COMMERZBANK

Financial Statements

2023

The bank at your side

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

Contents

Management Report

Key Quote: Despite the year 2023 being shaped by ongoing geopolitical tensions and heightened volatility in financial markets the bank and its client base performed strongly.

A major economic driver in 2023 was the continued fallout from the Russia-Ukraine conflict. Like other economies the Czech Republic relied on Russian gas and oil in the past and hence the diversifying away from Russian imports led to increased energy costs. These pressured households and businesses, contributing to elevated inflation rates.

Inflation was a significant concern for the economy in 2023. Triggered initially by the post pandemic recovery surge and exacerbated by high energy costs and ongoing supply chain disruptions, the rising inflation rates forced the Czech National Bank to adopt a tighter monetary policy early on.

The uncertainty prevailing in global politics and economic policies led to heightened volatility in financial markets throughout 2023. However, due to the strong equity and cash buffer of our client base, the negative impact of these challenges was limited for our clients. Hence, we did not see any major increase in credit risk in our portfolio. Our business model continuously reflects a strong focus on large and mid-cap clients as well as our traditional strengths in trade finance, cash management as well as fixed income and commodities tools.

As in previous years, the key product of Prague branch was the loan portfolio and related product offerings. Particularly hedging was important to our client base given the above challenges. Equally we supported our clients on their ESG journey by providing the relevant advice as well as financing optionality.

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

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

Given the ongoing uncertainties in 2024 the economic outlook will continue to be shaped by geopolitical and macroeconomic events. I continue to be cautiously optimistic given the strategic initiatives in energy, technology and economic policy designed to tackle these challenges and capitalize on new opportunities.

The bank's risk management continues to perform strongly, and management is not aware of any events that have occurred since the balance sheet date that would require an adjustment to the financial statement.

Information about the goals and methods of the bank's risk management, including collateralization policies, are listed in the accompanying financial statements of the bank for the year ending 31 December 2023. Also, the Bank fulfills all legal requirements regarding protection of the environment.

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

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

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

Dr. Volkhardt Kruse
CEO Czech Republic and Slovakia

Commerzbank AG

Commerzbank worldwide

Commerzbank is a leading international commercial bank with branches and offices in nearly 40 countries. The Bank's two business segments – Private and Small-Business Customers and Corporate Clients – offer a comprehensive portfolio of financial services precisely tailored to their customers' needs. Commerzbank transacts approximately 30% of Germany's foreign trade and is the market leader in German corporate banking. The Bank offers its sector expertise to its corporate clients in Germany and abroad and is a leading provider of capital market products. Its subsidiaries, Comdirect in Germany and mBank in Poland, are two most global innovative online banks. With approximately 400 branches, Commerzbank has a sizeable network in Germany. The enhanced strategy for 2027 is based on three pillars: growth, excellence, and responsibility. It is supported by an unmistakable brand identity. The fulfillment of the strategy is successful, and the results are very positive. Commerzbank is the leading bank for SMEs (the Mittelstand) and a partner to some 26 000 corporate client groups and almost 11million private and small-business customer in In 2023, Commerzbank generated gross revenues of €10.461 billion with approximately 40,000 employees.

Commerzbank in the Czech Republic

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

Our strategy until 2027 "Moving Forward" is based on three pillars: growth, excellence, and responsibility. We intend to support our customers with relevant products and solutions and to further improve the customer experience across all channels and therefore strengthen our revenue base.

Organisation structure

Prague Branch

Branch management:

Dr. Volkhardt Kruse
Country CEO Czech Republic

Ing. Ľudovít Bán
Head of Large Corporates

Ing. Ondřej Eliáš
Head of Corporate Banking International Prague

Jörn Carstens
Head of Local Credit Office

Ing. Tomáš Krejča
Head of Financial Engineering Prague

Mgr. Ing. Martin Kischer
Treasury Local Lead International

Jan Svoboda
Team Head Trade Finance Operations Europe 2

Karsten Grünheid
CFO Eurohub

Yvonne Nowak-Sikora
Head of Human Resources Continental Europe

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

Marc Friedrich
COO

Jaroslava Nováková
Head of Banking Operations Prague

Michal Lebovič
Head of Valuations Prague

Igor Savič
Head of Digital Technology Center Prague

KPMG

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

Independent Auditor's Report

to the founder of the branch COMMERZBANK Aktiengesellschaft, pobočka Praha

Opinion

We have audited the accompanying financial statements of branch COMMERZBANK Aktiengesellschaft, pobočka Praha ("the Branch"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2023, the income statement, the statement of changes in equity for the year then ended, and notes to the financial statements, comprising material accounting policies. Information about the Branch is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Branch as at 31 December 2023, and of its financial performance for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

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

Other Information

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

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

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

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

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

Responsibilities of the manager of the Branch for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Statutory Auditor Responsible for the Engagement

Lukáš Svoboda is the statutory auditor responsible for the audit of the financial statements of the branch COMMERZBANK Aktiengesellschaft, pobočka Praha as at 31 December 2023, based on which this independent auditor's report has been prepared.

Prague
31 May 2024

KPMG Česká republika Audit, s.r.o.
Registration number 71

Unsigned copy

Lukáš Svoboda
Director
Registration number 2516

Mandatory disclosure

COMMERZBANK Aktiengesellschaft, pobočka Praha, a branch of a foreign bank, provides banking services to corporate clients in the Czech Republic. The branch has its registered office in Prague, at Jugoslávská 934/1, Praha 2 Vinohrady, 120 00, ID No.: 47610921, and is registered in the Commercial Register maintained by the Municipal Court in Prague, section A, file No. 7341, as a branch of COMMERZBANK Aktiengesellschaft with its registered office at Kaiserstraße 16, 603 11 Frankfurt am Main, the Federal Republic of Germany, registered in the Commercial Register maintained by the District Court in Frankfurt am Main under No. HRB 32000.

Research and development expenditures
The Bank did not incur any expenditures relating to research and development in 2023.

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

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

Entity's expected development in the upcoming year
These financial statements have been prepared on a going concern basis, as regular financial statements as at 31 December 2023. In the year to come, the Bank plans to continue its activities and intends to maintain the high standard of its services.

Risk management: the Bank manages its risks in compliance with applicable legal regulations and rules stipulated by respective regulatory institutions.
The most significant risks managed by the Bank include credit, market, operational and liquidity risks. A detailed description of the Bank's risk management is provided it the financial statements which form a part of this Annual Report.

Material subsequent events
No other events have occurred since the balance sheet date that would require adjustment of, or disclosure in, the financial statements for the period ended 31 December 2023, except as disclosed in the notes to the financial statements which form a part of this Annual Report.

Financial Statements

Balance Sheet

as at 31 December 2023

ASSETS (CZK millions)		Note	31/12/2023	31/12/2022
1. Cash and cash deposits with central banks		3	**299**	**100**
2. Due from banks		4	**54,499**	**103,795**
of which:	(a) repayable on demand		284	279
	(b) other liabilities		54,215	103,516
3. Due from customers		5	**24,309**	**19,679**
of which:	(a) repayable on demand		2,878	3,763
	(b) other liabilities		21,431	15,916
4. Intangible fixed assets			**1**	**1**
5. Tangible fixed assets		7	**230**	**309**
of which:	land and buildings for operating activities		69	71
	fixed assets and right-of-use assets		161	238
6. Other assets		8	**2,170**	**3,295**
7. Prepayments and accrued income			**15**	**17**
Total assets			**81,523**	**127,196**

EQUITY AND LIABILITIES (CZK millions)		Note	31/12/2023	31/12/2022
1. Due to banks		10	**59,355**	**107,750**
of which:	(a) repayable on demand		649	16,423
	(b) other liabilities		58,706	91,327
2. Due to customers		11	**18,368**	**12,867**
of which:	(a) repayable on demand		15,010	12,731
	(b) other liabilities		3,358	136
3. Other liabilities		12	**2,442**	**5,474**
4. Accruals and deferred income			**132**	**58**
5. Provisions		9	**75**	**163**
	for taxes		75	163
6. Provisions for contingent liabilities		9	**115**	**132**
7. Retained earnings from previous periods		13	**225**	**66**
8. Profit for the year		13	**811**	**686**
Total equity and liabilities			**81,523**	**127,196**

Off-balance sheet items

as at 31 December 2023

(CZK millions)	Note	31/12/2023	31/12/2022
OFF-BALANCE SHEET ASSETS			
1. Commitments and guarantees given	14.1, 14.2	22,780	21,255
2. Receivables from spot transactions		91	61
3. Receivables from term instruments	24.3	206,706	268,290
Total off-balance sheet assets		**229,577**	**289,606**
OFF-BALANCE SHEET LIABILITIES			
5. Commitments and guarantees received	24.1	18,559	11,954
6. Collateral received and pledges	24.1	2,390	3,597
7. Payables from spot transactions		86	61
8. Payables from term instruments	24.3	226,288	292,939
9. Collateral and pledges received – treasury bills	24.1	47,966	94,276
Total off-balance sheet liabilities		**295,289**	**402,827**

Income Statement

for the year ended 31 December 2023

(CZK millions)	Note	2023	2022
1. Interest and similar income	15	**3,722**	**3,226**
2. Interest and similar expense	16	**(1,638)**	**(359)**
3. Fee and commission income	17	**465**	**418**
4. Fee and commission expense	18	**(63)**	**(31)**
5. Gains less losses from financial transactions	19	**(546)**	**(1,688)**
6. Other operating income	20	**2,025**	**1,557**
7. Other operating expenses		**(7)**	**(4)**
8. Administrative expenses	22	**(2,596)**	**(2,081)**
of which: (a) staff costs		(1,615)	(1,187)
of which: (aa) wages and salaries		(1,132)	(863)
(ab) social and health insurance		(386)	(282)
(ac) other staff costs		(97)	(42)
(b) other administrative expenses		(981)	(894)
9. Depreciation and amortisation of tangible and intangible fixed assets	7	**(62)**	**(59)**
of which: depreciation of right-of-use assets		(54)	(54)
10. Release of allowances and provisions for loans and guarantees	9	**311**	**65**
11. Write-offs, additions to, and use of allowances and provisions for receivables and guarantees	9	**(626)**	**(149)**
12. Release of other provisions		**37**	**0**
13. Additions to and use of other provisions	9	**(5)**	**(38)**
14. Profit on ordinary activities before taxation		**1,017**	**857**
15. Taxation	23	**(206)**	**(171)**
16. Profit for the year	13	**811**	**686**

Statement of Changes in Equity

for the year ended 31 December 2023

(CZK millions)	Retained earnings	Profit (loss)	Total
Balance as at 1 January 2022	**39**	**282**	**321**
Allocation of 2021 profit to the head office	0	(255)	(255)
Net profit for the period	0	686	686
Difference between allocation of profit to the head office, foreign exchange differences and profit for 2021	27	(27)	0
Other changes	0	0	0
Balance as at 31 December 2022	**66**	**686**	**752**
Balance as at 1 January 2023	**66**	**686**	**752**
Allocation of 2022 profit to the head office (-) / loss compensation by the head office (+)	0	(527)	(527)
Net profit for the period	0	811	811
Difference between allocation of profit to the head office, foreign exchange differences and profit for 2022	159	(159)	0
Other changes	0	0	0
Balance as at 31 December 2023	**225**	**811**	**1,036**

Notes to the Financial Statements

for the year ended 31 December 2023

1. General information

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

The Bank's operations primarily consist of:

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

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

1.1. Members of governing, management, supervisory and administrative bodies as at 31 December 2023

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

COMMERZBANK AG governing body:	
Dr. Manfred Knof	Chairman of the Board of Directors
Dr. Marcus Johannes Chromik (until 31 December 2023)	Member of the Board of Directors
Sabine Mlnarsky	Member of the Board of Directors
Dr. Bettina Orlopp	Member of the Board of Directors
Michael Harald Kotzbauer	Member of the Board of Directors
Thomas Schaufler	Member of the Board of Directors
Bernhard Spalt (as of 1 January 2024)	Member of the Board of Directors
Dr. Joerg Oliveri del Castillo-Schulz	Member of the Board of Directors
As of 1 January 2024, Bernhard Spalt succeeded Dr. Marcus Johannes Chromik as a new member of the Board of Directors.	

2. Accounting policies

2.1. Basis of preparation

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

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

Disclosures in the financial statements are rounded to millions of Czech Crowns ("CZK million") unless otherwise stated.

In 2023 and 2022, the Company had no obligation to prepare a cash-flow statement.

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

2.2. Foreign currencies

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

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

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

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

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

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

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

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

2.5. Derivative financial instruments and hedging
Derivative financial instruments, including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options and other derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are remeasured at their fair value. All financial derivative instruments are classified as trading derivatives.

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

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

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

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

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

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

2.7. Effective interest rate method
The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate used to discount the estimated future cash flows until the expected maturity or until the nearest date of a change of interest rate to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Branch estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss (see also point 2.13).

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

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

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

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

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

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

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

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

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

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

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

- "Hold to collect" business model – collection of contractual cash flows with only limited or insignificant sales;
- "Hold to collect and sell" business model – collection of contractual cash flows through both holding and sale of the asset;
- Residual business model – all portfolios that are not allocated to the "hold to collect" or "hold to collect and sell" business models. These are primarily trading portfolios and portfolios managed on a fair value basis. The acceptance of contractually agreed cash flows is of little importance; the main objective is instead to maximise cash flows through purchases and sales.

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

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

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

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

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

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

Repo transactions
When concluding reverse-repo transactions, the Bank buys securities with a resale clause specifying a contractual date and price. Such transactions are presented in the balance sheet as receivables measured at FVPL. The Bank's employs the residual business model for repo transactions.

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

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

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

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

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

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

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

- The ECL method is summarised below:

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

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

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

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

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

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

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

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

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

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

Commerzbank AG rating	**PD and EL mid-point (%)**	**PD and EL range (%)**	**S & P scale**	**Credit quality steps in accordance with Article 136 CRR***
1.0	0	0	AAA	**Investment grade**
1.2	0.01	0 – 0.02		
1.4	0.02	0.02 – 0.03	AA +	
1.6	0.04	0.03 – 0.05	AA, AA -	
1.8	0.07	0.05 – 0.08	A +, A	
2.0	0.11	0.08 – 0.13	A-	
2.2	0.17	0.13 – 0.21	BBB +	
2.4	0.26	0.21 – 0.31	BBB	
2.6	0.39	0.31 – 0.47		
2.8	0.57	0.47 – 0.68	BBB -	
3.0	0.81	0.68 – 0.96	BB +	**Sub-investment grade**
3.2	1.14	0.96 – 1.34	BB	
3.4	1.56	1.34 – 1.81		
3.6	2.10	1.81 – 2.40	BB -	
3.8	2.74	2.40 – 3.10		
4.0	3.50	3.10 – 3.90	B +	**Non-investment grade**
4.2	4.35	3.90 – 4.86	B	
4.4	5.42	4.86 – 6.04		
4.6	6.74	6.04 – 7.52		
4.8	8.39	7.52 – 9.35	B -	
5.0	10.43	9.35 – 11.64		
5.2	12.98	11.64 – 14.48	CCC+ CCC CCC- CC C	
5.4	16.15	14.48 – 18.01		
5.6	20.09	18.01 – 22.41		
5.8	47.34	22.41 – 99.99		
6.1	100	>90 days past due	D	**Default**
6.2	100	Imminent insolvency		
6.3	100	Restructuring with capitalisation		
6.4	100	Termination without insolvency		
6.5	100	Insolvency		

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

LECL remains the basis for measurement even where the value of the financial instrument has risen.

- Probability of default

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

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

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

- Amortisation during the year

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

- Forbearance

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

- Modifications that do not result in derecognition

In 2023 and 2022, no significant asset was identified that would require modification.

- Exposure at default (EAD)

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

- Loss given default (LGD)

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

- Determination of expected credit loss

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

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

LGD is the anticipated default loss as a percentage of the exposure at default (EAD), taking into account the security and potential return on capital of the unsecured part. The Bank's estimates that are specifically designed for different types of collateral, and customer groups are determined using both the observed historical portfolio data and a range of external information, such as indices and purchasing power development data. All used risk parameters from the Bank's internal models have been adjusted to meet the specific requirements of IFRS 9 and the forecast horizon has been extended to cover the entire period of the financial instruments accordingly. For example, the forecast exposure development over the entire duration of a financial instrument includes, in particular, contractual and statutory termination rights.

Concerning the credit facilities consisting of the provided loans and the open line of credit described above, for which, in normal business practice, the credit risk is not limited to the contractual notice period (this particularly applies to the Bank's revolving products without a contract-based repayment structure, such as overdraft facilities), LECL must be determined using the expected maturity that typically exceeds the maximum contract term. To ensure that the LECL in respect of these products is determined empirically in accordance with the requirements of IFRS 9, the Bank calculates LECL directly for those products based on historical losses incurred. As a rule, the Bank would estimate IFRS 9-specific risk parameters that are based not only on standard historical information, but also, in particular, on the current economic environment (in terms of the time perspective) and forward-looking information. Such an assessment includes, in particular, an examination of the effects of the Bank's macroeconomic forecasts on ECLs and the inclusion of those effects in the calculation of ECLs. For this purpose, the Bank uses a basic scenario based on the relevant consensus (forecasts by different banks of significant macroeconomic factors, such as GDP growth and unemployment rates). This basic scenario is then complemented by other macroeconomic parameters relevant to the model. The basic macroeconomic scenario is transformed into the effects on risk parameters based on statistically derived models. If necessary, these models are accompanied by professional assumptions. The potential effects of non-linear correlations between different macroeconomic scenarios and ECLs are corrected using a specific correction factor. All parameters used in the determination of ECL are regularly verified by an independent unit (usually once a year) and, if necessary, adjusted accordingly.

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

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

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

- Commerzbank AG Group's internal model for credit assessment classifying PD into stages
- the Branch's criteria for the assessment whether or not the credit risk significantly increased, and if so then an evaluation of allowances established against financial assets on the basis of LTECL and a subsequent assessment of qualitative criteria

Commerzbank essentially uses the probability of default (PD) as a frame of reference for assessing whether the default risk of a financial instrument has increased significantly since the date of its initial recognition. By anchoring the review of the relative transfer criterion in the robust processes and procedures of the Bank's Group-wide credit risk management framework (in particular, early identification of credit risk, controlling of overdrafts and the re-rating process), the Bank ensures that a significant increase in the default risk is identified in a reliable and timely manner based on objective criteria. Commerzbank applies some key additional criteria for the allocation to stage 2. These are:

- clients for whom a financial instrument is significantly overdrawn for more than 20 days;
- clients in intensive care whose Commerzbank credit rating is 4.6 or worse on the reporting date;
- clients in intensive care whose Commerzbank credit rating on the reporting date is 4.0 or worse and whose external credit rating is 5.0 or worse;
- customers who are granted a forbearance measure that does not lead to a default (stage 3);
- financial instruments whose PD on the reporting date has at least tripled compared to the PD originally recognised in the balance sheet and which have a credit rating higher than 2.8 on the reporting date (backstop indicator "threefold PD").
- financial asset segmentation for which ECL is assessed on a portfolio basis
- development of ECL models, including various formula and selection of inputs
- determination of the link between macroeconomic scenarios and economic inputs, e.g. the unemployment rate and collateral values, as well as the impact on PD, EAD and LGD
- selection of future-oriented macroeconomic scenarios and their probability weighted estimations in order to obtain economic inputs for the ECL models

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

Based on the current economic situation and predictions affected by Russian invasion, energy crisis, inflation and post-covid consequences, Commerzbank AG decided to temporarily not use the econometric FLI models (such as regression analysis). The Branch FLI approach during 2023 was based solely on expert judgement (defining sensitive industries where the ECL will be impacted by expertly based FLI coefficients) and manual management overlays. Commerzbank AG is planning to use classical econometric models again when the uncertainty in the macroeconomic area will not be present and regression models will have enough robust input data to predict valuable FLI coefficients.

- Collateral

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

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

In all instances where an asset at the level of risk management has deferred maturity or is changed, the

Branch's specialised department for risk assets continues to monitor the respective exposure up to the moment of the full completion of the recognition.

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

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

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

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

2.15. Value added tax

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

2.16. Deferred tax

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

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

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

2.17. Leases

Pursuant to Decree No 501/2002, the entity follows international accounting standards as stipulated by the directly applicable EU legislation on the application of international accounting standards in the reporting and measurement of financial instruments and related disclosures.

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

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

Right-of-use assets (RoU)

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

Lease liabilities

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

Determining the lease term of contracts with renewal and termination options (Bank as lessee)

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

2.18. Staff costs, additional pension insurance

Staff costs are included in administrative expense.

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

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

2.19. Related parties

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

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

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

2.20. Strategy in using financial instruments

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

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

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

2.21. Equity

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

2.22. Subsequent events

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

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

2.23. Changes in accounting policies

Accounting policies applied in the accompanying financial statements are consistent with those applied in the financial statements for the year ended 31 December 2022.

2.24. Correction of prior-period errors

In accordance with Decree No 501/2002, corrections of prior-period misstatements are recognised in retained earnings in the case of corrections of significant cost and revenue errors from prior periods. Where corrections are not corrections of material errors, such corrections are recognised in the corresponding current-period income statement items.

There were no corrections of material errors in 2023 or 2022.

3. Cash and cash deposits with central banks

(CZK millions)	31/12/2023	31/12/2022
Cash with central bank	0	0
Mandatory minimum reserves	299	100
Total cash and cash deposits with central banks	**299**	**100**

Mandatory minimum reserves are mandatory deposits with the CNB. The Bank may use the funds deposited in the mandatory minimum reserve account with the CNB provided that the defined average amount of reserves is maintained during the maintenance period.

4. Due from banks

(CZK millions)	31/12/2023	31/12/2022
Receivables measured at amortised cost		
Current accounts with banks	281	276
Term deposits with central banks	4,282	6,002
Other term deposits with banks	747	876
Loans to banks	154	270
Other receivables from banks	23	13
Total receivables measured at amortised cost	**5,487**	**7,437**
Allowance – stage 1	(1)	0
Allowance – stage 2	(1)	(2)
Carrying amounts of receivables measured at amortised cost	**5,485**	**7,435**
Receivables measured at fair value		
Receivables from repo transactions	49,014	96,361
Total receivables measured at fair value	**49,014**	**96,361**
Total carrying amount of receivables from banks	**54,499**	**103,796**

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

31/12/2023 (CZK millions)	Stage 1	Stage 2	Total
Gross carrying amount as at 1 January 2023	**7,271**	**166**	**7,437**
Newly acquired assets	5,335	10	**5,345**
Repaid assets	(6,998)	0	**(6,998)**
Partial repayment of assets (reduction in existing contracts)	(222)	(79)	**(301)**
Partial increase in assets (increase in existing contracts)	4	0	**4**
Transfer to Stage 2	(4)	4	**0**
Gross carrying amount as at 31 December 2023	**5,386**	**101**	**5,487**

31/12/2022 (CZK millions)	Stage 1	Stage 2	Total
Gross carrying amount as at 1 January 2022	**11,491**	**0**	**11,491**
Newly acquired assets	7,234	0	**7,234**
Repaid assets	(10,908)	0	**(10,908)**
Partial repayment of assets (reduction in existing contracts)	(583)	0	**(583)**
Partial increase in assets (increase in existing contracts)	203	0	**203**
Transfer to Stage 2	(166)	166	**0**
Gross carrying amount as at 31 December 2022	**7,271**	**166**	**7,437**

There was a transfer of CZK 4 million from Stage 1 to Stage 2 in 2023 (2022: CZK 166 million).

The Bank had no receivables from banks in Stage 3 in 2023 or 2022.

4.1 Loans and receivables vis-à-vis Commerzbank AG Group related parties

Standard loans and receivables vis-à-vis banks include the following loans and receivables vis-à-vis Group banks:

(CZK millions)	31/12/2023	31/12/2022
Commerzbank, Frankfurt (head office)	1,007	1,141
Total	**1,007**	**1,141**

5. Due from customers

5.1. Due by customer type

(CZK millions)	31/12/2023	31/12/2022
Receivables measured at amortised cost		
Current accounts of legal and natural persons – overdraft	**2,962**	**3,443**
of which classified as Stage 1	2,842	3,365
of which classified as Stage 2	40	30
of which classified as Stage 3	80	48
Customer loans	**22,012**	**17,196**
of which classified as Stage 1	18,773	15,628
of which classified as Stage 2	2,578	311
of which classified as Stage 3	661	1,257
Total receivables measured at amortised cost	**24,974**	**20,639**
Allowance – stage 1	(17)	(40)
Allowance – stage 2	(7)	(16)
Allowance – stage 3, Note 9)	(641)	(904)
Total carrying amount of receivables from customers	**24,309**	**19,679**

Of receivables from customers as at 31 December 2023, syndicated loans amounted to CZK 16,755 million (2022: CZK 8,501 million).

Current accounts of legal and natural persons – overdraft

31/12/2023 (CZK millions)	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	**3,365**	**30**	**48**	**3,443**
Newly acquired assets	165	0	0	**165**
Repaid assets	(757)	0	0	**(757)**
Transfer to Stage 1	0	0	0	**0**
Transfer to Stage 2	(36)	36	0	**0**
Transfer to Stage 3	0	(24)	24	**0**
Partial repayment of assets (reduction in existing contracts)	(487)	(2)	(1)	**(490)**
Partial increase in assets (increase in existing contracts)	592	0	9	**601**
Gross carrying amount as at 31 December 2023	**2,842**	**40**	**80**	**2,962**

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

Customer loans

31/12/2023 (CZK millions)	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	**15,628**	**311**	**1,257**	**17,196**
Newly acquired assets	13,079	0	0	**13,079**
Repaid assets	(7,373)	0	0	**(7,373)**
Receivables written off	0	0	(578)	**(578)**
Transfer to Stage 2	(2,321)	2,321	0	**0**
Partial repayment of assets (reduction in existing contracts)	(581)	(79)	(20)	**(680)**
Partial increase in assets (increase in existing contracts)	341	25	2	**368**
Gross carrying amount as at 31 December 2023	**18,773**	**2,578**	**661**	**22,012**

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

5.2. Quality of receivables portfolio

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

Where receivables are past due, the Bank first makes a written demand for payment of these receivables, and in unsuccessful cases proceeds to a legal solution (by filing appropriate lawsuits and pursuing litigation).

If a writ of enforcement is obtained, the Bank enforces payment of these receivables by all legally available means, including the involvement of bailiffs.

The Bank did not record any restructured receivables in 2023 (2022: CZK 0 million). A receivable is considered restructured if the Bank has granted relief to the debtor because the Bank would likely incur a loss if it had not done so. The roll-over of a short-term loan is not considered to be restructuring of the loan if the customer has fulfilled all the terms of the loan agreement.

5.3. Loans to related parties

The Bank did not recognise any loans to related parties as at 31 December 2023 and 2022.

The Bank had not made any loans to senior management as at 31 December 2023 or 31 December 2022.

5.4. Guarantees received from related parties

(CZK millions)	31/12/2023	31/12/2022
Commerzbank, Frankfurt – head office	385	868
Commerzbank, Berlin branch	254	273
Commerzbank, Essen branch	202	206
Commerzbank, Hamburg branch	76	74
Commerzbank, Nuremberg branch	1,878	1,809
Commerzbank, Bratislava branch	0	0
Commerzbank, Paris branch	639	657
Commerzbank, Düsseldorf branch	56	45
Commerzbank, Zürich branch	1,114	1
Commerzbank, Stuttgart	3	3
Commerzbank, New York	9	19
Total	**4,616**	**3,955**

6. Securities

The Bank held no securities as at 31 December 2023 and 31 December 2022.

The Bank does not purchase or hold any debt securities issued by subsidiaries or affiliates of Commerzbank AG.

7. Tangible fixed assets

(CZK millions)	31/12/2022	Additions/ annual depreciation	Disposals	31/12/2023
Acquisition cost as at 31/12/2022	**658**	**6**	**(32)**	**632**
Buildings	102	1	0	103
Plant and equipment	95	5	(6)	94
Right-of-use buildings	461	0	(26)	435
Accumulated depreciation	**(350)**	**(62)**	**10**	**(402)**
Buildings	(37)	(2)	0	(39)
Plant and equipment	(90)	(6)	7	(89)
Right-of-use buildings	(223)	(54)	3	(274)
Net book value	**308**	**(56)**	**(22)**	**230**

Net book value by asset class:

(CZK millions)	31/12/2023	31/12/2022
Tangible fixed assets	**69**	**70**
Low-value tangible assets	1	1
Improvement of buildings	64	65
Furniture	1	1
IT hardware	3	3
Fixed assets and right-of-use assets	**161**	**238**
Net book value	**230**	**309**

The Bank had not pledged any intangible or tangible fixed assets as collateral as at 31 December 2023 and 31 December 2022.

Leases under IFRS 16

From 1 January 2019, with the adoption of the new international accounting standard IFRS 16 and the abolition of IAS 17, the entity, in the role of lessee, recognises a right-of-use asset, where this is a leased asset (i.e. unless the lease term is less than 12 months or the leased asset has a low cost basis), under tangible fixed assets and the related lease liability under other liabilities in the balance sheet.

The entity leases land and buildings for its head office. These leases typically last for five years. The rent is set in EUR.

Some leases include an option for the lessee to extend the lease nine months before the end of the lease term. Upon inception of the lease, the entity assesses whether it is reasonably certain that the option to extend the lease will be exercised. Upon inception of the lease and thereafter whenever a significant event or significant change in circumstances occurs, the entity assesses whether it is reasonably certain that the option to extend the lease will be exercised.

Movements and repayment of tangible fixed assets acquired under lease

(CZK millions)	2023	2022
Balance as at 1 January	**238**	**143**
Additions	0	150
Disposals	(23)	0
Depreciation	(54)	(55)
Balance as at 31 December	**161**	**238**

(CZK millions)	31/12/2023	31/12/2022
Interest on leases	4	4
Total cash outflow on leases	**54**	**55**

8. Other assets

(CZK millions)	31/12/2023	31/12/2022
Derivative financial instruments (Note 24.3.)	1,742	2,924
Settlement clearance accounts	19	27
Deferred tax asset (Note 23)	81	67
Other receivables	328	277
Total other assets	**2,170**	**3,295**

The item Other receivables and the increase compared to 2022 consists mainly of receivables due from related parties (CZK 294 million), of which the largest portion is due from Commerzbank Frankfurt (CZK 281 million).

9. Allowances, provisions and write-offs

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

(CZK millions)	31/12/2023	31/12/2022
Income tax provision		
Income tax provision	220	209
Income tax prepayments made	(145)	(46)
Income tax provision	**75**	**163**
Provisions for contingent liabilities		
Provisions for potential litigation	19	38
Provisions for off-balance sheet impairment	82	53
Provisions for other liabilities	14	41
Total other provisions	**115**	**132**

(CZK millions)	31/12/2023	31/12/2022
Allowances		
Stage 1	18	40
Stage 2	8	18
Stage 3	641	904
Total allowances	**667**	**962**

The movement in the income tax provisions can be analysed as follows:

(CZK millions)	2023	2022
As at 1 January	**209**	**82**
Additions	220	209
Release/use	(209)	(82)
As at 31 December	**220**	**209**

The movement in the litigation provisions can be analysed as follows:

(CZK millions)	2023	2022
As at 1 January	**38**	**2**
Additions	1	38
Release	(19)	(1)
Use	(1)	(1)
As at 31 December	**19**	**38**

The movement in the provisions for other liabilities can be analysed as follows:

(CZK millions)	2023	2022
As at 1 January	**41**	**38**
Additions	4	12
Release	(18)	(7)
Use	(13)	(2)
As at 31 December	**14**	**41**

Provisions for other liabilities mainly comprise a provision for severance payments (recognised in administrative expenses in the income statement).

The movement in the provisions for off-balance sheet impairment can be analysed as follows:

(CZK millions)	2023	2022
As at 1 January	**53**	**16**
Additions	114	35
Release	(88)	(4)
Other	3	6
As at 31 December	**82**	**53**

The change in allowances can be analysed as follows:

(CZK millions)	2023	2022
As at 1 January	**962**	**1,052**
Additions	208	107
Release	(223)	(61)
Use	(274)	(133)
Other	(6)	(3)
As at 31 December	**667**	**962**

The line "Write-offs, additions to, and use of allowances and provisions for receivables and guarantees" in the income statement as at 31 December 2023 also includes an extraordinary write-off of receivables of CZK 302 million (31 December 2022: CZK 0 million).

The balance of allowances for classified loans due from customers and other receivables can be analysed as follows:

(CZK millions)	31/12/2023	31/12/2022
Balance sheet impairment		
LLP allowances, stage 1 – customers and banks	**18**	**40**
of which: (a) current accounts	8	8
(b) borrowings	10	32
LLP allowances, stage 2 – customers and banks	**8**	**18**
of which: (a) current accounts	1	2
(b) borrowings	7	16
LLP allowances, stage 3 – customers	**641**	**904**
of which: (a) current accounts	463	492
(b) borrowings	178	412
Off-balance sheet impairment		
LLP allowances, stage 1 – customers and banks	**12**	**28**
of which: (a) guarantees	3	19
(b) revocable loan commitments	0	7
(c) irrevocable loan commitments	9	2
LLP allowances, stage 2 – customers and banks	**70**	**25**
of which: (a) guarantees	70	25
(b) revocable loan commitments	0	0
(c) irrevocable loan commitments	0	0
LLP allowances, stage 3 – customers	**0**	**0**
of which: (a) guarantees	0	0
(b) revocable loan commitments	0	0
(c) irrevocable loan commitments	0	0
Total	**749**	**1,015**

Balance sheet impairment:

31/12/2023 (CZK millions)	Stage 1	Stage 2	Stage 3	Total
Carrying amount of allowances as at 1/1/2023	**40**	**18**	**904**	**962**
Newly acquired assets	14	7	8	**29**
Repaid assets	(33)	(15)	0	**(48)**
Transfer to Stage 1	(0)	0	0	**0**
Transfer to Stage 2	(1)	1	0	**0**
Transfer to Stage 3	0	(8)	8	**0**
Write-off	0	0	(282)	**(282)**
Other changes	(2)	5	3	**6**
Carrying amount of allowances as at 31/12/2023	**18**	**8**	**641**	**667**

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

Bad debts are written off against provisions, allowances or directly to expenses in cases where the Bank's management considers it unlikely that they will be recoverable.

Off-balance sheet impairment:

31/12/2023 (CZK millions)	Stage 1	Stage 2	Stage 3	Total
Carrying amount of allowances as at 1/1/2023	**28**	**25**	**0**	**53**
Newly acquired assets	18	86	10	**114**
Repaid assets	(34)	(41)	(11)	**(86)**
Other changes	0	0	1	**1**
Carrying amount of allowances as at 31/12/2023	**12**	**70**	**0**	**82**

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

10. Due to banks

(CZK millions)	31/12/2023	31/12/2022
Current accounts with banks	1,070	311
Term deposits	58,285	16,112
Other term deposits of banks	0	91,327
Total due to banks	**59,355**	**107,750**

10.1. Deposits from related parties

(CZK millions)	31/12/2023	31/12/2022
Commerzbank Frankfurt – head office	59,355	107,750
Total deposits from related parties	**59,355**	**107,750**

The Bank's management believes that deposits from related parties were accepted on essentially the same terms and conditions and at the same interest rates as comparable transactions with other customers executed at the same time. In the opinion of the Bank's management, no interest rate other than the normal one was used in these cases and these deposits do not pose a different liquidity risk or other adverse factors.

Deposits from related parties bore interest at a rate of 2.83% to 6.49% (2022: -0.06% to 4.5%). The reported interest rates were calculated using the weighted arithmetic average method.

11. Due to customers

(CZK millions)	31/12/2023	31/12/2022
Due to customers	18,368	12,867
Total due to customers	**18,368**	**12,867**

11.1. Due to customers by type

(CZK millions)	31/12/2023	31/12/2022
Liabilities repayable on demand	13,405	12,604
Fixed-term savings accounts	4,963	250
Other amounts due to customers	0	13
Total due to customers	**18,368**	**12,867**

11.2. Deposits from related parties

(CZK millions)	31/12/2023	31/12/2022
Affiliated companies	222	195
Total deposits from related parties	**222**	**195**

The Bank had no recorded deposits from senior executives as at 31 December 2023 or 31 December 2022.

The Bank's management believes that the above deposits were accepted on essentially the same terms and conditions and at the same interest rates as comparable transactions with other customers executed at the same time. In the opinion of the Bank's management, no interest rate other than the normal one was used in these cases and these deposits do not pose a different liquidity risk or other adverse factors.

Deposits from related parties bore interest at 0% in 2023 and 2022.

12. Other liabilities

(CZK millions)	31/12/2023	31/12/2022
Derivative financial instruments (Note 24.3.)	1,312	4,458
Settlement clearance accounts	407	369
Lease liabilities	162	238
Estimated payables	520	374
Other liabilities	41	35
Total other liabilities	**2,442**	**5,474**

Estimated payables primarily relate to employee relations and remuneration.

As at 31 December 2023 and 31 December 2022, the Bank had no overdue liabilities to financial authorities, social security authorities or health insurance companies.

13. Equity and profit distribution

The net profit of CZK 811 million for 2023 is proposed for distribution as follows:

(CZK millions)	2023
Allocation to head office (profit under German accounting standards)	510
Appropriation to accumulated loss/retained earnings	301
Net profit	**811**

The appropriation to retained earnings corresponds to the difference between the net accounting profit under Czech accounting standards and the net accounting profit under German accounting standards. The difference is mainly due to the different approach to accounting for allowances, provisions, deferred tax, and the measurement of derivatives. Equity movements are reported in the statement of changes in equity.

The net profit of CZK 686 million for 2022 was distributed as follows:

(CZK millions)	2022
Allocation to head office (profit under German accounting standards)	527
Appropriation to retained earnings	159
Net profit	**686**

14. Commitments and guarantees given

Commitments to extend credit, loan guarantees to third parties, guarantees of bill of exchange acceptance, and letters of credit expose the Bank to credit risk and loss in the event of customer default. In the normal course of business, various commitments and contingent liabilities arise that involve elements of credit, interest rate and liquidity risk.

14.1. Guarantees provided

(CZK millions)	31/12/2023	31/12/2022
Guarantees provided		
Group banks – subsidiaries and controlled banks	4,622	3,961
Other banks	1,262	752
Other customers	10,903	12,810
Guarantees provided	**16,787**	**17,523**

14.2. Loan commitments made to customers

(CZK millions)	31/12/2023	31/12/2022
Irrevocable loan commitments		
– Made to customers	5,994	3,732
Total value of commitments and guarantees provided	**5,994**	**3,732**

As at 31 December 2023 and 31 December 2022, the Bank had not extended any guarantees or loan commitments to senior management.

15. Interest and similar income

(CZK millions)	2023	2022
Interbank transactions	2,231	2,525
Loans to customers	1,491	701
Total interest and similar income	**3,722**	**3,226**

As at 31 December 2023, CZK 11 million of interest on defaulted loans was recognised in income (2022: CZK 4 million).

In 2023 and 2022, the Bank had no record of outstanding penalty interest.

15.1. Interest income – related parties from Commerzbank AG Group

(CZK millions)	2023	2022
Commerzbank Frankfurt – head office	130	27
Total	**130**	**27**

16. Interest and similar expense

(CZK millions)	2023	2022
Interbank transactions	1,281	254
Due to customers	357	105
Total interest and similar expense	**1,638**	**359**

16.1. Interest expense – related parties from Commerzbank AG Group

(CZK millions)	2023	2022
Commerzbank Frankfurt – head office	1,216	236
Total	**1,216**	**236**

17. Fee and commission income

(CZK millions)	2023	2022
Domestic and foreign payment transactions	180	158
Loan origination fees and commissions	37	57
Income from guarantees	161	127
Proceeds from documentary collections and letters of credit	64	49
Other fees and commissions	23	27
Total fee and commission income	**465**	**418**

18. Fee and commission expense

(CZK millions)	2023	2022
Fees and commissions from other financial activities	61	21
Domestic and foreign payment transactions	2	10
Total fee and commission expense	**63**	**31**

19. Gains less losses from financial transactions

(CZK millions)	2023	2022
Gains/(Losses) on foreign exchange transactions	875	108
Gains/(Losses) on transactions in foreign currency financial derivatives	(243)	(2,516)
Gains/(Losses) on transactions in interest rate financial derivatives	(1,176)	724
Gains/(Losses) on remeasurement of financial assets at fair value	(2)	(4)
Total gains less losses from financial transactions	**(546)**	**(1,688)**

20. Other operating income

(CZK millions)	2023	2022
Intra-group revenue clearing	2,012	1,554
Other operating income	13	3
Total other operating income	**2,025**	**1,557**

Intra-group revenue clearing constitutes the re-invoicing of costs associated with the performance of activities for the Frankfurt head office, as well as the invoicing of services provided in the areas of management and administrative services. The Bank provides these services to various branches and subsidiaries within the Group.

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

(CZK millions)	2023	2022
Commerzbank, Amsterdam – branch	20	13
Commerzbank, Bratislava – branch	0	18
Commerzbank, Brussels – branch	6	11
Commerzbank Zrt., Budapest – subsidiary	0	1
Commerzbank Frankfurt – head office	1,656	1,287
Commerzbank, Lodz – branch	17	11
Commerzbank, London – branch	171	116
Commerzbank, Luxembourg – branch	0	1
Commerzbank, Madrid – branch	19	13
Commerzbank, Milan – branch	16	11
Commerzbank, Eurasia AO (Moscow – subsidiary)	11	8
Commerzbank, Paris – branch	23	14
Commerzbank, Singapore – branch	4	3
Commerzbank, Digital Technology Center Sofia – branch	16	11
Commerzbank, Tokyo – branch	3	2
Commerzbank, Vienna – branch	20	15
Commerzbank, Zürich – branch	22	18
Commerzbank, New York – branch	8	0
Total	**2,012**	**1,553**

21. Revenue by geographical location of markets

(CZK millions)	Domestic	European Union	Other Rest of Europe	Other	Total
2023					
1. Interest and similar income	3,544	172	1	5	**3,722**
2. Fee and commission income	455	2	8	0	**465**
3. Gains less losses from financial transactions	(546)	0	0	0	**(546)**
4. Other operating income	13	1,793	204	15	**2,025**
Total	**3,466**	**1,967**	**213**	**20**	**5,666**

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

22. Administrative expenses

(CZK millions)	2023	2022
Staff costs	1,615	1,187
Costs in relation to central functions – Frankfurt am Main	459	402
Costs in relation to central functions – Luxembourg	23	30
Costs in relation to central functions – London	26	13
Costs in relation to central functions – Kuala Lumpur	1	0
Costs in relation to central functions – Madrid	1	0
Costs in relation to central functions – CERI	12	6
External staff costs	207	177
VAT (ICC)	95	72
Information technology costs	52	56
Cost of short-term and low-value leases	3	3
Cost of audit firm fees:		
– statutory audit of financial statements	3	3
Costs of legal and other advisory services	1	1
Other administrative expenses	98	131
Total administrative expenses	**2,596**	**2,081**

In 2023, the Bank's senior management was paid wages and salaries totalling CZK 37 million (2022: CZK 30 million), with social and health insurance paid by the Bank amounting to CZK 8.7 million (2022: CZK 7 million). The Bank's senior management is made up of its directors and department heads at the first level of the organisational structure (11 employees in total as at 31 December 2023 and 10 employees in total as at 31 December 2022).

22.1. Staff statistics

	2023	2022
Average number of employees	875	668

In 2023, the Bank contributed CZK 4.8 million to its employees' pension plans (2022: CZK 3 million).

23. Taxation

The income tax expense includes:

(CZK millions)	2023	2022
Tax expense payable	220	209
Prior-period tax expense/(income)	0	0
Deferral tax expense/(income)	(14)	(38)
Rounding	0	0
Total income tax expense	**206**	**171**

An advance of CZK 145 million (2022: CZK 46 million) was paid on income tax. After advances on income tax were netted, an income tax provision of CZK 75 million was made (2022: CZK 163 million).

Prior-period tax expense/(income) is the difference between the payable tax expense recognised in the previous year and the actual tax liability.

The tax payable was calculated as follows:

(CZK millions)	2023	2022
Profit before taxation	**1,017**	**857**
Non-taxable income	(379)	(151)
Non-deductible expenses	521	393
Tax base	**1,159**	**1,099**
Income tax payable at 19%	**220**	**209**

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

The deferred tax asset is calculated at 21% (the tax rate effective as of 2024), depending on the period in which the temporary difference is expected to be settled, and can be analysed as follows:

(CZK millions)	31/12/2023	31/12/2022
Deferred tax asset as at 1 January	**67**	**29**
Allowances and provisions for loans	(8)	4
Non-tax deductible social insurance	28	21
The difference between the tax and accounting net book value of assets	0	(1)
Other	(6)	14
Deferred tax asset as at 31 December	**81**	**67**

(CZK millions)	31/12/2023	31/12/2022
Deferred tax asset		
Allowances and provisions for loans	3	11
Non-tax deductible social insurance	67	39
Other	11	17
Net deferred tax asset (Note 8)	**81**	**67**

24. Financial risks

24.1. Credit risk

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, group of borrowers, and geographical and industry segments. These risks are monitored on a regular basis and are subject to annual or more frequent review. Limits on the level of credit risk by product, industry and geographical segment are subject to approval by the head office in Frankfurt. In addition, unexpected losses and concentrations of credit risk are measured and actively managed via an internal VaR model. All the above indicators are embedded in the internal rules governing credit processes and competences.

Credit risk is the greatest risk to which the Branch is exposed and therefore management regulates the Branch's exposure to this risk. Credit risk management and control is the responsibility of a dedicated team which is accountable to and reports to the Commerzbank AG Board of Directors.

The Bank believes that the current loan portfolio is of a very high quality as the value of the required allowances is approximately 3% of the book value of the loan portfolio. The Bank uses liens on land, pledges on buildings, assignments of receivables, insurance, guarantees, guarantor statements, etc. to secure these loans. The Bank monitors the concentration of risks by geography and industry.

Asset breakdown by geographical segment

31/12/2023 (CZK millions)	Domestic	European Union	Other Rest of Europe	Other	Total
Assets					
Cash and cash deposits with central banks	299	0	0	0	**299**
Due from banks	53,312	1,003	86	98	**54,499**
Due from customers	16,084	8,216	9	0	**24,309**
Other financial assets	691	1,379	0	0	**2,070**
Total financial assets	**70,386**	**10,598**	**95**	**98**	**81,177**
Off-balance sheet assets					
Commitments and guarantees given	14,971	6,138	1,147	524	**22,780**
Receivables from spot transactions	5	86	0	0	**91**
Receivables from term instruments	63,572	143,134	0	0	**206,706**
Total off-balance sheet assets	**78,548**	**149,358**	**1,147**	**524**	**229,577**

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

Asset breakdown by interbank segment

31/12/2023 (CZK millions)	Corporate banking	Treasury and other	Total
Assets			
Cash and cash deposits with central banks	299	0	**299**
Due from banks	36	54,463	**54,499**
Due from customers	24,309	0	**24,309**
Other assets	412	2,200	**2,612**
Total assets	**25,056**	**56,663**	**81,719**
Off-balance sheet assets			
Commitments and guarantees given	17,060	5,720	**22,780**
Receivables from spot transactions	91	0	**91**
Receivables from term instruments	80,959	125,747	**206,706**
Total off-balance sheet assets	**98,110**	**131,467**	**229,577**

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

Segmentation by customer category

31/12/2023 (CZK millions)	Domestic banks	Foreign banks	Companies	Private individuals	Total
Assets					
Cash and cash deposits with central banks	299	0	0	0	**299**
Due from banks	53,310	1,189	0	0	**54,499**
Due from customers	0	0	24,309	0	**24,309**
Other financial assets	0	2,246	366	0	**2,612**
Total assets	**53,609**	**3,422**	**24,675**	**0**	**81,706**

31/12/2023 (CZK millions)	Domestic banks	Foreign banks	Companies		Total
Off-balance sheet assets					
Commitments and guarantees given	30	5,853	16,897		**22,780**
Receivables from spot transactions	0	89	2		**91**
Receivables from term instruments	0	125,747	80,959		**206,706**
Total off-balance sheet assets	**30**	**131,689**	**97,858**		**229,577**

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

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

Approximately 38% of the Branch's loan portfolio is attributable to its two most significant customers. The credit risk for the remainder of the portfolio is diversified so that the risk to which the Branch is exposed to individual customers is reduced. The Branch influences the level of credit risk by setting limits on the amount of risk to be taken for each borrower. A single exposure may not exceed 25% of the available capital of Commerzbank as a whole, and Commerzbank AG therefore monitors its Branch closely. Credit limits are reviewed in response to changing market and economic conditions and on the basis of regular credit checks and assessments of the borrower's likelihood of default.

Maximum exposure to credit risk

31/12/2023 (CZK millions)	Balance sheet	Off-balance sheet	Total exposure to credit risk	Collateral received	Main type of collateral
Cash and cash deposits with central banks	299	0	299	0	-
Due from banks	54,499	0	54,499	47,966	Securities
Due from customers	24,309	0	24,309	2,390	Other
Commitments and guarantees given	0	22,780	22,780	13,908	Other
Receivables from spot transactions	0	91	91	0	-
Receivables from term instruments	0	206,706	206,706	0	-
Total	**79,107**	**229,577**	**308,684**	**64,264**	

31/12/2022 (CZK millions)	Balance sheet	Off-balance sheet	Total exposure to credit risk	Collateral received	Main type of collateral
Cash and cash deposits with central banks	100	0	100	0	-
Due from banks	103,795	0	103,795	94,276	Securities
Due from customers	19,679	0	19,679	7,101	Other
Commitments and guarantees given	0	21,255	21,255	8,451	Other
Receivables from spot transactions	0	61	61	0	-
Receivables from term instruments	0	268,290	268,290	0	-
Total	**123,574**	**289,606**	**413,180**	**109,828**	

The value of collateral received for loans can be analysed as follows:

(CZK millions)	31/12/2023	31/12/2022
Cash and cash equivalents	1,298	2,532
Real estate pledges	946	919
Other collateral received	146	147
Other guarantees	13,908	11,954
Pledge in the form of treasury bills	47,966	94,276
Total collateral received for loans to customers	**64,264**	**109,828**

Other guarantees primarily include bank guarantees, insurance, guarantor declarations, aval, etc.

The main type of collateral in both 2023 and 2022 consisted of pledges in the form of treasury bills.

Exposure by rating

31/12/2023 (CZK millions)	1.0-1.9	2.0-2.9	3.0-3.9	4.0-5.00	5.1-6.5	Total
Due from banks, Stage 1	54,316	0	66	18	0	**54,400**
Due from customers, Stage 1	32	20,940	639	0	0	**21,611**
Allowances, Stage 1	0	(17)	(1)	0	0	**(18)**
Due from customers, Stage 2	0	4	90	2,527	0	**2,621**
Due from banks, Stage 2	0	0	0	15	87	**102**
Allowances, Stage 2	0	(2)	0	(5)	(1)	**(8)**
Due from customers, Stage 3	0	0	0	0	741	**741**
Allowances, Stage 3	0	0	0	0	(641)	**(641)**
Gross financial assets	**54,348**	**20,944**	**795**	**2,560**	**828**	**79,475**
Total allowances	0	(19)	(1)	(5)	(642)	**(667)**
Net financial assets	**54,348**	**20,925**	**794**	**2,555**	**186**	**78,808**
Loan commitments, Stage 1	0	5,785	209	0	0	**5,994**
Provisions – loan commitments, Stage 1	0	(1)	0	0	0	**(1)**
Guarantees, Stage 1	5,086	6,222	3,664	21	5	**14,998**
Guarantees, Stage 2	0	0	75	1,706	7	**1,788**
Provisions – guarantees, Stage 1	(8)	(1)	(2)	0	0	**(11)**
Provisions – guarantees, Stage 2	0	0	0	(70)	0	**(70)**
Gross off-balance sheet assets	**5,086**	**12,007**	**3,948**	**1,727**	**12**	**22,780**
Total provisions	(8)	(2)	(2)	(70)	0	**(82)**
Net off-balance sheet assets	**5,078**	**12,005**	**3,946**	**1,657**	**12**	**22,698**

31/12/2022 (CZK millions)	1.0-1.9	2.0-2.9	3.0-3.9	4.0-5.00	5.1-6.5	Total
Due from banks, Stage 1	103,624	6	0	0	0	**103,630**
Due from customers, Stage 1	16,108	1,995	890	0	0	**18,993**
Allowances, Stage 1	(32)	(3)	(5)	0	0	**(40)**
Due from customers, Stage 2	0	2	134	205	0	**341**
Due from banks, Stage 2	0	0	0	0	166	**166**
Allowances, Stage 2	0	0	0	(2)	(16)	**(18)**
Due from customers, Stage 3	0	0	0	0	1,305	**1,305**
Allowances, Stage 3	0	0	0	0	(904)	**(904)**
Gross financial assets	**119,732**	**2,003**	**1,024**	**205**	**1,471**	**124,435**
Total allowances	(32)	(3)	(5)	(2)	(920)	**(962)**
Net financial assets	**119,700**	**2,000**	**1,019**	**203**	**551**	**123,473**
Loan commitments, Stage 1	0	2,803	929	0	0	**3,732**
Provisions, Stage 1	0	(4)	(5)	0	0	**(9)**
Guarantees, Stage 1	5,715	0	1,664	0	0	**7,379**
Guarantees, Stage 2	166	8,326	1,598	54	0	**10,144**
Provisions, Stage 1	(7)	0	(12)	0	0	**(19)**
Provisions, Stage 2	0	(19)	(6)	0	0	**(25)**
Gross off-balance sheet assets	**5,881**	**11,129**	**4,191**	**54**	**0**	**21,255**
Total provisions	(7)	(23)	(23)	0	0	**(53)**
Net off-balance sheet assets	**5,874**	**11,106**	**4,168**	**54**	**0**	**21,202**

24.2. Market risk

The Bank is exposed to market risk arising from open positions in interest rates, currencies and equity products that are sensitive to general and specific market movements and changes in market rate or price volatility, such as interest rates, credit spreads and foreign exchange rates.

The Bank applies the value at risk (VaR) method to estimate the market risk of its positions and the maximum expected loss based on a number of assumptions about changes in market conditions. The Board of Directors sets limits of acceptable risk, which are monitored daily.

To assess market losses arising from extreme market changes, the Bank defines stress scenarios based on which the stress test value is calculated. This is the expected maximum loss in the event of particularly adverse market conditions.

The daily market VaR is an estimate of the potential loss with a confidence level of 97.5% assuming that existing positions are held unchanged for the subsequent business day. Actual outputs are regularly monitored to assess the adequacy of the assumptions and parameters/factors used in the VaR calculation.

As VaR is an integral part of the Bank's market risk management controls, VaR limits are set by the Board of Directors for individual transactions and portfolios; Bank management monitors actual exposure against the limits on a daily basis, along with the consolidated VaR of the Bank as a whole. The Bank's VaR as at 31 December 2023 was CZK 7.1 million (2022: CZK 14.5 million). The average consolidated daily VaR in 2023 was CZK 12.3 million (2022: CZK 12.6 million).

The Value at Risk values for each risk type are shown below.

(CZK millions)	31/12/2023	Average 2023	31/12/2022	Average 2022
VaR of interest rate instruments	4.9	11.1	12.9	11.6
VaR of currency instruments	2.2	1.2	1.6	1

24.3. Derivative financial instruments

The Bank deals in derivative financial instruments only on the over-the-counter (OTC) market. The derivatives the Bank has closed can be analysed as follows:

Total derivatives

31/12/2023 (CZK millions)	Nominal value of assets	Nominal value of liabilities	Positive fair value	Negative fair value
Interest rate derivatives	97,154	117,013	558	422
Currency derivatives	109,552	109,275	1,184	890
Total	**206,706**	**226,288**	**1,742**	**1,312**

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

Derivative financial instruments were measured solely using market prices or based on valuation methods based exclusively on available market data.

24.3.1. Derivatives held for trading

31/12/2023 (CZK millions)	Nominal value of assets	Nominal value of liabilities	Positive fair value	Negative fair value
Interest rate derivatives				
Swaps	97,154	117,013	558	422
Total interest rate derivatives	**97,154**	**117,013**	**558**	**422**
Currency derivatives				
Forwards	13,603	13,801	354	513
Swaps	95,949	95,474	830	377
Total currency derivatives	**109,552**	**109,275**	**1,184**	**890**
Total derivatives held for trading	**206,706**	**226,288**	**1,742**	**1,312**

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

Changes in the fair value of derivatives held for trading are recognised in the income statement.

Residual maturity of term instruments and options

The table below breaks down the nominal values of each type of derivative financial instrument by residual maturity.

31/12/2023 (CZK millions)	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Trading instruments					
Forward exchange contracts (receivables)	4,506	3,695	5,402	0	**13,603**
Forward exchange contracts (liabilities)	(4,507)	(3,739)	(5,555)	0	**(13,801)**
Foreign exchange swaps (receivables)	82,937	10,202	2,810	0	**95,949**
Foreign exchange swaps (liabilities)	(82,684)	(10,140)	(2,650)	0	**(95,474)**
Interest rate swaps (receivables)	52,894	27,693	16,056	511	**97,154**
Interest rate swaps (liabilities)	(61,186)	(38,854)	(16,462)	(511)	**(117,013)**

31/12/2022 (CZK millions)	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Trading instruments					
Forward exchange contracts (receivables)	8,379	12,127	9,417	0	**29,923**
Forward exchange contracts (liabilities)	(8,398)	(12,225)	(9,634)	0	**(30,257)**
Foreign exchange swaps (receivables)	102,087	12,933	6,739	0	**121,759**
Foreign exchange swaps (liabilities)	(103,324)	(12,855)	(6,509)	0	**(122,688)**
Interest rate swaps (receivables)	9,801	60,878	42,111	3,818	**116,608**
Interest rate swaps (liabilities)	(14,667)	(73,128)	(48,380)	(3,818)	**(139,993)**

24.4. Interest rate risk

The Bank’s financial position and cash flows are exposed to the risk of movements in current market interest rates. Interest margins may increase as a result of such changes, but may also decrease or generate losses if unexpected movements occur. The Board of Directors sets limits on the level of interest rate differences that can be undertaken. These limits are monitored daily. Assets and liabilities at fixed interest rates predominate in the Bank’s balance sheet.

24.5. Liquidity risk

The Bank is exposed to daily drawdowns of its available cash resources from overnight deposits, current accounts, deposits payable, loan drawdowns, guarantees, margin and derivative settlements. The Bank does not maintain cash resources to meet all of such needs because experience shows that a minimum level of reinvestment of maturing resources can be predicted with a high degree of certainty. The head office in Frankfurt sets liquidity limits by time zone and currency. These limits are monitored daily. The fair values of derivatives are recognised under other assets and other liabilities. The Bank is able to close any of its open positions in the financial markets, if necessary. In 2023, the usual maturity of financial derivatives was within one year.

The following tables break down the Bank's assets and liabilities by their respective maturity bands based on their remaining maturity and expected maturity at the balance sheet date.

By residual maturity:

31/12/2023 (CZK millions)	Within 3 months	3–12 months	1-5 years	More than 5 years	Undefined	Total
Assets						
Cash and cash deposits with central banks	49,011	0	0	0	298	**49,309**
Due from banks	5,370	118	0	0	1	**5,489**
Due from customers	12,530	1,254	10,464	61	0	**24,309**
Other assets	706	372	662	2	674	**2,416**
of which derivative financial instruments	706	372	662	2	0	**1,742**
Total assets	**67,617**	**1,744**	**11,126**	**63**	**973**	**81,523**
Equity and liabilities						
Due to banks	53,350	5,976	29	0	0	**59,355**
Due to customers	18,314	27	27	0	0	**18,368**
Provisions	0	0	0	0	190	**190**
Other liabilities	348	310	652	2	1,262	**2,574**
of which derivative financial instruments	348	310	652	2	0	**1,312**
Total equity and liabilities	**72,012**	**6,313**	**708**	**2**	**1,452**	**80,487**
Net assets/(liabilities)	**(4,395)**	**(4,569)**	**10,418**	**61**	**(479)**	**1,036**

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

The following table presents the remaining contractual maturity of financial liabilities:

31/12/2023 (CZK millions)	Net book value	Gross nominal inflow/ (outflow)	Less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Financial liabilities							
Due to banks	59,355	60,285	18,204	35,901	6,145	35	0
Due to customers	18,368	18,437	17,965	415	27	30	0
Other liabilities – derivative financial instruments	1,312	226,288	78,585	69,792	52,733	24,667	511
Commitments and guarantees given	22,781	22,781	22,781	0	0	0	0
Total financial liabilities	**101,816**	**327,791**	**137,535**	**106,108**	**58,905**	**24,732**	**511**

31/12/2022 (CZK millions)	Net book value	Gross nominal inflow/ (outflow)	Less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Financial liabilities							
Due to banks	107,750	109,763	100,845	2,206	4,332	2,380	0
Due to customers	12,867	12,867	12,841	20	2	4	0
Other liabilities – derivative financial instruments	4,458	292,939	94,366	32,024	98,208	64,523	3,818
Commitments and guarantees given	21,255	21,255	21,255	0	0	0	0
Total financial liabilities	**146,330**	**436,824**	**229,307**	**34,250**	**102,542**	**66,907**	**3,818**

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

Type of financial instrument	Methods, assumptions and reasons for determining the remaining contractual maturity
Non-derivative financial instruments	**Undiscounted cash flows**, which include estimated interest payments.
Issued financial guarantees and unrecognised loan commitments	**Earliest point in time/period** when the entity may incur an obligation to provide contractual performance. For financial guarantees, the maximum amount of the financial guarantee is allocated to the earliest period (time bucket) in which the guarantee can be called.
Derivative financial instruments held for risk management purposes	**Contractual undiscounted cash flows.** These values are gross nominal cash inflows and outflows for derivatives that are not settled on a net basis (e.g. forwards, currency swaps, etc.) and net nominal cash flows that are settled on a net basis.
Trading derivatives that the entity has entered into with its customers	**Contractual undiscounted cash flows.** The reason for this is that these derivatives are not usually closed out before their contractual maturity date and therefore the entity considers the contractual maturity to be key to understanding the timing of the cash flows associated with these derivatives.

Expected cash flows from certain financial instruments may differ significantly from contractual cash flows. The main differences are as follows:

- demand deposits are expected to remain stable or grow;
- loan commitments are not expected to be exhausted in a single instance.

25. Fair value

IFRS establishes a hierarchy of valuation methods based on whether or not the inputs for those processes are available in the market. Market inputs are data obtained from independent sources, non-market inputs are market estimates made by the Branch. These two types of input data produced the following levels of fair value:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and/or liabilities. This level includes listed instruments.
- Level 2 – Inputs other than the quoted prices covered in Level 1 that are available for assets and/or liabilities either directly (e.g. price) or indirectly (e.g. derived from prices). This level includes OTC derivative transactions. The input data sources, such as the LIBOR yield curve and counterparty credit risk, are Bloomberg or Reuters.
- Level 3 – Inputs for assets and/or liabilities that are not based on observable market data (unavailable inputs).

The following table provides a summary of the net book values and fair values of financial assets and liabilities carried at amortised cost and the classification of financial assets and liabilities carried at fair value into fair value levels.

31/12/2023 (CZK millions)	Net book value	Fair value				
		Due from banks	Due from customers – overdrafts	Due from customers – other	Cash and cash deposits with central banks	Total
Financial assets carried at amortised cost						
Level 2	**5,784**	5,485	0	0	299	**5,784**
Level 3	**24,309**	0	2,875	22,288	0	**25,163**
Financial assets carried at fair value						
Level 2	**49,014**	49,014	0	0	0	**49,014**
Level 3	**0**	0	0	0	0	**0**

31/12/2023 (CZK millions)	Net book value	Fair value		
		Due to banks	Due to customers	Total
Financial liabilities carried at amortised cost				
Level 2	**77,786**	59,355	18,431	**77,786**

31/12/2022 (CZK millions)	Net book value	Fair value				
		Due from banks	Due from customers – overdrafts	Due from customers – other	Cash and cash deposits with central banks	Total
Financial assets carried at amortised cost						
Level 2	**7,535**	7,435	0	0	100	**7,535**
Level 3	**19,679**	0	3,443	16,561	0	**20,004**
Financial assets carried at fair value						
Level 2	**96,361**	96,361	0	0	0	**96,361**
Level 3	**0**	0	0	0	0	**0**

31/12/2022 (CZK millions)	Net book value	Fair value		
		Due to banks	Due to customers	Total
Financial liabilities carried at amortised cost				
Level 2	**120,617**	107,750	12,867	**120,617**

Derivative financial instruments are disclosed in Note 24.3. Derivative financials were classified as Level 2 in both 2023 and 2022.

Assets carried at fair value consist of receivables from repo transactions (see Note 4).

The Bank did not make any transfers between levels and did not make any gain or loss on these transfers.

The methodology for calculating fair value for assets carried at amortised cost is the same as for assets carried at fair value.

Fair values are determined by the type and quality of market information and measurement methods described below.

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

a) Due from banks
Amounts due from banks include bank deposits and other items currently in the process of repayment. The fair value of interbank and overnight deposits is based on discounted cash flows using current market interest rates.

b) Due from customers
Amounts due from customers are recognised net of allowances for doubtful debts. The estimated fair value of amounts due from customers represents discounted expected cash flows. Expected cash flows are discounted using current market interest rates + credit spreads to determine the fair value.

c) Liabilities from deposits and loans
The estimated fair value of deposits with no stated maturity is the amount payable on demand. The estimated fair value of deposits and other loans for which no market prices are available is based on discounted cash flows using current market interest rates. As floating rates are used in most cases and there has been no change in the Bank's own credit risk, there are no differences between the carrying amount and fair value of deposits and loans.

26. Subsequent events

As of 1 January 2024, Bernhard Spalt succeeded Dr. Marcus Johannes Chromik as a new member of the Board of Directors of the founder, Commerzbank AG.

Effective as of 1 January 2024, the new Pillar 2 rules under the BEPS 2.0 initiative are in place, introducing a global minimum level of taxation of 15%. These rules also apply to the Prague branch of Commerzbank AG because the Group's consolidated revenues exceed EUR 750 million. Following their introduction, the Branch does not expect any significant tax impact on the level of tax liability.

From the balance sheet date to the date of compilation of the financial statements, there were no other significant events affecting the Bank's financial statements for the year ended 31 December 2023.

These financial statements have been approved by the Bank's management for submission to Commerzbank AG and have been signed on behalf of management:

May 31, 2024

Dr. Volkhardt Kruse
CEO

Karsten Grünheid
officer responsible for accounting,
authorised signatory

Peter Sedlár
Person responsible for the preparation
of the financial statements

COMMERZBANK

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