COMMERZBANK

Financial Statements and Management Report

2023

Commerzbank Aktiengesellschaft

The bank at your side

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

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Management report of Commerzbank Aktiengesellschaft

Structure and organisation

Commerzbank is the leading bank for SMEs (the Mittelstand) and a partner to some 25,500 corporate client groups and almost 11 million private and small-business customers in Germany. The Bank offers a comprehensive portfolio of financial services in two business segments – Private and Small-Business Customers and Corporate Clients.

In its corporate client business, Commerzbank focuses on German SMEs, large companies and institutional customers. In international business, the Bank supports clients with a business relationship to Germany, Austria and/or Switzerland and companies in selected future-oriented industries. In the Private and Small-Business Customers segment, the Bank serves its customers through the Commerzbank and comdirect brands: via online and mobile channels, in the advisory centre and personally in its branches. The two segments Private and Small-Business Customers and Corporate Clients are each managed by a member of the Board of Managing Directors. All staff and management functions are contained in Group Management: Group Audit, Group Communications, Group Finance, Group Human Resources, Group Investor Relations, Group Legal, Group Research, Group Strategy, Transformation & Sustainability, Group Tax, Group Treasury and the central risk functions. The support functions, including in particular IT, organisational, security and processing services, are provided by Group Services. The staff, management and support functions are combined in the Others and Consolidation division for external reporting purposes.

On the domestic market, Commerzbank Aktiengesellschaft is headquartered in Frankfurt am Main, from where it manages its branch network and its advisory centre. Its most important German subsidiary is Commerz Real AG. Outside of Germany, as at the reporting date Commerzbank – including through mBank in Poland – has 4 material subsidiaries, 15 operational foreign branches and 27 representative offices in over 40 countries and is represented in all major financial centres, such as London, New York, Tokyo and Singapore. In these locations we offer tailor-made solutions for local corporate and institutional customers and support local export-oriented companies worldwide. However, the focus of the Bank's international activities is on Europe. The financial year is the calendar year.

Our employees

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

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

The number of employees at Commerzbank Aktiengesellschaft decreased year on year in connection with the headcount reduction as part of our strategy. The number of employees as at the reporting date was 27,645, as compared with 28,103 at the end of 2022.

Remuneration

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

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

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

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

Share capital structure

The share capital of Commerzbank totalled €1,240,223,329.00 at the end of the financial year. It is divided into 1,240,223,329 no-par-value shares. The shares are issued in bearer form. Commerzbank has issued only ordinary shares with the same rights and obligations. Each share has one vote.

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

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

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

Equity holdings that exceed 10% of the voting rights

According to the German Securities Trading Act, every investor who reaches, exceeds or falls below certain proportions of voting rights through acquisition, sale or in any other way must notify us and the Federal Financial Supervisory Authority (BaFin). The lowest threshold for this notification requirement is 3%. According to the notification of voting rights dated 4 June 2013, the Financial Market Stabilisation Fund, Federal Republic of Germany, holds a stake of 17.15% in the voting capital of Commerzbank Aktiengesellschaft. Provided that the voting rights are unchanged, the Financial Market Stabilisation Fund would hold a stake of approximately 15.75% in the voting capital of Commerzbank Aktiengesellschaft following the capital increase in April 2015 and the share buyback programme in June 2023.

Shares with special rights granting powers of control

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

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

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

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

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

The Board of Managing Directors is authorised, subject to the detailed provisions of Art. 4 (3) and (4) of the Articles of Association in effect on 31 December 2023, to increase the share capital, with the approval of the Supervisory Board, on one or more occasions until 30 May 2028, but by no more than a total of €563,560,935.00 by issuing new shares:

- By up to €438,325,172.00 against cash contributions (Authorised Capital 2023/I). The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in order to (i) exclude fractional amounts from the subscription rights or (ii) issue employee shares to employees up to a proportional amount of the share capital of €15,000,000.00.
- By up to €125,235,763.00 against cash or non-cash contributions (Authorised Capital 2023/II). The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in order to (i) exclude fractional amounts from the subscription rights; (ii) to the extent necessary, grant subscription rights to new shares to holders of conversion or option rights; (iii) increase the share capital against contributions in kind; or (iv) issue new shares against cash contributions to the extent of no more than 10% of the Bank's share capital at the time the authorisation becomes effective or at the time the authorisation is exercised, whichever amount is lower, if the issue price of the new shares is not significantly lower than the stock market price for shares of the same class at the time the issue price is determined. For the determination of the maximum limit of 10% of the share capital, the offsetting rules set out in the Articles of Association apply.

The proportional amount of the share capital attributable to those shares issued in exchange for cash or contributions in kind subject to exclusion of shareholders' subscription rights must not, in aggregate, exceed 10% of the share capital of the Bank existing at the time when the Annual General Meeting adopts the resolution. If shares are issued to members of the Board of Managing Directors, members of the management or employees of Commerzbank Aktiengesellschaft and its Group companies within the meaning of Art. 18 (1) of the German Stock Corporation Act, subject to the exclusion of shareholders' subscription rights, the Board of Managing Directors may make use of the authorisation only up to a maximum total amount of 3% of the share capital existing at the time when the Annual General Meeting adopts the resolution. For the determination of this 3% limit, the offsetting rules set out in the Articles of Association apply. For details of the authorised capital, particularly regarding terms and conditions of exercise, please refer to the detailed explanations in Note 31.

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

At the discretion of the Board of Managing Directors, the shares may be acquired on the stock exchange or by means of a public purchase offer addressed to all shareholders. The permissible consideration for the acquisition of the shares (excluding ancillary costs) is subject to certain limits specified in the authorisation for both acquisition options.

If, in the event of a public purchase offer, the volume of shares offered exceeds the intended repurchase volume, acceptance may be made in proportion to the respective shares offered. Provision may be made for preferential acceptance of small numbers of up to 50 shares of the Bank offered for purchase per shareholder (minimum allotment). The authorisation to acquire own shares may be exercised once or several times, in whole or in partial amounts, and in combination with the aforementioned acquisition options.

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

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

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

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

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

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

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

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

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

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

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

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

Compensation agreements in the event of a takeover offer

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

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

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

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

Legal basis and guidelines

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

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

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

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

Organisation

The written rules of procedure form a sound basis for good corporate governance that provides strategic direction for the Group as a whole while taking account of risk elements. These rules are defined as the transparent description, to be updated on an ongoing basis, of the organisational structure and processes of a company, including powers. The binding standard required by regulation for the organisational structure is set down in the policy on the written rules of procedure and the process framework.

These form the framework for descriptions and documentation of instructions, including processes. Documenting and updating the organisational structure are seen as part of the written rules of procedure and sets consistent and binding minimum requirements as a governance framework for all corporate units. The primary feature is the principle of clear allocation of responsibility – from the schedule of business responsibilities for the Board of Managing Directors and the global functional lead for the Group functions to administrative cost approval authorities at the lower management levels. The scope and structure of the governance framework follow both the legal and regulatory requirements and also the "Commerzbank corporate constitution" approved by the Board of Managing Directors. The governance framework translates the main guiding principles of the corporate constitution into practical rules and comprises the following elements:

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

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

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

The Supervisory Board is supported in its oversight of the financial reporting primarily by the Audit Committee set up for this purpose.

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

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

Controls to minimise risk

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

Monitoring by Group Audit

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

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

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

The financial reporting process

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

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

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

Measures to further enhance the ICS for financial reporting

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

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

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

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

Other

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

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

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

Declaration on corporate governance pursuant to Art. 289f HGB

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

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

Recommendations of the German Corporate Governance Code

Commerzbank declares every year whether the recommendations of the Government Commission on the German Corporate Governance Code have been and are being complied with or explains which individual recommendations are not being implemented and the reasons why. This annual declaration of compliance by the Board of Managing Directors and the Supervisory Board is published on the Commerzbank website at https://investor-relations.commerzbank.com/declaration-of-compliance. There is also an archive of all the declarations of compliance made since 2002. The declaration valid as of 31 December 2023 was made in November 2023.

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

Since the submission of the last Declaration of Compliance in December 2022, the recommendations of the "German Corporate Governance Code Commission" in the version of 28 April 2022 – published in the Bundesanzeiger (Federal Gazette) on 27 June 2022 – have been complied with, except for the following recommendations:

- According to Recommendation G.10 Sentence 2 of the Code the granted long-term variable remuneration components shall be accessible to a member of the Board of Managing Directors only after a period of four years. The remuneration system for members of the Board of Managing Directors, in force since 1 January 2023, deviates from the recommendation, as the member of the Board of Managing Directors can access to a part of the granted long-term variable remuneration (LTI) before the end of the four-year period. The remuneration system provides that beginning with the LTI for the financial year 2023, subject to the regular deferral period of five years, the LTI is payable in five tranches, each tranche equally split into a cash and a share-based payment. In addition, the share-based payment of the LTI is subject to a twelve-month retention period. Therefore, the member of the Board of Managing Directors receives 50% of the LTI already before the end of the four-year period. The details are illustrated in the remuneration system for the Board of Managing Directors, which is published on the homepage. The payment of the LTI in tranches is consistent with the bank-specific regulatory requirements set out in the Remuneration Ordinance for

Institutions (Institutsvergütungsverordnung). A further tightening of these bank-specific requirements is neither necessary nor appropriate. Concurrently, through this systematics a closer link is achieved between the payout of the LTIs and the success of the financial year, for which the LTI-components are paid. Thereby, the members of the Board of Managing Directors are more directly incentivised.

- However, the Recommendation G.10 Sentence 1 of the Code has been complied with since the introduction of the new remuneration system for the Board of Managing Directors as of 1 January 2023. From this point in time and in accordance with the recommendation, the variable remuneration to the member of the Board of Managing Directors is – taking into consideration the respective tax burden – predominantly invested in company shares or granted as share-based remuneration.

Suggestions of the German Corporate Governance Code

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

Code recommendations not applicable because of overriding statutory provisions

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

At Commerzbank this applies to recommendation D.4 of the Code, according to which the Supervisory Board should establish a Nomination Committee made up exclusively of shareholder representatives. According to the prevailing view, a general exclusion of employee representatives on the Supervisory Board from membership of a committee is only permissible if there is an objective reason for doing so. Such an objective reason could exist if a committee were to deal exclusively with matters relating only to the shareholder representatives on the Supervisory Board, for example if the sole task of the Nomination Committee were to prepare proposals for the election of shareholder representatives to be put to the Annual General Meeting. Under Art. 25d (11) of the German Banking Act (KWG), however, the nomination committee of a credit institution is also assigned other tasks, including tasks for which the involvement of employee representatives is customary and necessary. For example, the nomination committee is tasked with assisting the respective company's supervisory board in identifying candidates to fill management positions, and in the regular assessment of the management board and the supervisory board. The involvement of employee representatives in these tasks is established practice at Commerzbank. Nonetheless, in order to comply with recommendation D.4 of the Code as far as possible, the rules of procedure of the Presiding and Nomination Committee of the Supervisory Board stipulate that the election proposals to be put to the Annual General Meeting be prepared only by the shareholder representatives on the committee.

Company values and governance practices at Commerzbank

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

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

Based on its corporate values, Commerzbank has set out codes of conduct for acting with integrity, which provide all employees with a binding framework for lawful and ethically appropriate conduct in the day-to-day working environment. The codes of conduct are reviewed on a regular basis and revised if required; they were most recently revised in the 2023 financial year.

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

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

Board of Managing Directors

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

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

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

Supervisory Board

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

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

According to recommendation C.1 of the Code, the Supervisory Board should set concrete objectives and draw up a profile of skills and expertise for the board as a whole. In doing so, it should give consideration to diversity. The profile of skills of the Supervisory Board is also to include expertise with respect to the sustainability issues of importance to the Bank. Appointments proposed by the Supervisory Board to the Annual General Meeting should take these objectives into account while also seeking to fulfil the profile of skills and expertise for the board as a whole. The status of implementation is to be published in the form of a qualification matrix in the declaration on corporate governance. In addition, in accordance with recommendation C.2 of the Code, an age limit for members of the Supervisory Board should be specified and disclosed in the declaration on corporate governance. The length of Supervisory Board membership is also to be disclosed in accordance with recommendation C.3 of the Code.

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

The composition of the Supervisory Board should be such that, overall, its members have the necessary skills, expertise, experience and knowledge to be able to perform its duties properly. In particular, the Supervisory Board should have all the expertise and experience deemed essential for Commerzbank's activities. In addition, the legal requirements with regard to special expertise and professional experience of individual members of the Supervisory Board in specific areas must be met (for example, expertise in the areas of accounting and auditing, including sustainability reporting and auditing thereof, as well as in the areas of risk management and risk controlling), and at least one member of the Supervisory Board should have special expertise in Environmental, Social and Governance (ESG) issues. The members of the Supervisory Board must be able to challenge and monitor the decisions made by the Board of Managing Directors. The members of the Supervisory Board should also be able to devote sufficient time to the performance of their duties. Members should be reliable, and consideration should be given to their commitment, personality, professionalism, integrity and independence. The target is that the Supervisory Board should always have at least eight members elected by the Annual General Meeting who are independent as defined in recommendation C.6 of the Code, and not more than two former members of the Board of Managing Directors of Commerzbank. The length of service of the Supervisory Board members elected by the Annual General Meeting should generally not exceed a period of 12 years. The term of office of a member of the Supervisory Board should generally end at the end of the Annual General Meeting following the member's 72nd birthday.

The Supervisory Board has resolved a detailed profile of skills and expertise for its composition, which may be consulted on Commerzbank's website.

As can be seen from the following qualification matrix based on a self-assessment by members of the Supervisory Board, all objectives set by the Supervisory Board with regard to its composition, as well as its profile of skills, had been implemented as of 31 December 2023:

I = Basic knowledge[1] II = Good knowledge[2] III = Expert knowledge[3]	Classification ✓ = objective met ER = Employee representation SH = Shareholders	Prof. Dr. Jens Weidmann Chair SH	Sabine U. Dietrich SH	Burkhard Keese SH	Dr. Gertrude Tumpel-Gugerell SH	Frank Westhoff SH
Length of service						
Member since		2023	2015	2021	2012	2021
Personal suitability						
Regulatory requirements met		✓	✓	✓	✓	✓
Experience as a banking executive / member of executive board / management experience		✓	✓	✓	✓	✓
Independence		✓	✓	✓	✓	✓
No overboarding		✓	✓	✓	✓	✓
Number of other supervisory board mandates[4]		0	2	0	3	0
Soft skills (authenticity, loyalty, ability to work in a team, sense of responsibility, persuasiveness, communication, discussion, decision-making skills, commitment, ability to work under pressure)		✓	✓	✓	✓	✓
Diversity						
Gender		m	f	m	f	m
Nationality		D	D	D	A	D
International experience/expertise		✓	✓	✓	✓	✓
Year of birth		1968	1960	1966	1952	1961
Skills, experience and professional suitability						
Financial markets and banking		II	II	II	III	III
Business strategy and planning		III	III	III	III	III
Regulatory matters / legal framework		III	II	II	III	III
Risk management (incl. ICS and auditing) / controlling		II	III	III	III	III
Compliance (incl. money laundering / terrorist financing)		III	III	III	II	III
Accounting (incl. sustainability reporting and auditing thereof)		II	II	III	II	III
Audit of financial statements (incl. sustainability reporting and auditing thereof)		II	II	III	II	II
Digitalisation, technology and data security		II	III	II	I	II
ESG, esp. as part of a) sustainable corporate governance / sustainable banking b) corporate social responsibility (CSR) c) ESG risks		III	II	III	III	I
Assessing the effectiveness of a bank's regulations in terms of effective governance / supervision / control		III	II	III	III	III
Supervisory Board or committee chair						
Chair		SB, PNC, CCC	DigiTra	AC	ESG	RiskC
Specific knowledge within the committee or in relation to the Bank as a whole		✓	✓	✓	✓	✓
Experience in drawing up agendas and chairing and preparing meetings		✓	✓	✓	✓	✓

[1] Basic knowledge: sound basic knowledge in essential parts of the subject area, acquired through e.g. training or practical experience.
[2] Good knowledge: extensive knowledge in relation to the entire subject area or specialised knowledge in parts of the subject area, acquired through many years of practical experience.
[3] Expert knowledge: expert knowledge in the entire subject area, acquired through a role as a decision-maker.
[4] Number of board mandates as at 31 December 2023 to be taken into account for supervisory or regulatory purposes.

I = Basic knowledge[1] II = Good knowledge[2] III = Expert knowledge[3]	Classification ✓ = objective met ER = Employee representation SH = Shareholders	Harald Christ SH	Dr. Frank Czichowski SH	Dr. Jutta A. Dönges SH	Daniela Mattheus SH	Caroline Seifert SH
Length of service						
Member since		2023	2020	2020	2021	2021
Personal suitability						
Regulatory requirements met		✓	✓	✓	✓	✓
Experience as a banking executive / member of executive board / management experience		✓	✓	✓	✓	✓
Independence		✓	✓	✓	✓	✓
No overboarding		✓	✓	✓	✓	✓
Number of other supervisory board mandates[4]		1	1	1	3	0
Soft skills (authenticity, loyalty, ability to work in a team, sense of responsibility, persuasiveness, communication, discussion, decision-making skills, commitment, ability to work under pressure)		✓	✓	✓	✓	✓
Diversity						
Gender		m	m	f	f	f
Nationality		D	D	D	D	D
International experience/expertise		✓	✓	✓	✓	✓
Year of birth		1972	1960	1973	1972	1966
Skills, experience and professional suitability						
Financial markets and banking		II	III	III	II	II
Business strategy and planning		III	II	III	II	III
Regulatory matters / legal framework		II	II	III	II	I
Risk management (incl. ICS and auditing) / controlling		II	III	III	III	I
Compliance (incl. money laundering / terrorist financing)		II	II	III	II	II
Accounting (incl. sustainability reporting and auditing thereof)		II	III	III	III	I
Audit of financial statements (incl. sustainability reporting and auditing thereof)		II	II	III	III	I
Digitalisation, technology and data security		II	II	II	I	III
ESG, esp. as part of a) sustainable corporate governance / sustainable banking b) corporate social responsibility (CSR) c) ESG risks		II	III	II	III	II
Assessing the effectiveness of a bank's regulations in terms of effective governance / supervision / control		II	II	III	III	II
Supervisory Board or committee chair						
Chair						
Specific knowledge within the committee or in relation to the Bank as a whole						
Experience in drawing up agendas and chairing and preparing meetings						

[1] Basic knowledge: sound basic knowledge in essential parts of the subject area, acquired through e.g. training or practical experience.
[2] Good knowledge: extensive knowledge in relation to the entire subject area or specialised knowledge in parts of the subject area, acquired through many years of practical experience.
[3] Expert knowledge: expert knowledge in the entire subject area, acquired through a role as a decision-maker.
[4] Number of board mandates as at 31 December 2023 to be taken into account for supervisory or regulatory purposes.

I = Basic knowledge[1] II = Good knowledge[2] III = Expert knowledge[3]	Classification ✓ = objective met ER = Employee representation SH = Shareholders	Uwe Tschäge Deputy Chair ER	Heike Anscheit ER	Gunnar de Buhr ER	Kerstin Jerchel ER	Maxi Leuchters ER
Length of service						
Member since		2003	2017	2013	2018	2023
Personal suitability						
Regulatory requirements met		✓	✓	✓	✓	✓
Experience as a banking executive / member of executive board / management experience		✓	✓	✓	✓	✓
Independence		n.a.	n.a.	n.a.	n.a.	n.a.
No overboarding		✓	✓	✓	✓	✓
Number of other supervisory board mandates[4]		0	0	1	0	2
Soft skills (authenticity, loyalty, ability to work in a team, sense of responsibility, persuasiveness, communication, discussion, decision-making skills, commitment, ability to work under pressure)		✓	✓	✓	✓	✓
Diversity						
Gender		m	f	m	f	f
Nationality		D	D	D	D	D
International experience/expertise						✓
Year of birth		1967	1971	1967	1971	1994
Skills, experience and professional suitability						
Financial markets and banking		II	II	II	II	I
Business strategy and planning		III	II	II	II	II
Regulatory matters / legal framework		I	II	II	II	II
Risk management (incl. ICS and auditing) / controlling		I	I	II	I	II
Compliance (incl. money laundering / terrorist financing)		II	II	III	II	I
Accounting (incl. sustainability reporting and auditing thereof)		I	I	II	II	I
Audit of financial statements (incl. sustainability reporting and auditing thereof)		I	I	II	II	II
Digitalisation, technology and data security		II	III	III	II	I
ESG, esp. as part of a) sustainable corporate governance / sustainable banking b) corporate social responsibility (CSR) c) ESG risks		II	II	II	III	III
Assessing the effectiveness of a bank's regulations in terms of effective governance / supervision / control		III	II	II	III	II
Supervisory Board or committee chair						
Chair						
Specific knowledge within the committee or in relation to the Bank as a whole						
Experience in drawing up agendas and chairing and preparing meetings						

[1] Basic knowledge: sound basic knowledge in essential parts of the subject area, acquired through e.g. training or practical experience.
[2] Good knowledge: extensive knowledge in relation to the entire subject area or specialised knowledge in parts of the subject area, acquired through many years of practical experience.
[3] Expert knowledge: expert knowledge in the entire subject area, acquired through a role as a decision-maker.
[4] Number of board mandates as at 31 December 2023 to be taken into account for supervisory or regulatory purposes.

I = Basic knowledge[1] **II = Good knowledge[2]** **III = Expert knowledge[3]** **Classification ✓ = objective met** **ER = Employee representation** **SH = Shareholders**	**Nina Olderdissen** ER	**Sandra Persiehl** ER	**Michael Schramm** ER	**Sascha Uebel** ER	**Stefan Wittmann** ER
Length of service					
Member since	2023	2023	2023	2023	2018
Personal suitability					
Regulatory requirements met	✓	✓	✓	✓	✓
Experience as a banking executive / member of executive board / management experience	✓	✓	✓	✓	✓
Independence	n.a.	n.a.	n.a.	n.a.	n.a.
No overboarding	✓	✓	✓	✓	✓
Number of other supervisory board mandates[4]	0	0	0	0	0
Soft skills (authenticity, loyalty, ability to work in a team, sense of responsibility, persuasiveness, communication, discussion, decision-making skills, commitment, ability to work under pressure)	✓	✓	✓	✓	✓
Diversity					
Gender	f	f	m	m	m
Nationality	D	D	D	D	D
International experience/expertise			✓		
Year of birth	1976	1975	1974	1976	1968
Skills, experience and professional suitability					
Financial markets and banking	II	II	III	III	I
Business strategy and planning	II	II	II	II	II
Regulatory matters / legal framework	II	I	I	II	I
Risk management (incl. ICS and auditing) / controlling	I	I	II	II	I
Compliance (incl. money laundering / terrorist financing)	I	II	II	II	I
Accounting (incl. sustainability reporting and auditing thereof)	I	I	I	II	II
Audit of financial statements (incl. sustainability reporting and auditing thereof)	I	I	I	II	I
Digitalisation, technology and data security	I	III	II	II	I
ESG, esp. as part of a) sustainable corporate governance / sustainable banking b) corporate social responsibility (CSR) c) ESG risks	II	I	II	I	II
Assessing the effectiveness of a bank's regulations in terms of effective governance / supervision / control	I	III	I	II	II
Supervisory Board or committee chair					
Chair					
Specific knowledge within the committee or in relation to the Bank as a whole					
Experience in drawing up agendas and chairing and preparing meetings					

[1] Basic knowledge: sound basic knowledge in essential parts of the subject area, acquired through e.g. training or practical experience.
[2] Good knowledge: extensive knowledge in relation to the entire subject area or specialised knowledge in parts of the subject area, acquired through many years of practical experience.
[3] Expert knowledge: expert knowledge in the entire subject area, acquired through a role as a decision-maker.
[4] Number of board mandates as at 31 December 2023 to be taken into account for supervisory or regulatory purposes.

Burkhard Keese, Chairman of the Audit Committee, has particular expertise in the areas of both accounting and auditing. As Chief Financial Officer of Lloyd's of London and a former partner and auditor at KPMG AG Wirtschaftsprüfungsgesellschaft, he has extensive experience in the areas of finance and auditing, giving him special expertise in the areas of both accounting and auditing. Frank Westhoff, another member of the Audit Committee and a former Chief Risk Officer at DZ Bank AG, has special expertise in the field of accounting and can also leverage knowledge from the area of auditing. Other members of the Audit Committee are also highly proficient in the fields of accounting and auditing. This includes Dr. Frank Czichowski, who acquired this knowledge mainly through his previous role as Treasurer of the KfW Banking Group.

Under Art. 25d (12) KWG at least one member of the Compensation Control Committee must have sufficient expertise and professional experience in risk management and risk controlling, particularly with respect to mechanisms for gearing remuneration systems to the Bank's overall risk disposition and strategy and to its capital resources. Frank Westhoff, as a former Chief Risk Officer at DZ Bank AG and current Chairman of the Risk Committee of Commerzbank's Supervisory Board, meets these requirements.

In order to remain aligned with developments within Commerzbank in matters of sustainability and also to ensure that the growing requirements and responsibilities of the Supervisory Board in this area are properly met, the Supervisory Board has formed an Environmental, Social and Governance (ESG) Committee that deals in depth with these issues. In addition, Dr. Gertrude Tumpel-Gugerell, Maxi Leuchters and Dr. Frank Czichowski as well as other members of the Supervisory Board have special expertise in the field of ESG. During her many years working for central banks, Dr. Gertrude Tumpel-Gugerell has gained in-depth knowledge of social and governance issues at financial institutions. As Head of Department at Hans-Böckler-Stiftung and a member of the European Economic and Social Committee, Maxi Leuchters is keenly acquainted with current sustainable finance and corporate governance topics. Dr. Frank Czichowski has extensive expertise in the area of sustainable investments and the management of financial institutions. Furthermore, the Supervisory Board and especially the Risk Committee are increasingly dealing with cyber risks as part of their control and monitoring activities. Given the ongoing and in-depth discussion of this issue on the Risk Committee, the members of the committee in particular have special expertise in this area.

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

In accordance with recommendation C.1 of the Code, the declaration on corporate governance should also provide information on what, in the view of the shareholder representatives, is the appropriate number of independent shareholder representatives serving on the Supervisory Board and the names of these members. According to recommendation C.6 of the Code, a Supervisory Board member is considered as independent if he or she is independent of the Bank and its Board of Managing Directors and independent of any controlling shareholder. Recommendation C.7 of the Code stipulates that a Supervisory Board member is independent of the Bank and its Board of Managing Directors if he or she has no personal or business relationship with the Bank or its Board of Managing Directors that may lead to a significant, non-transient conflict of interest. When assessing the independence of their members according to recommendation C.7 of the Code, the shareholder representatives should in particular take into account whether the Supervisory Board member him- or herself or a close relative of the Supervisory Board member was a member of the Bank's Board of Managing Directors in the two years before his or her appointment. It should also be taken into account whether the Supervisory Board member currently has or had in the year leading up to his or her appointment a material business relationship with the Bank or one of its dependent companies, either directly or as a shareholder or in a responsible function of a non-Group company, is a close relative of a member of the Board of Managing Directors, or has been a member of the Supervisory Board for more than 12 years. With regard to a possible controlling shareholder, recommendation C.9 of the Code stipulates that a Supervisory Board member is considered independent of a controlling shareholder if he or she or a close relative is neither a controlling shareholder nor a member of the controlling shareholder's governing body, and does not have a personal or business relationship with the controlling shareholder that may give rise to a significant, non-transient conflict of interest. A shareholder is deemed to be a controlling shareholder if a control agreement has been concluded with him or her or he or she holds the majority of voting rights. Finally, in accordance with recommendation C.11 of the Code, the Supervisory Board should not include more than two former members of Commerzbank's Board of Managing Directors.

Based on the above criteria, all ten shareholder representatives can be classified as "independent" within the meaning of the German Corporate Governance Code, namely Prof. Dr. Jens Weidmann, Dr. Frank Czichowski, Sabine U. Dietrich, Dr. Jutta A. Dönges, Burkhard Keese, Daniela Mattheus, Caroline Seifert, Harald Christ, Dr. Gertrude Tumpel-Gugerell and Frank Westhoff. Dr. Jutta A. Dönges and Harald Christ were proposed for election to the Supervisory Board of Commerzbank at the suggestion of the Financial Market Stabilisation Fund, represented by the Federal Republic of Germany – Finanzagentur GmbH. The Financial Market Stabilisation Fund holds around 15.75% of the share capital of Commerzbank and is therefore already not a controlling shareholder within the meaning of the Code. Nor does the Federal Republic of Germany – Finance Agency have a material business relationship with Commerzbank. In addition, there is no former member of the Board of Managing Directors of Commerzbank on the Supervisory Board.

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

In the 2023 financial year, the Supervisory Board and its committees addressed the results of the review of the effectiveness of their work carried out in the 2022 financial year in accordance with recommendation D.12 of the Code, combined with the assessment to be carried out by the Board of Managing Directors and Supervisory Board pursuant to Art. 25d (11) nos. 3 and 4 KWG. Both the Supervisory Board and the individual committees drew up a catalogue of measures based on the results and implemented these measures; in the case of the Supervisory Board, these related to matters including qualification and ongoing training of Supervisory Board members, especially in the areas of ESG and digitalisation, and efficient communication between the Board of Managing Directors and the Supervisory Board. At the end of the 2023 financial year, the Supervisory Board, supported by an external advisor, reviewed the effectiveness of its work in the 2023 financial year, and together with this external advisor carried out the assessment required pursuant to Art. 25d (11) nos. 3 and 4 KWG. For this purpose, all members of the Supervisory Board and members of the Board of Managing Directors started off by completing questionnaires, which were subsequently analysed. In a second step, an interview was conducted on the basis of this analysis with each member of the Supervisory Board and member of the Board of Managing Directors. The responses from the questionnaires and interviews were analysed in detail, and the results then presented to the Supervisory Board at the beginning of the 2024 financial year and discussed in plenary session. On the basis of these discussions, catalogues of measures were drawn up both by the Supervisory Board and in the committees, and these are being worked through in a timely manner. The members of the Supervisory Board are of the overall opinion that the Supervisory Board and its committees work effectively and to a high standard.

In accordance with recommendation E.2 of the Code and Art. 3 (6) of the rules of procedure of the Supervisory Board, each member of the Supervisory Board must disclose any conflicts of interest. In order to prevent a potential conflict of interest with her role as CFO of Uniper SE, Dr. Jutta A. Dönges did not take part in any discussions or resolutions regarding loans from Commerzbank to Uniper SE.

In accordance with recommendation B.2 of the Code, the Supervisory Board works with the Board of Managing Directors to ensure long-term succession planning for the Board of Managing Directors. This also includes measures to ensure they can respond appropriately to any short-term staffing changes, such as resignations for personal reasons. The Presiding and Nomination Committee of Commerzbank's Supervisory Board is responsible for succession planning. It assists the Supervisory Board in selecting applicants for positions on the Board of Managing Directors. Therefore, it takes account of the balance and range of knowledge, skills and experience of all the board members and draws up a job description with an applicant profile. In drawing up the job description, it takes account of the skills profile and suitability matrix for the Board of Managing Directors as well as other targets for its composition, such as diversity. In accordance with Art. 25d (11) no. 5 KWG, the Presiding and Nomination Committee also reviews the principles of the Board of Managing Directors for the selection and appointment of persons at top management level. Together with the Chairman of the Board, it regularly discusses potentially suitable internal succession candidates for appointment to the Board of Managing Directors. In order to make succession planning even more structured and gear it to the longer term, the process is currently under further development with the support of an external consultant.

The system for the remuneration of Supervisory Board members adopted by the Annual General Meeting on 11 May 2022 and applicable since 1 January 2022 is contained in Commerzbank's Articles of Association and published together with the resolution on Commerzbank's website. The remuneration of the members of the Supervisory Board is also presented in detail in the remuneration report, which is published on Commerzbank's website.

Diversity

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

Diversity policy and information on the minimum proportions of women and men on the Supervisory Board Commerzbank's Supervisory Board consists of 20 members. As already mentioned in the description of the targets for the composition of the Supervisory Board on page 12, the Supervisory Board is supposed to always have at least eight members (shareholder representatives) elected by the Annual General Meeting who are independent as defined in recommendations C.6, C.7 and C.8 of the Code. In accordance with recommendation C.2 of the Code, the Supervisory Board has also defined an age limit for Supervisory Board members by setting a standard limit of 72 years of age on the relevant reference date, that being the end of the Annual General Meeting. The Supervisory Board aims to have a broad range of ages represented on the board. In addition, the Supervisory Board ensures a suitable range of educational and professional backgrounds among the members of the Supervisory Board, and that the Supervisory Board has at least one international member at all times. The Supervisory Board also considers appropriate female and male representation when proposing candidates to the Annual General Meeting for election. The Supervisory Board is committed to exceeding the statutory minimum requirement for female and male representation of at least 30% each. It must be borne in mind that the only way the Supervisory Board is able to influence its composition is by the candidates it proposes to the Annual General Meeting for election. The employee representatives on the Supervisory Board are also striving to exceed female and male representation of at least 30% each among employee representatives in future.

The Supervisory Board achieved all the stated goals in the 2023 financial year. As at 31 December 2023, the Supervisory Board of Commerzbank Aktiengesellschaft included an international representative in the person of Dr. Gertrude Tumpel-Gugerell and, with Dr. Tumpel-Gugerell and Burkhard Keese in particular, two representatives with special international experience and/or expertise. Dr. Gertrude Tumpel-Gugerell is an Austrian citizen and has extensive experience and knowledge of Europe's economy and financial institutions; for many years she was a member of the internationally staffed Executive Board of the European Central Bank. Burkhard Keese has worked at international financial services companies for many years, most notably at Lloyd's of London in the United Kingdom since 2019. A total of 12 members of the Supervisory Board boast international experience and/or expertise. The Supervisory Board is made up of ten women and ten men. The genders are also equally represented on the shareholder and employee sides, each side having five women and five men.

The members of Commerzbank's Supervisory Board were between 29 and 71 years old at the end of the reporting year; the average age was 53.6. The educational and professional backgrounds of the Supervisory Board members are varied: there are members of the Supervisory Board with banking training, lawyers, members with business degrees, and engineers. Many members of the Supervisory Board have significant banking experience.

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

The Board of Managing Directors currently consists of seven members: two women and five men. This means that the minimum proportions under Art. 76 (3a) of the German Stock Corporation Act (AktG) have been met and indeed exceeded, according to which a Board of Managing Directors consisting of more than three people must have at least one woman and at least one man among its members. The Supervisory Board will strive to continue to exceed the statutory minimum proportions in the future. The proportion of women on the Board of Managing Directors was 28.6% as at 31 December 2023.

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

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

As at 31 December 2023, the first management level below Commerzbank's Board of Managing Directors consisted of 41 managers, of whom 33 were male and 8 females. The percentage of women in the first level of management below the Board of Managing Directors was therefore 19.5%.

The second management level below the Board of Managing Directors consisted of 306 people, of whom 236 were male and 70 females. The percentage of women in the second level of management below the Board of Managing Directors was thus 22.9%.

Accounting

Accounting at Commerzbank gives a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with the respective accounting standards. Commerzbank's parent company financial statements and management report are prepared in accordance with the provisions of the German Commercial Code (HGB). The financial statements are prepared by the Board of Managing Directors and approved by the Supervisory Board. The financial statements are thereby adopted. The audit is performed by the auditor elected by the Annual General Meeting.

The management report also includes a detailed risk report, providing information on the Bank's responsible handling of the various types of risk. It may be found on pages 36 to 78 of this report.

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

Shareholder relations, transparency and communication

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

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

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

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

Commerzbank informs the public – and consequently shareholders as well – about the Bank's financial position and financial performance four times a year. Corporate news that may affect the share price is also published in the form of ad hoc releases. This ensures that all shareholders are treated equally. The Board of Managing Directors reports on the annual financial statements and the quarterly results, as well as on the Bank's future strategy, at press conferences and events for analysts and investors.

Commerzbank avails itself of the Internet for the purposes of reporting. Extensive information on Commerzbank and the Group as a whole is published at https://www.commerzbank.de. In addition to the rules of procedure of the Board of Managing Directors and the Supervisory Board, the Articles of Association of Commerzbank are also available online. The financial calendar for the current and the upcoming year is also published in the Annual Report and on the internet. It shows the dates of all the significant financial communications, notably the annual press conference and analyst conferences and the date of the Annual General Meeting.

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

Business and overall conditions

Economic environment

The global economy continued to lose momentum in 2023, but with strong regional divergences.

In China, the government's abrupt departure from its zero-Covid policy at the end of 2022 boosted the economy in the short term. After a noticeable recovery at the beginning of 2023, economic growth again slowed noticeably in the spring. The recovery was slowed down primarily by problems on the real estate market. But a loss of trust in the state's economic policy due to its Covid policy and the restrictions that it had imposed, especially on the technology sector, may also have played a role. However, with an estimated average annual growth of 5.2%, economic growth was still significantly higher than it had been in 2022.

In the USA, the economy performed better than expected, until recently. This was primarily due to the unusually expansionary financial policy, which prevented the US Federal Reserve's massive policy rate increases (by a total of 525 basis points) from having a full impact on the economy. Despite the shortage of skilled labour, the economy grew at 2.5% in 2023, which was stronger than the long-term average. The fact that the inflation rate fell significantly again over the course of the year, despite high wage increases, was mainly due to the correction in energy prices.

In contrast to the USA, economic growth came to a standstill in the eurozone over the course of the year. On average for the year, overall economic output only increased by 0.5%. The sustained increase in energy prices came on top of the ECB's massive increase in policy rates (by a total of 450 basis points) since mid-2022 and put a strain on private households and companies. Many companies were unable to pass on their energy-related higher production costs to their customers in full, and this resulted in a significant decline in the production of energy-intensive goods.

The German economy is estimated to have even contracted by 0.3% in 2023. The energy price shock hit Germany particularly hard and prevented its economy from recovering during the first half of the year. Noticeably increased financing costs and weak demand from abroad actually caused its economy to contract during the second half of the year. The lower level of economic activity is also reflected in its labour market. Employment growth has slowed noticeably, and the unemployment rate has again risen slightly.

Trends on the financial markets in 2023 were dominated by the continued tightening of fiscal policies. By the middle of the year, and against the background of high inflation, the US Federal Reserve raised the target range for the policy rate by a further 100 basis points to 5.25% – 5.50%. By September, the ECB even increased its deposit rate by 250 basis points to 4.0%. The bond market initially reacted with significantly rising yields. At their peak, ten-year US government bonds yielded 5% and corresponding German government bonds yielded nearly 3%. At the turn of the year, speculation about imminent cuts in policy rates caused yields to fall significantly again.

The stock market was surprisingly robust despite the increased yields. At the end of the year, many stock market indices were close to their historical highs again. The EUR to USD exchange rate was volatile, but moved mainly sideways.

Sector environment

The difficult economic situation – particularly with regard to international trouble spots, high inflation rates and energy costs – made 2023 a challenging year for the banking sector. Although government measures prevented an economic slump, the negative consequences for the economy and society are gradually beginning to show. The difficulties of US regional banks in the first half of 2023, which were triggered by high write-downs on fixed-income securities in their portfolios, have led to doubts in confidence in the global banking sector. That also applies to Europe, although regulation is tighter here than in the USA.

According to the Ifo Business Climate Index, business expectations deteriorated in Germany over the course of the year. Industry, trade and the construction sector were particularly affected. The current purchasing managers' indices for the services sector also suggest weak economic development for Germany and the rest of the eurozone. Despite recent noticeable declines, inflation continues to exceed the target set by the central banks. At the same time, the challenging general conditions are causing considerable uncertainty among companies and dampening their willingness to invest. Nevertheless, the financial markets have so far proven to be very robust. European banks have so far not been affected by major defaults.

According to the European Banking Authority (EBA), banks' profitability improved significantly during 2023 as a result of the rise in interest rates over the past year and a half. In the second quarter of 2023, the average return on equity reached double-digit percentages for the first time since the establishment of the European Banking Union. This was primarily due to higher net interest margins. According to the Deutsche Bundesbank's analysis, interest rates rose faster and more strongly in the lending business than in the deposit business, and this is why net interest income proved to be the main driver for the significant increase in operating income. European banks also continued to be resilient in terms of liquidity and refinancing. The average liquidity coverage ratios remain well above the minimum regulatory requirements.

In Germany, according to official insolvency statistics, defaults on loan servicing remained at a reasonable level for a long time – despite the energy crisis, the Russia-Ukraine war and sharply increased inflation. However, insolvency activity lags around one to two years behind economic developments. It is therefore not surprising that, according to Creditreform, the number of corporate insolvencies increased significantly (by 23.5%) across all size classes during the whole of 2023. Medium-sized and large companies recorded an above-average increase in insolvencies. The retail, catering, freight forwarding, construction and health sectors were particularly affected. Further payment defaults are to be expected against this background. There is also a risk of loan defaults on commercial real estate financing if borrowing rates remain at a high level over the long term. At the same time the number of business closures also increased. The number of companies discontinuing operations completely rose by around 10% in the first three quarters of 2023 compared with the corresponding prior-year period. In contrast, the number of consumer insolvencies remained almost unchanged in 2023. The resilient labour market had a stabilising effect. However, higher default rates cannot be ruled out for consumer loans in the coming months. In recent years, many borrowers' net debt has risen markedly in response to very favourable financing conditions. The resulting need for value adjustments will affect both retail and corporate banking business.

The long-lived boom in the local residential property market came to an abrupt end due to the sharp rise in mortgage interest rates. Many prospective buyers are unlikely to be able to afford initial financing at current prices, especially as the persistently high level of core inflation is continuing to put a strain on the budgets of many households. However, long fixed-interest periods on existing properties instead of variable-rate mortgage loans, as well as the preferrence of annuity loans instead of bullet mortgage loans, reduce risks. As a result, when fixed-interest periods expire, follow-up financing costs are at present generally not much higher than in the previous period. More extensive defaults on existing mortgages are therefore not to be expected in the foreseeable future. Any considerable fall in house prices is also rather improbable on a nationwide average. That is because the continuing shortage of affordable housing, the relatively low ownership rate compared with other countries, and the reallocation of assets against a backdrop of a high level of economic uncertainty and reduced monetary stability are supporting the residential real estate market. Nevertheless, new business in residential mortgage loans to private households dropped sharply over the course of 2023, and new business in consumer loans also fell. New business declined slightly for loans to non-financial companies and more significantly for loans to the self-employed.

Important staffing and business policy events

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

Over the course of the year under review, there were changes in the composition of both the Supervisory Board and the Board of Managing Directors. Commerzbank has achieved further success and progress with its sustainability strategy. At the end of March 2023, its CO_2 reduction calculations were reviewed and validated by the Science Based Targets initiative, one of the leading international standard setters, and the Bank has joined the Partnership for Carbon Accounting Financials (PCAF) as announced in September 2023. The 2023 stress test conducted by the European Banking Authority and the European Central Bank (ECB) showed that Commerzbank is well positioned even under simulated stress conditions.

In order to give its shareholders an appropriate share in its success, the Bank successfully completed its first share buyback programme in the year under review and launched another share buyback programme at the beginning of January 2024. At the start of the current year, Commerzbank decided to make two investments in connection with the “Strategy 2027” programme published in November 2023. In addition to announcing a joint venture with Global Payments Inc., a leading global provider of financial technologies and software solutions, it agreed – subject to the necessary regulatory approvals – to acquire a majority stake in Aquila Capital Investmentgesellschaft mbH, an asset manager, in order to accelerate its growth in the sustainability business. The Bank also adapted its compliance function to the regulatory environment in the 2023 financial year.

Commerzbank Annual General Meeting: new Supervisory Board members elected

At the virtual Annual General Meeting of Commerzbank on 31 May 2023, shareholders, as proposed, elected Harald Christ, Dr. Frank Czichowski, Sabine U. Dietrich, Dr. Jutta A. Dönges, Burkhard Keese, Daniela Mattheus, Caroline Seifert, Dr. Gertrude Tumpel-Gugerell, Prof. Dr. Jens Weidmann and Frank Westhoff to the Supervisory Board of the Bank by a large majority. The election of the employee representatives on the Supervisory Board had already taken place at the start of 2023. At its first meeting following the Annual General Meeting, the Supervisory Board elected Prof. Dr. Jens Weidmann as its Chairman. For full details of the Supervisory Board and the composition of the individual committees, please refer to the Commerzbank website.

Changes in the Board of Managing Directors of Commerzbank

At its meeting on 11 September 2023, the Supervisory Board of Commerzbank appointed Bernhard Spalt to the Board of Managing Directors of Commerzbank as Chief Risk Officer with effect from 1 January 2024. Bernhard Spalt succeeded Dr. Marcus Chromik, who left Commerzbank at the end of 2023 – as had already been announced in July 2022. As a former member of the Management Board of Erste Group and Erste Bank Austria, Bernhard Spalt has many years of experience in all areas of risk management. He was also Chief Executive Officer of Erste Group Bank AG from 2020 to 2022.

In mid-February 2024, Dr. Jörg Oliveri del Castillo-Schulz informed the Supervisory Board that he will not renew his contract with the Management Board, which will run until the end of September 2024. The Supervisory Board has started an orderly succession process.

Science Based Targets initiative (SBTi) validates Commerzbank’s CO_2 emissions reduction targets

In September 2020, Commerzbank became the first German bank to join the SBTi and has developed scientific targets to reduce the financed emissions attributable to the CO_2-intensive sectors in its portfolio. The initiative is a global body enabling businesses to set their emissions reduction targets in line with the latest climate science. It supports companies to reduce CO_2 emissions significantly by 2030 and consequently move to net-zero emissions by 2050.

Our CO_2 emissions reduction calculations were reviewed and validated by the Science Based Targets initiative, one of the leading standard-setting bodies, at the end of March 2023. Commerzbank is the first German bank with SBTi-validated CO_2 emissions reduction targets.

The SBTi targets are a core element of Commerzbank's sustainability strategy. The Bank has, among other things, defined specific CO_2 reduction targets for seven emissions-intensive sectors. These are: power generation, retail mortgage financing, commercial real estate financing, automotive manufacturing, aviation, cement, and iron and steel.

Commerzbank joins the Partnership for Carbon Accounting Financials (PCAF)

As announced in September 2023, Commerzbank has joined the Partnership for Carbon Accounting Financials (PCAF) – an initiative of more than 400 financial institutions worldwide. PCAF members are committed to reporting the CO2 emissions associated with loans and investments across the industry using a consistent methodology. These financed emissions are a crucial part of the carbon footprint of banks. The PCAF approach enables stakeholders to compare this carbon footprint of banks with each other. This makes reduction targets and progress more transparent. The PCAF complements Commerzbank's steering elements, through which it aims to steer its sector portfolios towards the Paris climate target.

In 2023 we also switch our method of calculating portfolio intensities to the internationally recognised PCAF standard. In the course of applying this standard, we additionally recalculated the starting point in the kick-off year 2021 and determined new target values for 2030. The targets remained as ambitious as before, or became slightly more ambitious, because another sector (cement) moved from a 1.8°C pathway to a 1.5°C pathway. We still await final confirmation of the adjusted targets from the SBTi.

Stress test by the European Banking Authority and the European Central Bank demonstrates Commerzbank's high level of resilience

Commerzbank once again demonstrated its resilience and significantly improved its performance, despite more demanding conditions, in the 2023 stress test conducted by the European Banking Authority and the European Central Bank, the results of which were published at the end of July 2023. In what is called the adverse stress test scenario, which simulates a severe economic crisis, the Common Equity Tier 1 ratio (CET1 ratio) stands at 9.5% as at the end of the observation period in 2025.

Given still more challenging assumptions, for example in terms of a massive and prolonged economic slump in Germany and sharply rising interest rates, Commerzbank's CET1 ratio decreased by 464 basis points over the stress period. In the previous test in 2021, the capital ratio had fallen by 502 basis points to 8.2%.

Commerzbank carries out share buyback programmes

In June 2023, Commerzbank completed the first share buyback programme in the amount of €122m, which had been approved by the ECB and the German Finance Agency at the end of April 2023. This share buyback programme supplemented the dividend of €0.20 per share that the Annual General Meeting had approved on 31 May 2023.

At the end of December 2023, Commerzbank received approval from the European Central Bank for a new share buyback programme with a volume of up to €600m. With that approval and the approval of the German Finance Agency, all of the approval requirements for a share buyback have been met. The Board of Managing Directors decided on this basis at the beginning of January 2024 to implement the share buyback. The repurchased shares of Commerzbank Aktiengesellschaft will be cancelled.

Commerzbank and Global Payments Inc. establish a joint venture

In mid-January 2024, Commerzbank and Global Payments Inc., a leading global provider of financial technologies and software solutions, announced a joint venture to offer digital payment products to small-business customers in Germany. The new company, Commerz Globalpay GmbH, is expected to launch on the market in the first half of 2024. Merchants will be offered a wide range of digital solutions that will work across different channels. This range of services from a single source will enable small-business customers to manage and expand their businesses more efficiently.

Commerz Globalpay GmbH will offer digital payment solutions. These will include Global Payments Inc.'s smartphone-based payment application that will enable merchants to accept mobile payments without a separate card reader, as well as modern card terminals and eCommerce/mobile payment solutions that will ensure a seamless, integrated customer experience. Business customers will also have access to cloud-based point-of-sale software, a customer loyalty programme and an analytics and customer engagement platform.

Commerzbank acquires majority stake in Aquila Capital Investmentgesellschaft mbH

With its acquisition of a majority stake in the asset manager Aquila Capital Investmentgesellschaft mbH announced in mid-January 2024, Commerzbank Aktiengesellschaft is accelerating its growth in the sustainability business. Its acquisition of 74.9% of the shares in this investment company, which specialises in essential real assets such as renewable energies and sustainable infrastructure projects, had been agreed with the Aquila Group. 25.1% of the shares remain with the previous parent company, the Aquila Group. Aquila Capital Investmentgesellschaft is intended to develop, under the umbrella of Commerzbank, into a leading asset manager for sustainable investment strategies. Together with Commerz Real and Aquila Capital Investmentgesellschaft mbH, Commerzbank will significantly advance the energy transition in Germany and Europe. The transaction is still subject to the required regulatory approvals but is expected to be completed during the second quarter of 2024.

Continuous adaptation of the compliance function to the regulatory environment

In the 2023 financial year, the compliance function once again took extensive measures to ensure the appropriate and effective management of compliance risks in Germany and abroad. A particular challenge was posed by the increasing frequency and complexity of new regulations and requirements, particularly those relating to sanctions.

To mitigate the risks, the compliance function draws on the governance structures implemented and proven throughout the Bank in recent years, the global compliance processes and controls and the existing system landscape.

The arrangements are regularly reviewed across the Bank’s businesses and are continuously adapted to the new regulatory requirements and changing market standards.

With regard to the German Corporate Due Diligence in Supply Chains Act (LkSG) that entered into force on 1 January 2023, the compliance function fulfils (acting as global functional lead) the role of the second line of defence, and thus defines Group-wide minimum standards for the Bank in order to identify and prevent breaches of certain human rights and certain environmental obligations at (in)direct suppliers and in the Bank’s own area of business.

To ensure compliance with the LkSG’s requirements, the Bank has set up a comprehensive compliance programme and is consistently expanding it. In 2023, the focus was on the implementation of a global LkSG programme.

Further information on compliance risks can be found on pages 71 f. in the risk report.

Financial performance, assets, liabilities and financial position

In the 2023 reporting period, the money and capital markets were influenced in particular by the Russia-Ukraine war, persistent economic uncertainties, inflation exceeding the central banks’ targets and expectations of possible interest rate cuts by the FED and the ECB in the current year. Commerzbank’s liquidity and solvency were assured at all times. Furthermore, the Bank’s liquidity management is always able to respond promptly to new market circumstances. Commerzbank’s liquidity situation as at the end of the reporting period was comfortable given its conservative and forward-looking funding strategy.

Income statement

The earnings performance of Commerzbank Aktiengesellschaft in the 2023 financial year was driven by solid customer business and by associated tailwinds resulting from the European Central Bank’s policy rate increases, as well as by the absence of the valuation charges in connection with pension obligations recognised in the previous year. Overall, Commerzbank Aktiengesellschaft posted net income of €1,200m for the 2023 financial year, after net income of €398m in the previous year.

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

Net interest income, the balance of interest income and interest expense, was €4,620m and thus €468m higher than in the previous year. The performance of interest-bearing business with private and small-business customers was determined by offsetting effects. While the turnaround in interest rates resulted in additional income from deposits, the loss of one-off income due to unscheduled repayments of retail mortgage financing in the previous year led to lower net interest income. Net interest income in business with corporate clients was also higher than the prior-year level. Here, the Mittelstand division showed a clearly positive earnings trend year on year. While income from lending business decreased, the Cash Management and Financial Markets divisions benefited from a marked rise in deposit income.

At €2,961m, net commission income was 1.7% lower than in the previous year. In business with private and small-business customers, transaction-related securities business in particular declined in the period under review because of the turnaround in interest rates and the lower market volatility compared with the prior year, which was reflected in a drop in commission income. In corporate client business, the decline in income from international and foreign currency business was largely offset by higher income from syndication transactions.

Net trading income came to €530m in the year under review, after €594m in the previous year. A decline in the mark-to-market result was offset by a significant improvement in net interest income from trading portfolios reported under net trading income.

The balance of other operating income and expenses for the reporting period was €677m, compared with €–2,378m in the previous year. This significant improvement in net income was attributable in particular to the absence of the losses on pension plan assets recognised in the previous year.

The cost of assuming subsidiaries' losses under profit and loss transfer agreements was €–26m in the year under review, after €–74m in the previous year. In contrast, income from profit pooling and from partial or full profit transfer agreements amounted to €175m, compared with €196m in the previous year. While income from the profit and loss transfer agreement with Commerz Real declined compared with the previous year, capital gains were recorded from the sale of equity holdings. This resulted in net income from profit and loss transfer agreements of €149m for the 2023 financial year, compared with €122m in the previous year.

General operating expenses totalled €5,369m in the year under review, only slightly above the previous year's figure of €5,310m. With regard to the 4.5% rise in personnel expenses to €3,267m, the effects of the reduction in the number of full-time employees only partially offset countervailing effects, including in particular a profitability-related increase in variable remuneration, expenses for the inflation adjustment premium and general pay adjustments. Other operating expenses were down 3.8% on the previous year at €2,101m. The lower figure resulted in particular from a fall in compulsory contributions because of a decreased European banking levy in connection with the decision taken by the Single Resolution Fund of the Banking Union to reduce the target volume for 2023 owing to slower-than-expected growth in European covered deposits. In addition, the utilisation of irrevocable payment obligations for the European banking levy had a corresponding effect.

Depreciation, amortisation and write-downs of intangible and fixed assets decreased slightly in the year under review, falling by €21m to €411m. This decrease was attributable in particular to lower scheduled amortisation on self-programmed software.

Write-downs and valuation allowances on loans and certain securities and allocations to provisions in lending business totalling €1,800m were recorded for the 2023 reporting year, compared with income of €860m in the previous year from write-ups on loans and certain securities and from the release of provisions in lending business.

Income from write-ups of equity holdings, holdings in affiliated companies and securities accounted for as fixed assets amounted to €22m for the reporting year, compared with €61m in the previous year resulting mainly from realised equity holdings.

Overall, Commerzbank Aktiengesellschaft reported a profit on ordinary activities of €1,625m in the 2023 financial year, compared with a profit of €799m in the previous year.

An extraordinary result of €–15m was recorded in the period under review. This related to restructuring expenses included in extraordinary expenses in connection with the "Strategy 2024" programme. In the previous year a figure of €–66m was recorded.

Tax expenses amounted to €410m for the year under review, compared with €335m in the previous year.

Commerzbank Aktiengesellschaft therefore made a net profit of €1,200m in 2023 after €398m in the previous year. Of the net profit in the year under review, an amount of €600m will be transferred to other retained earnings – after recognition of amounts offsetting each other in connection with the purchase of own shares and income from the capital reduction along with a corresponding allocation to the capital reserve. Subject to the approval of the decision-making bodies, the remaining net profit for the year will be used to pay a dividend of €0.35 per share eligible for dividends and to further strengthen retained earnings. In addition, in January 2024 Commerzbank launched a share buyback programme worth up to €600m in accordance with its capital return policy – following approval from the ECB and the German Finance Agency.

Balance sheet

Commerzbank Aktiengesellschaft had total assets of €480.6bn as at 31 December 2023, up 8.7% or €38.4bn compared with the end of 2022.

Within assets, the cash reserve rose by €10.2bn to €26.7bn. The strong growth on the 2022 year-end balance was attributable to an increase in deposits held with central banks due to inflows of liquidity.

Claims on banks rose significantly compared with the previous year, by €12.9bn to €99.1bn. While secured money market transactions increased by €9.0bn, other receivables – particularly from money market transactions – rose by a total of €3.3bn to €61.9bn.

Claims on customers grew by €8.8bn to €253.2bn. This was attributable principally to a significant €8.3bn increase in secured money market transactions to €20.2bn and growth of €3.9bn in retail property and mortgage loans to €79.5bn. Municipal lending increased by €1.2bn to €17.2bn.

Bonds and other fixed-income securities rose by €6.7bn to €63.0bn. This rise resulted both from larger holdings of bonds and notes in the investment portfolio, which were up by €3.0bn to €27.9bn, and from increased holdings of bonds and notes in the liquidity portfolio, which went up by €4.6bn to €24.9bn. Meanwhile, own bonds decreased by €1.0bn.

Trading assets recorded a volume of €18.2bn, compared with €18.4bn in the previous year. While holdings of derivative financial instruments fell by a slight €0.8bn to €12.0bn, shares and other non-fixed-income securities went up by €1.4bn to €2.7bn.

Holdings in affiliated companies increased by just €0.1bn compared with the end of 2022 to €4.5bn.

On the liabilities side, liabilities to banks increased by 3.1% to €57.3bn. While sight deposits increased by €0.8bn and secured money market transactions were up by €4.8bn, other bank liabilities decreased by €3.9bn to €32.3bn.

Liabilities to customers stood at €308.5bn, up €32.4bn compared with the end of the previous year. The increase was attributable to both a rise in sight and term deposits, which grew significantly by a total of €18.4bn, and to secured money market transactions, which were up by €7.7bn.

Securitised liabilities were €48.4bn, €1.7bn higher than at the end of the previous year. Issues of debt securities increased by €0.9bn, while other securitised liabilities rose by €0.8bn.

Trading liabilities rose by €0.4bn year on year to €10.8bn. This slight increase was the result of a small €0.5bn rise in securitisations.

Other liabilities increased by €3.3bn to €21.0bn compared with the end of 2022. Provisions decreased by €1.2bn year on year to €5.1bn. This decrease was attributable chiefly to lower pension and tax provisions.

Subordinated liabilities totalled €6.7bn and were thus €0.5bn lower than at the end of the previous year.

Off-balance-sheet liabilities showed only a minor change overall compared with the previous year. Contingent liabilities fell by €1.3bn year on year to €43.8bn, while irrevocable lending commitments decreased by €0.8bn to €76.5bn. Further information regarding contingent liabilities and lending commitments can be found in Note 35.

Equity

Commerzbank Aktiengesellschaft's reported equity as at 31 December 2023 was €16.3bn, up €0.8bn compared with the end of 2022. The increase was mainly attributable to reported distributable profit for the year and to other retained earnings. Both the capital reserve and subscribed capital remained almost unchanged compared with the level at year-end 2022.

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

These risk-weighted assets stood at €175.1bn as at 31 December 2023 and were thus €6.4bn higher than at year-end 2022. This change was primarily attributable to an increase in risk-weighted assets from credit risks. The higher credit risk was mainly attributable to increases from the anticipation of effects from model adjustments, including under the "IRB Repair" programme set up by the banking supervisory authority, and from a higher volume of utilisations, commitments and securities repurchase transactions. Three new securitisation transactions in the first, third and fourth quarters of 2023 had a countervailing effect to an extent. Higher risk-weighted assets from market risk resulted mainly from increased currency risks from tighter regulation in the context of correlated currencies and from position changes. The inclusion of the increased income in 2023 as part of the annual update of the three-year time series (standardised approach) resulted in an increase in risk-weighted assets from operational risks.

As at the reporting date, Common Equity Tier 1 capital was €25.7bn, compared with €23.9bn as at 31 December 2022. The positive effects on Common Equity Tier 1 capital resulted primarily from the net profit for 2023, taking the accruals for dividends, share buybacks and AT1 interest into account. A further increase in CET1 is due to lower regulatory deductions and/or adjustments and an improvement in Other comprehensive income. The Common Equity Tier 1 ratio was 14.7%, compared with 14.1% in the previous year. The Tier 1 ratio was 16.5% as at the reporting date, compared with 16.0% as at the end of 2022.

Tier 2 capital increased by €0.1bn to €4.9bn compared with 31 December 2022. New issues increased Tier 2 capital by €0.9bn, while amortisation, maturity and currency effects as well as the termination of a bond reduced Tier 2 capital by €0.9bn. The total capital ratio (with transitional provisions) was 19.3% as at the reporting date, compared with 18.9% as at the end of 2022. Own funds increased by €1.9bn year on year to €33.9bn as at 31 December 2023.

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

Summary of 2023 business position

The 2023 financial year was overshadowed by wars, political turbulence and economic uncertainty. Commerzbank had a very successful financial year despite this challenging environment. We have now completed what is probably the most comprehensive restructuring in the Bank's history, including a gross reduction of almost 10,000 full-time positions and deep cuts in our branch network. This means we have achieved the core goals outlined in the "Strategy 2024" programme. At the same time, last year saw us establish our new business model on the market.

As the Bank is managed via its segments, the information that follows is geared towards the performance of the Group. For more information on corporate management and the key figures and data used to manage the Group, please see the Group Annual Report 2023, which is published on the Commerzbank website.

In the Private and Small-Business Customers segment, the focus in the 2023 financial year was on implementing the central initiatives under the "Strategy 2024" programme –in particular the expansion of the online banking and mobile banking channels, the digitalisation of processes and procedures, and the development of the "advisory centre" distribution channel. Accessibility has been significantly improved.

Skilled advisors are available to customers by telephone, e-mail or video, including in the evenings and at weekends, via the advisory centre to discuss all financial matters such as accounts, cards, securities investments and real estate financing. On the income side, supported by the turnaround in interest rates we were again able to achieve tangible growth in the Private and Small-Business Customers segment in the past financial year. This was reflected in a significant increase in net interest income. As expected, net commission income failed to match the previous year's level. In Germany, transaction-related securities business in particular declined in the period under review because of the turnaround in interest rates and lower market volatility compared with the previous year. Overall, the Private and Small-Business Customers segment slightly increased its operating income compared with the previous year, in line with our expectations. In addition, mBank was able to more than offset the high charges from the provisions for foreign currency loans. Against the backdrop of the difficult macroeconomic environment, the risk result increased significantly compared with the previous year. This was also in line with our expectations. Contrary to our expectations, costs in Germany rose slightly and this, together with an increase in costs at mBank, led to an overall rise in operating expenses for the segment. We were able to keep operating expenses at the prior-year level due to a significant decline in compulsory contributions, and this, combined with the higher operating income recorded, led to an improvement in the cost income ratio. Overall, the segment's operating profit increased as expected, while the operating return on equity also showed a year-on-year improvement, as anticipated.

The Corporate Clients segment focused on implementing strategy measures in the 2023 reporting year. Investments in the corporate customer business focused on establishing the business model with differentiated and efficient relationship management, further developing the technical infrastructure and other digitalisation projects. They also focused on implementing regulatory requirements in the areas of payment transactions and capital markets. All of the operational customer areas performed well during the 2023 financial year. The Mittelstand division recorded significantly positive income growth compared with the prior-year period. While income from lending business decreased, the Cash Management and Financial Markets divisions benefited from a marked rise in deposit income. The International Corporates division recorded in particular higher income from deposit business and lower income from foreign currency business. The Institutionals division posted significant income growth from both deposit and bond issue business.

On the other hand, the income reported in the Others division, which was primarily attributable to hedging and remeasurement effects, contracted significantly. Overall, the segment recorded a pleasing increase in income compared with the previous year, which we could not necessarily have expected in our forecast at the beginning of the year. As expected, the risk result was significantly below the prior-year figure. As expected, operating expenses fell year on year thanks to successful cost management. On balance, the increase in income in particular led to a doubling of the operating profit. Accordingly, the cost income ratio improved markedly, as expected. Contrary to our expectations, the operating return on equity increased significantly compared with the previous year.

Overall, Commerzbank Aktiengesellschaft recorded significantly higher net income for the year under review than in the previous year, as expected, posting a figure of €1,200m.

Outlook and opportunities report

Future economic situation

The long-term consequences of years of expansionary monetary and financial policy will continue to shape the economy and capital markets in 2024. The interest rate rises that were implemented in quick succession are likely to be reversed sooner or later. After years of zero and negative interest rates, Western countries are now facing a completely different interest rate environment. Many business models will run into difficulties because the profitability threshold has risen permanently. Companies have to compete for capital and cope with higher interest charges once again. Adapting to the new interest rate environment will take much longer than if the interest rate increases had been spread out over a longer period of time. As a result, the economic weakness is likely to persist for an unusually long time. The Western economies are unlikely to recover rapidly.

The Chinese economy is also likely to suffer in 2024 from delayed consequences, in particular from excesses in its inflated real estate sector – but not from higher policy rates. These delayed consequences are likely to have a negative impact – and dampen economic growth – for a long time. The loss of trust in the state's economic policy due to its Covid policy and its crackdown on the tech sector in particular also suggests little growth. Added to this are the effects of the political tensions between China and the USA, which are limiting trade in technology products in particular. All in all, we only expect economic growth of 4.0% for the coming year.

In the US, the dampening effect of the past massive rate hikes is likely to become visible. We expect a growth slowdown in the summer half of 2024. However, the US economy is likely to be spared a recession, so that it will grow as strongly as in 2023 on average in 2024.

While the eurozone's recession is likely to end in the spring, the upswing that usually follows a recession will probably be delayed. Although wage growth should soon exceed inflation, it will probably take longer for consumers to respond to their renewed purchasing power. This is because high inflation has caused consumers' purchasing power to slump so badly (consumer prices having risen by 18% since the end of 2020) that they have significantly lowered their long-term income expectations. We expect the economy to largely stagnate during the whole of 2024.

Germany is even more likely to undergo an unusually long period of economic weakness, as it will have to cope with other problems in addition to the new interest rate environment. Energy prices will remain much higher than before the energy crisis, and deglobalisation will require a change for many companies – especially those dependent on exporting.

The overall picture for inflation has recently improved in the USA and Europe, and this will give the central banks leeway to lower interest rates. The US Federal Reserve is expected to cut key interest rates by a total of 75 basis points in 2024. The ECB, too, is likely to cut interest rates by a total of 75 basis points by the end of 2024. However, high wage pressures in the eurozone are likely to keep inflation at 3% rather than 2% in the medium term.

A market environment that is characterised by weak growth, falling inflation and cuts in policy rates generally suggests falling returns. However, the markets have already anticipated a lot of this, and this will limit the downside potential – especially in the eurozone. We expect the yields on ten-year government bonds to be 3.6% in the USA and 2.0% in Germany at the end of 2024.

The euro should initially benefit from the likelihood that the ECB will cut interest rates less aggressively than the market is pricing in. However, it is likely to lose ground again in the second half of the year if the USA comes out of recession and achieves its long-term growth prospects – which are better than those of the eurozone.

After its strong price gains in 2023, the DAX is initially likely to take a rest during the first half of the current year. The mild recessions that are expected first in the eurozone and later in the USA will make it hard for companies to meet analysts' optimistic expectations for corporate profit growth. In the second half of the year, however, the policy rates in the eurozone and the USA are likely to fall, and this should boost the stock markets.

Exchange rates	31.12.2023	31.12.2024[1]
Euro/US-dollar	1.11	1.10
Euro/Sterling	0.87	0.88
Euro/Zloty	4.34	4.50

[1] The figures for 2024 are Commerzbank forecasts.

Future situation in the banking sector

Our views regarding the expected development of the banking sector structurally and over the short and medium term are basically unchanged from the statements we published in the half-year report for 2023 and the Annual Report 2022. The banking sector will face new challenges in 2024, particularly from the slowing and diverging global economy.

The ECB's latest financial stability review (from November 2023) also points to the risks resulting from the environment of rapidly rising interest rates and a weak economy in the eurozone. Business with corporate and small-business customers will come under particular pressure. However, these challenges will also present opportunities and competitive advantages for banks that are strategically well-positioned and flexible in responding to changing conditions.

According to the Deutsche Bundesbank's financial stability report from November 2023, the German financial system has so far weathered the sharp rise in interest rates over the past year and a half without any major problems. It currently has a high level of solvency in terms of the ratio of Common Equity Tier 1 capital to risk-weighted assets. The current good earnings situation is enabling financial institutions to further strengthen their resilience to economic difficulties. They should therefore be adequately equipped to deal with crises. For the German banking sector, these mainly relate to a worsening of the energy crisis or the government budget crisis, which could have a negative impact on GDP. As a result of decarbonisation, the German corporate sector is already subject to pressure to adapt structurally, and this has been exacerbated even further by the uncertain geopolitical situation.

Interest margins improved significantly last year, after persistently low interest rates had long been considered one of the key challenges. In response to the rapid pace of inflation, central banks around the world tightened their monetary policy. A marked increase in credit interest rates, including in Germany, is enabling banks to improve their interest margins significantly and is thus also boosting the income trend across the entire financial sector. It should be noted in this regard that the longer the current interest rate environment persists, the more likely it is that interest rates on bank deposits will gradually adjust, and that net interest income will consequently reduce.

At the same time, demand for credit is being dampened by the braking effect of rising interest rates, limiting the banks' ability to strengthen their earnings on the interest side.

The central banks' interest rate turnaround brought an end to years of price increases in the German residential real estate market. The sharp rise in interest rates has led to a significant decline in new mortgage business in Germany and many other countries in the eurozone. This is likely to lead to falling income from the lending business in the medium term, even though the margins on deposits have improved as a result of the general rise in interest rates. The longer term outlook for the residential real estate markets remains uncertain, because the factors influencing supply and demand are somewhat contradictory.

Against the backdrop of the higher cost of debt and increases in the cost of living, it cannot be ruled out that the number of insolvencies may rise in the coming months. The net debt of many borrowers has risen sharply in recent years due to very favourable financing conditions in the past. A resulting need for value adjustments will affect both corporate and retail banking business. The debt sustainability of private households in Germany has so far proven to be robust, thanks to the persistently good labour market situation and – in some cases – strong nominal wage growth. However, a growing number of loan defaults in the area of consumer loans would be likely in the event of a downturn in the real economy and significantly increasing unemployment. Residential property loans, on the other hand, are far more significant. With these, long fixed-interest periods currently protect against rising interest rates. Mortgage loans from the low-interest phase are generally not due for refinancing until 2028. The commercial real estate markets are far more vulnerable to the negative consequences of the general rise in interest rates. Both prices and transaction volumes have fallen noticeably there. The profits of commercial real estate companies have fallen significantly due to falling real estate prices and the resulting balance sheet valuation losses.

As in the dominant interest-bearing business, the growth prospects in banks' trading businesses are currently positive. However, many institutions have partially or even completely withdrawn from direct trading in the past. The banking sector can benefit at least indirectly because rising market volatility, together with increasing trading volumes, is leading to higher commission income in securities transactions.

The number of private shareholders in Germany should also continue to increase over the next few years despite the improvement in investment alternatives in the bond segment. The planned pension reform, which will increase personal responsibility for retirement provision, is also likely to boost demand for financial products in the medium term. The growing number of shareholders and the increased use of digital and mobile products will increase the demand for individual financial advice among bank customers who are less comfortable with technology and are unsettled by the economic turbulence. Given the existing demand for advice on complex banking transactions such as retail mortgage financing, branch business will remain part of the basic banking service, albeit in a significantly pared back form, and will offer universal banks competitive advantages over pure online banks and fintech companies.

The Basel III reforms take priority in terms of regulation. At the end of 2023, the European Banking Authority (EBA) published its roadmap for implementing the final Basel III reforms in the EU. A final agreement on finalisation of the Basel III framework, which includes a standardised lower limit (output floor) for risk-weighted assets, is still pending. The international regulatory framework is to be further developed to ensure the stability of the global banking system. The focus is on risks arising from the growing importance of non-banks and on targeted adjustments to liquidity regulation. The banking turmoil in the USA has revealed deficiencies in the capital backing of interest rate risks, particularly at regional institutions. Interest rate risks could therefore be included in the minimum requirements in the future.

Supervisors are currently paying attention to the internal models used in banks. To this end, the European Central Bank conducted a public consultation on its guide to internal models in 2023. This describes, among other things, how banks can incorporate key climate and environmental risks into their models. All in all, it should be noted that a constant expansion of regulatory requirements may well have a counterproductive effect in view of the financing efforts that banks need to make in connection with the digital and above all sustainable transformation of the economy.

To enhance the resilience of the German financial system, the German Federal Financial Supervisory Authority issued general rulings in 2022 to activate the countercyclical capital buffer of 0.75% and introduce a sectoral systemic risk buffer of 2% for residential real estate financing. Both buffers had to be maintained from February 2023 and tied up a total of €23.9bn in Common Equity Tier 1 capital at the end of the first half of 2023. For the time being, the macroprudential buffers are to be retained in full in view of the continuing vulnerabilities – even if the economic outlook deteriorates to some extent.

In addition, the German supervisory authority is calling for its legal spectrum to be expanded to include instruments in the area of residential real estate financing. Until recently, there was a lack of data on lending standards in private residential real estate financing that was sufficiently harmonised to meet the macroprudential requirements. The newly introduced data collection on real estate financing (WIFSta) provided this information for the first quarter of 2023, for the first time. Its current assessment of the risk situation does not suggest the use of borrower-based instruments at this time.

In view of the limited earnings potential and ongoing competitive pressure, cost control remains the primary focus both for German banks and for their European competitors. As a result, the digitalisation of business processes in particular is likely to proceed at a rapid pace. At the same time, despite the pressure to innovate and reduce costs, many traditional banks are faced with the central challenge of ensuring the quality and stability of their IT systems, protecting themselves against frequent cyber attacks and maintaining the integrity of their data. The risks of operational disruptions caused by cyber attacks have increased massively in view of the geopolitical environment. Managing such operational risks plays an important role in an institution's resilience. At the beginning of 2024, the ECB began testing the resilience of more than a hundred banks against cyber attacks through the use of a cyber resilience stress test.

The next major innovative step in the evolution of the internet is the now rapidly advancing application of generative artificial intelligence (AI). AI has the potential to process huge amounts of data from a wide variety of sources at unprecedented speed, thus becoming the driver of the global economy. The European Commission has published a draft law on artificial intelligence, the Artificial Intelligence Act (AIA), as part of its digital strategy. The draft contains concrete proposals for regulating the use of AI. Against the background of this technological transformation, the German banking market may be on the brink of an upheaval that will provide great opportunities to innovative market participants.

In the long term, the banking sector will be shaped by the further development of the European monetary union into an integrated financial market union. The aim of the European Commission's digital finance strategy is to establish a financial market that applies uniform EU-wide rules and thus ensures technology neutrality and sustainability as well as identical framework conditions for all providers. Many banking markets in Europe are still dominated by national legislation, with at times significant divergence in terms of regulations and customer requirements. There is also overcapacity almost everywhere, which reduces profitability.

However, the European banking union that we are aiming for remains unfinished for the time being. In particular, the lack of an acceptable EU-wide deposit guarantee scheme (EDIS) prevents further market integration. The EDIS is the third core element in the European banking union, alongside the already introduced Single Supervisory Mechanism (SSM) and the existing Single Resolution Mechanism (SRM).

Another intended step towards greater harmonisation across Europe is the creation of a common payment system (EPI) that is set to become the new standard for payments by consumers and merchants. The EPI could provide European banks with greater lending volumes, as it would give them an entry into the business of payment card companies based outside the EU. The planned introduction of a digital euro should also create greater uniformity in Europe. With this, the ECB wants to make it possible for private individuals in the European Economic Area to maintain accounts not only with commercial banks, but also directly with them. Central bank money would then be available, in addition to cash, as a credit balance at the ECB. If implemented, care would have to be taken to ensure that the role of the banks as intermediaries between savers and borrowers was not put at risk.

In addition to the way in which we will use money in the future, and the role of central bank money in this, banking regulation is focusing increasingly on the management of ESG (environmental, social and governance) risks. Therefore, the EBA intends to embed climate and environmental risks more firmly in banks' risk management processes. In 2023, the EU launched a "Fit-for-55" climate stress test for banks as part of its strategy to finance the transition to a sustainable economy. This test is part of the EBA's ESG roadmap, which aims to reduce net greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. Climate risks will also be a focus in future ECB stress tests. The financing of climate-friendly projects will also be promoted, which will offer favourable business opportunities to appropriately positioned credit institutions.

Overall, these challenging conditions continue to demand a high degree of flexibility and innovation from the banking sector.

Managing opportunities at Commerzbank

The demands placed on modern, sustainable banking business and the overall framework conditions have changed markedly in the past few years. Whereas personal customer relationship management was formerly a key element, these days customers expect multi-channel advisory services, digital financial offerings and individual, tailor-made products that are available at any time. We have responded to this by continuously adapting our strategic direction over the past few years and will continue to do so with our "Strategy 2027" programme. In doing so, we want to become more efficient and create sustainable prospects for our workforce, customers and shareholders. For more information on our "Strategy 2027" programme, please see the Group Annual Report 2023, which is published on the Commerzbank website.

We will continue to automate our business processes consistently and across the board. Within the lending process for private customers, this includes, for example, standardised products such as instalment loans or increases in credit card limits. With our Bank-wide "Simply simpler" programme, we aim to sustainably reduce complexity in all areas of banking. For this, we employ a structured, methodical and consistent approach. Topics are identified and implemented both top-down and bottom-up in close consultation with the divisions.

We are taking advantage of the high growth potential in the German premium market to restructure our service model for high-net-worth private and small-business customers. In the future, both generalists and specialists covering a diverse range of customer requirements will be represented in premium branches at a number of locations. By working closely with each other and with colleagues in the Corporate Clients segment, they will help the Bank ensure seamless customer service in both the private and the business sphere. We also intend to further enhance our strong positioning in serving German SMEs. As the leading trade finance bank in Germany, we are ensuring our presence along the changing trade corridors and are working on continuously simplifying our trading platform. In the Corporate Clients segment, we are focusing our international business on clients with a business relationship to Germany, Austria and/or Switzerland and companies in selected future-oriented industries. We have gradually introduced an innovative direct banking offering – Mittelstandsbank Direkt – for corporate clients that require standardised products and advisory services. Corporate customers with complex advisory requirements will continue to benefit from personalised relationship management. Advice is being combined with innovative services such as the digital bank for companies and forward-looking, sustainable products. Data-based solutions and sales analytics support sales and enable efficient relationship management. We were the first German universal bank to receive a crypto custody licence from BaFin, the German financial regulator. This licence will enable us to offer a wide range of services related to digital assets (currently Bitcoin and Ethereum). For the time being, these services are to be made available only to existing institutional customers.

We will make the Bank much more digital across all segments. This transformation affects our strategy, technology, skills and culture, while also taking into account the particular risk of cyber attacks. We protect our customers and business lines from the negative effects of cyber attacks.

Digitalisation generally means becoming simpler, faster and less complex. This is not only what our customers expect but is also helping us to become more profitable. We are working hand in hand with the delivery organisation, Big Data & Advanced

Analytics, the Private and Small-Business Customers segment and our own front office to develop innovative solutions and processes – both for our customers and internally for our sales and settlement units. Customer trust built up over years facilitates the use of smart data and is thus a competitive advantage in the digital age. When introducing new applications, the focus is on the customer perspective. For some time now, we have been supported in this by our subsidiaries CommerzVentures (a venture capital fund for participation in fintechs, insurtechs and climate fintechs) and neosfer. As a research and development unit for future technologies, neosfer enables innovations and early-stage investments by Commerzbank. This is done by investing in early-stage start-ups (neosfer.invest), developing business models or ventures internally (neosfer.build), and building ecosystems around the sustainable and digital future of our society (neosfer.connect).

The new digital business models, with their ever-shorter innovation cycles and the need for faster product delivery, require the use of forward-looking technologies such as the cloud and artificial intelligence. A cloud-first strategy with corresponding migration of the IT systems also offers the advantage of driving forward the modernisation of the existing core systems. The pace of software and hardware development has increased to such an extent that new systems must be designed from the outset as easily scalable and expandable components. Large language models (LLMs) are now being used in customer service to improve efficiency. Robotic process automation and intelligent process automation offer the possibility of relieving employees of repetitive routine tasks and counteracting the shortage of skilled workers, which will continue to worsen in the future. The pandemic has already massively accelerated the trend towards digital banking services. The trends in customer behaviour that were pushed forward during the crisis – more online banking, new payment habits, and robo-advisors in customer contact – are set to continue. Bank customers expect tailor-made services and products that are fast, easy and available at any time. This is where we will create an enhanced customer experience. This calls for highly automated IT processes and comprehensive data analytics methods that permit rapid adjustments in response to changing market conditions. That is promoting the increasing de-branching of retail banking.

Commerzbank is driving its cultural change to strengthen a performance culture geared to success. We want to strengthen entrepreneurial thinking, as befits the start-up mentality, including among our own employees, We have also introduced a new collaboration model to reduce complexity and create clear responsibilities.

By applying modern forms of collaboration and agile methods, we develop innovative products. We will use the delivery organisation to modernise the IT architecture while maintaining operational stability, to expand capabilities and capacities, and to develop new professional functionalities for our customers. In this context, we will introduce a new delivery model for IT services and build a platform that will massively accelerate Bank-wide IT modernisation as well as technology-based corporate innovations.

Our transformation is opening up growth opportunities in future markets including digital ecosystems, embedded finance, digital assets and sustainability. In this context, we are guided by the environmental, social and governance (ESG) criteria. Given the clear evidence of the impact of climate change, we are currently focusing more heavily on climate protection. At the heart of our sustainability strategy is our commitment to be net zero by 2050 at the latest.

As we emerge from the tough restructuring of the past few years, supported by our new, sustainable and forward-looking business model, we have earned and created the opportunity to go back on the offensive. The updated strategy programme presented last autumn sets out how we intend to do this from now until 2027. Growth – Excellence – Responsibility: these are our strategic pillars for the years ahead.

The funding plan for 2024 envisages a volume of around €10bn. Commerzbank's borrowing on the capital market is influenced by its business performance and planning as well as the evolution of risk-weighted assets. Commerzbank has access to the capital market through a broad range of products. In addition to unsecured funding instruments (preferred and non-preferred senior bonds, Tier 2 subordinated debt and Additional Tier 1 capital), when refinancing Commerzbank can also issue secured funding instruments, in particular mortgage Pfandbriefe and public-sector Pfandbriefe. As such, Pfandbriefe are a key element of Commerzbank's funding mix. These give Commerzbank stable access to long-term funding with cost advantages compared with unsecured sources of funding. Issuance formats range from large-volume benchmark bonds to private placements.

By regularly reviewing and adjusting the assumptions used for liquidity management and the long-term funding requirement, Commerzbank will continue to respond actively to changes in the market environment and business performance in order to secure a comfortable liquidity cushion and an appropriate funding structure. As the Bank's liquidity management and refinancing take place at Group level, further information on these matters can be found in the Group Annual Report 2023, which is published on Commerzbank's website.

Anticipated performance of Commerzbank Aktiengesellschaft

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

Commerzbank achieved key “Strategy 2024” targets during the 2023 financial year and informed the capital market in November 2023 about its new financial targets up to 2027. Following the end of the 2023 financial year, Commerzbank issued its forecast for the 2024 financial year at its annual press conference in February this year.

The focus here is on the outlook for interest rates. It was only towards the end of 2023 that the market began to expect significant rate cuts in 2024 and 2025. The Bank took this expectation into account in its forecast but is sticking to the plans it formulated in November 2023, aiming to achieve a cost income ratio of 60% for the 2024 financial year through an increase in its consolidated profit. This is based on the assumption that economic activity in Germany will continue to be sluggish, reflected in a mild recession with negative growth of –0.3%, while inflation is expected to be 3%.

In line with its strategic pillars of growth, excellence and responsibility, the Bank intends to provide each customer with a tailored service that meets their individual needs. Its aim in doing so is to broaden its revenue base and become less dependent on net interest income. This is reflected in its priorities for 2024. On the revenue side, its focus is on net commission income, which is targeted to grow by 4%. Huge importance will be placed on strict performance management and close monitoring of the implementation of strategic initiatives. Particular attention will be paid to increasing customer and employee satisfaction in order to promote sustainable positive business development.

A high priority for the Bank, in view of its continued increase in profitability, is to carry out its plan to return capital for the 2024 financial year. The payout ratio for 2024 should be at least 70% as defined by the capital return policy, but not more than the consolidated profit after deduction of AT1 coupons. In addition to a dividend this return of capital to shareholders will be achieved through share buybacks, subject to approval by the ECB and the German Finance Agency.

Anticipated performance of individual earnings components

Commerzbank’s forecast of its net interest income is based on forward interest rates, which indicate as at mid-February an average ECB deposit rate of 3.5% for 2024.

With an average interest rate pass-through to deposit customers of 35% and a slight increase in deposit volumes, the Bank expects net interest income of €7.9bn in 2024, compared with just under €8.4bn in 2023. This assumes a slight decline in net interest income at mBank in Poland and a broadly stable contribution from lending.

Net commission income for the current year is expected to be 4% higher than in the previous year. Strategic partnerships and investments in asset management, payment transactions and equity capital markets – in addition to an upturn in the securities business – are expected to contribute to this growth.

Net income from financial assets and liabilities measured at fair value through profit or loss is generally subject to increased volatility, which can be influenced only to a limited extent. This is due in part to the fundamental uncertainty regarding developments on the global capital markets. Accounting rules are a factor too. Sometimes they may require similar items to be presented as fair value measurements in the fair value result in one time period, whereas the interest component dominates in another. Year-on-year shifts between the income items net interest income and fair value result – and vice versa – are therefore possible. A portion of this income component is therefore directly related to net interest income. With its risk-oriented and customer-focused approach, Commerzbank, like mBank, seeks to achieve income that is as high and stable as possible. After a fair value result of €–359m in the 2023 financial year, a negative contribution cannot be ruled out for the current year either.

Experience has shown that the other income items, including realised profit or losses on financial instruments and other net income, are often affected to a large extent by one-off income and measurement effects that are usually impossible to predict. The provisions for legal risks in connection with retail mortgage financing issued in foreign currencies at mBank are recognised under other net income and are significant. Following high provisions of €1,094m in the 2023 financial year, further charges are possible, so that a negative other net income cannot be ruled out for the 2024 financial year as well.

Following a figure of €–618m last year, Commerzbank expects a charge from the risk result of less than €–800m for 2024. This expectation takes into account at least partial utilisation of the top-level adjustment (TLA) of €453m as at the end of 2023. This TLA reflects expected secondary effects in the loan book due to factors including global supply chain bottlenecks and uncertainties due to inflation as well as the impact of the current restrictive monetary policy.

Operating expenses, including compulsory contributions, will be managed strictly in line with the cost income ratio for the current year. The target for the cost income ratio is 60%. This means that operating expenses reflect any deviations from budgeted income and, for example, determine whether funds for investment are released or withheld. The expenses for variable remuneration are also affected by deviations from budgeted income.

Anticipated segment performance

In the **Private and Small-Business Customers (PSBC) segment**, the range of optimised and digital banking solutions is being expanded for the Bank's almost 11 million private and small-business customers in Germany. With its holistic approach and its two brands, Commerzbank and comdirect, it will meet all customer needs – whether online or mobile, in its advisory centre or in person in around 400 branches. Commerzbank wants to offer every customer the right model for their everyday banking needs. To this end, it will, among other things, further develop its account and card offerings as well as its payment transaction solutions. As a premium provider, Commerzbank aims to be the first point of contact for discerning customers. It will consistently expand its offering with a focus on securities and the lending business. Commerzbank sees opportunities particularly in asset and wealth management.

Net interest income in 2024 is expected to be slightly lower than in 2023. This is due to the higher average interest rate that is expected to be paid to customers on their deposits.

In contrast, Commerzbank is expecting a significant increase in net commission income for the PSBC segment. An increase in income from the securities business and an expansion of activities in asset and wealth management are expected to contribute to this.

mBank's contribution, which is included in net interest income and net commission income in the PSBC segment, is expected to be slightly lower in terms of net interest income and significantly higher in terms of net commission income than in the previous year.

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

Operating expenses in the PSBC segment, including compulsory contributions, are subject to the management of the Group's cost income ratio, which is expected to reach 60% in the 2024 financial year. In line with the expected earnings performance, operating expenses (including compulsory contributions) are expected to remain at approximately the same level as in 2023, with a slight reduction in Germany being offset by inflation-related additional expenses in mBank.

With a slightly lower charge expected for the risk result in the PSBC segment than in the previous year, we expect operating profit to increase significantly year on year due to rising income. As such, the operating return on equity should increase significantly and the cost-income ratio in the PSBC segment should fall significantly. This forecast is based on the assumption that the high one-time charges at mBank resulting from provisions for legal risks in connection with retail mortgage financing issued in foreign currencies will not recur to a comparable extent in the current year.

In the **Corporate Clients (CC) segment**, Commerzbank – as the leading German Mittelstandsbank – will continue to provide close support to its corporate clients in their ongoing transformations. The Bank will continue to drive forward its strategy to date in the corporate customer business through targeted investments in products and digital solutions up to 2027. Commerzbank will therefore strengthen its transaction banking by investing in new systems and technologies and thereby secure its leading position in payment transactions and in the facilitation of German foreign trade. In international business, the Bank supports clients that have a business relationship to Germany, Austria and/or Switzerland and companies in selected future-oriented industries. In its lending business, its focus is on growth in Germany and on financing green infrastructure projects worldwide. Commerzbank will rely on its centres of competence for renewable energies in Hamburg, Singapore and New York to achieve this. In the capital markets area, the Bank wants to expand its offering in the digital currency business and to open its central online trading platform to additional asset classes. Another focus will be on expanding the bonds business.

Commerzbank expects net interest income in the CC segment to be significantly lower than in the previous year. As in the PSBC segment, the main reason for the expected decline is the higher average interest rate that is expected to be paid during the year to customers on their deposits.

Net commission income is expected to be slightly higher than in the previous year. The expected growth is mainly due to the strategic measures taken in Cash & Trade and Capital Markets.

As the quality of forecasting for all other income items in the Corporate Clients segment is subject to a high degree of uncertainty and net interest income is expected to be lower than in the previous year, it cannot be ruled out that the segment's total revenue will also be slightly lower.

In the context of its management of the cost income ratio, Commerzbank expects slightly lower total costs in the Corporate Clients segment than in 2023, in line with expected income, as no significant compulsory contributions are expected for the segment.

We are expecting significantly higher charges for the risk result in the Corporate Clients segment compared with the previous year. This is based on the assumption that the continued economic weakness in Germany will lead to a mild recession and will result in higher loan loss provisions.

In summary, we expect significantly lower operating profit for the Corporate Clients segment in 2024. Accordingly, the operating return on equity and the cost income ratio are not expected to fully match the exceptional results achieved in 2023.

General statement on the outlook for the Group

Based on our current estimates, we expect Commerzbank Aktiengesellschaft's parent company financial statements to show a net profit for 2024 that is significantly higher than the prior-year figure.

For the 2024 financial year, Commerzbank expects to significantly exceed both the operating profit of the previous year and the consolidated profit attributable to Commerzbank shareholders and investors in additional equity components. The main reasons for the expected increase are rising net commission income, with growth of 4% planned, and the reduction of high one-time charges at mBank, though the latter is subject to a high degree of forecasting uncertainty. Accordingly, Commerzbank is expecting a further slight increase in the net return on equity in 2024.

Commerzbank's target for its Common Equity Tier 1 capital ratio is based on the capital requirements resulting from the Supervisory Review and Evaluation Process (SREP). This minimum requirement culminates in the MDA threshold, which was 10.34% at the beginning of 2024. This compares with a CET1 ratio of 14.7% at year-end 2023. Commerzbank thus has a significant capital buffer above the regulatory minimum requirements. Commerzbank is still expecting a CET1 ratio of more than 14% for 2024. This target already takes into account a planned distribution of at least 70% of net income after deduction of fully discretionary AT1 coupons for the 2024 financial year.

There are numerous risk factors that could nonetheless affect the 2024 profit forecast to a considerable, though not reliably quantifiable extent, should events take an unfavourable turn. These still include high global economic risks. However, geopolitical risks, such as the Russia-Ukraine war, which could significantly accelerate existing inflationary trends through the massive increase in raw material prices, also have the potential to weaken the expected economic recovery and thus have an impact on our business performance. Moreover, trade disputes between the economic blocs Europe, North America and Asia, triggered by political tensions, remain possible.

Other risk factors include a further accentuation in the competitive environment in Germany. Along with inflation-related cost increases, a fall in margins to levels that are unattractive from a risk-return perspective could also delay and/or limit the effectiveness of the expected positive effects of the measures to increase Commerzbank's profitability over the coming years. For further information on other risks, see the risk report on page 65 ff.

In Poland, there is still no immediate prospect of a final supreme court ruling on the legal situation concerning lawsuits brought by private customers relating to foreign currency real estate loans, meaning that further charges cannot be ruled out.

Risk Report

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

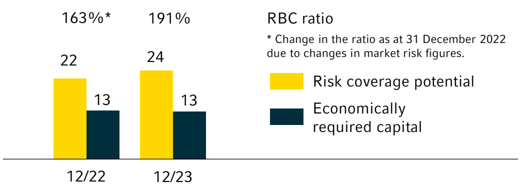
Executive Summary 2023

A high level of crisis-related economic uncertainty still prevails in connection with geopolitical tensions. The model-based parameters used to establish loan loss provisions do not yet fully reflect these effects. According to Commerzbank's assessment, the secondary effects TLA booked in this regard continues to reflect adequately the anticipated effects. In the remaining risk figures, the expected uncertain development is currently primarily perceptible in the figures for Central and Eastern Europe, where the current situation is reflected in an increased expected loss and thus a higher risk density.

Risk-bearing capacity ratio stood at 191% as at 31 December 2023

- The RBC ratio remains at a high level.
- The rise in risk coverage potential compared with December 2022 is mainly attributable to the Bank's earnings performance and to a market-induced decline in hidden liabilities.

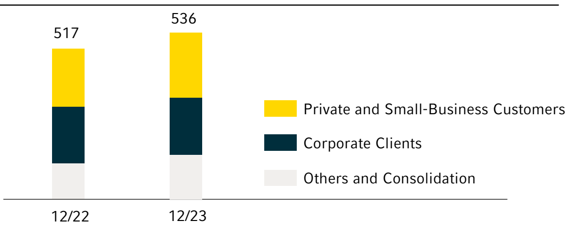
Risk-bearing capacity
€bn



The Group's exposure at default increased

- The Group's exposure at default increased from €517bn to €536bn in 2023.
- The risk density likewise rose over the same period, going up from 17 basis points to 21 basis points.

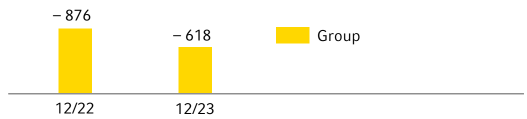
EaD
€bn



Risk result for the Group amounted to €–618m in 2023

- The change in the previous year was mainly attributable to the impact of the Russian invasion of Ukraine.
- The 2023 result was driven predominantly by defaults by individual counterparties and increases in loss provisions, particularly in the Corporate Clients segment, which also benefited from reversals of loan loss provisions as a consequence of disposals.

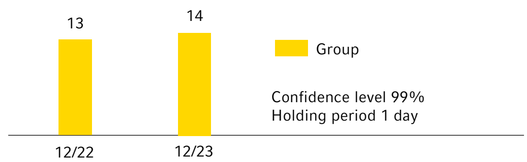
Risk result
€m



Market risk in the trading book increased slightly in 2023

- The VaR rose slightly from €13m to €14m in 2023.
- The asset classes that dominated at the end of 2023 were interest rate and credit spread risks.

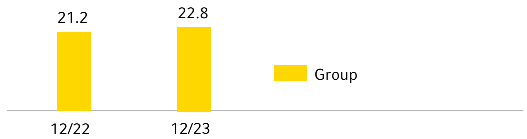
VaR
€m



Operational risk increased year on year

- Risk-weighted assets for operational risks came to €22.8bn at the end of the fourth quarter of 2023. The main reason for the increase compared with the previous year were provisional revenues in 2023.
- The total charge for OpRisk events rose from €951m to €1,176m compared with the previous year.

Risk-weighted assets from operational risks
€bn



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

Risk-oriented overall bank management

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

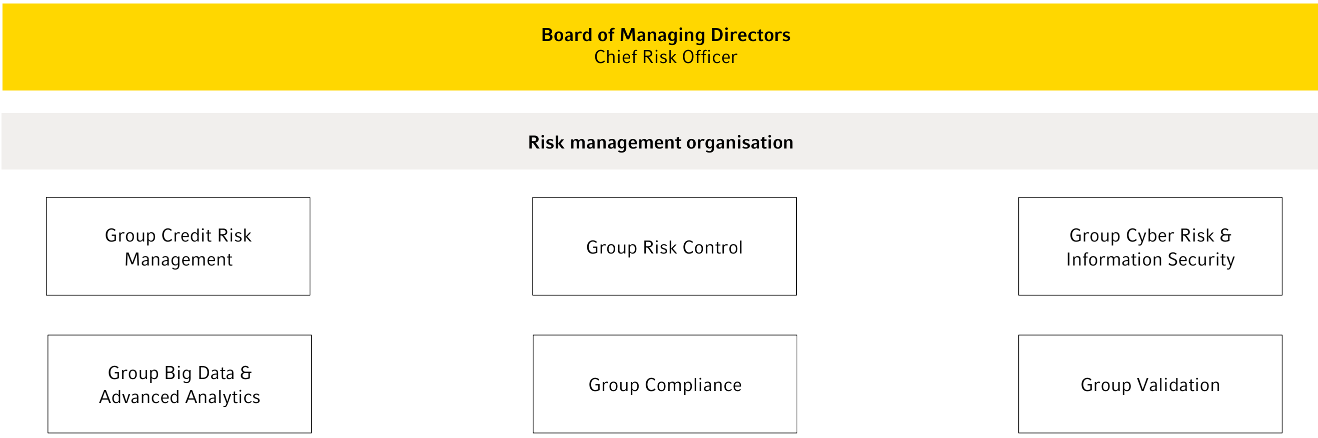
Risk management organisation

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

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

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

All divisions have a direct reporting line to the CRO.



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

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

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

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

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

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

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

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

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

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

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

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

Comprehensive, timely, transparent and methodologically sound risk measurement is the basic prerequisite for ensuring that the Commerzbank Group has sufficient liquidity and capital resources at all times. The processes we deploy make our business and risk strategy measurable, transparent and controllable. The methods and models we use to measure risk are in line with current, common banking industry standards and are subject to regular review by Risk Controlling, Internal Audit, our external auditors and the German and European supervisory authorities. In our assessment, the processes are well suited to safeguarding risk-bearing capacity and permanent solvency on a lasting basis. We consider our risk management methods and processes and our risk management system as a whole to be appropriate and effective.

We likewise consider our ICS as a whole to be appropriate and effective. Details about the ICS at Commerzbank can be found in the section on operational risk.

Risk strategy and risk management

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

Key strategic measures have already been successfully implemented under the "Strategy 2024" programme, thereby reducing the remaining implementation risk. However, there are still significant idiosyncratic business risks that arise from ongoing challenges to the business model. These are essentially associated with technological advances, customer expectations and regulation. The strategy 2027 systematically focuses on the key stakeholders – customers, employees and investors – and their expectations in what continues to be a very volatile and challenging environment. The growth path embarked upon will continue to be pursued while simultaneously boosting profitability and the Bank's attractiveness as an employer. Commerzbank has defined the three pillars of its current strategy as excellence, responsibility and growth. With regard to risk costs, the aim is to cover them through operational business at all times.

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

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

When pursuing its business targets, the Bank accepts threats inherent in its business model (non-existential threats). These include the default of one or a small number of large (peripheral) eurozone countries without significant systemic consequences and a deep recession lasting several years with severe effects on the German economy and the resulting consequences such as huge loan defaults, excessive drawing of lines of credit by customers or a significant outflow of customer deposits with effects on the liquidity situation. If geopolitical crises ensue, such as that currently resulting from Russia's ongoing war against Ukraine, or trade wars, for example between the USA and China, this may have a huge impact on global markets and threaten Commerzbank's business model as an international institution. The measures taken by Commerzbank with a view to managing market, liquidity, credit and operational risk in response to the specific requirements of the geopolitical crisis – i.e. the measures taken to adjust to the new scenario following the invasion of Ukraine by the Russian army – remain in place. However, the observed effects on value chains and commodity prices also show that the impact is still ongoing and remains difficult to assess given the additional uncertainty surrounding further developments in the Middle East. In general, the geopolitical risk profile needs to be taken into account when defining the risk appetite in the sense of a forward-looking determination of the (country) risk disposition for possible geopolitical crises (e.g. with regard to China). As the digitalisation of the business environment continues to increase and Commerzbank undertakes its own digital transformation, cyber risk is an inherent threat that must be accepted. Depending on the severity and impact of a cyber attack, cyber risk can also be considered an existential threat, which is why Commerzbank is continuously working to improve its cyber resilience. The further evolution and possible consequences of mBank's situation in connection with loans indexed in Swiss francs and with the additional credit holidays granted by the national regulator in combination with a default by Poland pose political risks. These may significantly threaten Commerzbank and could require special mitigating capital market measures.

Environmental risk represents another inherent threat. By this we mean both climate-related and biodiversity risk, each of which can be further subdivided into physical and transition risk. We do not regard environmental risk as a separate type of risk, but as a "horizontal" risk that might materialise in the form of the familiar types of risk such as credit risk or market risk. The transition aspects in particular harbour risks (as well as opportunities) in the short term that are difficult to assess. Identifying and mitigating this threat to Commerzbank is one of the objectives of risk strategy. Accordingly, Commerzbank undertakes an annual process to determine for each type of risk whether environmental risks are a key driver.

The need to record and manage the environmental risks was already established as a fundamental part of the assessment of risk-bearing capacity. Furthermore, the carbon emissions intensities of the customer portfolio continued to be reported within Commerzbank's environmental, social and governance (ESG) framework on the basis of explicit and externally communicated sector targets (SBTi), and an initial control system has been set up. On this basis, the management of climate-related risk in connection with the sustainability strategy being pursued will be further expanded and operationalised, including the ongoing improvement of data and methods.

To the extent that it is able to do so, Commerzbank makes early preparations in anticipation of forthcoming changes in regulatory requirements and accounting standards. Such changes and their (retrospective) interpretation may have lasting implications for – and even threaten the survival of – Commerzbank's business model. Commerzbank accepts these regulatory risks because there are many cases where there is no option to mitigate or manage them.

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

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

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

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

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

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

The main pillar of the Bank's overall risk management and culture is the concept of three lines of defence (3 LoD), which is a core element of the Corporate Charter. Under the three lines of defence principle, protecting against undesirable risks is an activity that is not restricted to the risk function. Each unit (segment or function) forms the first line of defence within its area of operational responsibility and is directly responsible for identifying and managing risks within it while complying with the prescribed risk standards and policies. For example, the front office forms the first line of defence in all business decisions and has to take risk aspects into account in reaching them. The second line of defence for each type of risk lays down standards for appropriate management of risks of that type, monitors this and ensures the application of such standards, and analyses and evaluates the risks. The risk function forms the second line of defence against credit and market risks associated with business decisions. Particularly for credit risk, this includes involvement in the credit decision process by means of a second vote. Units outside the risk function (e.g. Group Communications) also operate as the second line of defence for certain risk types. The third line of defence is Internal Audit.

Risk ratios

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

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

The **risk-bearing capacity ratio (RBC ratio)** indicates the excess coverage of the economically required capital by the risk coverage potential.

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

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

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

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

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

Risk-bearing capacity and stress testing

Risk-bearing capacity analysis is a key part of overall bank management and Commerzbank's ICAAP. The purpose is to ensure that sufficient capital is held at all times. The risk-bearing capacity concept is reviewed and optimised annually. The risk-bearing capacity encompasses a normative (regulatory) perspective and an economic perspective. For information about the key figures for the normative perspective, see Note 60 (Selected key regulatory figures) of the Group financial statements.

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

The capital requirement for the risks taken is quantified using the internal economic capital model. All risk types of the Commerzbank Group classified as significant and quantifiable within the annual risk inventory are taken into account when determining the economically required capital. The economic risk approach therefore also comprises risk types that are not included in the regulatory requirements for banks' capital adequacy. The model also reflects diversification effects incorporating all types of risk. The confidence level for the calculation of economically required capital is 99.90% and is harmonised with the going concern approach. The quantifiable significant risks in the economic capital model are divided into default risk, market risk, operational risk and (not separately disclosed in the following table) business risk and property value change risk. Furthermore, reserve risk is included in the risk-bearing capacity calculation by means of a corresponding risk buffer. Business risk is the risk of a potential loss resulting from deviations in actual income and expense from the respective budgeted figures. Business risk is used to substantiate a higher-level management buffer that ensures the responsiveness of capital management. Physical asset risk is the risk of an unexpected fall in the value of owned property which is either already recognised as an asset in the Group's balance sheet or which can be recognised during the next 12 months under contractually assured obligations with option character (especially real estate). Environmental risks are defined as horizontal risks within Commerzbank that are manifested in existing risk categories, with both transition and physical risks being considered. The annual materiality assessment of environmental risks provides a comprehensive overview of the impact on existing material risk types identified in the risk inventory. Environmental risks are reflected in Commerzbank's risk-bearing capacity analysis through a risk buffer for default and market risks, which are materially affected by environmental risks. Further information on environmental risks can be found in the section on environmental, social and governance (ESG) risks on page 74 ff.

The results of the risk-bearing capacity analysis are shown using the risk-bearing capacity ratio (RBC ratio), indicating the excess of the risk coverage potential in relation to the economically required capital. Risk-bearing capacity is monitored and managed monthly at Group level. The RBC ratio was 191% as at 31 December 2023. The rise in risk coverage potential compared with December 2022 is mainly attributable to the Bank's earnings performance and to a market-induced decline in hidden liabilities. The decline in market risk reflects a reduced level of market volatility. The RBC ratio remains at a high level.

Risk-bearing capacity Group | €bn	31.12.2023	31.12.2022
Economic risk coverage potential	**24**	**22**
Economically required capital[1]	**13**	**13**
thereof for default risk[2]	9	8
thereof for market risk[3]	3	4
thereof for operational risk[4]	2	2
thereof diversification effects	−2	−2
RBC ratio (%)[5]	**191**	**163**

[1] Including physical asset risk, risk of unlisted investments and the risk buffer for reserve risk, for the quantification of potential fluctuations in value of intangibles and for environmental risks.
[2] Including buffers for planned changes in methods.
[3] Including deposit model risk.
[4] Including cyber and compliance risk.
[5] RBC ratio = economic risk coverage potential/economically required capital (including risk buffer). Change in the ratio as at 31 December 2022 due to changes in market risk figures.

Commerzbank uses macroeconomic stress tests to review the risk-bearing capacity in the event of assumed adverse changes in the economic environment. The underlying scenarios take into account the interdependence of the development of the real economy and the financial economy. They are updated quarterly and approved by the Group ALCO. The scenarios describe an extraordinary but plausible adverse development in the economy, focusing in particular on portfolio priorities (e.g. export-based sectors in Germany) and business strategies of relevance to Commerzbank. Current adverse developments (e.g. high energy costs) are also taken into account when creating the scenarios. Stress tests in the economic perspective cover a time horizon of 12 months. The scenario simulation is run quarterly at Group level using the input parameters of the economic capital requirements calculation for all material and quantifiable risk types. In addition to the capital required, the income statement is also subjected to a stress test based on the macroeconomic scenarios. Based on this, changes in the risk coverage potential are simulated. Whereas the RBC ratio is embedded into Commerzbank's limit system, guidelines for risk-bearing capacity are set as an early warning system in the stressed environment. The ongoing monitoring of the limits and guidelines is a key part of internal reporting. Defined escalations are triggered if the limits are breached.

The risk-bearing capacity and stress testing concept is subject to an annual internal review and is refined on an ongoing basis. The development of the regulatory environment is also taken into account. In addition to the regular stress tests, reverse stress tests are implemented annually at Group level. Unlike regular stress testing, the result of the simulation – a sustained threat to the Bank – is determined in advance. The aim of the analysis process in the reverse stress test is to improve the transparency of Bank-specific risk potential and interactions of risk by identifying and assessing extreme scenarios and events. On this basis, for instance, action fields in risk management including the regular stress tests can be identified and taken into account in the ongoing development efforts. Commerzbank carries out various environmental risk-related scenario analyses and stress tests every year. All material risk types are analysed in terms of the degree to which they are impacted by environmental risk, while risk types materially affected by environmental risk undergo a stress test. Commerzbank also takes part in supervisory stress tests – in particular it participated in the EBA's "One-off Fit-for-55 climate risk scenario analysis" in 2023 and 2024.

Risk-weighted assets

In 2023, the risk-weighted assets resulting from Commerzbank's business activities increased from €169bn to €175bn.

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

Risk-weighted assets | €bn	31.12.2023 Default risk	Market risk	Operational risk	Total	31.12.2022 Default risk	Market risk	Operational risk	Total
Private and Small-Business Customers	40	1	13	54	40	1	13	54
Corporate Clients	73	5	5	83	73	4	5	82
Others and Consolidation	32	2	4	38	28	2	3	34
Group	**144**	**8**	**23**	**175**	**140**	**7**	**21**	**169**

Regulatory environment

Commerzbank operates in markets subject to national and supranational regulation. In addition, it is subject to the overarching requirements imposed by accounting standards. Changes in regulatory requirements and accounting standards have significantly grown in frequency and materiality in recent years. They may have lasting implications for the financial industry in general and Commerzbank's business model in particular. In addition to this persistently high regulatory intensity, the scope of regulations applying to banks is also expanding to include areas such as artificial intelligence, digitalisation and crypto regulation. Commerzbank continues to participate actively and at an early stage in the consultation processes aimed at preparing for the constant changes in the operating environment. It also monitors and evaluates current developments as regards future regulatory projects. At a global level, these include in particular the standards on market risk, operational risk and credit risk published by the Basel Committee on Banking Supervision ("finalisation of Basel III"). At European level, following the conclusion of the trilogue negotiations on the EU banking package, Commerzbank is monitoring the further implementation of the finalisation of Basel III, initiatives put in place by the European Commission to introduce a European deposit guarantee scheme, to create a capital markets union and to implement the European Green Deal, the EBA initiative to revise internal risk models and a number of projects in the area of digitalisation and crypto regulation.

With Basel III, the Basel Committee on Banking Supervision published among other things comprehensive rules on the components of equity and equity ratios as well as the management of liquidity risk. Since 1 January 2014, the associated Capital Requirements Regulation and Directive (CRR and CRD) have been in force as the European implementation of Basel III, with some of the rollout taking place in stages up to 2019 ("phase-in"). Numerous supplementary regulations have since been published, in particular by the European Banking Authority (EBA), and these are now progressively entering into force; this will continue in the years to come. At the beginning of December 2023, the draft laws for the EU banking package, consisting of CRR III and CRD VI, were published within the context of the finalisation of Basel III following the conclusion of the EU trilogue negotiations. Final publication in the Official Journal of the European Union is expected in the first half of 2024. In addition, the banking package envisages conferring roughly 140 mandates to the EBA for the detailed elaboration and review of EU requirements. The first-time application of CRR III is still planned for 1 January 2025. In contrast to the international Basel requirements, implementation in the EU takes into account the special features of the European financial market in various areas. For example, following lengthy discussion between standard setters, banks and industry associations, transitional rules have been included in areas of business that are of importance to European banks – for instance, residential property financing, the financing of companies without an external rating and securitisations – which alleviate the resulting sharp increase in capital requirements, at least temporarily, up to and including 2032. The current EU exemptions, such as those for loans to small and medium-sized enterprises, also remain in place. Commerzbank has analysed the effects expected on this basis and factored them into its internal capital planning by applying the necessary mitigation measures.

The ECB, in its capacity as the supervisory authority for the eurozone banks directly supervised by it, conducted the annual Supervisory Review and Evaluation Process (SREP). On 8 December 2023, in its final SREP decision for 2023, the ECB informed Commerzbank of the results of the SREP and the associated supervisory requirements. The ECB increased the bank-specific capital requirements set for 2024 for the Commerzbank Group – "P2R" (Pillar 2 Requirement) and "P2G" (Pillar 2 Guidance) – by 25 basis points each. With effect from 1 January 2024 the SREP decision replaces the previous SREP decision. In 2023, the ECB continued to closely monitor the establishment of environmental risk management following its Thematic Review in 2022. Several workshops were held in this context, the results of which had qualitative/quantitative SREP implications for individual banks. Commerzbank was not affected. The ECB expects full compliance with the requirements set out in its "Guide on climate-related and environmental risks" by the end of 2024. In addition, the EBA and the ECB have been conducting a "one-off Fit-for-55 climate risk scenario analysis" since the end of 2023, and the Bank will have completed its provision of the data required for this in March 2024.

In accordance with the EU Corporate Sustainability Reporting Directive (CSRD) adopted in 2023, Commerzbank will be obliged for the first time to publish a non-financial statement in accordance with CSRD requirements as part of the management report for the 2024 financial year. This will replace the previous non-financial report produced in accordance with the EU Non-financial Reporting Directive (NFRD). Future reporting will cover a wide range of ESG issues in greater detail and span the entire scope of financial consolidation. In 2023, Commerzbank set up a Group-wide project to ensure timely implementation.

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

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

The Group-wide recovery plan was updated in the fourth quarter of 2023 to reflect the regulatory requirements. The recovery plan describes in detail for instance the courses of action and recovery potential available to the Bank in the event of a crisis and which specific recovery measures, in various stress scenarios, will enable the Bank to complete its recovery.

The regulatory environment also remains challenging with respect to compliance risks. Of continued relevance are the requirements in connection with the prevention of money laundering and terrorist financing – such as the implementation of BaFin's new administrative practice, the planned creation of a new national anti-money laundering authority in Germany (Federal Office for Fighting Financial Crime) and the stipulations of international standard setters, for example the new EU anti-money laundering package.

Given the geopolitical situation, the sanctions imposed by national governments or supranational institutions such as the United Nations (UN) and the European Union (EU) are of particular importance for Commerzbank. In particular, Group Compliance is actively monitoring the sanctions that have been imposed in response to Russia's invasion of Ukraine. Most recently, the EU sanctions packages have been aimed in particular at preventing the evasion of sanctions via third countries. In addition, in 2023 the United States created the option of imposing secondary sanctions on foreign financial institutions, targeting transactions with certain sectors of the Russian economy. Group Compliance is also observing current developments in the Middle East conflict in Israel and Gaza.

With respect to the plans to provide crypto asset custody services for corporate clients, for which the Bank obtained a crypto custody licence under Art. 32 of the German Banking Act (KWG) at the end of 2023, there are new requirements applying to Commerzbank. These include the EU's revised Funds Transfer Regulation (FTR) and the EU's Markets in Crypto-assets Regulation (MiCAR), for which detailed rules are being drawn up in delegated legal acts and publications from the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA). These legal acts will enter into force on 30 December 2024.

In addition, the prevention of fraud, bribery and corruption (including Art. 25h of the German Banking Act (KWG), the United Kingdom Bribery Act and the United States Foreign Corrupt Practices Act) and market compliance (including new EU requirements on sustainable finance, US requirements and CFTC regulations) are putting further risk types into the regulatory focus.

Furthermore, the protection of human rights and of the environment at Commerzbank and in business relationships with suppliers along the supply chain is monitored by Group Compliance in accordance with the German Supply Chain Due Diligence Act (LkSG), which came into force in 2023.

Default risk

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

Strategy and organisation

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

The environment remained a challenging one in 2023, which was manifested in particular in signs of a recession, energy shortages and changing trade corridors. The resulting impact on Commerzbank's loan portfolio was to be seen primarily in sectors that were particularly affected by this environment. In its credit risk management, Commerzbank continues to be guided by the principle of seeking a low-risk profile while limiting cluster risks and undertaking portfolio-specific risk management. A further focal point in this connection is financing the transformation of the German economy with a view to achieving the objectives of the Paris Agreement. Both the front office and the risk function are involved in credit risk management as the first and second lines of defence, based on a uniform Group-wide credit risk culture.

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

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

Discrete back-office areas are responsible for operational credit risk management at portfolio level and on a case-by-case basis. The responsibilities are separated between the performing loan area on the one hand and Intensive Care on the other. All credit decisions in the performing loan area are risk/return decisions. The front and back office take joint responsibility for risk and return from an exposure, with the front office having primary responsibility for the return, and the back office for the risk. Accordingly, neither office can be overruled in its primary responsibility in the credit decision process. Since the risk management function cannot be overruled in the credit decision-making process, the third-line-of-defence concept is adhered to.

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

Risk management

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

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

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

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

To monitor compliance with credit risk strategic rules, continuous monitoring and reporting has also been set up at whole Group level and at segment or sub-portfolio level. Asset quality reviews as part of the second line of defence make an important contribution to quality assurance. The focus of these reviews is on regular spot checks of selected dual-control lending processes. Ad hoc reporting processes have been established. In addition, crisis events may pose a risk to the Bank's capital and liquidity adequacy and thereby to its risk-bearing capacity. In a crisis, the Risk Mitigation Task Force will manage decisions flexibly in a coordinated, Group-wide process. For example, the Russia-Ukraine war prompted the establishment of the Task Force at the beginning of 2022, and continued its work in 2023, in order to identify effects on the Group portfolio as quickly as possible and to be able to take countermeasures. As part of the process, emergency action plans ensure that risk-mitigation measures are implemented quickly and efficiently.

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

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

Management of economic capital commitment

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

Overview of management instruments and levels

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

Rating classification

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

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

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

Commerzbank master scale

Commerzbank AG rating	PD and EL mid-point %	PD and EL range %	S&P scale		Credit quality steps in accordance with Article 136 CRR[1]	
1.0	0	0	AAA	AAA		
1.2	0.01	0 – 0.02			I	
1.4	0.02	0.02 – 0.03	AA+			
1.6	0.04	0.03 – 0.05	AA, AA–	AA		
1.8	0.07	0.05 – 0.08	A+, A		II	Investment Grade
2.0	0.11	0.08 – 0.13	A–	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		BBB	III	
2.8	0.57	0.47 – 0.68	BBB–			
3.0	0.81	0.68 – 0.96	BB+			
3.2	1.14	0.96 – 1.34	BB			Sub-investment grade
3.4	1.56	1.34 – 1.81		BB	IV	
3.6	2.10	1.81 – 2.40				
3.8	2.74	2.40 – 3.10	BB–			
4.0	3.50	3.10 – 3.90	B+			
4.2	4.35	3.90 – 4.86				
4.4	5.42	4.86 – 6.04	B	B	V	Non-investment grade
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		
5.4	16.15	14.48 – 18.01	CCC, CCC–		VI	
5.6	20.09	18.01 – 22.41	CC, C	CC, C		
5.8	47.34	22.41 – 99.99				
6.1		> 90 days past due				
6.2		Imminent insolvency				
6.3	100	Restructuring with recapitalisation	D			Default
6.4		Termination without insolvency				
6.5		Insolvency				

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

Risk mitigation

The collateral taken into account in risk management changed in the period under review from €126.4bn to €123.9bn based on the most realistic value (MRV) for positions in the Group's performing portfolio, and remained unchanged at €1.4bn for positions in the default portfolio.

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

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

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

As at the reporting date, no loan loss provisions were created for transactions in the performing portfolio with a total volume of €5.3bn (31 December 2022: €5.5bn), as these are entirely collateralised.

Guarantors are subject to a creditworthiness check and rating assignment based on their sector and business as part of the assessment of their declaration of liability. The aim of the creditworthiness check is to establish the guarantor's creditworthyness and maximum solvency.

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

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

The measurement and processing of collateral is governed by generally applicable standards and collateral-specific instructions (guidelines, process descriptions, IT instructions). Collateral agreements are legally reviewed; standard agreements and templates are used where possible. The standards established to hedge or mitigate credit risk include:

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

Commerzbank Group

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

A high level of crisis-related economic uncertainty still prevails in connection with geopolitical tensions. The model-based parameters used to establish loan loss provisions do not yet fully reflect these effects. According to Commerzbank's assessment, the secondary effects TLA booked in this regard continues to reflect adequately the anticipated effects.

In the remaining risk figures, the expected uncertain development is currently primarily perceptible in the figures for Central and Eastern Europe, where the current situation is reflected in an increased expected loss and thus a higher risk density.

Credit risk parameters

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

Credit risk parameters	31.12.2023 Exposure at default €bn	31.12.2023 Expected loss €m	31.12.2023 Risk density bp	31.12.2023 CVaR €m	31.12.2022 Exposure at default €bn	31.12.2022 Expected loss €m	31.12.2022 Risk density bp	31.12.2022 CVaR €m
Private and Small-Business Customers	211	468	22	2,095	204	431	21	2,088
Corporate Clients	176	406	23	4,470	177	378	21	4,299
Others and Consolidation[1]	149	236	16	1,716	137	65	5	1,184
Group	**536**	**1,110**	**21**	**8,281**	**517**	**874**	**17**	**7,571**

[1] Mainly liquidity portfolios of Treasury.

When broken down on the basis of PD ratings, 88% of the Group's portfolio is in the internal rating classes 1 and 2, which comprise investment grade.

Rating breakdown EaD | %	31.12.2023 1.0-1.8	31.12.2023 2.0-2.8	31.12.2023 3.0-3.8	31.12.2023 4.0-4.8	31.12.2023 5.0-5.8	31.12.2022 1.0-1.8	31.12.2022 2.0-2.8	31.12.2022 3.0-3.8	31.12.2022 4.0-4.8	31.12.2022 5.0-5.8
Private and Small-Business Customers	31	55	11	3	1	30	56	11	2	1
Corporate Clients	20	60	14	4	1	19	61	14	4	2
Others and Consolidation	77	21	1	0	0	77	22	2	0	0
Group	**40**	**47**	**9**	**2**	**1**	**38**	**49**	**10**	**2**	**1**

In establishing country risk, transfer risks are recognised that arise from the economic and political situation of a country and to which all economic entities in the country are subject. Country risks are managed on the basis of transfer risk limits defined at country level. Country exposures which are significant for Commerzbank due to their size are handled by the Credit Committee on a separate basis.

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

Group portfolio by region	31.12.2023 Exposure at default €bn	31.12.2023 Expected loss €m	31.12.2023 Risk density bp	31.12.2022 Exposure at default €bn	31.12.2022 Expected loss €m	31.12.2022 Risk density bp
Germany	314	401	13	312	390	12
Western Europe	86	180	21	85	133	16
Central and Eastern Europe	61	416	68	53	261	49
North America	46	45	10	40	38	10
Asia	18	25	14	16	22	14
Other	11	43	38	11	30	27
Group	**536**	**1,110**	**21**	**517**	**874**	**17**

More than half of the Bank's exposure relates to Germany, just under one-third to other countries in Europe, 9% to North America and 3% to Asia. The rest is broadly diversified and is split among a large number of countries where we serve German exporters in particular or where Commerzbank has a local presence. The expected loss of the Group portfolio is mainly divided between Germany and the other European countries.

Risk result The risk result relating to the Group's lending business in 2023 amounted to €–618m (prior-year period: €–876m).

The following table shows the breakdown of the risk result by stage according to IFRS 9. Note 31 of the Group financial statements (Credit risks and credit losses) provides details on the stages. Note 11 (Risk result) gives the definition of the risk result.

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

	31.12.2023					31.12.2022				
Risk result | €m	Stage 1	Stage 2	Stage 3	POCI[1]	Total	Stage 1	Stage 2	Stage 3	POCI[1]	Total
Private and Small-Business Customers	7	−162	−322	6	−472	−5	−122	−256	−8	−392
Corporate Clients	20	−62	−104	−9	−155	−6	65	−480	−24	−446
Others and Consolidation	14	−14	8	0	8	0	53	−91	0	−38
Group	**42**	**−238**	**−419**	**−3**	**−618**	**−12**	**−5**	**−827**	**−32**	**−876**

[1] POCI – purchased or originated credit-impaired.

The risk result decreased by €258m to €–618m year on year. The change in the previous year was mainly attributable to the impact of the Russian invasion of Ukraine. The 2023 result was driven predominantly by defaults by individual counterparties and increases in loan loss provisions, particularly in the Corporate Clients segment, which also benefited from reversals of loan loss provisions as a consequence of disposals. Meanwhile, the Private and Small-Business Customers segment was impacted by modelling and methodological effects, including the reflection of macroeconomic trends. The main modelling and methodological effects were the charges from the anticipation of an expected adjustment of models (“future of IRB”) and the introduction of the “threefold PD” as an additional backstop indicator.

The total secondary effects TLA at Group level as at 31 December 2023 was €453m (€482m in the previous year).

A high level of crisis-related economic uncertainty still prevails in connection with geopolitical tensions. The model-based parameters used to establish loan loss provisions do not yet fully reflect these effects. The secondary effects TLA booked in this regard was reviewed during the year at the quarterly reporting dates and, in Commerzbank’s assessment, continues to reflect adequately the anticipated effects. The baseline scenario on which the TLA is based includes the following assumptions:

- The global economy is suffering as a result of geopolitical tensions (e.g. the Russian invasion of Ukraine, the Middle East conflict) and the widespread tightening of monetary policy.
- Positive effects resulting from the gradual resolution of supply chain issues and from the easing in energy markets are not sufficient to make up for the negative effects of a restrictive monetary policy, which, with a time lag, is increasingly acting as a drag on economic activity.
- The eurozone economy is suffering as a consequence of the high interest rate environment, which is having a sharply negative impact on capital expenditure, on consumer spending and specifically on sectors such as real estate.
- The German economy will remain weak because, in addition to the high interest rate environment, it is also having to cope with a contraction in demand from abroad.

The adequacy of the TLA is continually reviewed. (Details on the background to and adjustment of the TLA can also be found in Note 31 of the Group financial statements (Credit risks and credit losses).)

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

Default-Portfolio The Group’s default portfolio decreased by €901m in 2023 and stood at €4,756m as at the end of the year. In addition to defaults, recoveries and disposals relating to individual cases, the change is largely due to the reduction in the Russian portfolio.

The following breakdown of the default portfolio shows the claims in the default portfolio in the amortised cost and fair value OCI (other comprehensive income) categories. The loans are almost exclusively assigned to the amortised cost category, of which by far the greatest share of €4.5bn (31 December 2022: €5.4bn) relates to the loans and receivables class and €218m (31 December 2022: €249m) to off-balance-sheet transactions. As at 31 December 2023, the volume of defaulted securities that can be assigned to the debt securities class was €27m in the fair value OCI category (31 December 2022: €0m). The collateral shown is liable to the full extent for loans in the amortised cost category, with €1.3bn (31 December 2022: €1.4bn) relating to loans and receivables and €26m (31 December 2022: €16m) to off-balance-sheet transactions.

As at 31 December 2023, there was €0m default volume to be reported for credit transactions in the fair value OCI category (31 December 2022: €57m).

	31.12.2023			31.12.2022		
Default portfolio Group | €m	**Loans**	**Securities**	**Total**	**Loans**	**Securities**	**Total**
Default portfolio	4,730	27	4,756	5,601	57	5,658
LLP[1]	2,250	5	2,255	2,247	9	2,256
Coverage ratio excluding collateral (%)[2]	48	19	47	40	16	40
Collateral	1,373	0	1,373	1,389	0	1,389
Coverage ratio including collateral (%)[2]	77	19	76	65	16	64
NPE ratio (%)[3]			0.8			1.1

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

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

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

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

	31.12.2023				31.12.2022			
Group rating classification | €m	**6.1**	**6.2/6.3**	**6.4/6.5**	**Total**	**6.1**	**6.2/6.3**	**6.4/6.5**	**Total**
Default portfolio	887	2,022	1,847	4,756	739	3,295	1,624	5,658
LLP	337	710	1,208	2,255	259	1,094	902	2,256
Collateral	285	649	439	1,373	299	641	450	1,389
Coverage ratio including collateral (%)	70	67	89	76	76	53	83	64

Overdrafts in the performing loan book In order to avoid an increase in the default portfolio, overdrafts are closely monitored at Commerzbank. In addition to the 90 days-past-due trigger event, IT-based management of overdrafts starts on the first day the account is overdrawn. The table below shows overdrafts outside the default portfolio based on the exposure at default as at the end of December 2023. The changes may also be due to short-term overdrafts:

	31.12.2023					31.12.2022				
EaD **€m**	**> 0 ≤ 30 days**	**> 30 ≤ 60 days**	**> 60 ≤ 90 days**	**> 90 days**	**Total**	**> 0 ≤ 30 days**	**> 30 ≤ 60 days**	**> 60 ≤ 90 days**	**> 90 days**	**Total**
Private and Small-Business Customers	574	95	52	0	720	724	90	45	1	861
Corporate Clients	2,824	29	0	0	2,853	2,752	41	25	0	2,819
Group[1]	**3,398**	**124**	**52**	**0**	**3,573**	**3,476**	**131**	**70**	**1**	**3,680**

[1] Including Others and Consolidation.

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

The focus of the portfolio is on traditional owner-occupied home financing and the financing of real estate capital investments (retail mortgage financing and investment properties with a total EaD of €100bn). We provide our small-business customers with credit mainly in the form of individual loans with a volume of €28bn. In addition, we meet our customers' day-to-day demand for credit with consumer loans (overdrafts, instalment loans and credit cards, to a total of €14bn).

Compared with the end of 2022, the risk density of the portfolio rose somewhat to 22 basis points.

	31.12.2023[1]			31.12.2022		
Credit risk parameters	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Private Customers	127	178	14	64	91	14
Small-Business Customers	30	55	19	30	53	18
comdirect	–	–	–	2	6	28
Commerz Real	0	0	10	0	0	5
Private Banking	–	–	–	35	31	9
Wealth Management	–	–	–	27	29	11
mBank	55	234	43	46	221	49
PSBC	**211**	**468**	**22**	**204**	**431**	**21**

[1] The structuring of the sub-segments was adjusted in the first quarter of 2023; the figures as at 31 December 2023 are therefore only to a limited extent comparable to those as at 31 December 2022.

The risk result in the Private and Small-Business Customers segment was €–472m in the 2023 financial year (previous year: €–392m). The main drivers were modelling and methodological effects as well as macroeconomic effects, such as the introduction of the "threefold PD" as an additional backstop indicator, and charges from the anticipation of the expected adjustment to models ("future of IRB") for the purpose of including forward-looking information as prescribed by IFRS 9.

The secondary effects TLA remains a necessity in view of crisis-related economic uncertainty and remained in place for 2023. The total TLA was €175m as at 31 December 2023 (previous year: €189m).

The risk result at mBank as at 31 December 2023 was €–241m (previous year: €–174m) and was mainly driven by the retail banking portfolio. The increase was due to difficulties identified among micro-enterprises and individual customers. This was amplified by the recalibration of the risk model and changes in staging. Despite the difficult economic and geopolitical environment, the risk result in Corporate and Investment Banking is at a similar level to the previous year.

The default portfolio in the segment stood at €2,053m as at the reporting date (31 December 2022: €1,842m), which was above the figure for the previous year.

	31.12.2023			31.12.2022		
Default portfolio PSBC | €m	**Loans**	**Securities**	**Total**	**Loans**	**Securities**	**Total**
Default portfolio	2,053	0	2,053	1,842	0	1,842
LLP	971	0	971	841	0	841
Coverage ratio excluding collateral (%)	47	–	47	46	–	46
Collateral	698	0	698	707	0	707
Coverage ratio including collateral (%)	81	–	81	84	–	84

Corporate Clients segment

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

The EaD of the Corporate Clients segment decreased from €177bn to €176bn compared with 31 December of the previous year. Risk density increased from 21 basis points to 23 basis points.

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

Credit risk parameters	31.12.2023 Exposure at default €bn	31.12.2023 Expected loss €m	31.12.2023 Risk density bp	31.12.2022 Exposure at default €bn	31.12.2022 Expected loss €m	31.12.2022 Risk density bp
Mittelstand	80	187	23	77	175	23
International Corporates	62	140	23	64	126	20
Financial Institutions	22	64	29	22	61	28
Other	12	16	13	14	16	12
CC	**176**	**406**	**23**	**177**	**378**	**21**

The risk result for the Corporate Clients segment in the 2023 financial year was €–155m (previous year: €–446m). The change in the previous year was mainly attributable to the impact of the Russian invasion of Ukraine.

Valuation allowances in the segment were mainly driven by defaults of individual counterparties and the increase in loss provisions for defaulted individual counterparties. At the same time, the segment has benefited from reversals of loan loss provisions as a consequence of disposals. The risk result also includes charges from modelling and methodological effects, such as the introduction of the "threefold PD" as an additional backstop indicator, and from the anticipation of the expected adjustment of models ("future of IRB") and the reflection of macroeconomic trends.

The total TLA as at 31 December 2023 was €274m (previous year: €284m). The secondary effects TLA remains a necessity in view of crisis-related economic uncertainty and remained in place for 2023.

The default portfolio in the segment stood at €2,459m as at the end of 2023 (31 December 2022: €2,811m). The contraction in 2023 was due in particular to the disposal of individual exposures from the default portfolio in the International Corporates portfolio.

Default portfolio CC | €m	31.12.2023 Loans	31.12.2023 Securities	31.12.2023 Total	31.12.2022 Loans	31.12.2022 Securities	31.12.2022 Total
Default portfolio	2,459	0	2,459	2,811	0	2,811
LLP	1,054	0	1,054	1,174	0	1,174
Coverage ratio excluding collateral (%)	43	–	43	42	–	42
Collateral	675	0	675	681	0	681
Coverage ratio including collateral (%)	70	–	70	66	–	66

The risk result in Others and consolidation was mainly influenced by portfolio changes. The risk result in the 2023 financial year stood at €8m (previous year: €–38m). €4m of this was attributable to the secondary effects TLA.

Further portfolio analyses

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

Corporates portfolio by sector

So far, a number of sectors have been benefiting from full order books and healthy earnings, although there are signs of a cross-sector decline in incoming orders. The reduction in purchasing power resulting from the high level of interest rates as well as shifts in consumer behaviour are leading to falling gross income along with rising costs. As a consequence, shrinking profitability can be observed in a number of industries, but particularly in consumer-oriented sectors.

The current economic environment in Germany and the delicate geopolitical situation are having a negative impact on capital expenditure in some areas. A shortage of skilled labour, inflation, the higher cost of materials and labour, cumbersome bureaucracy and reduced demand for (consumer) goods are putting a strain on our customers. At the same time, falling supplies of LNG and lower temperatures in the coming winter could again present a severe test for energy supply across all sectors.

Sizeable amounts of financing are still required for investment in environmental protection and CO_2-neutral production. Reducing dependencies and ensuring a stable supply chain will also create a cost burden. However, we regard our clients as being broadly well positioned in these respects.

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

	31.12.2023[1]			31.12.2022		
Corporates portfolio by sector	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Consumption	22	60	28	14	39	27
Technology/Media/Telecommunication	17	36	21	14	29	20
Chemicals/Plastics	14	40	27	8	19	23
Consruction/Metal	14	41	30	4	8	18
Automotive	14	32	23	10	24	25
Mechanical engineering	12	26	22	8	15	20
Energy supply/Waste management	11	33	30	12	28	24
Transport/Tourism/Services	10	31	30	9	27	30
Other	22	64	29	30	78	26
Wholesale	–	–	–	12	28	24
Basic materials/Metals	–	–	–	8	15	18
Services/Media	–	–	–	8	17	21
Pharma/Healthcare	–	–	–	4	8	20
Total	**137**	**362**	**27**	**142**	**335**	**24**

[1] The definition of sectors was adjusted in the first quarter of 2023; the figures as at 31 December 2023 are therefore not comparable to those as at 31 December 2022.

Financial Institutions portfolio

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

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

We are keeping a close eye on developments in various countries affected by specific issues such as recessions, embargoes and economic uncertainty caused by political events (at present in particular the situation in the Middle East) and are responding with flexible portfolio management that is tailored to the individual situation of each country. This applies in particular to the impact on banks' loan portfolios due to high inflation and rising interest rates in recent years, trends in energy prices and recurring supply bottlenecks. All this impacts our correspondent banks, both in industrialised countries and in developing countries.

Overall, our risk appetite is geared to keeping the portfolio as responsive as possible.

FI portfolio by region	31.12.2023[1]			31.12.2022		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	5	3	6	61	6	1
Western Europe	17	8	4	17	7	4
Central and Eastern Europe	2	9	50	13	41	30
North America	3	1	2	12	0	0
Asia	4	11	27	8	14	17
Other	6	25	44	7	22	30
Total	**37**	**57**	**15**	**119**	**90**	**8**

[1] The definition of financial institutions was adjusted in the first quarter of 2023 and central banks (€87bn as at 31 December 2022) were reclassified; the figures as at 31 December 2023 are therefore not comparable to those as at 31 December 2022.

Non-Bank Financial Institutions portfolio

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

Commerzbank conducts new business with NBFIs partly in consideration of regulatory requirements (clearing via central counterparties) and partly in the interests of our institutional customers; from the Bank's perspective the focus is on attractive opportunities with customers with good credit ratings and valuable security.

We manage our portfolios with the aim of ensuring their high quality and responsiveness. We are keeping a close eye on risks arising from global events such as recessions, embargoes and economic uncertainty caused by political events (at present in particular the situation in the Middle East) and are responding with flexible portfolio management that is tailored to the individual situation. That also applies to the current issues that have prevailed for several quarters such as the significant increase in the level of interest rates and the effects of continued high inflation.

NBFI portfolio by region	31.12.2023			31.12.2022		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	21	22	10	19	20	11
Western Europe	16	28	18	15	20	13
Central and Eastern Europe	2	15	61	2	12	70
North America	7	9	12	8	8	10
Asia	1	3	27	2	3	18
Other	1	3	34	1	2	22
Total	**48**	**80**	**16**	**46**	**65**	**14**

Originator positions

Commerzbank has in recent years securitised receivables from loans to the Bank's customers with a current volume of €14.7bn for capital management purposes (31 December 2022: €12.2bn). As at the reporting date 31 December 2023, risk exposures with a value of €13.1bn were retained (31 December 2022: €11.3bn). By far the largest share of all positions was accounted for by €12.9bn (31 December 2021: €11.2bn) on senior tranches, which are almost entirely rated good to very good. In the year under review, Commerzbank issued two synthetic STS (simple, transparent and standardised) securitisations with a volume of €1.75bn and €3.2bn, which are mainly based on corporate receivables from Germany and other European countries. In addition, Commerzbank's Polish subsidiary, mBank, issued a synthetic STS securitisation with a volume of €2.3bn, which is based on receivables from private customers.

Securitisation pool | €bn	Maturity	Commerzbank volume[1] Senior	Mezzanine	First loss piece	Total volume
Corporates	2025 – 2036	10.8	< 0.1	0.1	12.4
Private customers	2023 – 2036	2.1	–	< 0.1	2.3
Total 31.12.2023		**12.9**	**< 0.1**	**0.1**	**14.7**
Total 31.12.2022[2]		11.2	< 0.1	0.1	12.2

[1] Tranches/retentions (nominal) in the banking book.
[2] Risk figures of mBank were adjusted.

Conduit exposure and other asset-backed exposures
The Bank provides financing to securitise receivables, in particular trade and leasing receivables, from customers in the Corporate Clients segment. In this context, Commerzbank acts mainly as an arranger of asset-backed securities transactions via the Commerzbank-sponsored multi-seller conduit Silver Tower. The volume and risk values for the securitisation of receivables in the Corporate Clients segment rose by €1.3bn to €5.2bn in 2023.

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

The other asset-backed exposures mainly comprise government-guaranteed asset-backed securities (ABS) held by Commerzbank Finance & Covered Bond S.A. and Commerzbank AG in Germany. In 2023, the volume declined to €3.0bn (December 2022: €3.4bn), as did the risk values[1] at €3.0bn (31 December 2022: €3.4bn).

There are also investments in the Structured Credit area. The volume of new investments entered into since 2014 stood at €7.3bn (December 2022: €7.1bn). We have invested in bonds of senior tranches of securitisation transactions in the consumer (auto) ABS, UK RMBS and CLO asset classes, which have a robust structure and a moderate risk profile. At 31 December 2023, this portfolio solely contained AAA-rated CLO positions (which was also the case at 31 December 2022). Remaining structured credit positions with a volume of €0.2bn were already in the portfolio prior to 2014 (December 2022: €0.2bn), while risk values stood at €0.1bn (December 2022: €0.1bn).

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

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

	31.12.2023			31.12.2022		
Forbearance portfolio by segment	**Forborne exposure** €m	**LLP** €m	**LLP coverage ratio** %	**Forborne exposure** €m	**LLP** €m	**LLP coverage ratio** %
Private and Small-Business Customers	1,061	171	16	1,064	195	18
Corporate Clients	2,373	560	24	1,951	503	26
Others and Consolidation	215	215	100	213	212	100
Group	**3,648**	**946**	**26**	**3,228**	**909**	**28**

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

The forbearance portfolio by region is as follows:

Forbearance portfolio by region	31.12.2023 Forborne exposure €m	LLP €m	LLP coverage ratio %	31.12.2022 Forborne exposure €m	LLP €m	LLP coverage ratio %
Germany	2,183	458	21	2,045	489	24
Western Europe	412	260	63	412	261	63
Central and Eastern Europe	767	174	23	623	148	24
North America	12	9	78	11	0	1
Asia	95	8	8	90	5	6
Other	180	37	21	46	7	15
Group	**3,648**	**946**	**26**	**3,228**	**909**	**28**

The rise in forbearance exposure in 2023 is attributable to the Corporate Clients segment. The LLP coverage ratio at Group level decreased to 26%.

In addition to the LLP of €946m (31 December 2022: €909m), the risks in the forbearance portfolio are covered by collateral totalling €1,127m (31 December 2022: €1,067m).

Market risk

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

Strategy and organisation

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

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

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

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

Commerzbank's risk appetite is determined in the annual internal capital adequacy assessment process (ICAAP). A specific amount of economically required capital (ErC) is assigned to market risk and acts as a limit on market risk. This limit reflects the appetite for market risk and is broken down into the various portfolio levels for the purpose of operational management.

Market risk from credit spread volumes represents a significant risk for the Bank. Other market risks arise from position volumes that react to interest rate changes, at Commerzbank mainly in euros, UK pounds and US dollars. In addition, Commerzbank is exposed to significant inflation risk, which mainly results from its pension fund. Currency and commodity risk are important market risks for the Corporate Clients segment. Commodity risk relates in particular to transactions in CO_2 certificates and precious metals. Equity price risk mainly results from equity holdings and the pension fund.

The economically required capital also takes into account the credit spread risk from positions that are measured at amortised cost as well as model risks from core deposit models and from customer behaviour with regard to early repayments in lending business.

Risk management

Commerzbank uses a wide range of quantitative and qualitative tools to manage and monitor market risk. Market risk limits are defined for various key figures such as sensitivities, value at risk (VaR), stress test results and economic capital metrics. Our rulebook, in the form of market risk policies and guidelines as well as restrictions on portfolio structure, new products, maturities and minimum ratings, establishes the qualitative framework for market risk management. The market risk strategy lays down the relevance of figures in each segment. Thereby allowance is made for the varying impact of the parameters for the management of the segments in line with the business strategy.

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

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

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

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

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

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

Trading book

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

The VaR increased slightly to €14m as at 31 December 2023 (31 December 2022: €13m).

VaR of portfolios in the trading book | €m	2023	2022
Minimum	8	6
Mean	11	9
Maximum	21	14
VaR at end of reporting period	**14**	**13**

The market risk profile for value at risk is distributed across asset classes, interest rate (including inflation) risk, currency risk, credit spread risk and commodity risk. The asset classes that dominated at the end of 2023 were interest rate and credit spread risks.

VaR contribution by risk type in the trading book | €m	31.12.2023	31.12.2022
Credit spreads	4	2
Interest rates	8	6
Equities	0	0
FX	2	4
Commodities	1	2
Total	**14**	**13**

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

The market risk profile in stressed VaR is also distributed across the various asset classes. The dominant asset classes are interest rates and commodities. The decrease in stressed VaR resulted in particular from changes in positions in the Corporate Clients segment and from changes in currency risk relating to the pension fund and equity holdings.

Stressed VaR contribution by risk type in the trading book | €m	31.12.2023	31.12.2022
Credit spreads	4	4
Interest rates	9	8
Equities	0	0
FX	4	6
Commodities	5	6
Total	**21**	**25**

In addition, the incremental risk charge and the equity event VaR figures (components of the VaR calculation) quantify the risk of deterioration in creditworthiness and event risks in trading book positions. The incremental risk charge rose from €39m to €76m in the course of 2023. The increase was due to trading activities in the Corporate Clients segment in the context of hedging transactions for counterparty risks. The equity event VaR is part of the VaR calculation.

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

If the actual loss exceeds the VaR, it is described as a negative backtesting outlier. Analysing the results of backtesting provides an informative basis for checking parameters and for potential improvement to the market risk model. In the 2023 financial year, no negative clean P&L outliers and no negative dirty P&L outliers were measured at Group level.

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

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

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

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

Banking book

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

In market risk management, credit spread sensitivities in the banking and trading books are considered together. Credit spread sensitivities (downshift of 1 basis point) for all securities and derivative positions (excluding loans and pension funds) were almost unchanged at €30m as at the end of 2023 (31 December 2022: €30m).

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

As a result of the scenario +200 basis points, a potential economic loss of €2,061m as at 31 December 2023 (31 December 2022: €2,062m potential economic loss) was determined, and in the scenario –200 basis points a potential economic profit of €1,169m (31 December 2022: €1,133m potential economic profit). Commerzbank does not, therefore, need to be classified as a bank with elevated interest rate risk, as the decline in net present value represents less than 20% of its regulatory capital.

The interest rate sensitivity of the overall banking book (excluding pension funds) fell slightly to €2.0m as at 31 December 2023 (31 December 2022: €2.4m) per basis point of interest rate decline.

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

Market liquidity risk

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

Market liquidity risk is taken into account in Commerzbank's risk-bearing capacity concept by scaling the value at risk to one year, i.e. the implicitly recognised liquidation period. Additional valuation adjustments (prudent valuation) for market liquidity risk are also reflected in the calculation of the risk coverage capital. As part of the prudent valuation calculation, the liquidity horizon among other things is used to determine the amount of the capital deduction items.

Liquidity risk

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

Strategy and organisation

The Board of Managing Directors adopts the business strategy and the Bank's risk tolerance, which is associated with it. The business strategies for 2024 and 2027 and the potential risks resulting from them are described in the section Overall bank management: Risk strategy and risk management.

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

The Group Asset Liability Committee (Group ALCO) is responsible for the integrated management of financial resources, in particular for strategic and structural liquidity decisions. The Group ALCO is supported by various sub-committees in this.

Risk management

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

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

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

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

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

Foreign currency risks and payment obligations in foreign currencies are monitored on the basis of established liquidity risk limits. The Bank also mitigates concentration by continuously using its access to broadly diversified sources of funding, in particular diverse customer deposits and capital market instruments.

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

Liquidity risk model

A key component of liquidity risk management is the daily calculation of the liquidity gap profile. The liquidity gap profile shows the deterministic or stochastic inflows and outflows expected in the future on a given reporting date and across all portfolios. This forms the basis for calculating liquidity requirements or excess liquidity per maturity band. This also includes modelling the proportion of customer deposits that will be permanently available, known as the core deposit base.The liquidity gap profile is also used to set the issuance strategy of the Commerzbank Group, which is operationalised by the Group Treasury division. The Group Finance division is responsible for calculating and allocating liquidity costs on the basis of the liquidity gap profile, which are then incorporated in the management of the segments' business activities.

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

Quantification and stress testing

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

The stress scenarios within the Bank that underlie the model and are relevant for management purposes allow for the impact of both a bank-specific stress event and a broader market crisis. The Commerzbank-specific idiosyncratic scenario simulates a stress situation arising from a rating downgrade of two notches, whereas the market-wide scenario is derived from experience of the subprime crisis of 2007–2008 and simulates an external market-wide shock. The main liquidity risk drivers of both scenarios are a markedly increased outflow of short-term customer deposits, above-average drawdown of credit lines, prolongations of lending business regarded as commercially necessary, the need to provide additional collateral for secured transactions and the application of higher risk discounts to the liquidation values of assets.

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

The table below shows the liquidity gap profile values after application of the respective stress scenarios for periods of one and three months as at the end of the year. Significantly more liquidity flows out in a combined scenario compared with the individual scenarios. As at the end of 2023, in the one-month and three-month periods, the combined stress scenario leaves net liquidity of €27.0bn and €22.2bn respectively.

Net liquidity in the stress scenario | €m		31.12.2023	31.12.2022
Idiosyncratic scenario	1 month	34.7	30.0
	3 months	32.2	31.4
Market-wide scenario	1 month	35.7	30.0
	3 months	30.9	29.6
Combined scenario	1 month	27.0	21.2
	3 months	22.2	20.9

Liquidity reserves

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

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

The Bank also holds an intraday liquidity reserve portfolio. As at the 2023 reporting date, the total value of this portfolio was €6.1bn (31 December 2022: €6.1bn).

As at the end of 2023, the Bank had highly liquid assets of €134.3bn. This liquidity reserve is funded in line with the liquidity risk appetite to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors, which extends beyond the reserve period required for regulatory purposes.

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

Liquidity reserves from highly liquid assets | €bn	31.12.2023	31.12.2022
Highly liquid assets	134.3	104.7
of which level 1	124.4	97.5
of which level 2A	9.2	6.8
of which level 2B	0.8	0.4

Liquidity ratios

Throughout the 2023 financial year, Commerzbank's internal liquidity ratios, including the regulatory liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR), were above the limits set at least annually by the Board of Managing Directors.

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

As at the reporting date, Commerzbank significantly exceeded the required minimum LCR ratio of 100% with a ratio of 145.4% (31 December 2022: 145.9%). At 136.2%, the average of the last 12 month-end values was also well above the minimum ratio (as at the end of 2022: 141.1%).

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

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

The NSFR itself is defined as the ratio of the weighted available stable refinancing and the necessary weighted stable refinancing. It must be at least 100%.

As at 31 December 2023, the NSFR was 130.2% (31 December 2022: 128.3%) and is thus well above the minimum ratio.

Operational risk

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

Strategy and organisation

Within Commerzbank, OpRisk and governance issues of the Internal Control System (ICS) are closely connected in terms of both organisational structure and methodology and are continuously being enhanced. This is because many OpRisk cases are closely linked with failures in the control mechanisms. A properly functioning ICS thereby helps to reduce or avoid losses from operational risks and thus to lower the amount of economic capital required to cover operational risks in the medium to long term.

Commerzbank's ICS is based on the internationally applicable "COSO I"[1] framework developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

Implementation at Commerzbank took place in 2010 in the form of an annual ICS control cycle on the basis of minimum standards, and this is continually being optimised in risk-based fashion and adapted in line with current circumstances and Group structures.

Conversely, the operational risk management systems enable the ICS to adapt itself consistently to them. The further development of the ICS structure is an essential aspect of the proactive reduction or prevention of operational risks.

The ICS at Commerzbank can again be classified as "appropriate" and "effective" overall in the 2023 financial year.

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

Commerzbank's OpRisk strategy is approved on an annual basis by the Board of Managing Directors after it has been discussed and voted upon in the Group OpRisk Committee. The OpRisk strategy describes the risk profile, key elements of the desired risk culture, its management framework and measures to be taken by Commerzbank to manage operational risk. OpRisk management is based on three consecutive levels (three lines of defence) which, when taken together, are crucial for reaching the given strategic aims. The segments and management/service units constitute the first line of defence. They are directly responsible for identifying and managing risks in their respective areas of responsibility. The specified risk standards and policies must be adhered to. The second line of defence sets standards for appropriate risk management for the relevant risk type, ensures the implementation of these standards and carries out suitable monitoring. It conducts analyses and assessments of the risks. The third line of defence is Internal Audit. It is tasked with independently auditing the Bank's processes and safeguards, and as such also assesses the activities of the first and second lines of defence.

The operational risk strategy defines overarching focus topics and also sets further individual strategic objectives for each sub-risk type (see the section Sub-risk types of operational risk). One of the focus topics for 2024 is the implementation of the new provisions of the Capital Requirements Regulation (CRR III), which come into force on 1 January 2025. In this context, a new standardised approach for calculating OpRisk RWA and new reporting requirements will be introduced. The focus is also on analysing and implementing the requirements of DORA (Digital Operational Resilience Act), in particular the definition and establishment of ICT risk management within the organisation. Other topics include optimising the monitoring of non-financial risk (NFR), introducing a holistic approach to managing risk for all types of third parties and optimising digital banking processes in order to detect and prevent external fraudulent activities at an early stage.

In order to meet the requirements of the ECB's "Guide on climate-related and environmental risks" for banks by the end of 2024, the measurement and assessment of environmental (ESG) risks will be further developed. A focus in 2024 will be on an optimised mapping of biodiversity risk across all risk management activities.

[1] The COSO I model is an internationally recognised standard for documenting, analysing and designing an internal control system. The definition of the control model encompasses the following core objectives to be met: effectiveness and efficiency of business processes, reliability of reporting, and adherence to applicable laws and regulations (compliance).

Risk management

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

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

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

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

Since the fourth quarter of 2021 Commerzbank has measured regulatory capital using the standardised approach (SA), while economic capital for operational risks continues to be measured using a dedicated internal model (OpRisk ErC model, based on the previous AMA (advanced measurement approach)). Risk-weighted assets for operational risks on this basis came to €22.8bn at the end of the fourth quarter of 2023 (31 December 2022: €21.2bn). The main reason for the increase compared with the previous year was provisional revenues in 2023. The economically required capital was €2.2bn. A comparison with the previous year (31 December 2022: €2.3bn) shows no significant change.

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

	31.12.2023		31.12.2022	
€bn	RWA	ErC	RWA	ErC
Private and Small-Business Customers	13.3	1.4	13.3	1.6
Corporate Clients	5.1	0.3	4.5	0.3
Others and Consolidation	4.3	0.6	3.3	0.5
Group	**22.8**	**2.2**	**21.2**	**2.3**

The total charge for OpRisk events as at the end of the fourth quarter of 2023 was approximately €1,176m (full-year 2022: €951m). The events mainly related to losses in the "Products and business practices" category. First and foremost, the losses and provisions at mBank for legal risks in connection with loans indexed in Swiss francs should be mentioned here.

OpRisk events[1] | €m	31.12.2023	31.12.2022
Internal fraud	2	0
External fraud	45	1
Damage and system failure	2	4
Products and business practices	1,158	936
Process related	−33	13
HR related	3	−3
Group	**1,176**	**951**

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

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

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

Sub-risk types of operational risk

The risks listed below are the sub-risk types of operational risk included in Commerzbank's risk inventory.

Legal risk

Legal risk primarily arises for the Commerzbank Group when the Bank's claims cannot be enforced for legal reasons or when claims can be made against the Bank because the underlying law was not observed or has changed since a transaction was concluded.

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

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

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

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

In the case of passive proceedings, provisions are recognised on the basis of the risk assessment carried out by the responsible legal risk manager. To determine the amount of the provisions for the claim, the legal risk manager makes the best possible estimate of the probable loss (in cash / cash outflow) from the proceedings. The provisions for the claim must be recognised in the amount of this expected loss if the outflow of resources is probable. The legal risk manager must review the probability of occurrence and the expected loss in the event of new findings, particularly after each significant stage of the proceedings, and adjust the provisions for the claim accordingly. In the case of active proceedings, provisions are usually only recognised for the expected court and lawyers' costs.

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

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

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

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

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

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

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

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

In May 2017, a Polish court admitted a class action lawsuit against mBank alleging the ineffectiveness of index clauses in loan agreements denominated in Swiss francs. A total of 1,731 plaintiffs have joined the class action. The plaintiffs appealed against the claim's dismissal by the court of first instance. In January 2024, the court of appeal referred the case back to the court of first instance for a new hearing.

Independently of this, numerous borrowers of loans indexed in foreign currencies have also filed individual lawsuits for the same reasons. In addition to the class action, 22,602 other individual proceedings were pending as at 31 December 2023 (31 December 2022: 17,627). mBank has contested these claims.

As at 31 December 2023, there were 4,528 final rulings relating to loans indexed in foreign currencies in individual proceedings against mBank, of which 104 were decided in favour of mBank and 4,424 were decided against mBank.

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

In a request for a preliminary ruling from a Polish court to the ECJ in proceedings concerning mBank (C-140/22), the ECJ ruled in December 2023 that a consumer can choose not to assert unfairness of a contractual term and voluntarily agree to the contractual term, but is not obliged to assert the unfairness in court in order to enforce their rights. The ECJ also reaffirmed its case law from the ruling of 15 June 2023 (C-520/21) and rejected claims by the bank beyond the repayment of capital and the payment of statutory default interest.

In proceedings against another bank (C-28/22), the ECJ ruled in December 2023 that the limitation period must be symmetrical for both parties; the limitation period for customer claims must not begin before the limitation period for the banks' claims. The court also ruled that interest on arrears would continue to accrue during the period in which the bank exercised a right of retention. In a referral proceeding against another bank (C-756/22), questions were referred to the ECJ regarding the bank's claims in the event of the reversal of loans; in its decision in December 2023, the ECJ referred to its ruling of 15 June 2023 (C-520/21) and confirmed that the bank has no claim against the consumer beyond the repayment of the capital and statutory default interest.

In a referral proceeding at the ECJ concerning mBank (C-488/23), a decision was issued in January 2024 in which the court confirmed its ruling of 15 June 2023 (C-520/21), according to which a bank is not entitled to remuneration for the transfer of capital, not even in the form of compensation for the loss in value of the capital transferred ("valorisation").

mBank established a settlement programme beginning in the fourth quarter of 2022 that is aimed at all customers with active loans indexed in Swiss francs, including those who already have lawsuits against the bank. Customers will be offered the option of having their loans converted into zloty loans with a fixed or variable interest rate as well as the cancellation of an individually negotiated part of the outstanding loan value. As at the reporting date, mBank had accounted for risks in connection with future settlement payments in the amount of €285.7m.

mBank has looked into the implications of the ECJ's rulings and decisions and has examined and partly adjusted the parameters of the model, such as the expected number of borrowers who will still sue, the nature of the expected court judgements, the amount of the Bank's loss in the event of a judgement and the acceptance rate for settlements. The methodology used to calculate the provision is based on parameters that are varied, discretionary and in some cases associated with considerable uncertainty. Fluctuations in the parameters as well as their interdependencies and rulings of the Polish courts and the ECJ may mean that the amount of the provision has to be adjusted significantly in the future.

As at 31 December 2023, the portfolio of loans indexed in foreign currencies that have not been fully repaid had a carrying amount of 3.4bn Polish zloty. The portfolio of fully repaid loans and loans for which a settlement had been agreed or final ruling had been issued amounted to 11.2bn Polish zloty at the time of disbursement. Overall, the Group recognised a provision of €1.9bn for the risks arising from the matter, including potential settlement payments and the class action lawsuit (31 December 2022: €1.4bn), this relates almost exclusively to loans indexed in Swiss francs. In the case of loans that have not yet been fully repaid, the legal risks are taken into account in the gross carrying amounts of the receivables directly when estimating the cash flows, and not shown as a provision.

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

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

Further information on legal proceedings may be found in Note 54 regarding provisions and Note 56 regarding contingent liabilities and lending commitments in the Group financial statements.

Operational and organisational risk

Through its written rules of procedure, Commerzbank has a defined framework for its organisational structure and processes. These rules are based on legal requirements, including the Minimum Requirements for Risk Management of Credit Institutions (MaRisk), section AT5 Organisational guidelines, and on Commerzbank's strategy and constitution.

The rules for the organisational structure include uniform and binding minimum requirements for the Bank's structure and they thereby allocate responsibilities clearly. The core elements are the assignment of responsibilities for the Board of Managing Directors, the business objectives with the descriptions of the tasks of the corporate units, and the administrative cost approval authorities for the different management levels.For organisational processes, standards are set for the creation, regular updating, approval and documentation of instructions and processes as well as the systems to be used.

Regular reviews of up-to-date status are carried out for both components. The managers responsible for risk are involved through approval processes and are thus informed about any changes in risks.

This creates overall certainty for the work of all standard-setting functions and employees.

IT risk

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

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

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

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

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

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

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

Relevant IT risks are also evaluated as part of operational risk management through risk scenarios and considered in the Bank's ErC calculation. This includes the risk of a breakdown of critical IT, the risk of external attack on the Bank's systems or data and the risks of cloud sourcing (cyber risk and cloud scenarios), the theft of corporate data or the default of service providers and vendors. See also the description of cyber risk.

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

The "IT Strategy 2024–2027" deals with the issues of IT risk management and IT security in general and with reference to the regulatory requirements of BaFin's Supervisory Requirements for IT in Financial Institutions (BAIT) and of MaRisk. IT security is one of the five goals of the IT strategy. In the IT Strategy 2024-2027, fields of activity and measures are derived from the status quo. With regard to cybersecurity, the Bank will be striving on an ongoing basis to optimise the zero trust model and the general application of zero trust principles. The associated measures and the measures derived from the Information Security Strategy contribute to IT risk management.

Human resources risk

The internal, management-oriented interpretation of this definition at Commerzbank AG includes the following elements in human resources risk.

Adjustment risk: Adjustment risk results when organisational and operational circumstances change (for example, restructuring, changes in management culture, qualification needs), these changes impact employees' scope of responsibilities and therefore require a greater willingness to change on the part of the staff.

Motivation risk: Motivation risk arises when demotivating factors are not eliminated and employees do not adequately perceive motivating factors such as management or remuneration. The effects (such as withheld performance by employees) can have a direct impact on the working environment and the organisation's productivity.

Departure risk: Departure risk takes into account the consequences of undesired employee departures (for example, if an employee resigns voluntarily), particularly when high performers are involved.

Supply risk: Supply risk reflects the consequences of insufficient staffing (for example, positions budgeted for but unfilled, inadequate development of young staff) and the resulting consequences (operating bottlenecks, increased workload, lower productivity and illness).

Strategy and organisation Employees are a key resource for Commerzbank. With this in mind, all managers have a basic responsibility to keep an eye on the human resources risk within their own area of responsibility and to deal with any undesirable developments, if necessary with the involvement of Group Human Resources (GM-HR). Human resources risk is additionally and systematically managed by GM-HR with the aim of identifying, assessing and managing any changes in the risk situation, such as through the use of selected personnel tools.

The Group division GM-HR is the responsibility of the Group Human Resources division head, who reports directly to the member of the Board of Managing Directors responsible for human resources (CHRO).

Risk management The strategic guidelines from the overarching Group risk strategy apply without limitation to human resources risk. The operational risk sub-risk strategy, as part of the overall risk strategy of Commerzbank, sets the risk strategy framework and contains a detailed description of human resources risk management in addition to strategic and organisational elements. In this context, GM-HR prepares a human resources risk report for Commerzbank AG and its largest subsidiaries every six months for the attention of the Board of Managing Directors in order to assess adjustment risk, motivation risk, departure risk and supply risk based on defined criteria and to identify current risk-relevant areas where action is needed.

Adjustment risk is countered through selected internal and external training, continuing education and change measures. Steps are taken to ensure that the qualification levels of our employees keep pace with the current requirements, that guidance is provided for structural changes and that our employees can fulfil their duties and responsibilities. The potential for a loss of expertise is countered with training aimed at reskilling and upskilling as well as the elaboration of a sustainable human resources development plan.

Motivation risk is captured by GM-HR by means of regular employee surveys. These enable us to respond swiftly to potential changes in employees' level of corporate loyalty and to initiate adequate measures. This includes the development of incentive systems to recognise individual achievements as well as measures for employee development and the reassignment of more demanding tasks to top performers.

With regard to departure risk, great care is taken to avoid lasting disruptions to operational processes caused by the absence or departure of employees. GM-HR monitors staff turnover on a regular basis from both a quantitative and a qualitative perspective. Another risk-mitigating measure is agreement on mutual consent for social plan instruments to prevent unwanted departures in the context of downsizing measures.

Supply risk is countered by appropriate staffing in quantitative and qualitative terms. The aim in this is to ensure that the internal operating requirements, business activities and prevailing strategy of Commerzbank AG can be implemented. In addition to strengthening the employer brand, this also includes modernising the recruitment process in Germany and at international locations. These steps can help ensure that an appropriate number of employees with the required qualifications are available.

Current developments In order to ensure the necessary stability in human resources and to manage transformation-related human resources risks appropriately, a variety of measures were taken to support the "Strategy 2024" programme. Overall, the human resources risk situation must continue to be monitored as it may shift in response to structural changes (for example, as a result of a revised Group strategy). In view of demographic change and extremely competitive employee profiles, increasing demands can be expected both in terms of retaining and recruiting new employees. These human resources risks are being countered through change and organisational measures that have already been introduced as well as through Commerzbank AG's new employer campaign in particular.

Outsourcing risk

Outsourcing arrangements are defined at Commerzbank in accordance with the EBA Guidelines on outsourcing arrangements (EBA/GL/2019/02) and in line with Art. 25 a/b of the German Banking Act (KWG) and MaRisk AT9. The Group Outsourcing Policy is the basic framework used by the Group in its efforts to mitigate the risks from outsourcing in accordance with the outsourcing strategy. The principles and rules for all components of the Group Outsourcing Policy are binding on Commerzbank AG and its domestic and foreign subsidiaries and branches.

An essential part of the outsourcing process is determining the materiality of the outsourcing project. The classification of each outsourcing arrangement as "material" or "non-material" complies with regulatory requirements based on a structured risk analysis. Material outsourcing arrangements are subject to a more stringent control and monitoring system. The responsible first line of defence (Retained Organisation) must establish suitable control measures for every outsourcing arrangement, such as the checking of service quality, satisfaction with the service provider and regular evaluation of internal or external audits. In addition, the risk analyses must be reviewed and updated on a regular basis. For a material outsourcing arrangement, this must be carried out annually; for a non-material outsourcing arrangement, the review is carried out in a one, two or three-year cycle, depending on the individual risk. Regardless of this, the first line of defence must update the risk analysis outside the control cycle in the event of significant, unforeseen events.

Outsourcing relationships represent a subset of third-party relationships. Increasing complexity, from traditional arrangements to cloud outsourcing, requires a correspondingly comprehensive approach to supplier and outsourcing risk. Therefore, a holistic approach to managing risk across all types of third-party risk will be introduced in 2024.

Supplier risk

The key points for supplier risk are the assessment and management of risks that arise from the relationship with suppliers. Supplier risk is already assessed as part of the structured selection process for suppliers, covering criteria such as performance and profitability.

In active relationships with suppliers, changes in supplier risk are regularly reviewed and, if necessary, risk mitigation measures are initiated. Efforts to optimise supplier risk using a risk-oriented approach will continue. A holistic approach to managing risk across all types of third-party risk will be introduced (see Outsourcing risk) in 2024.

Tax risk

Tax risk consists of the following components: the risk of submitting erroneous[1], incomplete or late tax returns, internally calculated tax returns and mandatory notifications of tax-relevant details/information, or infringement against disclosure, reporting, notifycation or cooperation obligations.

This may result in the following costs: penalties for late execution and late payment surcharges due to non-compliance with statutory deadlines, interest expenses for back taxes and penalties in the form of coercive penalty payments or late payment surcharges for non-adherence to cooperation, documentation, archiving and retention periods (Principles for the proper keeping and storage of books, records and documents in electronic form and for data access; GoBD).

Tax risk also includes: fines or penalty interest arising from administrative and criminal tax offences, additional charges due to avoidable double taxation (e.g. including the same information in different tax contexts), avoidable tax/interest expenses or non-refund of taxes due to non-filing or improper filing of applications or examination of tax assessments, and additional expenses due to tax estimates.

In view of the above-mentioned tax risks and the zero tolerance approach to criminal tax offences and to aiding and abetting criminal and administrative tax offences, Commerzbank has set up a Tax Compliance Management System (TCMS), which is continually analysed and optimised by the specialised GM-TAX Tax Compliance Management unit in collaboration with various units inside and outside GM-TAX.

Commerzbank reports known tax risks resulting from criminal tax offences quarterly to the Bank-wide Anti-Fraud & Corruption

[1] In the case of errors, it must be determined whether it was possible to evaluate/recognise the error as such at the time the tax return or notification was submitted. If legal regulations have been undeniably misinterpreted, incorrect information has been deliberately provided or existing procedures have not been followed, this must be viewed as erroneous. If there is a justifiable different interpretation of a legal regulation that leads to an adjustment as part of a tax audit, this is not construed as an error within the meaning of operational risk.

Committee (BAFCC) for Commerzbank AG including material foreign branches and relevant subsidiaries.

Other material risks

The risks listed below are – with the exception of ESG risks - the other material risks included in Commerzbank's risk inventory. ESG risk is classified as a "horizontal risk".

Compliance risk

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

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

Organisation Group Compliance is led by the Divisional Board member for Group Compliance, who reports directly to the Board of Managing Directors. Pursuant to Art. 87 (5) of the German Securities Trading Act (WpHG) and BT 1.1 MaComp (minimum requirements of the compliance function), the Group Compliance division head is both the Group's Compliance Officer and, under Art. 25 h (7) of the German Banking Act (KWG) and Art. 7 and 9 of the German Anti-Money Laundering Act (GwG), the Anti-Money Laundering Officer, or Group Anti-Money Laundering Officer for the Group. The Group Compliance division head also assumes the role as human rights officer according to the German Supply Chain Due Diligence Act (LkSG).

Group Compliance is responsible for:

A. The five types/areas of compliance risk:

1) anti money laundering / fighting terrorist financing

2) sanctions and embargoes

3) combating fraud, bribery and corruption

4) markets compliance

5) consideration of human rights and environmental risks in accordance with the LkSG

as well as

B. Further responsibilities:

1) coordination of the requirements under MaRisk section 4.4.2 ("MaRisk compliance function"),

2) independent implementation of internal special investigations with compliance relevance.

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

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

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

The compliance sub-risk strategy, as part of the overall risk strategy of Commerzbank, sets the risk strategy framework for dealing with compliance risks and contains a detailed description of compliance risk management in addition to strategic and organisational elements. In particular, the risk appetite per compliance risk type is specified and the strategic fields of action are defined. Group Compliance factors the Bank's Strategy 2027 into the sub-risk strategy.

Current developments Overall, there continues to be an increased focus on ensuring the implementation of sanctions requirements and the prosecution of possible sanction violations.

Political and regulatory attention remains firmly fixed on Russia-related sanctions, as shown in particular by the 12th EU sanctions package of 18 December 2023 and US Executive Order 14114, which was also enacted in December 2023. Current geopolitical developments, as well as the evolving expectations of regulators with regard to the implementation of sanctions requirements, are continuously monitored in order to be able to react promptly to changes.

Recently, export control requirements in particular have become a focal point with respect to achieving the objectives of the sanctions. Regulators have now defined various individual goods and classes of goods that are not allowed to be exported to Russia. These restrictions on trade in goods are widespread and cover a large number of goods – far beyond armaments or dual-use goods that were previously the focus of attention. Accordingly, Commerzbank has established enhanced screening routines, particularly in the trade finance business, in order to fulfil the requirements. In addition, emphasis is placed on detecting possible transactions aimed at evading sanctions.

In January 2024, in the context of the EU trilogue negotiations, an agreement was reached on uniform standards for combating money laundering and terrorist financing in all EU member states. The new EU AML regulation will have an impact on all of Commerzbank's business segments. Group Compliance is currently analysing the requirements and helping the impacted areas of the Bank make the necessary adjustments to processes and controls.

The level of external fraud-related attacks increased significantly in 2023. The level of attacks is expected to continue to rise, particularly through "fraud as a service" in which fraudsters make use of generative artificial intelligence. Group Compliance will therefore continue to focus on fraud prevention in 2024.

The compliance risks in connection with the plans for crypto custody services for corporate clients may in principle affect all compliance risk types; AML and sanctions risks as well as market compliance risks (because of the Markets in Crypto-assets Regulation (MiCAR)) are of particular importance.

Reputational risk

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

Strategy and organisation All employees and managers have a fundamental duty to protect and reinforce Commerzbank's good reputation as a significant element of its enterprise value. The segments and significant subsidiaries bear direct responsibility for reputational risk resulting from their particular business activity. Managing intrinsic reputational risk means in particular identifying and reacting to potential environmental and social risks at an early stage, thereby reducing any potential communication risk or even preventing it completely.

The Reputational Risk Management department is part of the central Group Communications division of the Commerzbank Group and focuses on intrinsic reputational risk that may directly lead to reputational damage among stakeholder groups. The department maintains close links with the relevant front office units. Management of intrinsic reputational risk is the responsibility of the Chairman of the Board of Managing Directors. It is a component of Commerzbank's overall risk strategy. Reputational Risk Management's tasks include identifying, evaluating and addressing intrinsic reputational risk in systematic processes at an early stage and suggesting or implementing appropriate measures (early warning function).

According to the risk inventory, reputational risk is one of the main non-quantifiable risk types in the Commerzbank Group. These must be limited and monitored in accordance with the overall risk strategy through a sub-risk strategy using suitable qualitative guidelines. Thus, the reputational risk management sub-risk strategy gives specific shape to the overall risk strategy through strategic management that is based on three main pillars:

- Firstly, strategic management of the intrinsic reputational risk aims to prevent reputational damage from arising from socially or environmentally questionable transactions, products and customer relationships. To this end, Commerzbank has created the clear governance structures described in this sub-risk strategy.
- Secondly, expected economic implications of reputational damage (lower business volumes) are factored directly into business planning and multi-year planning.
- Thirdly, the risk-bearing capacity analysis implicitly takes into account possible effects of reputational risks materialising unexpectedly in business risk or operational risk.

The global functional lead for managing intrinsic reputational risk in the Commerzbank Group lies with Group Communications/ Public Affairs/Reputational Risk Management.

The strategy aims to ensure

- overall management of intrinsic reputational risk, as well as:
  - the consideration of environmental risk aspects considered material (currently greenwashing),
  - an annual scenario analysis on aspects of environmental risk relevant to reputational risk (climate-related and biodiversity risks),
- explicit integration of sustainability criteria into banking business,
- internal measures to raise the awareness of managers and employees for intrinsic reputational risk and the associated corporate responsibility,
- informing management through reputational risk reporting.

Management Intrinsic reputational risks are essentially managed by the Reputational Risk Management department using a qualitative approach. As part of a structured process, transactions, products and customer relationships in connection with sensitive areas are assessed with reference to environmental and social risks on a qualitative five-point scale. This assessment can contain conditions and in some cases a negative verdict, which could lead to a rejection. In addition to the qualitative assessment of intrinsic reputational risks, an annual scenario-based ICAAP materiality analysis is used to quantitatively assess the impact of environmental risks (particularly climate-related and biodiversity risks) on reputational risks and to ensure appropriate ICAAP consideration via business risk.

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

Environmental, social and governance (ESG) risks

The integration of ESG aspects into the Bank's risk management processes is hugely important for sustainable finance. Under the three lines of defence approach, ESG risks are viewed as a horizontal type of risk and are therefore managed across various control units at the Bank. Group Sustainability Management also acts the second line of defence for social (S) and governance (G) risks, serving as a central point of oversight. For environmental risks (E), this is the responsibility of the Chief Environmental Risk Officer (CERO) and the Environmental Risk Control operating unit within the risk control function.

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

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

We aim to manage all portfolios highlighted as requiring attention in the SBTi method, with a particular focus on emissions-intensive sectors. These include power generation, automotive manufacturing, and the production of cement, iron and steel. We will likewise consider the private residential mortgage loan portfolio, which is deemed optional in the SBTi analysis. In 2022, corresponding emissions intensity reduction targets were formulated for all these portfolios and they were validated under the SBTi at the beginning of 2023. The portfolio targets under the SBTi are published in the ESG framework. The status of target achievement is regularly updated in this framework. Our ambition is to support companies in the real economy in their transition process and to sustainably reduce emissions.

Commerzbank defines environmental risks as both climate-related and biodiversity risks. We do not see environmental risk as a separate type of risk, but as a horizontal risk that can materialise in the familiar types of risk. In 2023, we carried out another comprehensive materiality analysis for environmental risks across all risk types for the Commerzbank Group as part of the annual risk inventory process, taking into account the requirements of the European Central Bank's "Guide on climate-related and environmental risks".

As a result of the analysis, the influence of climate-related risks for the risk types credit risk, market risk, operational risk (including compliance and cyber risk), reputational risk and business risk was confirmed as material. No materiality was established for property value risks, liquidity risks and model risks. A risk type is considered to be materially influenced by climate-related risks as soon as it is materially affected by either climate-related transition or physical climate-related risks[1] in the short, medium or long term.

Commerzbank considers both climate-related and biodiversity risks. These are also regarded as horizontal risks for the Bank. As with climate-related risks, the classification of biodiversity risk for material risk types is a central component of the annual materiality analysis. Following the initial 2022 report, the scope of the analyses and methodology were expanded to cover more specific issues and improved in the reporting year. To summarise, credit risk, reputational risk and business risk are materially affected by biodiversity risks. The focus here is primarily on medium and long-term transition risks. The impact analysis enabled us to identify potential fields of action and strategic priorities and we plan to develop further analyses, measures and products to protect biodiversity.

The findings of the materiality analysis feed into business strategy, the overall risk strategy and the sub-risk strategies as well as into other core elements of the Bank's internal process to ensure an adequate capital position, such as the internal stress test framework and the risk-bearing capacity concept. Particularly in the case of

[1] Transition risks arise for companies as a result of the transition to a lower-emission and more sustainable economic system (e.g. owing to regulatory or legal changes in energy policy, changes in market sentiment and preferences or technological innovations). Physical risks arise as a result of changing climatic conditions and the associated more extreme and more frequent acute weather events, such as floods or heatwaves, or chronic effects, such as rising sea levels.

risk types materially affected by climate-related risks, environmental risks are managed within the risk function responsible for the respective risk type. The materiality analysis for environmental risks is an integral part of the Commerzbank Group's risk governance. In addition to the annual materiality analysis, we carry out internal climate stress tests too.

Greenwashing risks are also permanently monitored by Commerzbank and largely mitigated through various measures. These include, for example, greenwashing risk governance such as an internal control framework and the consideration of greenwashing in the new product process.

For credit risk, we took a portfolio-specific approach in the materiality analysis with regard to climate risk and carried out quantitative analyses wherever possible. For the potentially hardest-hit portfolio (corporate clients), these analyses were carried out using a scenario simulation that translates the relevant parameters of a scenario into economic effects (changes in balance sheet ratios). With regard to transition risks, changes in regulation, price changes, shifts in supply and demand and the impact of technological changes are considered. In the case of physical risks, effects from all relevant events (storm/hurricane, drought, heatwaves, flood, rising sea levels) are taken into account.

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

In order to manage the effects of climate-related risks in Commerzbank's lending business, we combine the specific findings from the scenario analyses (including the sector or country-specific impact of climate-related risks) with individual risk analysis at customer level. The findings from the scenario and credit risk analyses are aggregated in a structured assessment ("score"). We factor this score into the individual loan decision. Depending on the score, increased requirements or restrictions are triggered on a portfolio-specific basis. We also use this score as part of our portfolio analysis and management. Portfolio-specific guidelines, which are anchored in the credit risk strategy, limit the share of the portfolio with heightened climate-related risk. In the particularly relevant portfolios such as corporate clients, special financing, banks and commercial real estate finance, we have supplemented the qualitative risk analysis in the individual loan decisions with these specific aspects for the analysis of climate-related risks. We will progressively extend this approach to other relevant portfolios and include smaller companies, for example. In our target state, we want to integrate climate risks – as far as possible – into the quantitative credit risk analysis and thus fully reflect them across the process chain, including in pricing and reporting.

Another key aspect is the ongoing addition to our specialists' expertise in climate-related risk, which enables us to discuss the challenges and assess the risks with our customers on an equal footing. By combining these measures, we ensure that we are taking appropriate account of the associated risks in our efforts to support the transformation.

Market risk in relation to climate change risk was assessed on a portfolio basis and in particular from an economic perspective. Overall, Commerzbank is subject to market risks in sectors that are potentially affected by climate-related risks and that are sensitive in particular to credit spreads in affected sectors, as well as to interest rates; all of these risks are likely to increase depending on the adaptability of companies and of the world's economies. It can be inferred from the volatility assumptions specific to the climate scenario that climate-related transition risk is a material driver of market risk in the long term. For physical climate risk, no material effects were derived from the scenario calculation. The positions particularly affected by climate risks are subject to regular monitoring.

Operational risk has also been classified with regard to environmental risks in the defined time horizons. Specific scenario analyses were used to quantify possible effects. As a result, climate-related transition risks were classified as material in all three time horizons. The applied analysis method covered issues including natural disasters, supplier or vendor failure, vandalism/terrorism (by activists) and greenwashing. The latter scenario in particular is a key driver of the materiality classification. Corresponding scenarios are factored into the specific modelling for OpRisk and are subject to an annual assessment and update. A risk indicator that reflects climate-related losses in operational risk was established in 2023. Further associated control measures have been implemented, such as the establishment of greenwashing controls and the screening of new sustainable products including greenwashing checks.

Reputational risk, which is also assessed as material in relation to climate-related risk, is one of the Commerzbank Group's main non-quantifiable risk types according to the risk inventory. Sustainability in the core business is assessed by the Reputational Risk Management department at Commerzbank. We do not limit ourselves to what is legally required; instead, we consider the legitimacy of all transactions. To this end, we have formulated sector-specific requirements, for example for mining, energy and fossil fuels, including oil and gas. Exclusion criteria were defined for particularly critical products, transactions or business relationships. In view of the special risks associated with fossil fuels and armaments, the Board of Managing Directors of Commerzbank has passed its own binding directives on these matters that define many of the relevant transactions and business relationships in these areas as being subject to assessment, and encompass exclusion criteria.

Given the particular importance of sustainability aspects, including environmental risks, for the overarching business strategy, climate-related risk is deemed a material risk driver for business risk, driven by medium- and long-term transition risks. Business risk may potentially be affected in particular by secondary effects from reputational risk. Potential impacts from climate-related risks are taken into account in the buffer that has already been established for business risk and are subject to a regular review of their appropriateness.

To avoid social and governance risks, Commerzbank's business activities are steered by a robust framework. Our binding code of conduct is at the heart of this. Other elements include regular, comprehensive training for all employees on compliance issues (e.g. corruption, bribery, money laundering), regular employee surveys, an intensive dialogue with our customers and other external stakeholders such as NGOs (through surveys and established advisory boards) and an internally and externally available whistleblower system. In addition, the focus of our business activities is in the European Union and Germany, meaning that they are subject to a wide range of legal standards, for example with regard to employee and consumer protection. Social and governance issues are already an integral part of the Bank's risk management in many areas. That applies, for example, to the management of operational and reputational risk and, in particular, to compliance risk.

We also report in detail on our ESG activities and risks in the non-financial report, in our GRI report (sustainability reporting in accordance with the standards of the Global Reporting Initiative) and in the disclosure report in accordance with the CRR.

Cyber risk

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

The strategic guidelines from the overarching Group risk strategy, the Information Security Strategy and the cyber risk sub-risk strategy apply without limitation to cyber risk. In particular, this involves expanded identity and access management, the implementation of the zero trust model, strengthening cyber resilience and continuing to implement extensive awareness measures.

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

The main factor in the current cyber risk situation – in which risk remains at a high level – is the geopolitical tension surrounding the Ukraine war. The Russia-Ukraine war continues to harbour a risk of attacks by state actors on critical infrastructure and resulting collateral effects on the Bank.

Ransomware has become one of the established attack vectors in organised cyber crime, and is a threat in particular to SMEs. With regard to distributed-denial-of-service (DDoS) attacks, we are observing an increasing shift from the network to the application level.

Steps have already been initiated to ensure improved protection from these threats by means of the agreed packages of capital investment and associated measures. Developments in the cyber context are observed on an ongoing basis at Commerzbank by an interdisciplinary task force (top management and specialists from GRM-CRIS and Group Technology Foundations – GS-TF).

By closely interlinking the first and second line of defence activities in the field of cyber threat analysis, including corresponding protective measures and incident management processes, the Bank aims to continue to be adequately protected against such attacks.

Business risk

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

Strategy and organisation On the basis of external and internal factors, the Board of Managing Directors sets out a sustainable business strategy describing the major business activities and steps required to meet the targets.

The aim in managing and monitoring ongoing business risk is to make a prediction about possible adverse deviations in the development of the operating results from the planned figures over a 12-month time horizon and thus to take the volatility of the underlying income and expenses into account when planning business activities. The aim of medium to long-term business strategy risk management, on the other hand, is the appropriate implementation of Group strategy in order to achieve the announced business goals and, if necessary, early adjustment of the business strategy if changes in the environment become apparent.

Risk management To ensure proper implementation of the Group strategy to achieve the business targets, strategic controls are carried out through regular monitoring of quantitative and qualitative targets in the Group and the segments. The bank has various instruments at its disposal to make deviations between actual performance and planned performance transparent at an early stage and to initiate countermeasures to limit business risk – including regular reporting on the earnings situation for the Group and the segments, including monitoring KPIs and early warning indicators. Based on ongoing observations of the German and international market and competitive environment as well as the requirements of the regulator and the capital markets, the main changes and developments that are visible in the medium to long term are continuously analysed and the necessary measures are derived from this to ensure the Bank's long-term success. Strategy implementation is checked and tracked on an ongoing basis; this includes in particular regular monitoring of progress made with respect to the implementation of the delivery portfolio defined for the "Moving forward" strategy.

From an economic perspective, the management of business risk is closely linked to internally defined capital ratio requirements. The fulfilment of these requirements and the way in which business risk is taken into account when placing a limit on the risk-bearing capacity ratio ensure that sufficient capital backing is available at all times (risk coverage potential). If it becomes necessary to make adjustments to Commerzbank's risk appetite and/or initiate capital measures, this is done in line with general risk governance under the overall risk strategy. In the normative perspective, business risk is implicitly taken into account through the SREP P2G and P2R requirements as well as various scenario formats with a time horizon of up to three years.

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

Property value risk

Property value risk is understood to be the risk that arises from

- the negative change in market values of Group properties that have already been recognised as assets in the next 12 months with a corresponding charge to the income statement,
- properties that may be recognised on the Group's balance sheet owing to contractually guaranteed obligations in the nature of options for certain dates and fixed redemption prices for investors and accordingly may have a negative impact on the income statement.

Property value risk results from real estate used for business purposes and from the business activities of Commerz Real.

Strategy and organisation Property value risk is classified as a material risk type for Commerzbank and is included as a quantifiable risk in determining the economic capital requirement and thus directly in the risk-bearing capacity calculation. In the normative perspective of the ICAAP, property value risk is taken into account as part of the scenario analyses.

The property value risk resulting from real estate used for business purposes includes risk from the market environment, risk for business activities and risk from legal proceedings. The need for cost-effective provision of adequate premises for the Bank is factored into the desired risk structure as a key consideration. The multi-year planning for premises costs adopted in each case acts as a guide for mapping the financial opportunities and risks within the real estate portfolio. Commerz Real's property value risk results from directly held assets, assets from majority equity holdings, assets from minority equity holdings and outstanding residual values as well as tenant loans from real estate leasing contracts. The central asset classes are ships, real estate and infrastructure. Sustainably achievable cash flow is the central risk driver.

Risk management When managing and controlling property value risk, a distinction is made between two different classes:

1. real estate used for business purposes
2. property value risk at Commerz Real

For the sake of completeness, the first class also includes property-related risks that arise from the perspective of a real estate operator and that go beyond the scope of the property value risk.

The Group value for property value risk is calculated each quarter and reported regularly in the Group Risk & Capital Monitor.

At Group level, property value risk is restricted overall by an economic limit, which is set and regularly monitored as part of the setting of economic limits under the overall risk strategy. If the limit is exceeded, defined escalation mechanisms under the overall risk strategy apply.

Model risk

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

Model risk constitutes a material but non-quantifiable type of risk. Therefore, a qualitative management approach is applied: The basic principles of model risk management are the identification and avoidance of model risks and appropriate consideration of known model risks (e.g. through conservative calibration or consideration of margins of conservatism or model reserves). Model risks that are unknown and hence cannot be mitigated are accepted as an inherent risk in the complexity of the Commerzbank business model. In respect of the governance of model risk management, requirements relating to model validation, model development and model changes are established.

The war in the Ukraine and its geopolitical impact as well as the economic secondary effects from the coronavirus pandemic pose challenges for the risk models used. These factors are taken into account in ongoing management of model risks and in particular in regular validation work.

The strategically relevant credit risk models (PD, LGD, CCF for private and corporate customers, PD for banks and for renewable energy project financing) are currently being fundamentally revised. In this context, high standards in model development and initial validation play a major role. In addition, a project to consolidate the booking systems for financial products will be completed in 2024, with implications for the valuation models used for the corresponding products and therefore relevant from a model risk perspective.

Disclaimer

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

Income statement of Commerzbank Aktiengesellschaft for the period from 1 January to 31 December 2023

€m				2023	2022
Interest income from					
a) Lending and money market transactions	13,025				6,588
less negative interest from money market transactions	– 62				– 443
		12,964			6,144
b) Fixed-income securities and debt register claims		982			653
			13,946		6,798
Interest expenses					–
Interest expenses from banking business		– 9,359			– 3,246
less positive interest from banking business		34			601
			– 9,325		– 2,645
				4,620	**4,152**
Current income from					
a) Equities and other non-fixed-income securities			0		0
b) Equity holdings			6		6
c) Holdings in affiliated companies			238		112
				244	**119**
Income from profit-pooling and from partial or full profit-transfer agreements				**175**	**196**
Commission income			3,397		3,463
Commission expenses			– 436		– 452
				2,961	**3,011**
Net trading income/expense				**530**	**594**
of which: allocations as defined by Art. 340 e (4) HGB	– 59				– 66
Other operating income				**844**	**270**
General administrative expenses					
a) Personnel expense					
aa) Wages and salaries		– 2,387			– 2,286
ab) Compulsory social-security contributions, expenses for pensions and other employee benefits		– 880			– 839
of which: for pensions	– 506				– 477
			– 3,267		– 3,126
b) Other administrative expenses			– 2,101		– 2,184
				– 5,369	**– 5,310**
Depreciation, amortisation and write-downs of intangible and fixed assets				**– 411**	**– 432**
Other operating expenses				**– 167**	**– 2,648**
Write-downs and valuation allowances on loans and certain securities and allocations to provisions in lending business				**– 1,800**	**–**
Income from write-ups on loans and certain securities and from the release of provisions in lending business				**–**	**860**
Write-downs and valuation allowances on equity holdings, holdings in affiliated companies and securities accounted for as fixed assets				**–**	**–**
Income from write-ups on equity holdings, holdings in affiliated companies and securities accounted for as fixed assets				**22**	**61**
Expenses from the transfer of losses				**– 26**	**– 74**
Profit or loss on ordinary activities				**1,625**	**799**
Extraordinary income			–		–
Extraordinary expenses			– 15		– 66
Profit or loss on extraordinary activities				**– 15**	**– 66**
Taxes on income			– 392		– 303
Other taxes			– 18		– 32
				– 410	**– 335**
Net profit/loss				**1,200**	**398**
Profit appropriation:					
Expenses from purchase of own shares				– 122	–
Disposal of other retained earnings due to purchase of own shares				122	–
Profit from capital reduction due to purchase of own shares				12	–
Additions to capital reserve due to provisions of simplified capital reduction				– 12	–
Additions to other retained earnings				– 600	– 148
Distributable profit				**600**	**250**

Balance sheet of Commerzbank Aktiengesellschaft as at 31 December 2023

Assets | €m				**31.12.2023**	**31.12.2022**
Cash reserve					
a) Cash on hand			748		729
b) Balances with central banks			25,944		15,775
of which: with Deutsche Bundesbank		3,066			2,953
				26,691	**16,504**
Debt issued by public-sector borrowers, and bills of exchange rediscountable at central banks					
a) Treasury bills and discountable treasury notes, as well as similar debt issues by public-sector borrowers			1,619		985
				1,619	**985**
Claims on banks					
a) Payable on demand			65,187		60,064
b) Other claims			33,888		26,104
of which: public-sector loans		819			847
				99,075	**86,168**
Claims on customers				**253,201**	**244,402**
of which: secured by mortgages on real estate		79,524			75,671
of which: secured by mortgages on ships		–			–
of which: public-sector loans		17,190			15,945
Bonds and other fixed-income securities					
a) Money market instruments					
aa) Issued by public-sector borrowers		111			–
of which: rediscountable at Deutsche Bundesbank	–				–
ab) Issued by other borrowers		71			77
of which: rediscountable at Deutsche Bundesbank	–				–
			182		77
b) Bonds and notes					
ba) Issued by public-sector borrowers		13,525			13,287
of which: rediscountable at Deutsche Bundesbank	11,267				10,850
bb) Issued by other borrowers		39,111			31,819
of which: rediscountable at Deutsche Bundesbank	31,368				23,567
			52,636		45,106
c) Own bonds			10,190		11,151
Nominal amount €9 957m					
				63,008	**56,334**

Assets | €m			31.12.2023	31.12.2022
Equities and other non-fixed-income securities			**17**	**21**
Trading assets			**18,201**	**18,447**
Equity holdings			**89**	**92**
of which: investments in banks	14			14
of which: investments in financial services companies	31			27
Holdings in affiliated companies			**4,543**	**4,489**
of which: investments in banks	1,736			1,731
of which: investments in financial services companies	2,775			2,724
Fiduciary assets			**2,274**	**2,552**
of which: loans at third-party risk	1,857			2,058
Intangible assets				
a) Proprietary intellectual property rights and similar rights and assets		841		814
b) Purchased concessions, industrial property rights and similar rights and assets as well as licences relating to such rights and assets		155		161
			996	**975**
Fixed assets			**339**	**355**
Other assets			**7,313**	**7,545**
Accrued and deferred items				
a) From issuing and lending business		201		180
b) Other		2,966		3,105
			3,166	**3,286**
Excess of plan assets over liabilities			**19**	**9**
Total assets			**480,551**	**442,161**

Balance sheet of Commerzbank Aktiengesellschaft as at 31 December 2023

Liabilities and shareholders' equity | €m			31.12.2023	31.12.2022
Liabilities to banks				
a) Payable on demand		24,703		18,308
b) With agreed term or notice period		32,554		37,244
of which: issued registered mortgage Pfandbriefe	506			484
of which: issued registered public Pfandbriefe	435			571
of which: issued registered ship Pfandbriefe	–			–
			57,257	**55,552**
Liabilities to customers				
a) Savings deposits				
aa) With agreed notice period of three months	7,154			8,877
ab) With agreed notice period of more than three months	6			7
		7,160		8,885
b) Other liabilities				
ba) Payable on demand	227,799			208,229
bb) With agreed term or notice period	73,563			58,962
		301,362		267,192
of which: issued registered mortgage Pfandbriefe	1,834			1,837
of which: issued registered public Pfandbriefe	3,707			3,950
of which: issued registered ship Pfandbriefe	49			59
			308,521	**276,076**
Securitised liabilities				
a) Bonds and notes issued		47,315		46,415
aa) Mortgage Pfandbriefe	27,364			25,424
ab) Public Pfandbriefe	4,050			4,249
ac) Ship Pfandbriefe	–			–
ad) Other bonds	15,900			16,742
b) Other securitised liabilities		1,095		287
ba) Money market instruments	1,089			233
bb) Own acceptances and promissory notes outstanding	6			54
			48,410	**46,701**
Trading liabilities			**10,832**	**10,421**
Fiduciary liabilities			**2,274**	**2,552**
of which: loans at third-party risk	1,857			2,058
Other liabilities			**20,972**	**17,679**
Accrued and deferred items				
a) From issuing and lending business		8		9
b) Other		590		654
			598	**663**

Liabilities and shareholders' equity | €m				31.12.2023	31.12.2022
Provisions					
a) Provisions for pensions and similar commitments			1,371		1,679
b) Provisions for taxes			523		755
c) Other provisions			3,183		3,834
				5,077	**6,267**
Subordinated liabilities				**6,681**	**7,171**
Additional Tier 1 Instruments				**3,295**	**3,330**
Fund for general banking risks				**307**	**248**
of which: special item pursuant to Art. 340e (4) HGB		307			248
Equity					
a) Subscribed capital					
aa) Share capital	1,240				1,252
Treasury shares	–				–
(conditional capital €0m)		1,240			1,252
ab) Silent participations		–			–
			1,240		1,252
b) Capital reserve			10,087		10,075
c) Retained earnings[1]			4,401		3,923
d) Distributable profit			600		250
				16,328	**15,501**
Liabilities and shareholders' equity				**480,551**	**442,161**
1. Contingent liabilities					
a) Contingent liabilities from rediscounted bills of exchange credited to borrowers			–		0
b) Liabilities from guarantees and indemnity agreements			43,771		45,063
				43,771	**45,063**
2. Other commitments					
a) Irrevocable lending commitments				**76,506**	**77,349**

[1] Other retained earnings only.

Notes

General information

(1) Basis of preparation

Commerzbank Aktiengesellschaft is headquartered in Frankfurt am Main and is registered in the Commercial Register at the District Court of Frankfurt am Main under registration no. HRB 32000. The financial statements of Commerzbank Aktiengesellschaft as at 31 December 2023 have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB) and the Regulation on the Accounting of Credit Institutions and Financial Services Institutions (RechKredV) and in accordance with the provisions of the German Stock Corporation Act (Aktiengesetz, AktG) and the German Pfandbrief Act (Pfandbriefgesetz, PfandBG). In order to appropriately reflect the universal nature of Commerzbank Aktiengesellschaft's banking business, the structuring rules for Pfandbrief banks were taken into account by including „Of which“ sub-headings under the relevant items. In order to make the financial statements clearer, Commerzbank Aktiengesellschaft have expanded the details of mortgages on ships and of ship Pfandbriefe.

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

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

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

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

(2) Accounting and measurement policies

Cash reserve and claims

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

Loan loss provisions

Loan loss provisions are calculated for all significant on-balance-sheet claims, all significant off-balance-sheet transactions at individual transaction level and all insignificant loans on a portfolio basis using internal parameters and models. Provision is also made for country risks in these calculations.

The Bank made use of its option under BFA 7 to include the loan loss provisions calculated according to the three-stage model under IFRS 9 in its HGB financial statements as well. This did not affect the income statement. The results of the risk provision calculation from stages 1 and 2 determine the amount of the general loan loss provision. The result of the risk provision calculation from stage 3 determines the amount of the (portfolio-based) specific loan loss provision.

In stage 1, as a rule all financial instruments are recognised if their risk of a loan loss (hereinafter default risk) has not increased significantly since their initial recognition. In addition, Commerzbank Aktiengesellschaft makes use of the low credit risk exemption (LCRE) and classifies transactions that have a low default risk on the reporting date (financial instruments with states, local or regional authorities of the OECD whose internal credit rating on the reporting date is in the investment grade range) as stage 1. For financial instruments in stage 1, an impairment must be recognised in the amount of the expected credit losses from possible events of default over the term of the transaction, subject to a maximum of 12 months (12-month ECL).

Stage 2 includes those financial instruments with a default risk that has increased significantly since their initial recognition and which, as at the reporting date, are not subject to the LCRE. In addition to a client-specific change in the probability of default (PD), Commerzbank Aktiengesellschaft defines further criteria whose presence is assumed to denote a significant increase in default risk. Instruments are then allocated to stage 2 independently of the individual change in PD. Impairments in stage 2 are recognised in the amount of the financial instrument's lifetime expected credit loss (LECL). For financial instruments that are committed for an unlimited period (open transactions), a top-down approach is used to determine the LECL as a percentage of the current loss at default (LaD) on the basis of realised historical losses.

Financial instruments that are classified as impaired as at the reporting date are allocated to stage 3. As the criterion for this, Commerzbank Aktiengesellschaft uses its definition of a default pursuant to Article 178 CRR as well as the supplementary EBA guidance on the application of the definition of default pursuant to Article 178 of Regulation (EU) No. 575/2013.

The LECL is likewise used as the value of the required impairment for stage-3 financial instruments in default. When determining the LECL, the Group distinguishes in principle between significant and insignificant cases. The amount of the LECL for insignificant transactions (volumes up to €5m) is determined based on statistical risk parameters. The LECL for significant transactions (volumes greater than €5m) is the expected value of the losses derived from individual expert assessments of future cash flows based on several potential scenarios and their probability of occurrence.

If a default criterion no longer applies, the financial instrument recovers and, after the applicable probation period has been adhered to, is no longer allocated to stage 3. After recovery, a new assessment is made based on the updated rating information to see if the default risk has increased significantly since initial recognition in the balance sheet and the instrument is allocated to stage 1 or stage 2 accordingly.

Claims are written off in the balance sheet as soon as it is reasonable to assume that a financial asset is not realisable in full or in part and that the claims are therefore uncollectible. Uncollectibility may arise in the settlement process for various objective reasons. Moreover, loans are generally regarded as (partially) uncollectible at the latest 720 days after their due date and are (partially) written down to the expected recoverable amount within the framework of existing loan loss provisions.

Assessment of a significant increase in default risk

Commerzbank Aktiengesellschaft 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.

The review to determine whether the default risk as at the financial reporting date has risen significantly since the initial recognition of the respective financial instrument is performed as at the end of the reporting period. This review compares the observed probability of default over the residual maturity of the financial instrument (lifetime PD) against the lifetime PD over the same period as expected on the date of initial recognition. The original and current PD are compared based on the probability of default over a period of 12 months after the end of the reporting period (12-month PD). In these cases, the Bank uses equivalence analyses to demonstrate that no material variances have occurred compared with an assessment using the lifetime PD.

A quantile and then thresholds in the form of rating levels are set using a statistical procedure in order to determine whether an increase in the PD compared with the initial recognition date is "significant". These thresholds, which are differentiated by rating models, represent a critical degree of variance from the expectation of the average PD development at the time the respective financial instrument was issued.

Financial instruments are retransferred from stage 2 to stage 1 if at the end of the reporting period the default risk is no longer significantly elevated compared with the initial recognition date.

Calculation of expected credit loss (ECL)

Commerzbank Aktiengesellschaft calculates the ECL as the probability-weighted, unbiased and discounted expected value of future loan losses over the total residual maturity of the respective financial instrument. The 12-month ECL used for the recognition of impairments in stage 1 is the portion of the LECL that results from default events which are expected to occur within 12 months following the end of the reporting period.

The main parameters used in the calculation are the customer-specific probability of default (PD), the loss given default (LGD) and the exposure at default (EaD).

As a rule, the Group estimates the risk parameters 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.

Potential effects from non-linear correlations between different macroeconomic scenarios and the LECL are corrected using a separately determined adjustment factor. This factor was reviewed during the year on an event-driven basis and was reduced slightly in the fourth quarter of 2023 compared to the previous year.

The expected credit loss includes forward-looking information. However, the ECL model result implemented at Commerzbank Aktiengesellschaft does not take into account forward-looking effects resulting from unforeseeable, singular events such as natural disasters, material political decisions or military conflicts. Such risks are provided for by a top-level adjustment (TLA). The examination with the involvement of senior management as to whether such TLAs are necessary, as well as their possible implementation, are regulated in a policy.

In the 2023 financial year, such an adjustment to the ECL model result was again deemed necessary because the negative effects expected are not fully covered by the parameters used in the corresponding models.

Securities

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

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

Repurchase agreements

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

Financial instruments

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

a) Trading portfolio

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

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

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

b) Non-trading portfolio

The fair value of securities and derivative financial instruments of the non-trading portfolio is based either on prices available on a market or valuation models. If mathematical valuation models are used to determine fair value, we use parameters available on the market as far as possible (for example yield curves, volatilities and spreads), including further discounts and premiums to take into account risk, liquidity, funding and administrative costs and the cost of capital.

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

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

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

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

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

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

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

Equity holdings and holdings in affiliated companies

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

Intangible assets and fixed assets

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

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

Liabilities

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

Provisions

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

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

Deferred taxes

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

Commerzbank Aktiengesellschaft values the deferred taxes on the basis of the tax rates applying to each individual entity. The income tax rate of the domestic entities is 31.5% (previous year: 31.5%). This made up of the German corporate income tax rate of 15.0%, plus the solidarity surcharge of 5.5% and an average rate of 15.7% for trade tax. Deferred taxes in the foreign branches are measured using the tax rates applicable in these countries, which range between 10.0% and 33.1%.

In December 2023, the German Federal Council passed a law to implement the global minimum tax. This will be applied for the first time in the 2024 financial year. Other countries in which Commerzbank Aktiengesellschaft operates have decided to implement the global minimum tax.

It is assumed that Commerzbank Aktiengesellschaft will be subject to minimum taxation because it has subsidiaries and business premises in countries that have a nominal tax rate of less than 15 percent. However, global minimum taxation is not currently expected to give rise to any significant tax burden in any jurisdiction.

(3) Currency translation

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

(4) Changes in accounting policies

We have applied the same accounting policies to the 2023 financial year as to the previous financial year.

(5) Report on events after the reporting period

On 9 January 2024, the Board of Managing Directors of Commerzbank Aktiengesellschaft resolved to carry out a share buyback for a total purchase price of up to €600m (the "2024 Share Buyback Programme"). The buyback began on 10 January 2024 via the Xetra-trading system of the Frankfurt stock exchange and will be completed on or before 4 April 2024. The purpose of the share buyback is to reduce the share capital of Commerzbank Aktiengesellschaft. The repurchased shares will accordingly be cancelled.

There have been no other events of particular significance since the end of the financial year.

Notes to the income statement

(6) Breakdown of revenues by geographic markets

€m	2023	2022
Germany	15,857	9,309
Europe without Germany	1,672	1,192
America	937	480
Asia	496	262
Total	**18,962**	**11,243**

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

(7) Auditors' fee

In accordance with IDW AcP HFA 36, the fees for audit services include the audits of the financial statements of Commerzbank Aktiengesellschaft and its subsidiaries, the audits of the Group financial statements and the reviews of the half-year financial report and the Group financial information. The audit-related services mainly comprise fees for legally required, contractually agreed or voluntarily commissioned audit and attest services. They also include reviews of reporting requirements and rules of conduct pursuant to Art. 89 of the German Securities Trading Act (WpHG), the audit of the non-financial report in accordance with Art. 340a HGB in connection with Art. 298b HGB, the audit of the remuneration report in accordance with Art. 162 of the German Stock Corporation Act (AktG) and comfort letter issuance. The fees for other services are mainly fees for advisory services on quality assurance in connection with external inspections. We report the auditors' fee in the Group Financial Statements in accordance with Art. 285 no. 17 HGB.

(8) Other operating income and expenses

Other operating income of €844m (previous year: €270m) mainly comprises of net income from the offsetting of expenses and income from discounting and from plan assets offset against pension obligations of €643m (previous year: net expense €2,334m), reversals of provisions of €95m (previous year: €92m), rental income of €16m (previous year: €18m), interest refunds from back taxes of €14m (previous year: €20m) and gain on sale of fixed assets and intangible assets of €8m (previous year: €43m). Income from currency translation of €0m (previous year: €5m) is also included in the current reporting year.

Other operating expenses of €167m (previous year: €2,648m) are primarily comprised of interest expenses for provisions of €20m (previous year: €8m), expenses for hire-purchase and sublease expenses of €13m (previous year: €113m) as well as for provisions for legal proceedings and recourse claims of €12m (previous year: €65m). In addition €2m (previous year: €1m) of expenses from currency translation are also included.

(9) Non-periodic income and expenses

Non-periodic income includes €69m (previous year: €56m) from the reversal of various provisions. In addition, non-periodic tax expenses of €38m (previous year: €8m), which mainly resulted from tax audits and the submission of the tax return for 2021, are shown in the financial year.

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

There have been no material unscheduled write-down of intangible assets within the current financial year, as in the previous year.

(11) Extraordinary income

There was no extraordinary income in the financial year, as in the previous year.

Extraordinary expenses include restructuring expenses in the amount of €15m (previous year: €66m), mainly for the recognition of restructuring provisions for the consolidation and closure of branches and sites as well as headcount reductions abroad as part of "Strategy 2024".

(12) Administrative and agency services

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

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

The income from these services is included in commission income.

Notes to the balance sheet

(13) Maturity structure of claims and liabilities

€m	31.12.2023	31.12.2022
Other claims on banks	**33,888**	**26,104**
with a residual term of		
less than three months	17,350	14,931
over three months up to one year	5,616	4,594
over one year up to five years	10,001	4,990
over five years	921	1,589
Claims on customers	**253,201**	**244,402**
with an indefinite term	19,485	15,232
with a residual term of		
less than three months	39,443	32,357
over three months up to one year	26,252	22,161
over one year up to five years	73,862	74,378
over five years	94,159	100,275

€m	31.12.2023	31.12.2022
Liabilities to banks with an agreed term or notice period	**32,554**	**37,244**
with a residual term of		
less than three months	14,337	8,112
over three months up to one year	4,779	9,796
over one year up to five years	7,845	12,577
over five years	5,593	6,759
Savings deposits with an agreed notice period of more than three months	**6**	**7**
with a residual term of		
over three months up to one year	6	7
Other liabilities to customers with an agreed term or notice period	**73,563**	**58,962**
with a residual term of		
less than three months	48,394	34,882
over three months up to one year	13,724	11,804
over one year up to five years	4,660	5,524
over five years	6,785	6,753
Other securitised liabilities	**1,095**	**287**
with a residual term of		
less than three months	324	63
over three months up to one year	771	224
over one year up to five years	–	–
over five years	–	–

Of the €47,315m (previous year: €46,415m) in bonds and notes issued within securitised liabilities, €4,817m will be due in the 2024 financial year.

(14) Cover assets for bonds issued by the Bank

€m	31.12.2023	31.12.2022
Claims on banks	627	366
Claims on customers	54,693	50,982
Bonds and other fixed-income securities	2,636	2,803
Total	**57,957**	**54,151**

(15) Securities

As at 31 December 2023 the breakdown of marketable securities was as follows:

	Listed on a stock exchange		Not listed	
€m	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Bonds and other fixed-income securities	51,263	45,758	11,745	10,576
Equities and other non-fixed-income securities	0	0	10	14
Equity holdings	1	1	–	–
Holdings in affiliated companies	1,600	1,600	–	–

Of the bonds and other fixed-income securities of €63,008m (previous year: €56,334m), €2,953m will be due in the 2024 financial year.

For bonds and other fixed-income marketable securities held in the investment portfolio with a book value of €5,468m (previous year: €5,616m), write-downs in the amount of €703m (previous year: €723m) were not recognised in accordance with the modified lower-of-cost-or-market principle, pursuant to Art. 253 (3) sentence 5 of the HGB, as the impairments are only temporary. Temporary impairments exist, for example, if the market value was not constantly more than 20% below the carrying amount and neither an individual impairment test nor an individual company valuation identified the requirement for an impairment.

(16) Trading securities

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

In 2023, Commerzbank Aktiengesellschaft allocated an amount of €59m (previous year: €66m) from net trading income to the fund for general banking risks.

€m	31.12.2023	31.12.2022[1]
Trading assets	**18,201**	**18,447**
Derivative financial instruments	12,003	12,784
Claims	1,139	1,319
Bonds and other fixed-income securities	2,451	3,169
Equities and other non-fixed-income securities	2,652	1,218
Risk charge value at risk	– 44	– 42

[1] The allocation of financial instruments changed between „Derivative financial instruments“ and „Claims“ in the previous year.

€m	31.12.2023	31.12.2022
Trading liabilities	**10,832**	**10,421**
Derivative financial instruments	8,906	9,033
Liabilities	1,926	1,388

(17) Hedge relationships

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

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

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

In addition, certain securities and receivables forming part of fixed assets and derivatives for hedging against interest rate risks have been designated as a portfolio hedge relationship that is accounted for using the net hedge presentation method. The effectiveness is determined on the basis of the dollar-offset method. The average term to maturity of this hedge relationship is 40 years (previous year: 39 years).

Furthermore, fixed asset securities and derivatives for hedging against interest rate and inflation risks have been designated as a portfolio hedge relationship that is accounted for using the net hedge presentation method. The effectiveness is determined on the basis of the dollar-offset method. The average term to maturity of these hedge relationships is 20 years (previous year: 21 years).

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

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

In addition, in the interest rate risks from derivatives with corresponding offsetting hedging derivatives were designated as micro hedge relationships that are likewise accounted for using the net hedge presentation method. The effectiveness is determined on the basis of the dollar-offset method or on a portfolio-based sensitivity analysis. From these hedge relationships, positive and negative changes in the amount of €54m were netted as of 31 December 2023. The average term to maturity of the derivatives was 25 years (previous year: 22 years)

Furthermore, CO_2 certificates and the related hedging derivatives were grouped together in portfolio hedge relationships that are accounted for using the gross hedge presentation method. The effectiveness is determined on the basis of the dollar-offset method.

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

	Book values		Nominal values		Level of hedged risk	
€m	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Securities of liquidity reserve	22,250	18,096	23,222	19,926	– 962	– 1,972
Securities and receivables of the non-trading portfolio	5,133	6,188	4,284	4,967	– 436	– 1,014
Other assets	2,001	2,080	–	–	1,214	1,270
Issues of the non-trading portfolio	66,724	67,646	66,798	67,623	– 1,555	– 3,754

(18) Relationships with affiliated companies and equity holdings

	Affiliated companies		Equity holdings	
€m	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Claims on banks	2,759	3,920	0	0
Claims on customers	18,874	17,114	93	102
Bonds and other fixed-income securities	18,072	14,081	–	–
Trading assets excluding derivative financial instruments	2	2	–	11
Liabilities to banks	671	1,247	0	0
Liabilities to customers	11,406	5,674	148	178
Securitised liabilities	–	–	–	–
Trading liabilities excluding derivative financial instruments	–	–	–	4
Subordinated liabilities	906	939	–	–

(19) Fiduciary transactions

€m	31.12.2023	31.12.2022
Claims on banks	–	–
Claims on customers	1,857	2,058
Other fiduciary assets	417	494
Fiduciary assets	**2,274**	**2,552**
of which loans at third-party risk	1,857	2,058
Liabilities to banks	1,855	2,054
Liabilities to customers	2	3
Other fiduciary liabilities	417	494
Fiduciary liabilities	**2,274**	**2,552**
of which loans at third-party risk	1,857	2,058

(20) Changes in book value of fixed assets

€m	Intangible assets	Fixed assets	Securities/promissory note loans held as fixed assets	Equity holdings	Holdings in affiliated companies
Residual book values as at 1.1.2023	**975**	**355**	**24,887**	**92**	**4,489**
Cost of acquisition/production as at 1.1.2023	**4,273**	**1,604**	**24,942**	**115**	**7,095**
Additions	372	50	21,662	3	70
Disposals	52	180	18,595	1	51
Transfers	–	– 1	–	– 0	–
Exchange rate changes	1	– 1	– 54	–	11
Cost of acquisition/production as at 31.12.2023	**4,594**	**1,473**	**27,955**	**117**	**7,125**
Cumulative write-downs as at 1.1.2023	**3,298**	**1,250**	**55**	**23**	**2,607**
Write-downs in the financial year	351	61	0	4	10
Additions	–	–	–	–	–
Disposals	52	176	1	0	32
Transfers	–	– 0	–	–	–
Exchange rate changes	1	– 1	1	–	13
Cumulative write-downs as at 31.12.2023	**3,598**	**1,133**	**56**	**27**	**2,597**
Write-ups	**–**	**–**	**0**	**–**	**15**
Residual book values as at 31.12.2023	**996**	**339**	**27,900**	**89**	**4,543**

Of the land and buildings with an overall book value of €117m (previous year: €124m), €109m (previous year: €116m) are used by Commerzbank Aktiengesellschaft. Office furniture and equipment included in fixed assets amounted to €223m (previous year: €230m). As at 31 December 2023, development costs for intangible assets developed in-house were capitalised in the amount of €841m (previous year: €814m). Commerzbank Aktiengesellschaft does not undertake research in connection with the in-house development of intangible assets. As a result, the Bank did not incur any costs in this respect.

Write-downs of fixed assets include increased write-downs of €1m (previous year: €6m) from restructuring activities due to reduced remaining useful life of the operating and business equipment at closing locations which is shown in the extraordinary income.

(21) Other assets

Other assets amounted to €7,313m (previous year: €7,545m). They were mainly comprised of claims from collateral to be provided in advance for forward transactions amounting to €2,067m (previous year: €2,672m), emissions allowances of €2,001m (previous year: €2,080m), interest accruals on non-trading derivatives of €919m (previous year: €561m), claims on tax authorities of €195m (previous year: €230m), amounts due under profit and loss transfer agreements of €175m (previous year: €196m), precious metals in the non-trading portfolio of €138m (previous year: €87m) as well as initial/variation margins receivable of €115m (previous year: €78m).

Other assets also include cash collateral for irrevocable payment obligations for EU bank levy and deposit protection of €287m (previous year:€214m) (see note 35d) Other financial commitments)

(22) Subordinated assets

€m	31.12.2023	31.12.2022
Claims on banks	99,075	86,168
of which: subordinated	–	–
Claims on customers	253,201	244,402
of which: subordinated	103	156
Bonds and other fixed-income securities	63,008	56,334
a) Money market instruments	182	77
of which: subordinated	–	–
b) Bonds and notes issued by other borrowers	52,636	45,106
of which: subordinated	–	–
c) Own bonds	10,190	11,151
of which: subordinated	5	5
Equities and other non-fixed-income securities	17	21
of which: subordinated	–	–
Trading assets	18,201	18,447
of which: subordinated	0	226
Total subordinated assets	**108**	**388**

(23) Repurchase agreements

As at 31 December 2023, the carrying amount recorded in the balance sheet for assets transferred under repurchase agreements amounted to €14,761m (previous year: €9,200m).

(24) The Bank's foreign currency position

As at 31 December 2023, the Bank had €94,068m (previous year: €77,756m) in foreign currency assets and €57,764m (previous year: €47,543m) in foreign currency liabilities.

(25) Collateral pledged for own liabilities

€m	31.12.2023	31.12.2022
Liabilities to banks	25,663	23,502
Liabilities to customers	20,434	12,760
Securitised liabilities	–	–
Other commitments	2,741	2,977
Total	**48,837**	**39,238**

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

(26) Other liabilities

Other liabilities of €20,972m (previous year: €17,679m) were mainly comprised of an True Sale Securitisation Transaction of €17,021m, liabilities from collateral to be provided in advance for forward transactions amounting to €1,806m (previous year: €2,542m), interest accruals on non-trading derivatives of €330m (previous year: €181m), liabilities to tax authorities of €321m (previous year: €159m), derivatives on CO_2 certificates in the amount of €133m (the previous year: €268m), liabilities attributable to film funds of €81m (previous year: €80m) and liabilities from profit and loss transfer agreements of €24m (previous year: €71m).

(27) Provisions

a) Provisions for pensions and similar commitments

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

The discount rate used is based on the information published by the Deutsche Bundesbank as at 31 December 2023. In accordance with Art. 253 (6) sentence 1 HGB, provisions for pension obligations are discounted using the average annual interest rate over ten years of 1.82 % (previous year: 1.78 %), instead of over seven years at 1.74 % (previous year: 1.44 %). The resulting difference as at 31 December 2023 was €103m (previous year: €458m), thus increasing the non-distributable amounts.

This assumes an expected general salary and wage increase including assumed career trends of 2.50 % per annum (previous year: 2.50 % per annum), and we have set an interest rate of 2.50 % per annum (previous year: 2.40 % per annum) for pension increases. An increase of 2.00 % per annum (previous year: 2.00 % per annum) is assumed for the income threshold for assessing contributions. At year-end, the shortfall due to un–recognised pension obligations within the meaning of Art. 28 (2) EGHGB amounted to €67m (previous year: €77m).

In accordance with Art. 246 (2) sentence 2 HGB, the plan assets held to cover pension obligations are netted against the provisions created for this purpose. As at 31 December 2023, the following values were recorded for these items before offsetting:

€m	31.12.2023	31.12.2022
Fair value of the plan assets	6,675	6,195
Benefit obligation	8,046	7,873

In accordance with Art. 246 (2) sentence 2 HGB, changes in the value of the plan assets are netted against the time value of money effects from the remeasurement of the pension obligation. Prior to offsetting, the interest expense from unwinding the discount on provisions for pensions covered by plan assets amounted to €87m (previous year: €254m). Prior to offsetting, income from plan assets amounted to €730m (previous year: expenses of €2,080m).

The historical cost of the plan assets for pension obligations amounted to €6,299m (previous year: €6,534m). The plan assets are mainly invested in special funds focusing on fixed-income securities, equities and derivatives.

b) Other provisions

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

The restructuring provisions of €559m (previous year: €906m) relate primarily to personnel and – to a lesser extent – real estate.

The plan assets to cover obligations for age-related short-time working of €227m (previous year: €205m) were offset against the total benefit obligations for age-related short-time working of €297m (previous year: €318m). Prior to offsetting, the interest expense from unwinding the discount on provisions for age-related short-time working covered by plan assets amounted to €3m (previous year: €3m). Prior to offsetting, there were income of € 12m from cover assets in the current reporting year (previous year: expenses of €11m). The historical cost of the plan assets for age-related short-time working amounted to €224m (previous year: €214m).

(28) Subordinated liabilities

Subordinated liabilities, which amount to €6,681m (previous year: €7,171m), may not, in the event of insolvency or winding-up, be repaid until the claims of all non-subordinated creditors have been satisfied. There is no obligation to repay early the liabilities or right to claim interest until this condition has been met.

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

Interest paid on subordinated liabilities amounted to €393m in the financial year (previous year: €347m). The following borrowings exceeded 10% of the subordinated liabilities as at 31 December 2023:

German securities identification no. (WKN)	Currency	€m	Interest rate %	Due date
DE000CZ40LD5	EUR	1,031	4.00	23.3.2026
XS0097772965[1]	USD	906	8.15	30.6.2031
DE000CZ45V25	EUR	752	4.00	5.12.2030
DE000CZ40LW5	EUR	668	4.00	30.3.2027

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

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

(29) Additional Tier 1 instruments

In total AT1 bonds with principal values of €2,250m and $1,000m have been issued. As at 31 December 2023, the bonds had a carrying amount of €3,295m (previous year: €3,330m). The decline in the carrying amount is attributable to exchange rate effects. The interest expense attributable to the bonds was € 198m in the financial year (previous year: €199m).

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

(30) Equity

€	31.12.2023		31.12.2022	
Equity		**16,328,478,565.44**		**15,500,842,125.74**
a) Subscribed capital		1,240,223,329.00		1,252,357,634.00
Share capital	1,240,223,329.00		1,252,357,634.00	
Silent participations	–		–	
b) Capital reserve		10,087,263,401.63		10,075,129,096.63
c) Retained earnings		4,400,938,994.08		3,922,883,868.31
d) Distributable profit		600,052,840.73		250,471,526.80

a) Subscribed capital

As at 31 December 2023, the share capital of Commerzbank Aktiengesellschaft of €1,240,223,329 was divided into 1,240,223,329 no-par-value bearer shares (accounting value per share €1.00).

Based on Art. 71 (1) no. 8 AktG, 12,134,305 own shares were acquired for the purpose of redemption.

b) Capital reserve

In the capital reserve, premiums from the issue of Commerzbank Aktiengesellschaft shares are shown. Additional cash payments from the issue of conversion and option rights entitling holders to purchase Commerzbank Aktiengesellschaft shares, if present, are also recognised here. Currently there are no conversion and option rights in circulation . The capital reserve as at 31 December 2023 amounted to €10,087,263,402 (previous year: €10,075,129,097). An allocation to the capital reserve was recognised in an amount equal to the €12,134,305 reduction in the subscribed capital.

c) Retained earnings

€	
As at 31.12.2022	**3,922,883,868.31**
Reduction of retained earnings	– 121,997,714.97
Allocation to retained earnings	600,052,840.74
of which addition from distributable profit of prior year	–
As at 31.12.2023	**4,400,938,994.08**

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

Own shares totalling €122m have been acquired and cancelled during the current financial year, and this has reduced retained earnings by €122m.

€600m from the annual net income of the financial year transferred to the retained earnings.

At the Annual General Meeting to be held on 30 April 2024, shareholders will vote on a proposal that the distributable profit for 2023 be used to distribute a dividend totalling €0.35 per share and to transfer the remaining amout into the other retained earnings.

(31) Authorised capital

Date of AGM resolution | €	Original authorised capital	Remaining authorised capital	Date of expiry	Pursuant to the Articles of Association
2023	563,560,935	563,560,935	30.5.2028	Art. 4 (3) and (4)
As at 31.12.2022	626,178,817	626,178,817		
As at 31.12.2023	563,560,935	563,560,935		

The conditions for capital increases from authorised capital as at 31 December 2023 are stipulated in the Articles of Association of Commerzbank Aktiengesellschaft dated 29 September 2023.

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to increase the Company's share capital until 30 May 2028 through the issuance of new shares with no par value in exchange for cash, in either one or several tranches, but not exceeding a maximum amount of €438,325,172.00 (Authorised Capital 2023/I). In principle, shareholders shall be offered subscription rights; the statutory subscription right may also be granted in such manner that the new shares are underwritten by one or more banks or enterprises equivalent to a bank pursuant to Art. 186 (5) sentence 1 of the German Stock Corporation Act under an obligation to offer them for subscription to shareholders of Commerzbank Aktiengesellschaft. However, the Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in the following circumstances:

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

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

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to increase the Company's share capital until 30 May 2028 through the issuance of new shares with no par value in exchange for cash or contributions in kind, in either one or several tranches, but not exceeding a maximum amount of €125,235,763.00 (Authorised Capital 2023/II). In principle, shareholders shall be offered subscription rights; the statutory subscription right may also be granted in such manner that the new shares are underwritten by one or more banks or enterprises equivalent to a bank pursuant to Art. 186 (5) sentence 1 of the German Stock Corporation Act under an obligation to offer them for subscription to shareholders of Commerzbank Aktiengesellschaft. However, the Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in the following circumstances:

- in order to exclude fractional amounts from subscription rights;
- to the extent necessary, to grant the holders of conversion or option rights, either already issued or still to be issued by Commerzbank Aktiengesellschaft or by companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in in Art. 18 h(1) of the German Stock Corporation Act), subscription rights in the amount to which they would be entitled after exercising their conversion or option rights or fulfilling their corresponding conversion or option obligation;
- in order to increase the share capital in exchange for contributions in kind,
- in the event of capital increases for cash, if the issue price of the new shares is not significantly lower than the market price for identical shares of the Company at the time the issue price is determined. The shares issued with the exclusion of subscription rights pursuant to Art. 203 (1) and Art. 186 (3) sentence 4 of the German Stock Corporation Act on the basis of this authorisation may not exceed a total of 10% of the share capital of the Company, either at the time the authorisation becomes effective or at the time the authorisation is exercised, whichever amount is lower. The upper limit of 10% of the share capital is reduced by the proportional amount of share capital corresponding to those of the Company's treasury shares that are sold during the period of validity of Authorised Capital 2023/II, while excluding shareholders' subscription rights in accordance with Art. 71 (1) no. 8 sentence 5 and Art. 186 (3) sentence 4 of the German Stock Corporation Act. The upper limit is further reduced by the proportional amount of share capital corresponding to those shares that must be issued to service bonds with warrants or convertible bonds with option or conversion rights or with option or conversion obligations, provided such bonds are issued during the period of validity of Authorised Capital 2023/II, while excluding subscription rights subject to appropriate application of Art. 186 (3) sentence 4 of the German Stock Corporation Act.

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

€	Remaining authorised capital 31.12.2022	Added in financial year	Used in financial year	Suspended in financial year	Remaining authorised capital 31.12.2023
Total	**626,178,817**	**563,560,935**	**–**	**– 626,178,817**	**563,560,935**

(32) Non-distributable amounts

€m	31.12.2023	31.12.2022
In-house developed intangible assets[1]	841	814
Difference arising from the recognition of plan assets at fair value[1]	392	7
Difference between an average 10-year and 7-year market interest rate for the discounting of provisions for pension obligations[2]	103	458
Non-distributable amount	**1,335**	**1,279**

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

(33) Significant shareholder voting rights

As at 31 December 2023, Commerzbank Aktiengesellschaft had received the following notifications of voting rights:

Company required to report	Registered office	Total %[1]	Report date
Federal Republic of Germany	Berlin	15.75	04.06.2013
BlackRock Inc.	Wilmington, Delaware, USA	8.70	21.12.2023
Ministry of Finance on behalf of the state of Norway	Oslo, Norway	3.03	04.12.2023
Amundi S.A.	Paris, France	2.87	29.09.2023

[1] Voting rights held directly and indirectly.

(34) Treasury shares and own shares

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

From 7 to 23 June 2023 during the reporting period, 12,134,305 own shares were acquired for the purpose of cancellation on the basis of the authorisation referred to above. They account for a proportional amount of the share capital totalling €12,134,305, which corresponds to 0.97% of the share capital. Their acquisition costs totalled €122m, which corresponds to an average price of around €10.05 per share purchased. The repurchased shares were cancelled by the reporting date. As a result, no treasury shares were owned by Commerzbank Aktiengesellschaft at the reporting date.

Customers pledged 1,107,128 shares as collateral (previous year: 1,493,258 shares).

The Bank has given an undertaking to the Financial Market Stabilisation Fund (SoFFin), represented by the Federal Republic of Germany – Finanzagentur GmbH (Deutsche Finanzagentur), that neither it nor any of its affiliated companies will buy back shares or other components of its liable equity capital, except as specified under Art. 71 (1) no. 2 and no. 4 (purchase on behalf of another party) or no. 7 of the German Stock Corporation Act. Commerzbank Aktiengesellschaft therefore obtained the German Finance Agency's prior approval for its buyback of 12,134,305 own shares in accordance with section 71 (1) no. 8 AktG during the reporting year.

Other notes

(35) Off-balance-sheet transactions

a) Contingent liabilities

€m	31.12.2023	31.12.2022
Contingent liabilities from rediscounted bills of exchange credited to borrowers	–	0
Liabilities from guarantees and indemnity agreements	43,771	45,063
Other guarantees	36,836	37,273
Letters of credit	4,225	4,750
Credit guarantees	2,710	3,039
Total	**43,771**	**45,063**

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

b) Other commitments

€m	31.12.2023	31.12.2022
Irrevocable lending commitments	**76,506**	**77,349**
Loans to customers	72,569	74,089
Loans to banks	1,295	1,328
Acceptance credits and letters of credit	2,641	1,933

Irrevocable lending commitments are part of Commerzbank Aktiengesellschaft's lending business and are reported outside the balance sheet. Risks may arise due to the deterioration of a customer's credit quality, for which a corresponding provision is created on the balance sheet.

Commerzbank Aktiengesellschaft arranges securitisations of the Bank's own receivables as well as of customers' receivables portfolios via special purpose entities. The transactions serve to procure liquidity or to tap new sources of funding for customers or for Commerzbank Aktiengesellschaft.

The liquidity facilities and back-up credit lines provided to the securitisation vehicles are also shown under irrevocable lending commitments. Liquidity or back-up lines may be used if the risks relating to the underlying financial instruments increase, or the securitised paper can no longer be sold on the market as planned.

c) Securities lending transactions

Commerzbank Aktiengesellschaft carries out securities lending transactions with the aim of ensuring that its securities trading operations are able to meet delivery obligations and generate income from lending securities held in our trading portfolios. Securities borrowed are not recognised in the balance sheet because beneficial ownership remains with the lender due to the structure of the transactions. Securities lent out therefore continue to be recognised in the balance sheet. A key benefit for Commerzbank Aktiengesellschaft is the additional income generated by lending our securities holdings. As at the reporting date, the fair value of securities lent amounted to €4,234m (previous year: €1,805m), while the fair value of securities borrowed amounted to €12,690m (previous year: €7,676m).

As part of these securities lending transactions, collateral for securities lent amounted to €4,234m (previous year: €1,806m) and that for securities borrowed to €8,040m (previous year: €3,842m).

d) Other financial commitments

In the context of operating lease agreements where Commerzbank Aktiengesellschaft is the lessee, economic ownership is retained by the lessor and the lease asset is therefore not shown in the balance sheet of Commerzbank Aktiengesellschaft. Commerzbank Aktiengesellschaft’s liabilities under operating leases are mainly related to buildings, office furniture and equipment. As at 31 December 2023, existing commitments from rental, tenancy and leasing agreements amounted to €1,442m (previous year: €1,482m); €20m of this amount relates to affiliated companies (previous year: €63m).

Payment commitments for shares, shareholdings in limited companies and other shareholdings amounted to €6m on the reporting date (previous year: €4m).

In accordance with Art. 5 (10) of the statutes of the German Deposit Protection Fund, we have undertaken to indemnify the Association of German Banks for any losses incurred through support provided for banks in which Commerzbank Aktiengesellschaft holds a majority interest.

Commerzbank made use of the opportunity to meet part of its compulsory contributions for the EU banking levy and the Compensation Scheme of German Private Banks (EdB) in the form of cash collateral and irrevocable payment commitments (IPCs). In the 2023 financial year, cash collateral in the amount of €42m was deposited for the EU banking levy and €30m for the EdB. Since 2015, a cumulative total of €181m has been deposited for the EU banking levy and €106m for the EdB. Cash collateral is reported under other assets. Accordingly, the 2023 financial year saw IPCs entered into in the amount of €72m. Since 2015, a cumulative total of €181m have been entered into for the EU banking levy and €106m for the EdB. The IPCs are reported as other financial commitments. Following a ruling by the European General Court (EGC) against another bank on 25 October 2023 (T688/21), which confirmed the retention, in the event that a bank’s authorisation is withdrawn, of contributions in the amount of the IPCs that it had made, Commerzbank re-examined during the 2023 financial year its accounting treatment of the cash collateral it had provided and the IPCs it had made. Since the applicant has lodged an appeal against this ruling, a final ruling from the ECJ is not expected until some time in the future. In the annual financial statements as at 31 December 2023, the cash collateral provided is still capitalised as other assets. Commerzbank considers its valuation of the cash collateral at nominal value to be appropriate due to the possibility of a day-to-day maturity and the fundamental interchangeability in securities collateral. It will continue to treat the IPCs as other financial commitments. This is based on the assumptions that it is unlikely that Commerzbank’s authorisation will be withdrawn and that no significant resolution or compensation event that will have to be covered by the relevant protection schemes is expected in the foreseeable future. If the assumptions underlying the current accounting approach change, this could result in future charges against earnings of up to €287m in connection with the IPCs.

Securities with a book value of €12,268m (previous year: €18,066m) were furnished as collateral for obligations on futures exchanges and clearing houses.

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

With respect to securities lending transactions, Commerzbank is exposed to compensation claims from third parties for crediting entitlements that have been denied. We have not stated the provision amounts to avoid influencing the outcome of the proceeding.

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

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

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

Commerzbank Aktiengesellschaft has given an undertaking to the Polish Financial Supervision Authority that it will provide its affiliated companies mBank S. A., Warsaw and mBank Hipoteczny S. A., Warsaw with sufficient liquidity and capital to ensure that they are in a position to meet their financial obligations at all times.

In respect of the subsidiaries listed below and included in the Group financial statements of our Bank, we are obliged to ensure that, except in the case of political risks, they are able to meet their contractual liabilities (“letter of comfort”):

Name	Registered office
Commerzbank (Eurasija) AO (until 30.6.2024)[1]	Moscow
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main
Commerzbank Finance & Covered Bond S.A.	Luxembourg
CommerzTrust GmbH	Frankfurt/Main
Commerz Markets LLC	New York
LSF Loan Solutions Frankfurt GmbH	Eschborn

[1] The Letter of comfort was terminated and ends on 30 June 2024.

(36) Forward transactions

As at 31 December 2023, forward transactions entered into by Commerzbank Aktiengesellschaft could be broken down as follows:

€m	Nominal values	Fair value	
		positive	negative
Foreign-currency-based forward transactions			
OTC products	698,067	9,051	8,560
Foreign exchange spot and forward contracts	458,941	4,885	4,765
Interest rate and currency swaps	218,844	3,911	3,570
Currency call options	45	16	–
Currency put options	5	–	19
Other foreign exchange contracts	20,232	238	206
Exchange-traded products	1,439	–	–
Currency futures	1,439	–	–
Currency options	–	–	–
Total	**699,506**	**9,051**	**8,560**
of which trading securities	691,187	8,861	8,263
Interest-based forward transactions			
OTC products	4,658,794	123,766	120,411
Forward rate agreements	1,173,518	877	910
Interest rate swaps	2,755,504	93,740	100,426
Interest rate call options	27,660	345	–
Interest rate put options	27,125	–	1,749
Other interest rate contracts	674,988	28,804	17,325
Exchange-traded products	149,674	2	2
Interest rate futures	149,674	2	2
Interest rate options	–	–	–
Total	**4,808,469**	**123,768**	**120,413**
of which trading securities	4,746,807	116,019	115,601
Other forward transactions			
OTC products	28,900	1,204	283
Structured equity/index products	3,363	695	51
Equity call options	–	35	–
Equity put options	–	–	1
Credit derivatives	16,040	164	164
Precious metal contracts	197	10	1
Other transactions	9,301	300	67
Exchange-traded products	17,032	229	227
Equity futures	797	1	9
Equity options	2,724	89	83
Other futures	7,652	2	2
Other options	5,859	137	133
Total	**45,932**	**1,433**	**510**
of which trading securities	40,815	1,288	409
Total pending forward transactions			
OTC products	5,385,761	134,021	129,254
Exchange-traded products	168,145	231	228
Total	**5,553,907**	**134,252**	**129,482**
of which trading securities	5,478,810	126,167	124,273
Net Result of trading securities		12,003	8,906

In total, a volume of €125,130m (previous year: €157,514m) of forward transactions were netted on the assets side against those on the liabilities side as at 31 December 2023. The following volumes were netted on the assets side: €116,593m (previous year: €144,197m) in the positive fair values item, €1,596m (previous year: €1,812m) in the claims on banks item, and €6,942m (previous year: €11,506m) in the other assets item. The following volumes were netted on the liabilities side: €115,366m (previous year: €142,910m) in the negative fair values item, €1,612m (previous year: €2,905m) in the liabilities to banks item, and €8,152m (previous year: €11,699m) in the other liabilities item.

In accordance with Art. 249 (1) HGB, a provision for impending losses for derivative financial instruments in the non-trading portfolio was created in the amount of €351m (previous year: €688m).

(37) Employees

The figures for the average annual number of employees at Commerzbank Aktiengesellschaft include both full-time and part-time personnel, but not apprentices.

	2023			2022		
	Total	male	female	Total	male	female
Employees (number)	**26,783**	**13,874**	**12,909**	**27,891**	**14,364**	**13,527**
in Germany	23,017	11,362	11,655	24,351	12,035	12,316
outside Germany	3,766	2,512	1,254	3,540	2,329	1,211

(38) Remuneration and loans to board members

The interest rate and collateralisation of loans to members of the Board of Managing Directors and the Supervisory Board are at normal market terms. If necessary, the loans are secured through land charges or rights of lien. The Bank did not grant any advances to members of the Board of Managing Directors and the Supervisory Board during the year under review. In addition, the companies of the Commerzbank Group did not have any material contingent liabilities in connection with these persons.

Claims on members of the Board of Managing Directors as at 31 December 2023 amounted to €2,384 thousand (previous year: €2,510 thousand) and those on members of the Supervisory Board to €5,489 thousand (previous year: €1,057 thousand). In the financial year, members of the Board of Managing Directors repaid €51 thousand, and members of the Supervisory Board repaid €115 thousand.

Excluding the interest-rate-adjusted change in the net present value of pension entitlements included in the calculation of pension liabilities, the total remuneration of the members of the Board of Managing Directors and Supervisory Board in accordance with Art. 285 no. 9a HGB was as follows:

€1,000	31.12.2023	31.12.2022
Board of Managing Directors	11,821	11,751
Supervisory Board	3,688	3,483
Total	**15,509**	**15,234**

The total remuneration in accordance with Art. 285 no. 9a of the German Commercial Code for the members of the Board of Managing Directors does not include any payments of long-term components of the remuneration for the 2023 financial year, as these can be granted by the Supervisory Board in a legally binding manner only after a retention period of 5 to 7 years and the completion of a retrospective performance evaluation. The total remuneration therefore also includes the payment of long-term components of the remuneration for the 2018 financial year (previous year: 2017 financial year), since these were legally binding in the year under review. Total remuneration also includes 157,429 (previous year: 149,488) virtual shares with a total value of €1,674 thousand (previous year: €1,470 thousand), which will not be paid out until spring of 2025 at the share price valid prior to the respective payment. These virtual shares were included in the total remuneration in accordance with German Accounting Standard No. 17 (DRS 17) at the share price on the day they were granted by the Supervisory Board plus any dividend adjustments for the dividend in the 2018 financial year.

The assets backing the Bank's retirement benefit plan for present and former members of the Board of Managing Directors or their surviving dependants have been transferred to Commerzbank Pensions-Trust e.V. as part of a contractual trust arrangement.

The net present value of pension entitlements for active members of the Board of Managing Directors as at 31 December 2023 was €11,181 thousand (previous year: €9,324 thousand).

Payments to former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft and their surviving dependants in the financial year came to €8,427 thousand (previous year: €13,591 thousand). The pension liabilities for these persons amounted to €131,685 thousand (previous year: €130,149 thousand). Payments to former board members of merged companies and their surviving dependants were €13,925 thousand (previous year: €10,697 thousand). There were also outstanding pension obligations to these persons, which amounted to €144,266 thousand (previous year: €146,237 thousand). Commerzbank Aktiengesellschaft has recognised provisions for all of the above pension obligations.

(39) Corporate Governance Code

We have issued our declaration of compliance with the German Corporate Governance Code pursuant to Art. 161 of the German Stock Corporation Act (AktG). It forms part of the corporate governance declaration and has been published on the internet (https://investor-relations.commerzbank.com/de/entsprechenserklaerung/).

(40) Investment funds

The disclosable investment fund units are included in the liquidity reserve and the trading portfolio and are measured at fair value. The data for the fair value therefore correspond to the carrying amount. In some cases restrictions may apply to daily redemptions. In the year under review, there were no distributions from the balanced funds subject to disclosure, as in the previous year.

The table below shows the value of domestic and foreign investment funds in which Commerzbank Aktiengesellschaft had holdings of more than 10% as at 31 December 2023 by category:

€m	31.12.2023	31.12.2022
Index funds	–	–
Balanced funds	13	16
Bonds and other fixed-income funds	–	–
Equity funds	–	–
Total	**13**	**16**

(41) Mortgage Pfandbriefe

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

Art. 28 (1) S. 1 No. 1, 3 and 7 PfandBG | €m	**31.12.2023**			**31.12.2022**		
Cover calculation mortgage Pfandbriefe	**Nominal value**	**Net present value**	**Risk-adjusted net present value**[1]	**Nominal value**	**Net present value**	**Risk-adjusted net present value**[1]
Liabilities to be covered	29,504.5	29,100.6	27,980.0	27,632.6	26,230.9	23,566.2
of which Pfandbriefe outstanding	29,504.5	29,100.6	27,980.0	27,632.6	26,230.9	23,566.2
of which derivatives	–	–	–	–	–	–
Cover assets	42,424.5	40,692.2	38,467.7	40,107.5	36,991.5	30,643.0
of which cover loans	40,805.8	38,946.5	36,819.7	38,854.5	35,726.0	29,601.8
of which cover assets Art. 19 (1) PfandBG	1,618.7	1,745.7	1,648.0	1,253.0	1,265.6	1,041.2
of which derivatives	–	–	–	–	–	–
Risk-adjusted net present value after interest rate stress test			10,487.6			7,076.8
Loss from currency stress test			–			–
Cover surplus	**12,920.0**	**11,591.6**	**10,487.6**	**12,475.0**	**10,760.6**	**7,076.8**
Statutory cover surplus[2]	**1,173.8**	**582.0**	**–**	**1,114.1**	**1,034.2**	**893.3**
Contractual cover surplus	**–**	**–**	**–**	**–**	**–**	**–**
Voluntary cover surplus	**11,746.2**	**11,009.6**	**–**	**11,360.9**	**9,726.5**	**6,183.5**

[1] Risk-adjusted net present value including currency stress test.
[2] The statutory overcollateralisation requirement consists of two components: the net present value of statutory overcollateralisation pursuant to Art. 4 (1) of the German Pfandbrief Act (Pfandbriefgesetz, PfandBG) including interest rate and currency stress scenarios, and the principal value of the overcollateralisation pursuant to Art. 4 (2) PfandBG.

Art. 28 (1) S. 1 no. 4 and 5 PfandBG | €m	31.12.2023	31.12.2022
Mortgage Pfandbriefe outstanding with a residual term of		
up to 6 months	1,209.5	1,142.1
over 6 months up to 12 months	1,022.0	1,623.0
over 12 months up to 18 months	1,640.0	1,207.5
over 18 months up to 2 years	4,731.5	1,022.0
over 2 years up to 3 years	7,040.0	6,371.5
over 3 years up to 4 years	2,675.0	6,040.0
over 4 years up to 5 years	3,060.0	2,665.0
over 5 years up to 10 years	6,140.0	5,590.0
over 10 years	1,986.5	1,971.5
Total	**29,504.5**	**27,632.6**
Cover assets mortgage Pfandbriefe with a residual fixed interest period of		
up to 6 months	2,118.7	1,738.0
over 6 months up to 12 months	1,955.4	1,339.6
over 12 months up to 18 months	2,141.9	1,868.6
over 18 months up to 2 years	1,869.1	1,851.8
over 2 years up to 3 years	4,557.2	3,927.5
over 3 years up to 4 years	5,032.8	4,437.4
over 4 years up to 5 years	4,370.3	4,820.4
over 5 years up to 10 years	16,900.2	16,710.7
over 10 years	3,478.9	3,413.5
Total	**42,424.5**	**40,107.5**
Mortage Pfandbriefe maturity displacement (12 months)[1]		
up to 6 months	–	–
over 6 months up to 12 months	–	–
over 12 months up to 18 months	1,209.5	1,142.1
over 18 months up to 2 years	1,022.0	1,623.0
over 2 years up to 3 years	6,371.5	2,229.5
over 3 years up to 4 years	7,040.0	6,371.5
over 4 years up to 5 years	2,675.0	6,040.0
over 5 years up to 10 years	8,280.0	6,195.0
over 10 years	2,906.5	4,031.5
Total	**29,504.5**	**27,632.6**

[1] Effects of a change in maturity on the maturity structure of the Pfandbriefe / postponement scenario: 12 months. This is an extremely unlikely scenario, which could only come into effect after the appointment of a property manager. For more information, see section "Information on postponing the maturity of Pfandbriefe".

Art. 28 (1) S. 1 no. 6 PfandBG | €m	31.12.2023	31.12.2022
Absolute value of the largest negative sum resulting from zero in the next 180 days, i.e. Art. 4 (1a) p. 3 for Pfandbriefe (liquidity requirements)	854.4	919.1
Day on which the largest negative amount occurs	31	55
Total amount of the cover values which meet the requirements of Art. 4 (1a) p. 3 PfandBG (liquidity coverage)	1,475.8	1,214.8

Art. 28 (1) S. 1 no. 8, 9 and 10 PfandBG **Other cover assets** I €m	**31.12.2023**	**31.12.2022**
Equalisation claims as defined by Art. 19 (1) S. 1 no. 2 a) and b) Pfandbriefgesetz		
Germany	–	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Total	**–**	**–**
Loans as defined by Art. 19 (1) S. 1 no. 3 a) to c) Pfandbriefgesetz		
Germany	–	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Total	**–**	**–**
Loans as defined by Art. 19 (1) S. 1 no. 4 Pfandbriefgesetz		
Germany	695.0	425.0
Greece	–	45.0
Italy	663.7	628.0
Austria	100.0	100.0
Spain	160.0	55.0
Total	**1,618.7**	**1,253.0**
Total	**1,618.7**	**1,253.0**

Art. 28 (2) S. 1 no. 1 a PfandBG **Size categories** I €m	**31.12.2023**	**31.12.2022**
Up to €0.3m	30,397.3	29,156.6
over €0.3m up to €1m	8,005.8	7,282.3
over €1m up to €10m	1,388.6	1,335.8
over €10m	1,014.1	1,079.8
Total	**40,805.8**	**38,854.5**

Art. 28 (1) S. 1 no. 14 PfandBG **Foreign currency** I €m	**31.12.2023**	**31.12.2022**
Net present value	–	–

Art. 28 (1) S. 1 no. 13 PfandBG **Interest structure** I %	31.12.2023	31.12.2022
Share of fixed-income cover assets	98.1	98.4
Share of fixed-income Pfandbriefe	76.2	74.6

Art. 28 (2) S. 1 no. 3 and 4 PfandBG **Other structural data**	**31.12.2023**	**31.12.2022**
Average weighted loan-to-value ratio in %	51.1	51.7
Average age of the loans weighted by value, in years (seasoning)	5.3	5.0

Art. 28 (2) S. 1 no. 1 b and c PfandBG Mortgage Pfandbriefe by object type and type of use | €m	31.12.2023		31.12.2022	
Germany	**Commercial**	**Residential**	**Commercial**	**Residential**
Flats	–	11,698.4	–	11,097.4
Single family house	–	24,192.0	–	22,795.9
Multi-dwellings	–	4,133.9	–	4,081.1
Office buildings	565.7	–	627.1	–
Retail buildings	156.9	–	192.9	–
Industrial buildings	0.0	–	0.2	–
Other commercially used real estate	58.9	–	59.9	–
Unfinished new buildings not yet generating income	–	0.1	–	0.0
Building sites	–	–	–	–
Total	**781.5**	**40,024.4**	**880.1**	**37,974.4**

Art. 28 (1) S. 1 no. 11 PfandBG Limit breaches | €m	31.12.2023	31.12.2022
Total amount of loans according to Art. 12 (1) PfandBG that exceed the limits defined by Art. 13 (1) S. 2 2nd part of the sentence PfandBG	–	–
Total amount of values that exceed the limits defined by Art. 19 (1) S. 7 PfandBG	–	–

Art. 28 (1) S. 1 no. 12 PfandBG Limit breaches | €m	31.12.2023	31.12.2022
Loans that exceed the limits defined by Art. 19 (1) no. 2 PfandBG	–	–
Loans that exceed the limits defined by Art. 19 (1) no. 3 PfandBG	–	–
Loans that exceed the limits defined by Art. 19 (1) no. 4 PfandBG	–	–

Art. 28 (2) S. 1 no. 2 PfandBG Payments in arrear Germany | €m	31.12.2023	31.12.2022
Total payments overdue by at least 90 days	–	–
Total amount of these receivables where the arrears represent at least 5% of the receivable concerned	–	–

Art. 28 (1) S. 1 no. 15 PfandBG Payments in arrear Germany | €m	31.12.2023	31.12.2022
Part of cover assets on the cover pool, for which or for whose borrowers a loss is classified as according to Art. 178 (1) CRR	–	–

Art. 28 (1) S. 1 no. 2 PfandBG | ISIN-list by type of Pfandbrief	
31.12.2023	**31.12.2022**
DE000CB0HR27	DE000CB0HR27
DE000CB0HR43	DE000CB0HR43
DE000CB0HR50	DE000CB0HR50
DE000CZ40KZ0	DE000CZ40J26
DE000CZ40LG8	DE000CZ40KZ0
DE000CZ40LM6	DE000CZ40LG8
DE000CZ40LQ7	DE000CZ40LM6
DE000CZ40MB7	DE000CZ40LQ7
DE000CZ40MH4	DE000CZ40LS3
DE000CZ40MN2	DE000CZ40MB7
DE000CZ40MQ5	DE000CZ40MH4
DE000CZ40MU7	DE000CZ40MJ0
DE000CZ40MV5	DE000CZ40MN2
DE000CZ40NN0	DE000CZ40MQ5
DE000CZ40NP5	DE000CZ40MU7
DE000CZ40NU5	DE000CZ40MV5
DE000CZ40NY7	DE000CZ40MW3
DE000CZ43Z23	DE000CZ40NN0
DE000CZ43Z56	DE000CZ40NP5
DE000CZ43Z72	DE000CZ40NU5
DE000CZ43ZE7	DE000CZ40NY7
DE000CZ43ZF4	DE000CZ43ZE7
DE000CZ43ZJ6	DE000CZ43ZF4
DE000CZ43ZS7	DE000CZ43ZJ6
DE000CZ43ZW9	DE000CZ45VF8
DE000CZ43ZX7	DE000CZ45VS1
DE000CZ45VF8	DE000CZ45W08
DE000CZ45VS1	DE000CZ45W16
DE000CZ45W08	DE000CZ45W24
DE000CZ45W16	DE000CZ45W32
DE000CZ45W24	DE000CZ45W40
DE000CZ45W32	DE000CZ45W65
DE000CZ45W40	DE000CZ45W73
DE000CZ45W65	DE000CZ45W99
DE000CZ45W73	DE000CZ45WY7
DE000CZ45W99	DE000EH1A3P2
DE000CZ45WY7	–
DE000EH1A3P2	–

(42) Public Pfandbriefe

Art. 28 (1) S. 1 no. 1, 3 and 7 PfandBG I €m	**31.12.2023**			**31.12.2022**		
Cover calculation public Pfandbriefe	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**
Liabilities to be covered	8,119.8	8,729.9	8,318.3	8,688.9	9,188.8	8,162.6
of which Pfandbriefe outstanding	8,119.8	8,729.9	8,318.3	8,689.0	9,188.8	8,162.6
of which derivatives	–	–	–	–	–	–
Cover assets	15,453.7	16,031.6	14,672.8	13,958.3	14,239.8	11,326.7
of which loans for export finance	2,656.7	2,756.7	2,643.1	2,154.0	2,228.2	2,109.0
of which cover assets Art. 20 (1) PfandBG	15,453.7	16,031.6	14,672.8	13,958.3	14,239.8	11,326.7
of which cover assets Art. 20 (2) PfandBG	–	–	–	–	–	–
of which derivatives	–	–	–	–	–	–
Risk-adjusted net present value after interest rate stress test			6,563.0			3,469.3
Loss from currency stress test			– 208.4			– 305.2
Cover surplus	**7,333.9**	**7,301.7**	**6,354.5**	**5,269.4**	**5,051.0**	**3,164.1**
Statutory cover surplus[2]	**336.4**	**174.6**	**–**	**353.8**	**361.1**	**303.7**
Contractual cover surplus	**–**	**–**	**–**	**–**	**–**	**–**
Voluntary cover surplus	**6,997.5**	**7,127.1**	**–**	**4,915.6**	**4,690.0**	**2,860.5**

[1] Risk-adjusted net present value including currency stress test.
[2] The statutory overcollateralisation requirement consists of two components: the net present value of statutory overcollateralisation pursuant to Art. 4 (1) of the German Pfandbrief Act (Pfandbriefgesetz, PfandBG) including interest rate and currency stress scenarios, and the principal value of the overcollateralisation pursuant to Art. 4 (2) PfandBG.

Art. 28 (1) S. 1 no. 4 and 5 PfandBG | €m	31.12.2023	31.12.2022
Public Pfandbriefe outstanding with a residual term of		
up to 6 months	141.7	192.2
over 6 months up to 12 months	518.0	130.1
over 12 months up to 18 months	2,060.3	1,089.5
over 18 months up to 2 years	1,177.2	518.0
over 2 years up to 3 years	1,382.1	2,469.0
over 3 years up to 4 years	209.0	1,399.6
over 4 years up to 5 years	270.0	209.0
over 5 years up to 10 years	1,177.9	1,388.9
over 10 years	1,183.6	1,292.6
Total	**8,119.8**	**8,688.9**
Cover assets public Pfandbriefe with a residual fixed interest period of		
up to 6 months	715.7	771.0
over 6 months up to 12 months	558.1	557.8
over 12 months up to 18 months	713.5	501.0
over 18 months up to 2 years	810.5	492.6
over 2 years up to 3 years	1,411.7	1,150.0
over 3 years up to 4 years	1,427.1	1,088.6
over 4 years up to 5 years	1,321.8	1,108.7
over 5 years up to 10 years	3,788.8	3,312.2
over 10 years	4,706.3	4,976.4
Total	**15,453.7**	**13,958.3**
Public Pfandbriefe maturity displacement (12 months)[1]		
up to 6 months	–	–
over 6 months up to 12 months	–	–
over 12 months up to 18 months	141.7	192.2
over 18 months up to 2 years	518.0	130.1
over 2 years up to 3 years	3,237.6	1,607.5
over 3 years up to 4 years	1,382.1	2,469.0
over 4 years up to 5 years	209.0	1,399.6
over 5 years up to 10 years	1,296.0	1,434.8
over 10 years	1,335.5	1,455.7
Total	**8,119.8**	**8,688.9**

[1] Effects of a change in maturity on the maturity structure of the Pfandbriefe / postponement scenario: 12 months. This is an extremely unlikely scenario, which could only come into effect after the appointment of a property manager. For more information, see section "Information on postponing the maturity of Pfandbriefe".

Art. 28 (1) S. 1 no. 6 PfandBG | €m	31.12.2023	31.12.2022
Absolute value of the largest negative sum resulting from zero in the next 180 days, i.e. Art. 4 (1a) p. 3 for Pfandbriefe (liquidity requirements)	2.2	0.6
Day on which the largest negative amount occurs	1	1.0
Total amount of the cover values which meet the requirements of Art. 4 (1a) p. 3 PfandBG (liquidity coverage)	634.0	1,293.1

Art. 28 (1) no. 8 and 9 PfandBG Other cover assets | €m	31.12.2023	31.12.2022
Loans as defined by Art. 20 (2) S. 1 no. 2 Pfandbriefgesetz		
Germany	–	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013		
Total	**–**	**–**
Loans as defined by Art. 20 (2) S. 1 no. 3 a) to c) Pfandbriefgesetz		
Germany	–	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Total	**–**	**–**
Loans as defined by Art. 20 (2) S. 1 no. 4 Pfandbriefgesetz	–	–
Germany	–	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Total	**–**	**–**
Total	**–**	**–**

Art. 28 (3) no. 1 PfandBG Size categories | €m	31.12.2023	31.12.2022
up to €10m	1,888.9	1,557.5
over €10m up to €100m	6,102.2	4,952.6
over €100m	7,462.6	7,448.2
Total	**15,453.7**	**13,958.3**

Art. 28 (1) S. 1 no. 14 PfandBG Foreign currency | €m	31.12.2023	31.12.2022
Net present value in Swiss francs	296.7	402.1
Net present value in British pounds	693.3	1,033.4
Net present value in US dollars	979.9	1,001.0

Art. 28 (1) S. 1 no. 13 PfandBG Interest structure | %	31.12.2023	31.12.2022
Share of fixed-income cover assets	76.0	75.4
Share of fixed-income Pfandbriefe	57.5	48.9

Art. 28 (3) no. 2 PfandBG | Registered office of borrowers or guarantors | €m	31.12.2023	31.12.2022
Total	**15,453.7**	**13,958.3**
of which borrowers have a registered office in		
Countries	**455.0**	**707.3**
Italy	44.5	36.2
Canada	15.6	16.1
Austria	395.0	325.0
Portugal	–	65.0
Spain	–	265.0
Regional authorities	**3,363.1**	**3,869.4**
Germany	2,671.2	2,705.6
France	12.8	17.9
Italy	131.3	312.1
Japan	–	42.0
Canada	17.2	17.8
Switzerland	507.6	578.9
Spain	23.1	195.1
Local authorities	**7,204.6**	**6,734.2**
Germany	5,925.9	4,684.3
Finland	55.0	60.0
France	10.1	11.9
Great Britain/Northern Ireland/Channel Islands/Isle of Man	700.4	1,406.8
Italy	187.8	228.9
Japan	42.0	–
Switzerland	108.0	101.6
USA	175.4	240.8
Other borrowers with a registered office in	**1,613.2**	**224.0**
Germany	1,592.5	195.0
Great Britain/Northern Ireland/Channel Islands/Isle of Man	20.7	–
USA	–	29.0
Total	**12,636.0**	**11,535.0**
of which guarantors have a registered office in		
Countries	**2,763.4**	**2,154.0**
Germany	1,787.5	1,443.3
of which receivables from export credit agencies	1,680.8	1,443.3
Belgium	6.8	8.8
of which receivables from export credit agencies	6.8	8.8
Denmark	134.8	85.7
of which receivables from export credit agencies	134.8	85.7
Finland	84.2	29.8
of which receivables from export credit agencies	84.2	29.8
France	194.1	174.6
of which receivables from export credit agencies	194.1	174.6
Great Britain/Northern Ireland/Channel Islands/Isle of Man	67.3	87.2
of which receivables from export credit agencies	67.3	87.2
Netherlands	106.5	–
of which receivables from export credit agencies	106.5	–
Norway	37.3	42.1
of which receivables from export credit agencies	37.3	42.1
Austria	5.6	6.7
of which receivables from export credit agencies	5.6	6.7
Sweden	1.1	1.9
of which receivables from export credit agencies	1.1	1.9
Switzerland	245.9	159.8
of which receivables from export credit agencies	245.9	159.8
International Organisations	92.3	114.1
of which receivables from export credit agencies	92.3	114.1
Regional authorities	**53.6**	**60.0**
Belgium	53.6	60.0
Local authorities	**0.7**	**–**
Great Britain/Northern Ireland/Channel Islands/Isle of Man	0.7	–
Other borrowers	**–**	**209.4**
Germany	–	209.4
Total	**2,817.7**	**2,423.4**
Other cover assets as defined by Art. 20 (2) Pfandbriefgesetz	–	–
Total	**15,453.7**	**13,958.3**

Art. 28 (1) S. 1 no. 11 PfandBG **Limit breaches** | €m	31.12.2023	31.12.2022
Total amount of loans according to Art. 20 (1) and (2), that exceed the limits defined by Art. 20 (3) PfandBG	–	–

Art. 28 (1) S. 1 no. 12 PfandBG **Limit breaches** | €m	31.12.2023	31.12.2022
Loans that exceed the limits defined by Art. 20 (2) no. 2 PfandBG	–	–
Loans that exceed the limits defined by Art. 20 (2) no. 3 PfandBG	–	–

Art. 28 (3) no. 3 PfandBG **Payments in arrear** | €m	31.12.2023	31.12.2022
Total payments overdue by at least 90 days	–	–
Total amount of these receivables where the arrears represent at least 5% of the receivable concerned	–	–

Art. 28 (1) S. 1 no. 15 PfandBG **Payments in arrear Germany** | €m	31.12.2023	31.12.2022
Part of cover assets on the cover pool, for which or for whose borrowers a loss is classified as according to Art. 178 (1) CRR	–	–

Art. 28 (1) S. 1 no. 2 PfandBG | ISIN-list by type of Pfandbrief	
31.12.2023	31.12.2022
CH0026096567	CH0026096567
DE000CB0HR19	DE000CB0HR19
DE000CZ43Z15	DE000CZ45V33
DE000CZ45V33	DE000CZ45VW3
DE000CZ45VW3	DE000CZ45VX1
DE000EH0A1W3	DE000EH0A1W3
DE000HBE1MF6	DE000HBE1MF6
–	XS0164165416

(43) Shipping Pfandbriefe

Commerzbank surrendered its licence to operate shipping Pfandbrief business with effect from 31 May 2017. As of 1 June 2017 the Federal Financial Supervisory Authority granted an exception to the cap set for further cover assets under the Pfandbrief Act Art. 26 (1) no. 4. Shipping Pfandbriefs issued are fully secured by additional assets that satisfy the requirements for covering public-sector Pfandbriefs and (to the extent that they exceed the cap on other cover assets under the Pfandbrief Act) also the credit rating criteria set by the Federal Financial Supervisory Authority.

Art. 28 (1) S. 1 no. 1, 3 and 7 PfandBG | €m	31.12.2023			31.12.2022		
Cover calculation ship Pfandbriefe	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**
Liabilities to be covered	49.0	50.2	49.2	59.0	60.4	57.8
of which Pfandbriefe outstanding	49.0	50.2	49.2	59.0	60.4	57.8
of which derivatives	–	–	–	–	–	–
Cover assets	78.5	75.2	73.2	85.1	90.2	68.6
of which cover loans	–	–	–	–	–	–
of which cover assets as defined by Art. 26 (1) PfandBG	78.5	75.2	73.2	85.1	90.2	68.6
of which derivatives	–	–	–	–	–	–
Risk-adjusted net present value after interest rate stress test			24.0			10.8
Loss from currency stress test			–			–
Cover surplus	**29.5**	**24.9**	**24.0**	**26.1**	**29.9**	**10.8**
Statutory cover surplus[2]	**3.5**	**1.0**	**–**	**4.2**	**4.4**	**3.5**
Contractual cover surplus	**–**	**–**	**–**	**–**	**–**	**–**
Voluntary cover surplus	**26.0**	**23.9**	**–**	**21.9**	**25.5**	**7.3**

[1] Risk-adjusted net present value including currency stress test.

[2] The statutory overcollateralisation requirement consists of two components: the net present value of statutory overcollateralisation pursuant to Art. 4 (1) of the German Pfandbrief Act (Pfandbriefgesetz, PfandBG) including interest rate and currency stress scenarios, and the principal value of the overcollateralisation pursuant to Art. 4 (2) PfandBG.

Art. 28 (1) S. 1 no. 4 and 5 PfandBG | €m	31.12.2023	31.12.2022
Ship Pfandbriefe outstanding with a residual term of		
up to 6 months	–	–
over 6 months up to 12 months	5.0	10.0
over 12 months up to 18 months	–	–
over 18 months up to 2 years	42.0	5.0
over 2 years up to 3 years	2.0	42.0
over 3 years up to 4 years	–	2.0
over 4 years up to 5 years	–	–
over 5 years up to 10 years	–	–
over 10 years	–	–
Total	**49.0**	**59.0**
Cover assets ship Pfandbriefe with a residual fixed interest period of		
up to 6 months	7.0	–
over 6 months up to 12 months	–	7.0
over 12 months up to 18 months	–	–
over 18 months up to 2 years	10.0	–
over 2 years up to 3 years	47.0	–
over 3 years up to 4 years	14.5	–
over 4 years up to 5 years	–	–
over 5 years up to 10 years	–	78.1
over 10 years	–	–
Total	**78.5**	**85.1**
Ship Pfandbriefe maturity displacement (12 months)[1]		
up to 6 months	–	–
over 6 months up to 12 months	–	–
over 12 months up to 18 months	–	–
over 18 months up to 2 years	5.0	10.0
over 2 years up to 3 years	42.0	5.0
over 3 years up to 4 years	2.0	42.0
over 4 years up to 5 years	–	2.0
over 5 years up to 10 years	–	–
over 10 years	–	–
Total	**49.0**	**59.0**

[1] Effects of a change in maturity on the maturity structure of the Pfandbriefe / postponement scenario: 12 months. This is an extremely unlikely scenario, which could only come into effect after the appointment of a property manager. For more information, see section "Information on postponing the maturity of Pfandbriefe".

Art. 28 (1) S. 1 no. 6 PfandBG | €m	31.12.2023	31.12.2022
Absolute value of the largest negative sum resulting from zero in the next 180 days, i.e. Art. 4 (1a) p. 3 for Pfandbriefe (liquidity requirements)	0.1	0.1
Day on which the largest negative amount occurs	24	21
Total amount of the cover values which meet the requirements of Art. 4 (1a) p. 3 PfandBG (liquidity coverage)	75.1	95.7

Art. 28 (1) S. 1 no. 8, 9 and 10 PfandBG **Other cover assets** | €m	31.12.2023	31.12.2022
Loans as defined by Art. 26 (1) S. 1 no. 3 PfandBG		
Germany	–	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Total	–	–
Loans as defined by Art. 26 (1) S. 1 no. 4 PfandBG		
Germany	–	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Total	–	–
Loans as defined by Art. 26 (1) S. 1 no. 5 PfandBG		
Germany	71.5	–
Greece	7.0	–
Italy	–	8.1
Austria	–	70.0
Portugal	–	–
Slovakia	–	7.0
Total	**78.5**	**85.1**
Total	**78.5**	**85.1**

Art. 28 (4) S. 1 no. 1 a **Size categories** | €m	**31.12.2023**	**31.12.2022**
Up to €0.5m	–	–
over €0.5m up to €5m	–	–
More than €5m	–	–
Total	–	–

Art. 28 (1) S. 1 no. 14 PfandBG **Foreign currency** | €m	**31.12.2023**	**31.12.2022**
Net present value in Swiss francs	–	–
Net present value in Japanese yen	–	–
Net present value in US dollars	–	–
Total	–	–

Art. 28 (1) S. 1 no. 13 PfandBG **Interest structure** | %	**31.12.2023**	**31.12.2022**
Share of fixed-income cover assets	100.0	100.0
Share of fixed-income Pfandbriefe	100.0	100.0

Art. 28 (4) S. 1 no. 1 b PfandBG **Country in which the mortgaged vessel or vessel under construction is registered** | €m	**31.12.2023**	**31.12.2022**
Ocean going vessels	–	–
Inland waterway vessels	–	–
Total	–	–

Art. 28 (1) S. 1 no. 11 PfandBG **Limit breaches** | €m	31.12.2023	31.12.2022
Total amount of ship mortage as defined by Art. 21 PfandBG, which exceeds the limits defined by Art. 22 (5) S. 2 PfandBG	–	–
Total amount according to Art. 26 (1) that exceeds the limits defined by Art. 26 (1) S. 6 PfandBG	–	–

Art. 28 (1) S. 1 no. 12 PfandBG **Limit breaches** | €m	31.12.2023	31.12.2022
Loans that exceed the limit as defined by Art. 26 (1) no. 3	–	–
Loans that exceed the limit as defined by Art. 26 (1) no. 4	–	–
Loans that exceed the limit as defined by Art. 26 (1) no. 5	–	–

Art. 28 (4) no. 2 PfandBG **Payments in arrear** | €m	31.12.2023	31.12.2022
Total payments overdue by at least 90 days	–	–
Total amount of these receivables where the arrears represent at least 5% of the receivable concerned	–	–

Art. 28 (1) S. 1 no. 15 PfandBG **Payments in arrear** | €m	31.12.2023	31.12.2022
Part of cover assets on the cover pool, for which or for whose borrowers a loss is classified as according to Art. 178 (1) CRR	–	–

Art. 28 (1) S. 1 no. 2 PfandBG | ISIN-list by type of Pfandbrief	
31.12.2023	31.12.2022
–	–
–	–
–	–

Foreclosure sales

There were no foreclosure sales in finacial year 2023, as in the previous year. No foreclosures are currently pending.

Acquisition of ships or of ships under construction

As in the previous year, Commerzbank Aktiengesellschaft did not acquire any ships as a loss prevention measure.

Information on postponing the maturity of Pfandbriefe (Mortgage-, Public- , Shipping Pfandbriefe)

Prerequisites for postponing the maturity of Pfandbriefe

Postponing the maturity date is necessary in order to avoid the insolvency of the mortgage-lending institution with limited business activity (to prevent default), the mortgage-lending institution with limited business activity is not over-indebted (no existing over-indebtedness) and there is reason to believe that the mortgage-lending institution with limited business activity will in any case be able to meet its liabilities that are due at the end of the longest possible postponement period, taking into account further postponement possibilities (positive fulfilment prognosis). See also Art. 30 (2b) PfandBG.

Powers of the cover pool administrator when postponing the maturity of the Pfandbriefe

The cover pool administrator may postpone the due dates of the principal payments if the relevant requirements according to Act. 30 (2b) PfandBG are met. The cover pool administrator determines as needed the duration of the postponement, which may not exceed 12 months.

The cover pool administrator may postpone any principal or interest payments due within one month of his or her appointment to the end of that one-month period. If the cover pool administrator decides in favour of such a postponement, it is irrefutably presumed that the requirements under Art. 30 (2b) PfandBG are met. Such postponement must be taken into account within the maximum postponement period of 12 months.

The cover pool administrator may only make uniform use of his or her powers for all Pfandbriefe of an issue. The due dates may be postponed in full or in part. The cover pool administrator must postpone the due date for a Pfandbrief issue in such a way that the original sequencing in which the Pfandbriefe were serviced, which could be overtaken as a result of the postponement, is not changed (overtaking ban). This can mean that the due dates of later issues also have to be postponed in order to comply with the ban on overtaking. See also Art. 30 (2a) and (2b) PfandBG.

(44) Holdings in affiliated and other companies

We provide the following information pursuant to Art. 271 (1) and Art. 285 no. 11, 11a and 11b HGB. Footnotes and comments on the tables below appear at the end of this note.

a) Equity holdings

Name	Registered office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000	
AKA Ausfuhrkredit-Gesellschaft mbH	Frankfurt/Main, Germany	31.6	EUR	283,796	10,195	
ALWIGA Netzbeteiligungen GmbH	Düsseldorf, Germany	100.0	EUR	96	–	*
Asekum Sp. z o.o.	Warszawa, Poland	100.0	PLN	28,681	9,799	
Atlas Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	130,716	–	*
CBG Commerz Beteiligungsgesellschaft Holding mbH	Frankfurt/Main, Germany	100.0	EUR	8,386	–	*
CBG Commerz Beteiligungsgesellschaft mbH & Co. KG	Frankfurt/Main, Germany	100.0	EUR	26,051	14,959	
CBG Commerz Beteiligungskapital GmbH & Co. KG	Frankfurt/Main, Germany	100.0	EUR	10,835	3,066	
CERI International Sp. z o.o.	Lodz, Poland	100.0	PLN	91,970	12,248	
Coba Vermögensverwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	26	–	*
Commerz (East Asia) Limited	Hong Kong, Hongkong	100.0	EUR	4,046	– 58	
Commerz Business Consulting GmbH	Frankfurt/Main, Germany	100.0	EUR	239	–	*
Commerz Direktservice GmbH	Duisburg, Germany	100.0	EUR	1,856	–	*
Commerz Global Service Solutions Sdn. Bhd.	Kuala Lumpur, Malaysia	100.0	MYR	21,358	382	[1]
Commerz Grundbesitz Beteiligungsgesellschaft mbH & Co. KG	Frankfurt/Main, Germany	90.0	EUR	18,451	738	
Commerz Markets LLC	Wilmington, Delaware, USA	100.0	USD	224,186	– 32	
Commerz Real AG	Wiesbaden, Germany	100.0	EUR	408,407	–	*
Commerz Real Fonds Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	151	–	*
Commerz Real Fund Management S.à r.l.	Luxembourg, Luxembourg	100.0	EUR	5,625	– 17,681	
Commerz Real Investmentgesellschaft mbH	Wiesbaden, Germany	100.0	EUR	21,968	–	*
Commerz Real Kapitalverwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	5,000	–	*
Commerz Real Mobilienleasing GmbH	Düsseldorf, Germany	100.0	EUR	41,000	–	*
Commerz Real Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	EUR	26	–	*
Commerz Service-Center Intensive GmbH	Düsseldorf, Germany	100.0	EUR	1,664	–	*
Commerz Services Holding GmbH	Frankfurt/Main, Germany	100.0	EUR	15,979	–	*
Commerzbank (Eurasija) AO	Moscow, Russia	100.0	RUB	19,033,660	6,080,156	
Commerzbank Finance & Covered Bond S.A.	Luxembourg, Luxembourg	100.0	EUR	1,056,005	– 54,251	
Commerzbank Finance BV	Amsterdam, Netherlands	100.0	EUR	834	– 108	
Commerzbank Finance Limited	London, UK	100.0	GBP	248,849	168,335	
Commerzbank Holdings France	Paris, France	100.0	EUR	17,278	104	
Commerzbank Immobilien- und Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	462,597	–	*
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main, Germany	100.0	EUR	109,465	–	*
Commerzbank Leasing December (3) Limited	London, UK	100.0	GBP	194	125	
Commerzbank Leasing Limited	London, UK	100.0	GBP	25	–	
Commerzbank Leasing September (5) Limited	London, UK	100.0	GBP	25	13	
Commerzbank U.S. Finance, Inc.	Wilmington, Delaware, USA	100.0	USD	364	1	
CommerzFactoring GmbH	Mainz, Germany	50.1	EUR	1,099	–	*

Name	Registered office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000
CommerzVentures Beteiligungs GmbH & Co. KG	Frankfurt/Main, Germany	99.5	EUR	50,664	23,645
CommerzVentures GmbH	Frankfurt/Main, Germany	100.0	EUR	86,579	– *
CommerzVentures II Beteiligungs GmbH & Co. KG	Frankfurt/Main, Germany	33.3	EUR	71,982	– 17,189
CommerzVentures III Beteiligungs GmbH & Co. KG	Frankfurt/Main, Germany	33.3	EUR	33,286	– 4,506
ComTS Finance GmbH	Halle (Saale), Germany	100.0	EUR	1,550	– *
ComTS GmbH	Erfurt, Germany	100.0	EUR	2,714	– *, 2)
ComTS Logistics GmbH	Magdeburg, Germany	100.0	EUR	1,550	– *
Coubag Unternehmensbeteiligungsgesellschaft mbH	Frankfurt/Main, Germany	40.0	EUR	102,046	6,100
CR Hotel Target Pty Ltd	Sydney, Australia	50.0	AUD	20,587	6,675
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schwabing KG	Düsseldorf, Germany	100.0	EUR	–	2
Dresdner Capital LLC I	Wilmington, Delaware, USA	100.0	USD	2,075	42
Dresdner Kleinwort Luminary Inc.	Wilmington, Delaware, USA	100.0	USD	29,777	1,358
Dresdner Lateinamerika Aktiengesellschaft	Hamburg, Germany	100.0	EUR	32,567	– *
DSB Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	25	– *
DTE Energy Center, LLC	Wilmington, Delaware, USA	50.0	USD	36,616	4,508
FABA Vermietungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	6,426	– *
Future Tech Fundusz Inwestycyjny Zamkniety	Warszawa, Poland	99.0	PLN	220,547	– 2,869
Gesellschaft für Kreditsicherung mbH	Berlin, Germany	63.3	EUR	9,205	7,138
Greene Elm Trading VII LLC	Wilmington, Delaware, USA	100.0	USD	1,652,552	19,408
KENSTONE GmbH	Eschborn, Germany	100.0	EUR	1,250	– *
Kommanditgesellschaft MS "CPO ALICANTE" Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	39,478	6,796
Kommanditgesellschaft MS "CPO ANCONA" Offen Reederei GmbH & Co.	Hamburg, Germany	77.2	EUR	55,187	8,404
Kommanditgesellschaft MS "CPO BILBAO" Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	38,323	6,699
Kommanditgesellschaft MS "CPO PALERMO" Offen Reederei GmbH & Co.	Hamburg, Germany	73.9	EUR	67,753	10,606
Kommanditgesellschaft MS "CPO VALENCIA" Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	39,016	5,865
LeaseLink Sp. z o.o.	Warszawa, Poland	100.0	PLN	26,274	9,671
LSF Loan Solutions Frankfurt GmbH	Eschborn, Germany	100.0	EUR	47,996	– *
Main Incubator GmbH	Frankfurt/Main, Germany	100.0	EUR	36,427	– *
mBank Hipoteczny S.A.	Warszawa, Poland	100.0	PLN	883,687	– 303,378
mBank S.A.	Warszawa, Poland	69.1	PLN	12,497,196	– 696,724
mElements S.A.	Warszawa, Poland	100.0	PLN	20,963	– 729
mFaktoring S.A.	Warszawa, Poland	100.0	PLN	193,339	44,708
mFinanse CZ s.r.o.	Praha, Czech Republic	100.0	CZK	33,055	14,093
mFinanse S.A.	Warszawa, Poland	100.0	PLN	68,930	– 85,779
mFinanse SK s.r.o.	Bratislava, Slovakia	100.0	EUR	324	89
mLeasing Sp. z o.o.	Warszawa, Poland	100.0	PLN	744,496	150,576
MOLARIS Verwaltungs- und Vermietungsgesellschaft mbH	Düsseldorf, Germany	75.0	EUR	776	– 5,191
mTowarzystwo Funduszy Inwestycyjnych S.A.	Warszawa, Poland	100.0	PLN	5,818	– 3,532
NAVIPOS Schiffsbeteiligungsgesellschaft mbH	Hamburg, Germany	100.0	EUR	107,752	– *
NOVELLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	11,176	– *
Project Gloria S.a.r.l.	Luxembourg, Luxembourg	50.0	EUR	9	– 15

Name	Registered office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000	
REFUGIUM Beteiligungsgesellschaft mbH	Grünwald, Germany	100.0	EUR	2,926	–	*
SECUNDO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	5,811	–	*
TOMO Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	22,778	–	*
Yellowfin Asset Management GmbH	Frankfurt/Main, Germany	75.1	EUR	900	– 98	
Zelos Luxembourg S.C.S.	Luxembourg, Luxembourg	100.0	EUR	– 119,948	– 59,115	

b) Equity holdings in permanently-linked companies where the investment exceeds 5% of the voting rights

Name	Registered Office	Share of capital held %
21strategies GmbH	Zolling, Germany	13.2
Alma Atlas Investments Limited	Lathom, UK	12.0
AUTHADA GmbH	Darmstadt, Germany	12.4
BBB Bürgschaftsbank zu Berlin-Brandenburg GmbH	Berlin, Germany	7.9
BERGFÜRST AG	Berlin, Germany	24.9
BGG Bayerische Garantiegesellschaft mit beschränkter Haftung für mittelständische Beteiligungen	Munich, Germany	5.3
Bilendo GmbH	Munich, Germany	12.9
BÜRGSCHAFTSBANK BRANDENBURG GmbH	Potsdam, Germany	10.8
Bürgschaftsbank Bremen GmbH	Bremen, Germany	8.3
Bürgschaftsbank Hamburg GmbH	Hamburg, Germany	17.8
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin, Germany	12.0
Bürgschaftsbank Sachsen GmbH	Dresden, Germany	10.6
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg, Germany	10.4
Bürgschaftsbank Schleswig-Holstein Gesellschaft mit beschränkter Haftung	Kiel, Germany	5.0
Bürgschaftsbank Thüringen GmbH	Erfurt, Germany	12.3
Candis GmbH	Berlin, Germany	5.7
Caya GmbH	Berlin, Germany	7.1
Circula GmbH	Berlin, Germany	6.8
DABBEL - Automation Intelligence GmbH	Düsseldorf, Germany	6.2
Fairown Holding OÜ	Tallinn, Estonia	8.1
Gini GmbH	Munich, Germany	13.4
Interessengemeinschaft Frankfurter Kreditinstitute GmbH	Frankfurt/Main, Germany	16.9
Kreditgarantiegemeinschaft des Hotel- und Gaststättengewerbes in Bayern Gesellschaft mit beschränkter Haftung	Munich, Germany	9.7
LiquidityMatch LLC	Wilmington, Delaware, USA	13.6
MBG Mittelständische Beteiligungsgesellschaft Hamburg mbH	Hamburg, Germany	13.3 [3)]
MBG Mittelständische Beteiligungsgesellschaft Rheinland-Pfalz mbH	Mainz, Germany	11.1
MBG Mittelständische Beteiligungsgesellschaft Schleswig-Holstein mbH	Kiel, Germany	7.3
Mittelständische Beteiligungsgesellschaft Berlin-Brandenburg GmbH	Potsdam, Germany	18.2
Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH	Schwerin, Germany	18.4
Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mit beschränkter Haftung	Hannover, Germany	12.4
Mittelständische Beteiligungsgesellschaft Sachsen mbH	Dresden, Germany	16.4
Mittelständische Beteiligungsgesellschaft Sachsen-Anhalt (MBG) mbH	Magdeburg, Germany	17.5
Mittelständische Beteiligungsgesellschaft Thüringen mbH	Erfurt, Germany	16.5
Mittelstandsfonds Schleswig-Holstein GmbH	Kiel, Germany	9.2
Niedersächsische Bürgschaftsbank (NBB) Gesellschaft mit beschränkter Haftung	Hannover, Germany	5.6
Open as App GmbH	Munich, Germany	10.1
paydirekt GmbH	Frankfurt/Main, Germany	16.7
PINOVA Fund 3 GmbH & Co. KG	Munich, Germany	10.0
Pinova GmbH & Co. Beteiligungs 2 KG	Munich, Germany	8.1
Saarländische Kapitalbeteiligungsgesellschaft mit beschränkter Haftung	Saarbrücken, Germany	8.5
Scompler Technologies GmbH	Munich, Germany	12.1
Secfix GmbH	Munich, Germany	5.2

Name	Registered Office	Share of capital held %
spaciv GmbH	Munich, Germany	14.8
Squake.earth GmbH	Berlin, Germany	16.5
Stock Republic AB	Bromma, Sweden	7.8
TransFICC Limited	London, UK	13.3
True Sale International GmbH	Frankfurt/Main, Germany	25.0
Userlane GmbH	Munich, Germany	7.0
Valsight GmbH	Berlin, Germany	12.8
Vilor GmbH	Hildesheim, Germany	6.2

c) Equity holdings in large corporations where the investment exceeds 5% of the voting rights

Name	Registered Office	Share of capital held %	Deviating Voting Rights %
Deutsche Börse Commodities GmbH	Frankfurt/Main, Germany	16.2	14.5
EURO Kartensysteme GmbH	Frankfurt/Main, Germany	15.4	0.0
SCHUFA Holding AG	Wiesbaden, Germany	18.6	0.0

Footnotes	
1)	Renamed: from Commerz Trade Services Sdn. Bhd. to Commerz Global Service Solutions Sdn. Bhd.
2)	Renamed: from ComTS Mitte GmbH to ComTS GmbH
3)	Renamed: from BTG Beteiligungsgesellschaft Hamburg mbH to MBG Mittelständische Beteiligungsgesellschaft Hamburg mbH

Comments and explanations	
a)	Control and/or profit transfer agreement.
*	Financial figures as of last year's annual report.

Foreign exchange rates for €1 as at 31.12.2023		
Australia	AUD	1.6263
United Kingdom	GBP	0.8691
Malaysia	MYR	5.0775
Poland	PLN	4.3395
Russia[1]	RUB	99.3212
Sweden	SEK	11.0960
Czech Republic	CZK	24.7240
USA	USD	1.1050

[1] Decision of the ECB to suspend its publication of a EURO reference rate to Russian rouble until further notice.
We as Commerzbank decided to calculate a manual EUR / RUB conversion rate for 31. December 2022 by using the USD / RUB rate and the USD / EUR rate (both as of 31. December 2023).

(45) Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Prof. Dr. Jens Weidmann
Chairman
Former President of the Deutsche Bundes–bank and Professor of Practice in Central Banking at Frankfurt School of Finance & Management
(since 31.5.2023)

Helmut Gottschalk
Chairman
(until 31.5.2023)

Uwe Tschäge[1]
Deputy Chairman
Banking professional
Commerzbank Aktiengesellschaft

Heike Anscheit[1]
Banking professional
Commerzbank Aktiengesellschaft

Alexander Boursanoff[1]
Banking professional
Commerzbank Aktiengesellschaft
(until 31.5.2023)

Gunnar de Buhr[1]
Banking professional
Commerzbank Aktiengesellschaft

Stefan Burghardt[1]
Banking professional
Commerzbank Aktiengesellschaft
(until 31.5.2023)

Harald Christ
Managing Partner
Christ & Company Consulting GmbH
(since 31.5.2023)

Dr. Frank Czichowski
Former Senior Vice President / Treasurer
KfW Bankengruppe

Sabine U. Dietrich
Former member of the Board of Managing Directors
BP Europa SE

Dr. Jutta A. Dönges
Chief Financial Officer
Uniper SE

Monika Fink[1]
Banking professional
Commerzbank Aktiengesellschaft
(until 31.5.2023)

Stefan Jennes[1]
Banking professional
Commerzbank Aktiengesellschaft
(until 31.5.2023)

Kerstin Jerchel[1]
Managing Director
Verkehrsgesellschaft Frankfurt am Main GmbH

Burkhard Keese
Chief Financial Officer
Lloyd's of London

Alexandra Krieger[1]
Head Business Administration/
Corporate Strategy
Industrial Union Mining, Chemical and Energy
(until 31.5.2023)

Maxi Leuchters[1]
Head of Department for Corporate Law and Management
Hans Böckler Foundation
(since 31.5.2023)

Daniela Mattheus
Lawyer and Management Consultant

Nina Olderdissen[1]
Banking professional
Commerzbank Aktiengesellschaft
(since 31.5.2023)

Sandra Persiehl[1]
Bank employee
Commerzbank Aktiengesellschaft
(since 31.5.2023)

Michel Schramm[1]
Banking professional
Commerzbank Aktiengesellschaft
(since 31.5.2023)

Caroline Seifert
Management Consulting for transformation

Robin J. Stalker
Former Member of the Management Board of adidas AG
(until 31.5.2023)

Dr. Gertrude Tumpel-Gugerell
Former Member of the Executive Board of the European Central Bank

Sascha Uebel[1]
Banking professional
Commerzbank Aktiengesellschaft
(since 31.5.2023)

Frank Westhoff
Former member of the Board of Managing Directors
DZ BANK AG

Stefan Wittmann[1]
Trade Union Secretary
ver.di Trade Union National Administration

Klaus-Peter Müller
Honorary Chairman

[1]Elected by the Bank's employees

Board of Managing Directors

Dr. Manfred Knof
Chairman

Dr. Bettina Orlopp
Deputy Chairwoman

Dr. Marcus Chromik
(until 31.12.2023)

Michael Kotzbauer

Sabine Mlnarsky

Dr. Jörg Oliveri del Castillo-Schulz

Thomas Schaufler

Bernhard Spalt
(since 1.1.2024)

(46) Seats on supervisory boards and similar bodies

Members of the Board of Managing Directors of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285 no. 10 of the HGB

a) Seats on other mandatory supervisory boards (in Germany)

b) Seats in similar national and international bodies

Dr. Manfred Knof

a) Commerz Real AG[1]
Chairman

b) Commerz Real Investmentgesellschaft mbH[1]
Chairman

Dr. Bettina Orlopp

b) CommerzVentures GmbH[1]
Chairwoman
(until 2.11.2023)

EIS Einlagensicherungsbank GmbH
Chairwoman
(until 31.12.2023)

Kreditanstalt für Wiederaufbau AöR

mBank S.A.[1]
Deputy Chairwoman

Dr. Marcus Chromik
(until 31.12.2023)

a) Commerz Real AG[1]
Deputy Chairman
(until 31.12.2023)

b) Commerz Real Investmentgesellschaft mbH[1]
Deputy Chairman
(until 31.12.2023)

mBank S.A.[1]
(until 31.12.2023)

Verlagsbeteiligungs- und Verwaltungsgesellschaft mit beschränkter Haftung
(until 30.6.2023)

Michael Kotzbauer

b) CommerzVentures GmbH[1]
Deputy Chairman
(until 2.11.2023)

Sabine Mlnarsky
– –

Dr. Jörg Oliveri del Castillo-Schulz

a) BVV Versicherungsverein des Bankgewerbes a.G.

b) BVV Pension Management GmbH
(since 30.6.2023)

BVV Versorgungskasse des Bankgewerbes e.V.

Commerz Services Holding GmbH[1]
Chairman
(until 8.9.2023)

CommerzVentures GmbH[1]
(until 2.11.2023)

neosfer GmbH[1]
Chairman

Thomas Schaufler

a) Commerz Real AG[1]
(until 27.3.2023)

SCHUFA Holding AG

b) Commerz Real Investmentgesellschaft mbH[1]
(until 27.3.2023)

CommerzVentures GmbH[1]
(until 2.11.2023)

mBank S.A.[1]
(since 31.3.2023)

Bernhard Spalt
(since 1.1.2024)

a) Commerz Real AG[1]
Deputy Chairman

b) Commerz Real Investmentgesellschaft mbH[1]
Deputy Chairman

mBank S.A.[1]

Österreichische Post Aktiengesellschaft

[1] Group mandate

Members of the Supervisory Board of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285 no. 10 of the HGB

a) Seats on other mandatory supervisory boards (in Germany)

b) Seats in similar national and international bodies

Prof. Dr. Jens Weidmann
(since 31.5.2023)
– –

Helmut Gottschalk
(until 31.5.2023)
– –

Uwe Tschäge
– –

Heike Anscheit
– –

Alexander Boursanoff
(until 31.5.2023)
– –

Gunnar de Buhr

a) BVV Pensionsfonds des Bankgewerbes AG, Berlin
Deputy Chairman

BVV Versicherungsverein des Bankgewerbes a.G., Berlin
Deputy Chairman

b) BVV Versorgungskasse des Bankgewerbes e.V., Berlin

BVV Pension Management GmbH, Berlin
Deputy Chairman
(since 1.9.2023)

Stefan Burghardt
(until 31.5.2023)
– –

Harald Christ
(since 31.5.2023)
– –

Dr. Frank Czichowski
b) Frontier Clearing Corporation B.V. (FCC), Amsterdam (Netherlands)
(since 1.4.2023)

Sabine U. Dietrich

a) H&R GmbH und Co. KGaA, Salzbergen

MVV Energie AG, Mannheim

Dr. Jutta A. Dönges

a) TUI AG, Hannover

Uniper SE, Düsseldorf
(until 28.2.2023)

b) Rock Tech Lithium Inc., Vancouver, Canada
(until 28.2.2023)

Monika Fink
(until 31.5.2023)
– –

Stefan Jennes
(until 31.5.2023)
– –

Kerstin Jerchel
– –

Burkhard Keese
– –

Maxi Leuchters
(since 31.5.2023)
a) Stadtwerke Krefeld AG, Krefeld
PSD Bank Rhein-Ruhr eG, Düsseldorf

Alexandra Krieger
(until 31.5.2023)

a) AbbVie Komplementär GmbH, Wiesbaden

Evonik Industries AG, Essen

Daniela Mattheus

a) Yunex GmbH, Munich
(until 31.10.2023)

Deutsche Bahn AG, Berlin

JENOPTIK AG, Jena
(since 01.11.2023)

Cewe Stiftung & Co. KGaA, Oldenburg
(since 7.6.2023)

Nina Olderdissen
(since 31.5.2023)
– –

Sandra Persiehl
(since 31.5.2023)
– –

Michael Schramm
(since 31.5.2023)
– –

Caroline Seifert
– –

Robin J. Stalker
(until 31.5.2023)

a) Schaeffler AG, Herzogenaurach

Schmitz Cargobull AG, Horstmar
Deputy Chairman

Hugo Boss AG, Metzingen

Dr. Gertrude Tumpel-Gugerell

b) OMV Aktiengesellschaft, Vienna (Austria)

Vienna Insurance Group AG, Vienna (Austria)

AT & S AG, Leoben (Austria)

Sascha Uebel
(since 31.5.2023)
– –

Frank Westhoff
– –

Stefan Wittmann
– –

Employees of Commerzbank Aktiengesellschaft

In accordance with Art. 340a (4) no. 1 HGB

as at reporting date: 31.December 2023

Andreas Böger

Commerz Real AG[1]

Andrea Bracht

Commerz Real AG[1]

Gerold Fahr

Stadtwerke Ratingen GmbH
Chairman

Steffen Graf

ComTS GmbH[1]

Oliver Haibt

Commerz Direktservice GmbH[1]
Deputy Chairman

Patrick Klasen

Commerz Direktservice GmbH[1]

Michael Kollmann

tokentus investment AG
Chairman

Jana Kubach

Commerz Direktservice GmbH[1]
Chairwoman

Stefan Nodewald

KONVEKTA AKTIENGESELLSCHAFT

SCHWÄLBCHEN MOLKEREI Jakob Berz Aktiengesellschaft
Chairman

Mario Peric

Commerz Real AG[1]

Raoul Richter

ComTS GmbH[1]

Martin Sander

ComTS GmbH[1]
Chairman

Andreas Schimmele

Commerz Direktservice GmbH[1]

Conny Wolfgang Winckelmann

ComTS GmbH[1]
Deputy Chairman

Benedikt Winzen

SWK Stadtwerke Krefeld Aktiengesellschaft
Chairman

[1] Group mandate.

Responsibility statement by the Board of Managing Directors

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the net assets, financial position and results of operations of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Frankfurt am Main, 27 February 2024

The Board of Managing Directors

Manfred Knof	Bettina Orlopp	Michael Kotzbauer
Sabine Mlnarsky	Jörg Oliveri del Castillo-Schulz	Thomas Schaufler
Bernhard Spalt		

„Independent Auditor's Report“

To COMMERZBANK Aktiengesellschaft, Frankfurt am Main

Report on the Audit of the Annual Financial Statements and of the Management Report

Opinions

We have audited the annual financial statements of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, which comprise the balance sheet as at 31 December 2023, and the income statement for the financial year from 1 January to 31 December 2023, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of COMMERZBANK Aktiengesellschaft for the financial year from 1 January to 31 December 2023.

In accordance with German legal requirements, we have not audited the content of those components of the management report specified in the "Other Information" section of our auditor's report

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to banks and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2023 and of its financial performance for the financial year from 1 January to 31 December 2023 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of those components of the management report specified in the “Other information” section of the auditor’s report.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Calculation of general loan loss provisions

The significant accounting principles are described in Note 2 "Accounting and measurement policies" in the annual financial statements.

THE FINANCIAL STATEMENT RISK

In its annual financial statements as at 31 December 2023, COMMERZBANK Aktiengesellschaft recognised claims on banks of €99.1bn (PY: €86.2bn), claims on customers of €253.2bn (PY: €244.4bn), irrevocable lending commitments of €76.5bn (PY: €77.3bn), letters of credit of €4.2bn (PY: €4.8bn) and credit guarantees of €2.7bn (PY: €3.0bn). These balances form the basis for recognising general loan loss provisions in accordance with the IDW Accounting Principle: Risk provisioning for foreseeable, but not yet individually defined counterparty credit risks in the lending business of credit institutions ("general loan loss provisions") (IDW RS BFA 7).

In this regard, the Bank makes use of the option provided pursuant to the IDW Banking Committee Statement on Accounting [IDW RS BFA 7]: "Risk provisioning for foreseeable, but not yet individually defined counterparty credit risks in the lending business of credit institutions ("general loan loss provisions") to apply the methodology for determining the general loan loss provision using Stages 1 and 2 pursuant to IFRS 9 also for the HGB financial statements.

COMMERZBANK Aktiengesellschaft applies a three-stage approach to measure risk provisioning, with an ECL model being used to calculate the expected credit losses (ECL). Loan loss provisions in Stage 1 correspond to the expected credit losses within the next twelve months. Loan loss provisions in Stage 2 relate to financial instruments whose credit risk has increased significantly since initial recognition, while loan loss provisions in Stage 3 are attributable to credit-impaired financial assets. Loan loss provisions in Stages 2 and 3 take into account all expected credit losses for the entire remaining term.

Calculating loan loss provisions for expected credit losses in Stages 1 and 2 requires judgement and the use of complex models, inputs and assumptions. Loan loss provisioning is determined using the following inputs: probability of default (PD), loss given default (LGD) and exposure at default (EAD).

Economic uncertainty and the consequences of geopolitical tensions are still strongly overshadowing the macroeconomic outlook. The model-based inputs used for calculating loan loss provisions do not yet fully reflect these effects. COMMERZBANK Aktiengesellschaft recognised a top-level adjustment (TLA) for secondary effects to take account of this matter.

There is the risk for the financial statements that inappropriate models or inputs are used for the calculation of general loan loss provisions.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion.

We tested the design, implementation and effectiveness of the controls relevant for the determination of loan loss provisioning and performed additional substantive audit procedures.

Among others, our audit included control testing procedures related to:

- Calculation of the input-based loan loss provisioning
- Derivation of top-level adjustments for the input-based loan loss provisioning and
- Validation of the input-based loan loss provisioning models

We took account of the results of our control testing for the determination of the nature and scope of the other substantive audit procedures. These included in particular:

- Evaluation of the methods and accounting policies for determining loan loss provisions according to IDW RS BFA 7
- Evaluation of validations of the Bank for selected significant models and recalculation of validation tests
- Assessment of the appropriateness of the key assumptions for the stage allocation, macroeconomic variables, scenarios and their weighting
- Risk-based recalculation of loan loss provisions for Stage 1 and Stage 2
- Review of the ratings and solvency for selected borrowers based on the information in the respective loan files and assessment of the criteria used to identify a significant increase in credit risk and
- Comprehension of the input-based loan loss provision calculation, including the calculation methodology for top-level adjustments.

OUR CONCLUSIONS

The valuation models and inputs used to determine the general loan loss provisions are appropriate.

Valuation of financial instruments for which no observable market prices are available

The significant accounting principles are described in Note 2 "Accounting and measurement policies" in the annual financial statements.

THE FINANCIAL STATEMENT RISK

In its annual financial statements as at 31 December 2023, COMMERZBANK Aktiengesellschaft recognised trading assets of €18.2bn (PY: €18.4bn) and trading liabilities of €10.8bn (PY: €10.4bn). These items also include financial instruments whose measurement is not based on observable market prices.

The fair values of these financial instruments are to be determined based on recognised valuation methods. The valuation methods used may be based on complex models and include assumptions requiring judgements, especially for unobservable inputs.

The risk for the financial statements in particular is that inappropriate valuation models and inputs are used to determine the fair values of financial instruments whose measurement is not based on observable market prices.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion.

We tested the design, implementation and effectiveness of the controls relevant for the determination of fair values and performed additional substantive audit procedures. In doing this, we involved our in-house KPMG valuation experts.

Among others, our audit included control testing procedures related to:

- Validation carried out of newly introduced or modified valuation models and the continual monitoring processes of existing valuation models
- Independent review of the market inputs and data used for measurement and
- Determination and recognition of necessary value adjustments.

We took account of the results of our control testing for the determination of the nature and scope of the other substantive audit procedures. Further, we involved KPMG's in-house valuation experts. The substantive audit procedures included in particular:

- Performance of our independent price verification with the involvement of KPMG's in-house valuation experts for selected financial instruments, valuation methods, inputs and models as well as
- Recalculation and comprehension of the calculation of fair value adjustments made, including their recognition.

OUR CONCLUSIONS

The valuation models and inputs used are appropriate to determine the fair values of financial instruments whose measurement is not based on observable market prices.

Valuation of holdings in affiliated companies

The significant accounting principles are described in Note 2 "Accounting and measurement policies" in the annual financial statements.

THE FINANCIAL STATEMENT RISK

In its annual financial statements as at 31 December 2023, COMMERZBANK Aktiengesellschaft recognised holdings in affiliated companies in the amount of €4.5bn (PY: €4,5bn).

COMMERZBANK Aktiengesellschaft generally calculates the fair value of holdings in affiliated companies by using a recognised valuation method, in particular the discounted cash flow method.

The valuation methods, especially with regard to the inputs used (budget assumptions and discount rates), require judgement. The assumptions also include political and economic developments and conditions.

The risk for the financial statements is that appropriate valuation models or inputs are not used to determine the fair values of holdings in affiliated companies.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion.

We tested the design, implementation and effectiveness of the controls relevant for the determination of fair values and performed additional substantive audit procedures. In doing this, we involved our in-house KPMG valuation experts.

Among others, our audit included control testing procedures related to:

- Identification of any impairment requirement and
- Performance of relevant valuations for holdings in affiliated companies and their recognition.

We took account of the results of our control testing for the determination of the nature and scope of the other substantive audit procedures. These included in particular:

- Evaluation of the appropriateness of the models used
- Evaluation of the appropriateness of inputs used (especially budget assumptions and discount rates), by checking and validating these against externally available parameters for discount rates (risk-free rates, market risk premiums and beta factors)
- Assessment of the accuracy of the Bank's previous forecasts by comparing the budgets of previous financial years with actual results and by analysing deviations
- Review of mathematical accuracy of the valuation model used and
- Comprehension of the accounting for valuation adjustments

OUR CONCLUSIONS

The valuation models and inputs underlying the valuation of the holdings in affiliated companies are appropriate.

Other Information

The Board of Managing Directors respectively the Supervisory Board are responsible for the other information. The other information comprises the following components of the management report, whose content was not audited:

- the combined separate non-financial report of the Company and the Group referred to in the management report, and
- the declaration on corporate governance pursuant to Section 289f HGB, which is included in the section entitled "Declaration on corporate governance pursuant to Art. 289f HGB" of the management report.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Managing Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The Board of Managing Directors is responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to banks, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the Board of Managing Directors is responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the Board of Managing Directors is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the Board of Managing Directors is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company’s position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Board of Managing Directors is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Board of Managing Directors and the reasonableness of estimates made by the Board of Managing Directors and related disclosures.

- Conclude on the appropriateness of the Board of Managing Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the Board of Managing Directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Board of Managing Directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the electronic file "Commerzbank_AG_JA+LB_ESEF-2023-12-31 (1).zip" (SHA256-hash value: fc72c4cd3fb7c984c1bd31636038a886e899dd2602ef3ae4b2dcb683976c846e) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2023, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in file identified above.

We conducted our assurance work on the rendering of the annual financial statements and the management report, contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QMS 1 (09.2022)).

The Company’s Board of Managing Directors is responsible for the preparation of the ESEF documents including the electronic rendering of the annual financial statements and the management report in accordance with Section 328 (1) sentence 4 item 1 HGB.

In addition, the Company's Board of Managing Directors is responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material - intentional or unintentional - non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material - intentional or unintentional - non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material - intentional or unintentional - non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited annual financial statements and the audited management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor at the Annual General Meeting on 31 May 2023. We were engaged by the Chairperson of the Supervisory Board on 21 June 2023. We have been the auditor of COMMERZBANK Aktiengesellschaft since the financial year 2022.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor's Report

Our auditor’s report must always be read together with the audited annual financial statements and the audited management report as well as the examined ESEF documents. The annual financial statements and the management report converted into ESEF format – including the versions to be entered in the company register – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents provided in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Burkhard Böth.

Frankfurt am Main, 28 February 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Wiechens	Böth
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Significant Group companies

Germany
Commerz Real AG, Wiesbaden

Abroad
Commerzbank (Eurasija) AO, Moscow
Commerzbank Finance & Covered Bond S.A., Luxembourg
Commerz Markets LLC, New York
mBank S.A., Warsaw

Operative foreign branches
Amsterdam, Beijing, Brno (office), London, Luxembourg, Madrid, Milan, New York, Paris, Prague, Shanghai, Singapore, Tokyo, Vienna, Zurich

Representative Offices and Financial Institutions Desks
Abidjan, Addis Abeba, Almaty, Amman, Ashgabat, Bangkok, Beijing (FI Desk), Brussels (Liaison Office to the European Union), Buenos Aires, Cairo, Caracas, Casablanca, Dhaka, Dubai, Ho Chi Minh City, Istanbul, Johannesburg, Kiev, Lagos, Luanda, Melbourne, Moscow (FI Desk), Mumbai, New York (FI Desk), Panama City, São Paulo, Seoul, Shanghai (FI Desk), Singapore (FI Desk), Taipei, Tashkent, Tokyo (FI Desk), Zagreb

COMMERZBANK

2024 Financial calendar	
30 April 2024	Annual General Meeting
15 May 2024	Interim financial information as at 31 March 2024
7 August 2024	Interim Report as at 30 June 2024
6 November 2024	Interim financial information as at 30 September 2024

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The Group annual report
(in accordance with the International Financial Reporting Standards)
appears in German and Enlish.