1]
(since 1.1.2022)
Banking professional
Commerzbank Aktiengesellschaft

Kerstin Jerchel[1]
Divisional Head Mitbestimmung
ver.di Bundesverwaltung

Burkhard Keese
Chief Operating and Financial Officer
Lloyd´s of London

Alexandra Krieger[1]
Divisional Head Controlling
Industrial Union Mining, Chemical and Energy

Daniela Mattheus
Lawyer, corporate advisor
Co-managing partner European Center for Board Effectivness GmbH

Caroline Seifert
Corporate advisor for transformation

Robin J. Stalker
Former Member of the Management Board
adidas AG

Dr. Gertrude Tumpel-Gugerell
Former Member of the Executive Board
European Central Bank

Frank Westhoff
Former Member of the Management Board
DZ Bank AG

Stefan Wittmann[1]
Trade Union Secretary
ver.di National Administration

Klaus-Peter Müller
Honorary Chairman

[1] Elected by the Bank’s employees.

Board of Managing Directors

Dr. Manfred Knof
Chairman

Dr. Bettina Orlopp
Deputy Chairman

Dr. Marcus Chromik

Michael Kotzbauer

Sabine Mlnarsky
(since 1.1.2023)

Dr. Jörg Oliveri del Castillo-Schulz
(since 20.1.2022)

Thomas Schaufler

Sabine Schmittroth
(until 31.12.2022)

(47) Seats on supervisory boards and similar bodies

Members of the Board of Managing Directors of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285 no. 10 of the HGB

a) Seats on other mandatory supervisory boards (in Germany)

b) Seats in similar national and international bodies

Dr. Manfred Knof

a) CommerzReal[1]
Chairman

b) Commerz Real Investmentgesellschaft mbH[1]
Chairman

Dr. Bettina Orlopp

a) Kreditanstalt für Wiederaufbau AöR
(since 1.1.2023)

b) CommerzVentures GmbH[1]
Chairwoman

EIS Einlagensicherungsbank GmbH
Chairwoman

EUREX Deutschland AöR
(until 30.12.2022)

Frankfurter Wertpapierbörse AöR
(until 30.12.2022)

mBank S.A.[1]
Deputy Chairwoman

Dr. Marcus Chromik

a) Commerz Real AG[1]
Deputy Chairman

b) Commerz Real Investmentgesellschaft mbH[1]
Deputy Chairman

mBank S.A.[1]

Verlagsbeteiligungs- und Verwaltungsgesellschaft mit beschränkter Haftung

Michael Kotzbauer

b) CommerzVentures GmbH[1]
Deputy Chairman

Sabine Mlnarsky
(since 1.1.2023)
– –

Dr. Jörg Oliveri del Castillo-Schulz
(since 20.1.2022)

a) BVV Versicherungsverein des Bankgewerbes a.G
(since 1.7.2022)

b) BVV Versicherungsverein des Bankgewerbes e.V.
(since 1.7.2022)

Commerz Services Holding GmbH[1]
Chairman

CommerzVentures GmbH[1]

EPI Interim Company
(until 23.8.2022)

Main Incubator GmbH[1]
Chairman
(until 23.8.2022)

neosfer GmbH[1]
Chairman
(since 20.7.2022)

Thomas Schaufler

a) Commerz Real AG[1]
(since 31.3.2022)

SCHUFA Holding AG
(since 4.7.2022)

b) Commerz Real Investmentgesellschaft mbH[1]
(since 30.3.2022)

CommerzVentures GmbH[1]
(since 1.4.2022)

Sabine Schmittroth
(until 31.12.2022)

a) Commerz Real AG[1]
(until 14.11.2022)

b) Commerz Real Investmentgesellschaft mbH[1]
(until 14.11.2022)

[1] Group mandate.

Members of the Supervisory Board of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285 no. 10 of the HGB

a) Seats on other mandatory supervisory boards (in Germany)

b) Seats in similar national and international bodies

Helmut Gottschalk

– –

Uwe Tschäge

– –

Heike Anscheit

– –

Alexander Boursanoff

– –

Gunnar de Buhr

a) BVV Pensionsfonds des Bankgewerbes AG, Berlin
Deputy Chairman

BVV Versicherungsverein des Bankgewerbes a.G., Berlin
Deputy Chairman

b) BVV Versorgungskasse des Bankgewerbes e.V., Berlin
Deputy Chairman

Stefan Burghardt

– –

Dr. Frank Czichowski

– –

Sabine U. Dietrich

a) H&R GmbH und Co. KGaA, Salzbergen

MVV Energie AG, Mannheim

Dr. Jutta A. Dönges

a) TUI AG , Hanover

Uniper SE, Düsseldorf
(from 22.12.2022 until 28.2.2023)

b) FMS Wertmanagement AöR, Munich
Deputy Chairwoman of the Board of Directors
(until 30.11.2022)

Rock Tech Rock Tech Lithium Inc., Vancouver, Canada
(from 25.8.2022 until 28.2.2023)

Monika Fink

– –

Stefan Jennes

(since 1.1.2022)
– –

Kerstin Jerchel

a) Allianz Deutschland AG, Munich
(until 15.5.2022)

Burkhard Keese

– –

Alexandra Krieger

a) AbbVie Komplementär GmbH, Wiesbaden

Evonik Operations GmbH, Essen
(until 25.5.2022)

Evonik Industries AG, Essen
(since 26.5.2022)

Daniela Mattheus

a) Yunex GmbH, Munich
(since 30.6.2022)

Deutsche Bahn AG, Berlin
(since 1.10.2022)

Caroline Seifert
– –

Robin J. Stalker

a) Schaeffler AG, Herzogenaurach

Schmitz Cargobull AG, Horstmar
Deputy Chairman

Hugo Boss AG, Metzingen

Dr. Gertrude Tumpel-Gugerell

b) OMV Aktiengesellschaft, Vienna (Austria)

Vienna Insurance Group AG, Vienna (Austria)

AT & S AG, Leoben (Österreich)

Frank Westhoff

– –

Stefan Wittmann

– –

[1] Group mandate.

Employees of Commerzbank Aktiengesellschaft

In accordance with Art. 340a (4) no. 1 HGB

as at reporting date: 31.12.2022

Andrea Bracht

Commerz Real AG[1]

Gerold Fahr

Stadtwerke Ratingen GmbH
Chairman

Christoph Heins

Commerz Real AG[1]

Dr. Alena Kretzberg

Commerz Direktservice GmbH[1]
Chairwoman
EUWAX Aktiengesellschaft

Jana Kubach

Commerz Direktservice GmbH[1]
Deputy Chairwoman

Stefan Nodewald

KONVEKTA AKTIENGESELLSCHAFT

SCHWÄLBCHEN MOLKEREI Jakob Berz
Aktiengesellschaft
Chairman

Mario Peric

Commerz Direktservice GmbH[1]

Andreas Schimmele

Commerz Direktservice GmbH[1]

Benedikt Winzen

SWK Stadtwerke Krefeld Aktiengesellschaft
Chairman

[1] Group mandate.

Responsibility statement by the Board of Managing Directors

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the net assets, financial position and results of operations of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Frankfurt am Main, 6 March 2023
The Board of Managing Directors

Manfred Knof

Bettina Orlopp

Marcus Chromik

Michael Kotzbauer

Sabine Mlnarsky

Jörg Oliveri del Castillo-Schulz

Thomas Schaufler

„Independent Auditor's Report

To COMMERZBANK Aktiengesellschaft, Frankfurt am Main

Report on the Audit of the Annual Financial Statements and of the Management Report

Opinions

We have audited the annual financial statements of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, which comprise the balance sheet as at 31 December 2022, and the income statement for the financial year from 1 January to 31 December 2022, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of COMMERZBANK Aktiengesellschaft for the financial year from 1 January to 31 December 2022.

In accordance with German legal requirements, we have not audited the content of those components of the management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to banks and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of those components of the management report specified in the "Other information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Calculation of general loan loss provisions

The significant accounting principles are described in Note 2 "Accounting and measurement policies" in the annual financial statements.

THE FINANCIAL STATEMENT RISK

In its annual financial statements as at 31 December 2022, COMMERZBANK Aktiengesellschaft recognised claims on banks of EUR 86.2 billion (PY: EUR 30.3 billion), claims on customers of EUR 244.4 billion (PY: EUR 239.3 billion), irrevocable lending commitments of EUR 77.3 billion (PY: EUR 77.6 billion), letters of credit of EUR 4.8 billion (PY: EUR 6.1 billion) and credit guarantees of EUR 3.0 billion (PY: EUR 4.4 billion). These balances form the basis for recognising general loan loss provisions in accordance with the

IDW Accounting Principle: Risk provisioning for foreseeable, but not yet individually defined counterparty credit risks in the lending business of credit institutions ("general loan loss provisions") (IDW RS BFA 7).

In this regard, the Bank makes use of the option provided pursuant to the IDW Banking Committee Statement on Accounting [IDW RS BFA 7]: "Risk provisioning for foreseeable, but not yet individually defined counterparty credit risks in the lending business of credit institutions ("general loan loss provisions") to apply the methodology for determining the general loan loss provision using Stages 1 and 2 pursuant to IFRS 9 also for the HGB financial statements.

COMMERZBANK Aktiengesellschaft applies a three-stage approach to measure risk provisioning, with an ECL model being used to calculate the expected credit losses (ECL). Loan loss provisions in Stage 1 correspond to the expected credit losses within the next twelve months. Loan loss provisions in Stage 2 relate to financial instruments whose credit risk has risen considerably since initial recognition, while loan loss provisions in Stage 3 are attributable to credit-impaired financial assets. Loan loss provisions in Stages 2 and 3 take into account all expected credit losses for the entire remaining term.

Calculating loan loss provisions for expected credit losses in Stages 1 and 2 requires judgement and the use of complex models, inputs and assumptions. Loan loss provisioning is determined using the following inputs: probability of default (PD), loss given default (LGD) and exposure at default (EAD).

Economic uncertainty and the consequences of the Russian war of aggression on Ukraine are still strongly overshadowing the macroeconomic outlook. The model-based inputs used for calculating loan loss provisions do not yet fully reflect these effects. COMMERZBANK Aktiengesellschaft recognised a top-level adjustment (TLA) for indirect effects to take account of this matter.

There is the risk for the financial statements that appropriate models or inputs are not used for the calculation of general loan loss provisions.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion.

We tested the design, setup and effectiveness of the relevant controls relevant for the determination of loan loss provisioning and performed additional substantive audit procedures.

Among others, our audit included control testing procedures related to:

- Calculation of the input-based loan loss provisioning
- Derivation of top-level adjustments for the input-based loan loss provisioning and
- Validation of the input-based loan loss provisioning models

We took account of the results of our control testing for the determination of the nature and scope of the other substantive audit procedures. These included in particular:

- Evaluation of the methods and accounting policies for determining loan loss provisions according to IDW RS BFA 7
- Evaluation of validations of the Bank for selected significant models and recalculation of validation tests
- Assessment of the appropriateness of the key assumptions for the allocation to the stage, macroeconomic variables, scenarios and their weighting
- Risk-based recalculation of loan loss provisions for Stage 1 and Stage 2
- Review of the ratings and solvency for selected borrowers and assessment of the criteria used to identify a significant increase in the credit risk and
- Comprehension of the input-based loan loss provision calculation, including the calculation methodology for top-level adjustments

OUR OBSERVATIONS

The valuation models and inputs used to determine the general loan loss provisions are appropriate.

Valuation of financial instruments for which no observable market prices are available

The significant accounting principles are described in Note 2 "Accounting and measurement policies" in the annual financial statements.

THE FINANCIAL STATEMENT RISK

In its annual financial statements as at 31 December 2022, COMMERZBANK Aktiengesellschaft recognised trading assets of EUR 18.4 billion and trading liabilities of EUR 10.4 billion. These items also include financial instruments whose measurement is not based on observable market prices.

The fair values of these financial instruments are to be determined based on recognised valuation methods. The valuation methods used may be based on complex models and include assumptions requiring judgements, especially for unobservable inputs.

The risk for the financial statements in particular is that appropriate valuation models and inputs are not used to determine the fair values of financial instruments whose measurement is not based on observable market prices.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion.

We tested the design, setup and effectiveness of the controls relevant for the determination of fair values and performed additional substantive audit procedures. In doing this, we involved our in-house KPMG valuation experts.

Among others, our audit included control testing procedures related to:

- Validation carried out of newly introduced or modified valuation models and the continual monitoring processes of existing valuation models
- Independent review of the market inputs and data used for measurement and
- Determination and recognition of necessary value adjustments

We took account of the results of our control testing for the determination of the nature and scope of the other substantive audit procedures. Further, we involved KPMG's in-house valuation experts. The substantive audit procedures included in particular:

- Performance of our independent price verification with the involvement of KPMG's in-house valuation experts for selected financial instruments, valuation methods, inputs and models as well as
- Recalculation and comprehension of the calculation of fair value adjustments made, including their recognition

OUR OBSERVATIONS

The valuation models and inputs used are appropriate to determine the fair values of financial instruments whose measurement is not based on observable market prices.

Valuation of holdings in affiliated companies

The significant accounting principles are described in Note 2 "Accounting and measurement policies" in the annual financial statements.

THE FINANCIAL STATEMENT RISK

In its annual financial statements as at 31 December 2022, COMMERZBANK Aktiengesellschaft recognised holdings in affiliated companies in the amount of EUR 4.5 billion.

COMMERZBANK Aktiengesellschaft generally calculates the fair value of holdings in affiliated companies by using a recognised valuation method, in particular the discounted cash flow method.

The valuation methods, especially with regard to the inputs used (budget assumptions and discount rates), require judgement. The assumptions also include political and economic developments and conditions.

The risk for the financial statements is that appropriate valuation models or inputs are not used to determine the fair values of holdings in affiliated companies.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion.

We tested the design, setup and effectiveness of the controls relevant for the determination of fair values and performed additional substantive audit procedures. In doing this, we involved our in-house KPMG valuation experts.

Among others, our audit included control testing procedures related to:

- Identification of any impairment requirement and
- Performance of relevant valuation determinations for holdings in affiliated companies and their recognition.

We took account of the results of our control testing for the determination of the nature and scope of the other substantive audit procedures. These included in particular:

- Evaluation of the appropriateness of the models used
- Evaluation of the appropriateness of inputs used (especially budget assumptions and discount rates), by checking and validating these against externally available parameters for discount rates (risk-free rates, market risk premium and beta factors)
- Assessment of the accuracy of the Bank's previous forecasts by comparing the budgets of previous financial years with actual results and by analysing deviations
- Review of mathematical accuracy of the valuation model used and
- Comprehension of the accounting transactions of valuation adjustments

OUR OBSERVATIONS

The valuation models and inputs underlying the valuation of the holdings in affiliated companies are appropriate.

Other Information

The Board of Managing Directors respectively the Supervisory Board are responsible for the other information. The other information comprises the following components of the management report, whose content was not audited:

- the combined separate non-financial report of the Company and the Group referred to in the management report, and
- the corporate governance statement pursuant to Section 289f HGB, which is included in the section entitled "Declaration on corporate governance pursuant to Art. 289f HGB" of the management report.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Managing Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The Board of Managing Directors is responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to banks, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the Board of Managing Directors is responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the Board of Managing Directors is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the Board of Managing Directors is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Board of Managing Directors is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, 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 opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report 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 these systems.
- Evaluate the appropriateness of accounting policies used by the Board of Managing Directors and the reasonableness of estimates made by the Board of Managing Directors and related disclosures.

- Conclude on the appropriateness of the Board of Managing Directors' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. 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 Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the Board of Managing Directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Board of Managing Directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the electronic file "Commerzbank_AG_JA+LB_ESEF-2022-12-31.zip" (SHA256 hash value: a26f47e29e534c69d9d3a21306828c70b 4d223701f8d719e0228326227bdfb4e) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2022, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in file identified above.

We conducted our assurance work on the rendering of the annual financial statements and the management report, contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's Board of Managing Directors is responsible for the preparation of the ESEF documents including the electronic rendering of the annual financial statements and the management report in accordance with Section 328 (1) sentence 4 item 1 HGB.

In addition, the Company's Board of Managing Directors is responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited annual financial statements and the audited management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor at the Annual General Meeting on 11 May 2022. We were engaged by the Chairperson of the Supervisory Board on 18 July 2022. We have been the auditor of COMMERZBANK Aktiengesellschaft since financial year 2022.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor's Report

Our auditor’s report must always be read together with the audited annual financial statements and the audited management report as well as the examined ESEF documents. The annual financial statements and the management report converted into ESEF format – including the versions to be entered in the company register – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents provided in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Burkhard Böth.

Frankfurt am Main, 7 March 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Wiechens	Böth
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Significant Group companies

Germany
Commerz Real AG, Wiesbaden

Abroad
Commerzbank (Eurasija) AO, Moscow
Commerzbank Finance & Covered Bond S.A., Luxembourg
Commerz Markets LLC, New York
mBank S.A., Warsaw

Operative foreign branches
Amsterdam, Beijing, Brno (office), Hong Kong, London, Luxembourg, Madrid, Milan, New York, Paris, Prague, Shanghai, Singapore, Tokyo, Vienna, Zurich

Representative Offices and Financial Institutions Desks
Abidjan, Addis Abeba, Almaty, Aschgabat, Bangkok, Beijing (FI Desk), Beirut, Brussels (Liaison Office to the European Union), Buenos Aires, Cairo, Caracas, Dhaka, Dubai, Ho Chi Minh City, Istanbul, Johannesburg, Kiev, Lagos, Luanda, Melbourne, Minsk, Moscow (FI Desk), Mumbai, New York (FI Desk), Panama City, São Paulo (FI Desk), Seoul, Shanghai (FI Desk), Singapore (FI Desk), Taipei, Tashkent, Tokyo (FI Desk), Zagreb

COMMERZBANK

2023 Financial calendar	
17 May 2023	Interim financial information as at 31 March 2023
31 May 2023	Annual General Meeting
4 August 2023	Interim Report as at 30 June 2023
8 November 2023	Interim financial information as at 30 September 2023

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The Group annual report
(in accordance with the International Financial Reporting Standards)
appears in German and Enlish.