COMMERZBANK

# Annual Report 2021

The bank at your side

# Key figures

| Income statement | 1.1.–31.12.2021 | 1.1.–31.12.2020[1] |
|---|---|---|
| Operating profit (€m) | 1,183 | –233 |
| Operating profit per share (€) | 0.94 | –0.19 |
| Consolidated profit or loss[2] (€m) | 291 | –2,918 |
| Earnings per share (€) | 0.23 | –2.33 |
| Operating return on equity based on CET1 (%) | 5.0 | –1.0 |
| Return on equity of consolidated profit or loss[3] (%) | 1.0 | –11.7 |
| Cost/income ratio in operating business (excl. compulsory contributions) (%) | 73.8 | 75.2 |
| Cost/income ratio in operating business (incl. compulsory contributions) (%) | 79.3 | 81.5 |

| Balance sheet | 31.12.2021 | 31.12.2020[1] |
|---|---|---|
| Total assets (€bn) | 473.0 | 506.6 |
| Risk-weighted assets (€bn) | 175.2 | 178.6 |
| Equity as shown in balance sheet (€bn) | 29.8 | 28.6 |
| Total capital as shown in balance sheet (€bn) | 36.9 | 36.6 |

| Regulatory key figures | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Tier 1 capital ratio (%) | 15.5 | 15.0 |
| Common Equity Tier 1 ratio[4] (%) | 13.6 | 13.2 |
| Total capital ratio (%) | 18.4 | 17.7 |
| Leverage ratio (%) | 5.2 | 4.9 |

| Full-time personnel | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Germany | 28,734 | 30,192 |
| Abroad | 11,446 | 11,321 |
| Total | 40,181 | 41,513 |
| For information purposes: On 1.1.2022 around 1,600 full time personnel has left the bank via the voluntary program. | | |

| Ratings[5] | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Moody's Investors Service, New York[6] | A1/A1/P-1 | A1/A1/P-1 |
| S&P Global, New York[7] | A–/BBB+/A-2 | A–/BBB+/A-2 |

[1] Prior-year figures restated.
[2] Insofar as attributable to Commerzbank shareholders.
[3] Ratio of net income attributable to Commerzbank shareholders after deduction of the potential (completely discretionary) AT-1 coupons and average IFRS equity after deduction of goodwill and other intangible assets without additional equity components and non-controlling interests.
[4] The Common Equity Tier 1 ratio is the ratio of Common Equity Tier 1 capital (CET1) mainly subscribed capital, reserves and deduction items to risk-weighted assets.
[5] Further information can be found online at www.commerzbank.com.
[6] Counterparty rating and deposit rating/issuer credit rating/short-term liabilities.
[7] Counterparty rating/deposit rating and issuer credit rating/short-term liabilities.

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

# Contents

**Letter from the Chairman of the Board of Managing Directors**
Frankfurt/Main, March 2022

Dear shareholders,

With Russia's attack on Ukraine, the geopolitical and economic structure of the world, as we had known it up to then, has been shaken. Until a few weeks ago, no one had really imagined that a state could break a blanket war against a neighbour on European soil. And no one is able to say exactly what the European and global order will look like. The struggle between democracy and autocracy could become the defining conflict of the 21st Century. What human suffering can be associated with this, the images from Ukraine have impressively shown us. We feel with the people who have been drawn to this war, although the full extent of their suffering can only be guessed. It is difficult to look back on the 2021 financial year in view of this dramatic development, the short- and long-term effects of which cannot be estimated at the moment. The attack on Ukraine relativizes so much, including the Corona pandemic. I'm still trying:

2021 was the first year of the comprehensive transformation of Commerzbank, which we initiated on the Board of Management with our "Strategy 2024". It was a demanding, very intense year. And, regardless of the odds, it was a good and successful year for Commerzbank. We have moved a lot and achieved a lot.

Our goal is clear: we aim to make Commerzbank THE digital advisory bank for Germany – customer-oriented, digital, sustainable and also suitably profitable again. We are making progress towards this goal that is visible to everyone. We achieved a consolidated profit in the 2021 financial year despite special charges totalling around €2bn, mainly relating to the restructuring and foreign currency loans at our Polish subsidiary mBank. We owe our ability to shoulder these considerable burdens while keeping our CET1 capital ratio high and staying in the black to significantly lower loan loss provisions and, in particular, to very robust customer business. We also showed the necessary discipline when it came to costs.

The new Commerzbank delivers what it promises! That is the central message we wish to convey while reviewing the past year. We are increasingly transitioning into delivery mode. The encouraging key figures are only one aspect of this success. What is almost more important is that the restructuring of Commerzbank is making real progress. We are realigning our business model based on the needs of our customers, streamlining our organisation, simplifying structures and modernising processes. Not everything works right away, there are setbacks and occasional changes of plan along the way – unavoidable in a transformation of this scale. But the vast majority of initiatives are right on track, and we have reached the key milestones set for the first year of the restructuring.

For example, the gross reduction of 10,000 jobs that is necessary for the planned cost decrease of around 20% by 2024 – carried out so as to be as socially responsible as possible – is well under way. We agreed a framework reconciliation of interests and a framework social plan with the employee representatives in May. A voluntary severance programme then started in July, and we were able to finalise the partial reconciliations of interests for the respective divisions by November. This means that only nine months elapsed between the adoption of the strategy and the final negotiations on the target structure. The fact that it happened so quickly was mainly due to the very constructive and trust-based talks between the social partners. As of today, well over half of the gross job reductions (about 6,000 full-time equivalents) have already been realised through corresponding agreements with employees. On this basis, we are certain that we will achieve our goal.

This also applies to the optimisation of our branch network, another cornerstone of our strategy. In Germany, we reduced the number of branches from around 800 to about 550 as at the end of 2021; thus, most of the road on the way to the target of 450 branches has already been traversed. Before the coronavirus pandemic we still had 1,000 branches. We are also making faster-than-expected progress in streamlining our international network. During the year, we shut 6 of the total of 15 locations scheduled for closure. Add to this the sale of our Hungarian subsidiary to Erste Bank Hungary, which was agreed shortly before the end of the year. Thanks to the cooperation agreement concluded at the same time with Erste Bank Group, we will actually be able to expand our range of services in the region for our corporate customers in the future. In addition, we have already completed the dismantling of our agency network in Switzerland and are now concentrating on the Zurich location. We are increasingly relying on partnership models in other areas, too. In May we announced the streamlining of our capital markets business through extensive collaboration in equity trading and equity research with ODDO BHF. Partnerships exemplify much of what we are doing right now: enhancing efficiency while consistently focusing on the needs of our core customers, reducing costs and complexity without compromising on customer service.

But it would be far too short-sighted to reduce our strategy to downsizing, outsourcing and exit. There is much more at stake: a new, future-proof business model.

In the private customer business, we have made important progress on the journey to becoming a digital advisory bank for Germany. The first three locations of the future advisory centre have begun operations. They are already looking after around 850,000 customers. We have so far been effective in limiting customer churn due to branch closures. We have achieved this retention thanks to excellent service, a high level of advisory expertise and the expansion of our digital services. It remains to be seen whether we will accomplish that in the current year. In any case, we will fight hard for it.

As in the Private and Small-Business Customers segment, the transformation is also well under way in the corporate customer business. Here we are building on our excellent market position among German small and medium-sized enterprises. We are also establishing new services on the way to becoming a more digital, innovative corporate customer bank. Examples of this are the first live transactions via the Marco Polo trade finance network with an irrevocable blockchain-based promise to pay, as well as the introduction of digital signatures. The successful piloting of our “Mittelstandsbank Direkt” service is also noteworthy. Many of our customers are already using it. In the corporate customer business, priorities that are very high on our agenda include not only an ongoing improvement of our services and greater digitalisation, but also increasing capital efficiency. During the year, we reduced the proportion of business involving insufficiently profitable use of risk-weighted assets faster than planned. That is a pleasing result, but it is not the end of our ambition.

For private and corporate customers alike, the more emphatic orientation of our business towards sustainability criteria is of decisive importance for the future. In September we set ourselves ambitious goals. We intend for our loan and investment portfolio to reach net zero carbon emissions no later than 2050, and our own banking operations by 2040 at the latest. We are aiming for a volume of sustainable business at around €300bn by 2025; at the end of 2021 it was already €194bn. As a bank, we are financiers of the green transformation. We aim to help channel more capital into sustainable economic activities in order to mitigate the consequences of climate change. And we want to actively support our customers in their own transformation into sustainable companies. Sustainability is thus becoming a mainstay of our business model.

Dear shareholders, 2021 was a year of new beginnings for Commerzbank, which gives us cause for optimism. Because we have begun the transformation with real drive and our success is increasingly being recognised. Because we see that our strategy is working and the transformation is making good progress.

Because the key figures point in the right direction. And not least because we receive a great deal of positive feedback from our customers, who are loyal to Commerzbank and value our services. That is all the result of hard work. On behalf of the entire Board of Managing Directors, I would like to thank the management team and all our employees for this.

It will remain important in the future that we at Commerzbank work together with all our might to pursue our objectives and fight for sustainable success, because we are, of course, still a long way from reaching our goal. The restructuring must continue. Digitalisation must continue to gain momentum and create value. The income side of the business needs to be strengthened, even in the midst of a pandemic. These are challenging tasks that will demand a lot from us. We have put in place what was achievable in the short term. In order to deliver what we have promised for 2024, we will have to stretch even further than before.

2022 is therefore an important, maybe even the decisive year for our transformation. In line with our strategic planning, we will launch or continue to drive forward a large number of initiatives in all divisions of the Bank. One of the most important of these will be the Germany-wide rollout of the advisory centre for our private customers. In the corporate customer business, the focus will be on further technology-driven innovations in conjunction with customers and partners and on the implementation of a cost-efficient, sophisticated model for customer relationship management. In addition, we will advance further in optimising our international positioning and invest a lot of energy in translating the sustainability strategy into reality.

Across all areas, it is essential to maintain success in the customer business. However, we will not let up on the cost side either. If we can achieve both, we can take another big step forward this year – although we have not yet been able to take into account the effects of the war and economic sanctions against Russia in our planning. Our exposure there was significantly influenced by the support of German companies on the Russian market. It is manageable and has already been significantly reduced in the past.

Regardless of the current uncertainty, we are therefore sticking to our previous plans: We are aiming for an increase in net profit to more than €1bn in the current year. And if we achieve this, we want to start dividend payments again for the 2022 financial year, with a payout ratio that should be at 30%. This should be the start of the return to our shareholders of more capital than previously planned. In total, we aim to distribute between €3bn and €5bn through dividends and share buybacks until the 2024 financial year.

We also raised our medium-term targets slightly in view of the great progress in our transformation, rising interest rates in Poland and strong customer business. We now expect an operating profit of €3bn in 2024 and a return on equity of more than 7%.

We all know that this will not be enough in the long term to remain a dominant force in the market. So, we need to be ready for further change and think beyond the time horizon of our current strategy. We will start in 2022.

We are convinced that it is worthwhile to accompany Commerzbank on its way, even in these troubled times. I would be delighted to welcome you at our virtual Annual General Meeting on 11 May 2022.

Yours,

**Dr. Manfred Knof**
Chairman of the Board of Managing Directors

# The Board of Managing Directors

## Dr. Manfred Knof

Age 56, Chairman
Member of the Board of Managing Directors since 1 January 2021

## Dr. Bettina Orlopp

Age 51, Deputy Chairwoman
Chief Financial Officer
Member of the Board of Managing Directors since 1 November 2017

## Dr. Marcus Chromik

Age 49, Chief Risk Officer
Member of the Board of Managing Directors since 1 January 2016

## Michael Kotzbauer

Age 53, Corporate Clients
Member of the Board of Managing Directors since 14 January 2021

## Dr. Jörg Oliveri del Castillo-Schulz

Age 54, Chief Operating Officer
Member of the Board of Managing Directors since 20 January 2022

## Thomas Schaufler

Age 51, Private and Small-Business Customers
Member of the Board of Managing Directors since 1 December 2021

## Sabine Schmittroth

Age 56, Group Human Resources
Member of the Board of Managing Directors since 1 January 2020

**Report of the Supervisory Board**
Frankfurt/Main, March 2022

Dear shareholders,

Commerzbank tackled a range of challenges in the 2021 financial year and initiated a far-reaching transformation with its "Strategy 2024" programme. The Supervisory Board advised the Board of Managing Directors on its conduct of the Bank's affairs and supervised and monitored the way in which Commerzbank was managed. The Board of Managing Directors reported to the Supervisory Board promptly, extensively and at regular intervals on all the major developments at the Bank, including in the periods between meetings. The Supervisory Board received frequent and regular information on the Bank's business position and economic situation, particularly against the backdrop of the coronavirus crisis, and on considerations relating to the Bank's strategic realignment, its corporate planning, the sustainability strategy, the performance of the share price, compliance issues, loan loss provisions and the Bank's risk strategy, and advised the Board of Managing Directors on these topics. The Supervisory Board and its committees held a total of 49 meetings in the past financial year. Between meetings, the Chairman of the Supervisory Board was also continually in touch with the Chairman and other members of the Board of Managing Directors according to a set timetable and kept up to date with the current business progress, strategic considerations, the risk situation, risk management, compliance issues and major business transactions within both the Bank and the Group.

The Supervisory Board was involved in decisions of major importance for the Bank, giving its approval after extensive consultation and examination wherever required.

## Meetings of the Supervisory Board

A total of 12 Supervisory Board meetings were held during the financial year. In preparation for these meetings, the shareholder representatives and employee representatives regularly held separate preparatory meetings. The Supervisory Board's work focused in particular on supporting the initial and further development of the strategy and on monitoring its implementation. The Supervisory Board was kept fully informed by the Board of Managing Directors about the development of the new strategy and was involved in an advisory capacity. The Supervisory Board subsequently received reports on the status of strategy implementation and the Bank's strategic transformation on an ongoing basis. The Supervisory Board was also kept informed about the further development of the strategy and advised the Board of Managing Directors on this. Commerzbank's sustainability strategy was likewise discussed in detail. The Supervisory Board and the Board of Managing Directors examined the Bank's strategic direction in depth in two strategy meetings in 2021; the shareholder representatives and employee representatives held additional preparatory meetings with the Board of Managing Directors for the same purpose.

The Supervisory Board also focused intensively on personnel issues in 2021, in particular the appointment of two new members of the Board of Managing Directors and successors to the Chairman and four further members of the Supervisory Board.

Another focus of the Supervisory Board's work in 2021 was the further development of the structure of the Board of Managing Directors and its remuneration system, in particular with regard to variable remuneration.

Finally, the Supervisory Board once again addressed the impact of the coronavirus pandemic on the Bank in 2021 and continued to monitor the Bank's financial and business performance and risk situation more closely.

The focus of all ordinary meetings was the Bank's current business position, which the Supervisory Board discussed in detail with the Board of Managing Directors. The Supervisory Board considered in depth the financial and business performance of the Bank and its business segments, the risk situation, the strategy and its implementation status along with the strategic transformation referred to above, planning, compliance and tax issues, regulatory audits, the risk management system and the internal control system. The Supervisory Board regularly discussed a range of issues where the Board of Managing Directors was not present.

It subjected the reports of the Board of Managing Directors to analysis, in some cases requesting supplementary information, which was always provided. The Supervisory Board also received information on internal and official investigations into the Bank in Germany and other countries and asked questions regarding these prior to formulating an opinion.

The Supervisory Board conducted its business in two different ways in 2021. Due to coronavirus restrictions, the meetings were mainly held as hybrid events, with some Supervisory Board members attending in person and some virtually via video. In-person meetings were held where possible.

Where the Supervisory Board deemed it necessary, it brought in consultants to assist it in its activities.

The following specific topics were discussed at the Supervisory Board meetings:

At the extraordinary meeting on 3 February 2021, the Board of Managing Directors presented Commerzbank's "Strategy 2024" programme to the Supervisory Board, with the two boards then discussing it in detail.

At the meeting on 10 February 2021, the Board of Managing Directors reported in detail on the current business situation, the preliminary results for the 2020 financial year, outsourcing and data protection at Commerzbank and compliance issues. The Supervisory Board discussed and resolved the variable remuneration of the members of the Board of Managing Directors for the 2020 financial year. It also addressed the risk strategies, the cyber and information security strategy and the impact of the coronavirus pandemic on the Bank. In addition, the Supervisory Board addressed the Supervisory Board report and the declaration on corporate governance.

On 16 March 2021, the members of the Supervisory Board were informed that Hans-Jörg Vetter would be resigning his position as Chairman and member of the Supervisory Board of Commerzbank AG for health reasons at the close of 16 March 2021. The shareholder representatives discussed the process for appointing a successor.

At the accounts review meeting on 18 March 2021, the Supervisory Board reviewed the 2020 financial statements for the parent company and the Group and approved them on the Audit Committee's recommendation. It approved the proposed resolutions for the agenda of the 2021 Annual General Meeting and the proposal to hold the 2021 Annual General Meeting as a virtual Annual General Meeting. The Board of Managing Directors reported to the Supervisory Board on the current business situation, the status of implementation of the "Strategy 2024" programme, the overall risk strategy, developments in connection with mBank's Swiss franc loan portfolio, compliance issues and the impact of the coronavirus pandemic. The Supervisory Board addressed the review of possible breaches of duty by members of the Board of Managing Directors in connection with the credit exposure to the Wirecard Group and the settlement with the FCA regarding systems to prevent money laundering. The Supervisory Board also considered and approved the targets for the members of the Board of Managing Directors for the 2021 financial year and reviewed the performance of former members of the Board of Managing Directors with regard to the long-term incentive component of variable remuneration for the 2015 performance year by means of a retrospective performance evaluation. It also discussed the remuneration report and the 2020 combined separate non-financial report. The results of the evaluation and self-assessment of the Supervisory Board for the 2020 financial year, which were carried out internally within the Bank, were presented and discussed. The Supervisory Board was also consulted on the appointment of the new Remuneration Officer and his deputy. Finally, the Supervisory Board was informed about the status of the search for a new member of the Supervisory Board.

At the extraordinary meeting on 24 March 2021, the Supervisory Board considered the proposal for the election of a new member of the Supervisory Board to be put to the 2021 Annual General Meeting. At the meeting, Andreas Schmitz announced that he was resigning from the Commerzbank Supervisory Board with immediate effect.

On 28 March 2021, the Supervisory Board resolved at an extraordinary meeting to propose to the 2021 Annual General Meeting that Helmut Gottschalk be elected to the Supervisory Board as shareholder representative and successor to Hans-Jörg Vetter. Prior to the meeting, the Supervisory Board determined both the individual suitability of Helmut Gottschalk and the collective suitability of the Supervisory Board with Helmut Gottschalk as Hans-Jörg Vetter's successor.

At the end of March, Dr. Victoria Ossadnik, Dr. Tobias Guldimann and Dr. Rainer Hillebrand announced their intention to resign from the Supervisory Board of Commerzbank with effect from the end of the 2021 Annual General Meeting.

At a further extraordinary meeting in April 2021, the Supervisory Board resolved to propose to the 2021 Annual General Meeting that, in addition to Helmut Gottschalk, Daniela Mattheus, Caroline Seifert, Burkhard Keese and Frank Westhoff also be elected to the Supervisory Board as shareholder representatives and successors to Dr. Victoria Ossadnik, Dr. Tobias Guldimann, Dr. Rainer Hillebrand and Andreas Schmitz. Prior to the meeting, the Supervisory Board determined both the individual suitability of the named candidates and the collective suitability of the Supervisory Board with their inclusion as successors to the departing members of the Supervisory Board. The Supervisory Board also resolved to ask the Board of Managing Directors to apply for Helmut Gottschalk to be appointed by a court as a member of the Supervisory Board until the end of the Annual General Meeting which decides on the discharge of liability for the 2020 financial year. Finally, the Supervisory Board elected Dr. Gertrude Tumpel-Gugerell to the Presiding and Nomination Committee.

At an extraordinary meeting on 29 April 2021, Helmut Gottschalk, who had by then been appointed by a court as a member of the Supervisory Board, was elected as Chairman of the Supervisory Board until the end of the 2021 Annual General Meeting. The Supervisory Board also resolved to engage a law firm to review possible breaches of duty by members of the Board of Managing Directors in connection with the credit exposure to the Wirecard Group.

Following the Annual General Meeting on 18 May 2021, which elected Helmut Gottschalk to the Supervisory Board, the Supervisory Board held a further extraordinary meeting at which it elected Helmut Gottschalk as Chairman of the Supervisory Board for the duration of his term of office as a member of the Supervisory Board. The Supervisory Board also resolved to amend its rules of procedure and appointed the shareholder representatives newly elected by the 2021 Annual General Meeting to the Supervisory Board committees. The Board of Managing Directors reported to the Supervisory Board on the current business situation, in particular the results for the first quarter, and on the results of the negotiations with the employee representative committees regarding the “Strategy 2024” programme.

At the meeting on 16 June 2021, the Board of Managing Directors reported on the current business situation, the status of the implementation of the “Strategy 2024” programme, and the operationalisation of the multi-year plan and the business strategy. The Bank’s sustainability agenda was presented to the Supervisory Board, which discussed it in detail with the Board of Managing Directors. The results of the review by an external law firm of possible breaches of duty by members of the Board of Managing Directors in connection with the credit exposure to the Wirecard Group were presented to and discussed with the Supervisory Board. Both the external legal opinion and the internal reviews concluded that there was no breach of the duty of care on the part of the Board of Managing Directors. The Supervisory Board also addressed the further development of the structure of the Board of Managing Directors. The position of Deputy Chairperson of the Board of Managing Directors was newly created, with the corresponding new remuneration conditions added to the remuneration system subject to the submission of the new system for approval by the Annual General Meeting. Dr. Bettina Orlopp was appointed Deputy Chairperson of the Board of Managing Directors, and her term of office was renewed. The Supervisory Board also resolved to extend Jörg Hessenmüller’s appointment to the Board of Managing Directors. The Supervisory Board defined one key audit matter for 2021 and appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, to audit the combined separate non-financial report for Commerzbank Aktiengesellschaft and the Group as at 31 December 2021. Finally, the Supervisory Board was informed about the new regulations laid down in the German Financial Market Integrity Strengthening Act and the status of their implementation.

At the meeting on 15 September 2021, the Board of Managing Directors reported on the Bank’s business situation, in particular the results for the second quarter, and on the progress of the transformation. The Board of Managing Directors also discussed the developments regarding the intended outsourcing of securities settlement business (the Sirius project), the reasons for discontinuing the project and the next steps. The law firm engaged to carry out the responsibility review in relation to the Sirius project and the Internal Audit department then presented their findings and discussed them with the Supervisory Board. The Supervisory Board resolved to terminate the appointment of Jörg Hessenmüller and his employment contract by mutual consent by concluding a termination agreement. Subject to approval by the regulatory authority, Dr. Jörg Oliveri del Castillo-Schulz was appointed as his successor on the Board of Managing Directors. In addition, Thomas Schaufler was appointed as member of the Board of Managing Directors responsible for Private and Small-Business Customers, also subject to approval by the regulatory authority. The Supervisory Board discussed the challenges facing Commerzbank with representatives of the senior management of the European Central Bank’s Single Supervisory Mechanism and exchanged views with them on various topics. The Supervisory Board also defined further key audit matters for 2021 and resolved new model contracts for appointments to the Board of Managing Directors and for pension arrangements.

The main focus of the meeting on 30 September 2021 was the discussion of the strategic business objectives presented by the Board of Managing Directors. The Supervisory Board held in-depth discussions on strategic issues, the profitability of products and customers, and the structure of the Bank’s balance sheet with the Board of Managing Directors and made suggestions on these topics. The Supervisory Board also redefined the tasks of the Digitalisation and Technology Committee and changed its name to the Digital Transformation Committee. In addition, the Supervisory Board resolved further amendments to its rules of procedure.

At the last meeting of the year on 24 November 2021, the planning for the period up until 2025 and the risk and outsourcing strategy were presented to the Supervisory Board, which it acknowledged after detailed discussion. The Board of Managing Directors reported on the business situation, including the results for the third quarter, balance sheet structure management, the partial reconciliations of interests negotiated with the employee representative committees, and various compliance and tax issues. The latest developments in the coronavirus pandemic and their impact on the Bank were also presented to the Supervisory Board along with the status of the Bank's transformation. In addition, the Supervisory Board was informed about the structure and appropriateness of Commerzbank's remuneration systems and reviewed the appropriateness of the remuneration of the Board of Managing Directors. The Supervisory Board addressed the further development of the system governing the variable remuneration of the Board of Managing Directors and defined the 2022 targets for the members of the Board of Managing Directors. Finally, the Supervisory Board reviewed the performance of former members of the Board of Managing Directors with regard to the long-term incentive component of variable remuneration for the 2016 performance year by means of a retrospective performance evaluation. Other topics covered at this meeting included the Bank's corporate governance; in particular, the Supervisory Board approved the annual declaration of compliance with the German Corporate Governance Code pursuant to Art. 161 of the German Stock Corporation Act, reviewed the independence of the members of the Supervisory Board, set targets for the composition of the Supervisory Board, and resolved diversity policies for the composition of the Board of Managing Directors and the Supervisory Board. More details on corporate governance at Commerzbank can be found on pages 27 to 33 of this Annual Report. The Supervisory Board discussed the further development of ESG expertise within the Supervisory Board to keep pace with developments at Commerzbank in relation to sustainability and respond adequately to the growing requirements and duties of the Supervisory Board in this area. The Supervisory Board also considered the future structure of the 2021 remuneration report and resolved to engage the auditor to check the accuracy of the content of the remuneration report for the 2021 reporting year under the German Stock Corporation Act (AktG), in addition to ensuring that it meets the legal requirements set out in Art. 162 (3) AktG. With the retirement of Christian Höhn from the Supervisory Board due on 31 December 2021 owing to age, a decision was taken regarding his succession on the Supervisory Board committees. Finally, the Supervisory Board resolved amendments to the organisational guideline for the remuneration system of the Board of Managing Directors.

## Committees

To ensure that it can perform its duties efficiently, the Supervisory Board has formed seven permanent committees from its members.

The current composition of the committees is shown on page 19 of this Annual Report. The duties and responsibilities of the individual committees are defined in the Supervisory Board's rules of procedure, which can be found online at https://www.commerzbank.com.

The **Audit Committee** held six ordinary meetings and one extraordinary meeting in the 2021 financial year. It held discussions with the responsible members of the Board of Managing Directors on the financial statements for the parent company and the Group, as well as on the interim financial statements, financial information and interim financial information, the development of the key financial indicators, the major business transactions, provisions for mBank's Swiss franc loan portfolio, the settlement with the FCA, the principles of accounting and the accounting process, and the outlook for business performance. On the basis of these discussions, the committee decided on the recommendations to the Supervisory Board about the approval of the annual financial statements and the approval of the Group financial statements.

The committee received explanations from the auditor about the results of the audit of the financial statements of Commerzbank's parent company and the Group and the accompanying auditor's reports. It also received regular reports from the auditor on the current status and individual results of the annual audit of the financial statements and of the audit of the combined separate non-financial report, as well as the results of the reviews of the interim reports, separate financial information and interim financial information. Discussions in the committee centred on the focus areas for the audit and the key audit matters identified by the auditor. To safeguard the economic independence of the auditor, the Audit Committee obtained and discussed the auditor's declaration of independence pursuant to Art. 6 of the EU Audit Regulation. The committee also dealt with requests for the auditor to perform non-audit services and received a report on this from the Group Finance department responsible for monitoring. The committee also discussed the quality of the audit, both internally and in consultation with the auditor. Based on these discussions, the Audit Committee submitted proposals to the Supervisory Board regarding the appointment of the auditor, the amount of the auditor's fees and the key audit matters, and the appointment of an auditor for the combined separate non-financial report.

On the basis of the selection process carried out in accordance with Art. 16 of Regulation (EU) No 537/2014, the Audit Committee recommended that the Supervisory Board propose to the Annual General Meeting that either KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, or PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, be appointed as auditor and Group auditor and as auditor for the review of interim financial reports. As a first step, the 2021 Annual General Meeting appointed KPMG AG, the preferred choice, as auditor for the review of any additional interim financial information for periods after 31 December 2021 and before the 2022 Annual General Meeting. It will then be proposed to the 2022 Annual General Meeting that said audit firm also be appointed as the new auditor and Group auditor for the entire 2022 financial year. The committee was informed in detail about the process and status of the handover of audit activities from the current auditor, Ernst & Young (EY), to the future auditor, KPMG.

The committee also discussed the work of the Bank's Group Audit and Group Compliance units in detail. Both presented regular (at least quarterly) reports on the results of their work, measures to optimise it and the planning of their future activities, and presented their annual reports to the committee. In particular, the Audit Committee received regular reports on the results of various internal and external reviews of compliance with the local regulations that have to be observed by Commerzbank's branches and subsidiaries worldwide. The committee also obtained an overview of the status of efforts to remedy any deficiencies identified in this area by means of regular (at least quarterly) reports from the business units concerned and from Group Audit and Group Compliance. At two meetings, the committee discussed the further development of KYC processes in detail together with the Board of Managing Directors and the auditor. At two meetings, the committee also addressed the Wirecard matter in detail in respect of compliance with internal and external requirements. In addition, the committee had Group Tax explain the current status and measures for the further development of tax compliance.

The committee reviewed the effectiveness of the Bank's risk management system and of its internal control system in particular. This review was based on reports from a range of sources including the auditor, Group Risk Management and Group Audit. The committee also acknowledged the auditor's report on the review of reporting obligations and rules of conduct under the German Securities Trading Act.

In addition to the six meetings described above, the Audit Committee held an extraordinary meeting following the Annual General Meeting. At this meeting, Burkhard Keese was appointed as the new Chairman of the Audit Committee. He replaced Dr. Tobias Guldimann, who had stepped down from the Supervisory Board.

The **Risk Committee** held five ordinary and four extraordinary meetings in the past financial year. At these meetings, it dealt intensively with the Bank's risk situation and risk management, particularly against the backdrop of the coronavirus pandemic. The main topics discussed in this regard were the impact of the economic crisis triggered by the pandemic on Commerzbank's loan portfolio, its loan loss provisions and risk result, and its capital ratios. Other important topics included the risks for Commerzbank arising from mBank's Swiss franc loan portfolio, the Wirecard scandal and the approach to and management of country risks. The Risk Committee also examined the overall risk strategy for 2021, the sub-risk strategies for 2021 and credit, market, liquidity, counterparty and operational risks. It also discussed reputational, compliance, cyber and regulatory risks. In addition, the Risk Committee dealt extensively with ESG risks. Significant individual exposures of the Bank were also discussed in detail with the Board of Managing Directors, as were portfolios and sub-portfolios. The Risk Committee also considered major corporate transactions and the development of equity holdings. Furthermore, it was informed about the Bank's recovery plan and approved changes in the thresholds of certain recovery plan indicators. The Risk Committee also reviewed whether terms and conditions in customer business are compatible with the Bank's business model and risk structure, and discussed various stress tests and their results. The meetings included consideration of the employee remuneration system and the audits and risk assessment of Commerzbank by its regulators. The Risk Committee also examined Commerzbank's risk-bearing capacity, major loans to Commerzbank Group companies, loans to officers at those parties and high-risk exposures.

At the meeting on 27 January 2021, Andreas Schmitz was elected as Chairman of the Risk Committee. He succeeded Nicholas Teller, who had stepped down from the Supervisory Board. Following the resignation of Andreas Schmitz, Dr. Rainer Hillebrand was initially elected as Chairman of the Risk Committee. Following the Annual General Meeting, the members of the Risk Committee elected Frank Westhoff as Chairman of the Risk Committee.

The **Presiding and Nomination Committee** met nine times in the financial year and held one joint meeting with the Compensation Control Committee. The discussions of the Presiding and Nomination Committee were devoted to preparing the plenary Supervisory Board meetings and in-depth treatment of the meeting deliberations, especially with regard to the business situation, financial position and capital market conditions, Commerzbank's strategic direction and appointments to the Board of Managing Directors. It focused intensively on personnel issues, specifically the search for successors to the departing Supervisory Board Chairman Hans-Jörg Vetter and four other members of the Supervisory Board, and for a successor to Jörg Hessenmüller. It also focused on the structure of the Board of Managing Directors and the search for a new member of the Board of Managing Directors with responsibility for the Private and Small-Business Customers segment. The committee took account of the balance and diversity of knowledge, skills and experience of all members of the body concerned, drafted job descriptions with candidate profiles and, where it deemed it necessary, sought support from external recruitment consultants. It also examined the individual and collective suitability of the new candidates and the board as a whole, taking into account the relevant skills and expertise profiles and suitability matrices, and made corresponding recommendations for resolutions to the plenary Supervisory Board. The Presiding and Nomination Committee addressed the review of possible breaches of duty by members of the Board of Managing Directors and the developments in the Sirius project. The committee also approved requests for members of the Board of Managing Directors to take up board mandates with other companies and the anticipatory resolution for loans to officers pursuant to Art. 15 of the German Banking Act (KWG). It took note of changes in Commerzbank's Central Advisory Board. The Presiding and Nomination Committee also approved the determination of the interest rate for the issue of subordinated debt securities under the Bank's AT1 issuance programme, subject to the exclusion of shareholders' subscription rights. It discussed the amendment of the Bank's suitability guideline and resolved changes to the skills and expertise profile and suitability matrix for the Supervisory Board. In addition, the committee discussed the results of the evaluation of the Board of Managing Directors and Supervisory Board and the Supervisory Board's self-assessment for the 2020 financial year.

At the joint meeting of the Presiding and Nomination Committee and the Compensation Control Committee, the committees addressed the revision of the model contracts for appointments to the Board of

Managing Directors and for the pension arrangements of members of the Board of Managing Directors. The committee also discussed the developments in the Sirius project and the associated consequences, the terms of the termination by mutual consent of Jörg Hessenmüller's appointment and employment contract, and the terms of the contracts governing the appointments and pension arrangements of Dr. Jörg Oliveri del Castillo-Schulz and Thomas Schaufler.

In addition to the above-mentioned joint meeting with the Presiding and Nomination Committee, the **Compensation Control Committee** met five times. It assisted the Supervisory Board in setting the targets for the members of the Board of Managing Directors for the 2021 financial year and made corresponding recommendations for resolutions. The committee considered the target achievement of the Board of Managing Directors for 2020 and reviewed the setting of the total amount of variable remuneration for employees in respect of 2020. The committee was also consulted on the appointment of the new Remuneration Officer and his deputy. The Compensation Control Committee reviewed the performance of former members of the Board of Managing Directors with regard to the long-term incentive component of variable remuneration for the 2015 and 2016 performance years by means of a retrospective performance evaluation and submitted corresponding resolution recommendations to the full Supervisory Board.

The committee also addressed the further development of the structure of the Board of Managing Directors, recommending that the Supervisory Board create the new position of Deputy Chairperson of the Board of Managing Directors and add the corresponding new remuneration conditions to the remuneration system subject to the submission of the new system for approval by the Annual General Meeting.

The committee also discussed the structure of the 2021 remuneration report and the update to the organisational guideline for the remuneration of the Board of Managing Directors of Commerzbank Aktiengesellschaft. It also discussed the compensation control report prepared by the compensation officer. The committee reviewed the appropriateness of the structure of the remuneration system for the Board of Managing Directors and examined the structure and appropriateness of the employee remuneration systems for Commerzbank Aktiengesellschaft.

In addition, the committee assessed the impact of the remuneration systems on the Bank's risk, capital and liquidity situation and ensured that the remuneration systems are aligned with the Bank's business, risk and remuneration strategy. The committee also reviewed the principles of the employee remuneration system used to measure remuneration parameters, performance contributions and performance and retention periods, and monitored the process used to identify risk bearers and Group risk bearers. In this context, the committee was informed about the new EBA criteria for identifying risk bearers and Group risk bearers. The committee also reviewed the remuneration system for the control units and monitored the involvement of the control units and all other relevant areas in the design of the employee remuneration system.

The Compensation Control Committee addressed the further development of the system governing the variable remuneration of the Board of Managing Directors. Finally, it discussed the 2022 targets for the members of the Board of Managing Directors and submitted corresponding resolution recommendations to the full Supervisory Board.

The **Social Welfare Committee** met twice in the year under review, with the meetings focusing on human resource policy and staff development. The Social Welfare Committee also discussed HR marketing and strategy implementation from an HR perspective. In addition, it dealt with issues relating to diversity management, health management, the work of attracting upcoming talent, the further development of the working environment at Commerzbank and general HR management indicators. The Social Welfare Committee also received reports on the current status of coronavirus cases at Commerzbank, the Bank's hygiene concept and the various measures implemented in connection with the coronavirus.

The **Digital Transformation Committee** held four meetings, at which it regularly scrutinised the status of the progress made with digitalisation at the Bank in the context of the “Strategy 2024” programme and closely examined aspects such as KPIs and cyber risks. The committee also received regular reports on the status of IT and the overall technical performance and stability of the IT systems, along with updates on key strategic initiatives. The committee assisted the Supervisory Board with its monitoring and advisory tasks relating to the Bank’s digital transformation and IT. The revision of the rules of procedure in September 2021 added the monitoring of projects and processes in the context of the Bank’s digital transformation, the management of the associated budgets and transformation management to the committee’s remit. This also included the termination of the Sirius project by the Board of Managing Directors. Other topics addressed included the environment for banks in the fintech segment and road maps for various business divisions.

There was no need for any meetings of the **Conciliation Committee** formed in accordance with the German Codetermination Act.

The chairs of the committees regularly reported on their work at the next meeting of the plenary Supervisory Board.

## Change of auditor

On 12 October 2020, Commerzbank published the procedure for selecting a new auditor for Commerzbank Aktiengesellschaft and Group auditor for the Commerzbank Group for the 2022 financial year in the Federal Gazette [Bundesanzeiger]. The operational management of the selection process was carried out by an internal project team appointed by the Audit Committee. The definition of the key stages in the process, the selection criteria and the key decisions were discussed in advance with the Chairman of the Audit Committee and approved by the Audit Committee. At its meetings, the Audit Committee received regular reports on the progress of the procedure and discussed and decided on the next key steps. The project team included representatives from Group Finance and Group Legal under the overall responsibility of the Divisional Board member for Group Finance. The project team liaised with the Chairman of the Audit Committee on a regular basis. In accordance with EU rules on public tenders, the entire process was conducted in a fair, transparent and non-discriminatory manner. Through the announcement of the tender in the Federal Gazette, auditing firms were initially invited to express their interest in participating in the selection process. Interested parties were then provided with extensive documentation to enable them to submit a detailed written bid. All potential bidders were also given the opportunity to clarify any unanswered questions in a question and answer session. The written bids subsequently submitted were analysed and evaluated by an evaluation team consisting of the Chief Financial Officer, Divisional Board members and senior representatives from all the principally affected divisions. Applicants were also invited to present their bid and key team members in person. These presentations were attended by the Chairman of the Audit Committee and representatives of the evaluation team. The key economic points of the bid were also discussed with the applicants. At the end of the tender procedure, a detailed report on the procedure and the assessment of the applicants was submitted to the Audit Committee for validation. On the basis of this report, the Audit Committee formed its opinion and recommended to the Supervisory Board that either KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, or PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, be proposed to the Annual General Meeting as the new auditor and Group auditor for the 2022 financial year. The committee also indicated its own preference for KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. The Supervisory Board decided to follow the recommendation and preference of the Audit Committee. In line with the recommendation of the Supervisory Board, the 2021 Annual General Meeting initially appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as the new auditor for the review of interim financial information, if any, for the quarters of the 2022 financial year up to the 2022 Annual General Meeting. In respect of the proposal for the appointment of the auditor and Group auditor for the 2022 financial year, both the Audit

Committee and the Supervisory Board stand by their recommendation and preference. The Supervisory Board will therefore propose to the 2022 Annual General Meeting that KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, be appointed as the auditor and Group auditor for the 2022 financial year and as the auditor for the review of the condensed financial statements and interim management report pursuant to Art. 115 (5) and Art. 117 no. 2 of the German Securities Trading Act (WpHG) as at 30 June 2022 and any additional interim financial information pursuant to Art. 115 (7) WpHG and Art. 340i (4) of the German Commercial Code (HGB) in the 2022 financial year, and as the auditor for the review of any interim financial information for periods after 31 December 2022 and before the 2023 Annual General Meeting.

## Conflicts of interest

In accordance with the German Corporate Governance Code and Art. 3 (6) of the rules of procedure of the Supervisory Board, members of Commerzbank's Supervisory Board are required to disclose conflicts of interest without delay to the Chairman of the Supervisory Board or the Chairman's deputy, who will in turn consult with the Presiding and Nomination Committee and disclose the conflict of interest to the Supervisory Board. No member of the Supervisory Board declared a conflict of interest during the year under review.

## Training and development measures

The members of the Supervisory Board undertook the training and development measures required for their duties at their own initiative, with appropriate support from Commerzbank. Further training and development took place on a regular basis. The following workshops were held in 2021: "Balance sheet modelling from an interest and liquidity perspective", "Cyber risk" and "Compliance/Anti-Money Laundering Act". The Financial Market Integrity Strengthening Act and its implementation in the Bank were also presented to the full Supervisory Board. The Digital Transformation Committee discussed DORA, BAIT and digital assets in detail. An internal training session on the new EBA criteria for identifying risk bearers was also conducted during a meeting of the Compensation Control Committee. In addition, members of the Supervisory Board attended internal and external training courses on topics such as sustainability and corporate governance.

As a result of the changes on the Supervisory Board, onboarding events were held in 2021 for the new members of the Supervisory Board. In addition, the new Supervisory Board members were offered individually tailored internal training and induction measures. Divisions such as Risk and Compliance provided individual Supervisory Board members with in-depth insight into their activities and organisation.

## Participation in meetings

The following table shows the number of meetings of the Supervisory Board and its committees attended by each individual member in the 2021 financial year. If Supervisory Board members were unable to attend a meeting, they announced their absence in advance, explained the reasons and generally issued voting instructions:

| | Meetings (incl. committees) | Meetings (plenary) | Participation (plenary) | Meetings (committees) | Participation (committees) | Partici-pation (all meetings) | |
|---|---|---|---|---|---|---|---|
| Helmut Gottschalk | 21 | 6 | 6 | 15 | 15 | 21 | 100% |
| Hans-Jörg Vetter | 4 | 2 | 2 | 2 | 2 | 4 | 100% |
| Uwe Tschäge | 29 | 12 | 12 | 17 | 17 | 29 | 100% |
| Heike Anscheit | 16 | 12 | 12 | 4 | 3 | 15 | 94% |
| Alexander Boursanoff | 12 | 12 | 12 | 0 | 0 | 12 | 100% |
| Gunnar de Buhr | 23 | 12 | 12 | 11 | 9 | 21 | 91% |
| Stefan Burghardt | 23 | 12 | 12 | 11 | 11 | 23 | 100% |
| Dr. Frank Czichowski | 27 | 12 | 12 | 15 | 15 | 27 | 100% |
| Sabine U. Dietrich | 18 | 12 | 12 | 6 | 6 | 18 | 100% |
| Dr. Jutta A. Dönges | 34 | 12 | 12 | 22 | 21 | 33 | 97% |
| Monika Fink | 19 | 12 | 12 | 7 | 7 | 19 | 100% |
| Dr. Tobias Guldimann | 16 | 7 | 7 | 9 | 9 | 16 | 100% |
| Dr. Rainer Hillebrand | 14 | 7 | 7 | 7 | 7 | 14 | 100% |
| Christian Höhn | 27 | 12 | 12 | 15 | 13 | 25 | 93% |
| Kerstin Jerchel | 15 | 12 | 12 | 3 | 3 | 15 | 100% |
| Burkhard Keese | 12 | 5 | 5 | 7 | 7 | 12 | 100% |
| Alexandra Krieger | 12 | 12 | 12 | 0 | 0 | 12 | 100% |
| Daniela Mattheus | 7 | 5 | 5 | 2 | 2 | 7 | 100% |
| Dr. Victoria Ossadnik | 9 | 7 | 7 | 2 | 1 | 8 | 89% |
| Andreas Schmitz | 9 | 4 | 4 | 5 | 5 | 9 | 100% |
| Caroline Seifert | 7 | 5 | 5 | 2 | 2 | 7 | 100% |
| Robin J. Stalker | 28 | 12 | 12 | 16 | 16 | 28 | 100% |
| Dr. Gertrude Tumpel-Gugerell | 24 | 12 | 10 | 12 | 12 | 22 | 92% |
| Frank Westhoff | 16 | 5 | 5 | 11 | 11 | 16 | 100% |
| Stefan Wittmann | 14 | 12 | 12 | 2 | 2 | 14 | 100% |

**Parent company and Group financial statements**

The auditor and Group auditor appointed by the Annual General Meeting – Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), based in Eschborn/Frankfurt am Main – audited the parent company and Group financial statements of Commerzbank Aktiengesellschaft and the management reports of the parent company and the Group, issuing an unqualified auditor's report thereon. The parent company financial statements were prepared according to the rules of the German Commercial Code (HGB), and the Group financial statements according to International Financial Reporting Standards (IFRS). The financial statements and audit reports were sent to all members of the Supervisory Board in good time. In addition, the members of the Audit Committee received the complete annexes and notes relating to the audit reports, including the supplementary audit report to the HGB annual financial statements, and all members of the

Supervisory Board had the opportunity to inspect these documents. The Audit Committee dealt at length with the financial statements at its meeting on 22 March 2022. At the meeting on 23 March 2022, the Supervisory Board examined the parent company and Group financial statements of Commerzbank Aktiengesellschaft as well as the management reports of the parent company and the Group. Representatives of the auditor attended the above-mentioned meetings of the Audit Committee and the plenary Supervisory Board, where they explained the main findings of the audit and answered questions. The financial statements were discussed at length at both meetings.

Following the final review by the Audit Committee and the plenary Supervisory Board, the Supervisory Board raised no objections to the parent company and Group financial statements and concurred with the findings of the auditors. The Supervisory Board approved the financial statements of the parent company and the Group prepared by the Board of Managing Directors; the financial statements of the parent company were thus adopted. The Supervisory Board concurs with the recommendation made by the Board of Managing Directors on the appropriation of profit.

### Non-financial report

The Supervisory Board discussed sustainability issues and the Bank’s sustainability strategy at its meetings on 3 February 2021 and 16 June 2021.

The Supervisory Board reviewed the combined separate non-financial report as at 31 December 2021 for Commerzbank Aktiengesellschaft and the Group, as prepared by the Board of Managing Directors. EY conducted an audit to obtain limited assurance and issued an unqualified report. Representatives of the auditor attended the meeting of the Audit Committee on 22 March 2022 and the meeting of the Supervisory Board on 23 March 2022, reported on the main results of their audit and answered supplementary questions from the members of the Supervisory Board. Auditor representatives took part in both meetings. They reported on the main results of their audit and answered further questions from the members of the Supervisory Board. The Supervisory Board raised no objections.

### Shareholder communications

Communication with our shareholders takes place within the framework of the Annual General Meeting and via the Investor Relations department. The Chairman of the Supervisory Board of Commerzbank engages in regular dialogue with key national and international shareholders and investors on topics such as corporate governance, the qualifications and composition of the Board of Managing Directors and Supervisory Board, the remuneration systems of the Board of Managing Directors and Supervisory Board, the role of the Supervisory Board in the strategy development and implementation process, the selection of auditors, digitalisation and sustainability. The presentations used for these discussions, together with the key messages, are published on the website of Commerzbank Aktiengesellschaft and made available to other shareholders and interested outsiders.

### Changes in the Supervisory Board and the Board of Managing Directors

Hans-Jörg Vetter resigned his position as Chairman and member of the Supervisory Board of Commerzbank for health reasons at the close of 16 March 2021. Andreas Schmitz stepped down from the Supervisory Board of Commerzbank on 24 March 2021. At the request of the Board of Managing Directors of Commerzbank, Helmut Gottschalk was appointed by a court as a member of the Supervisory Board until the end of the 2021 Annual General Meeting by resolution dated 14 April 2021. Dr. Victoria Ossadnik, Dr. Tobias Guldimann and Dr. Rainer Hillebrand stepped down from the Supervisory Board at the close of the Annual General Meeting on 18 May 2021. The Annual General Meeting elected Daniela Mattheus, Caroline Seifert, Helmut Gottschalk, Burkhard Keese and Frank Westhoff to the Supervisory Board as shareholder representatives with simultaneous effect. Finally, on the employee representative side, Christian Höhn stepped down from the

Supervisory Board on 31 December 2021. His successor Stefan Jennes has been a new member of the Supervisory Board since 1 January 2022.

There were also changes on the Board of Managing Directors: Jörg Hessenmüller stepped down from the Board of Managing Directors at the close of 30 September 2021. Thomas Schaufler joined the Board of Managing Directors of Commerzbank on 1 December 2021. Dr. Jörg Oliveri del Castillo-Schulz also joined the Board of Managing Directors on 20 January 2022. We would like to thank Jörg Hessenmüller for his service and commitment to Commerzbank.

We would also like to express our sincere thanks to Dr. Victoria Ossadnik, Dr. Tobias Guldimann, Dr. Rainer Hillebrand, Christian Höhn and Andreas Schmitz for their dedication and the valuable service they rendered to the Supervisory Board of Commerzbank. Our thanks go likewise to Hans-Jörg Vetter for his commitment as Chairman of the Supervisory Board. We wish him all the best for the future.

We would also like to thank the Board of Managing Directors and all our employees for their outstanding commitment and performance in 2021, which proved to be another challenging financial year.

For the Supervisory Board

Yours

Helmut

**Helmut Gottschalk**
Chairman

# Committees of the Supervisory Board

## Compensation Control Committee

- Helmut Gottschalk, Chairman
- Dr. Jutta A. Dönges
- Uwe Tschäge
- Frank Westhoff
- Stefan Wittmann

## Presiding and Nomination Committee

- Helmut Gottschalk, Chairman
- Dr. Jutta A. Dönges
- Uwe Tschäge
- Dr. Gertrude Tumpel-Gugerell
- Stefan Wittmann

## Mediation Committee

(Art. 27 (3), German Co-determination Act)

- Helmut Gottschalk, Chairman
- Dr. Jutta A. Dönges
- Uwe Tschäge
- Stefan Wittmann

## Audit Committee

- Burkhard Keese, Chairman
- Gunnar de Buhr
- Dr. Jutta A. Dönges
- Monika Fink
- Helmut Gottschalk
- Kerstin Jerchel
- Robin J. Stalker
- Frank Westhoff

## Environmental, Social and Governance Committee

- Dr. Gertrude Tumpel-Gugerell, Chairwomen
- Stefan Burghardt
- Dr. Frank Czichowski
- Sabine U. Dietrich
- Kerstin Jerchel
- Robin J. Stalker
- Uwe Tschäge
- Stefan Wittmann

## Risk Committee

- Frank Westhoff, Chairman
- Stefan Burghardt
- Dr. Frank Czichowski
- Helmut Gottschalk
- Burkhard Keese
- Robin J. Stalker

## Committee for Digital Transformation

- Sabine U. Dietrich, Chairwomen
- Heike Anscheit
- Gunnar de Buhr
- Dr. Frank Czichowski
- Daniela Mattheus
- Caroline Seifert

# Members of the Supervisory Board of Commerzbank Aktiengesellschaft

### Helmut Gottschalk

Age 70, Chairman of the Supervisory Board since 14 April 2021, former Chairman of the Supervisory Board of DZ BANK AG

### Uwe Tschäge[1]

Age 54, Deputy Chairman of the Supervisory Board since 30 May 2003, banking professional

### Heike Anscheit[1]

Age 51, Member of the Supervisory Board since 1 January 2017, banking professional

### Alexander Boursanoff[1]

Age 58, Member of the Supervisory Board since 8 May 2018, banking professional

### Gunnar de Buhr[1]

Age 54, Member of the Supervisory Board since 19 April 2013, banking professional

### Stefan Burghardt[1]

Age 62, Member of the Supervisory Board since 19 April 2013, Branch Manager Mittelstandsbank Bremen

### Dr. Frank Czichowski

Age 62, Member of the Supervisory Board since 13 May 2020, former Senior Vice President/Treasurer of KfW Group

### Sabine U. Dietrich

Age 61, Member of the Supervisory Board since 30 April 2015, former Member of the Management Board of BP Europa SE

### Dr. Jutta A. Dönges

Age 48, Member of the Supervisory Board since 13 May 2020, Managing Director of Federal Republic of Germany – Finance Agency

### Monika Fink[1]

Age 52, Member of the Supervisory Board since 8 May 2018, banking professional

[1] Elected by the Bank’s employees.

Detailed CVs of the members of the Supervisory Board are available on our Group website under “Management”.

## Stefan Jennes[1]

Age 54, Member of the Supervisory Board since 1 January 2022, banking professional

## Kerstin Jerchel[1]

Age 50, Member of the Supervisory Board since 8 May 2018, Divisional Head for Co-determination, ver.di National Administration

## Burkhard Keese

Age 56, Member of the Supervisory Board since 18 May 2021, Chief Operating Officer and Chief Financial Officer Lloyd's of London

## Alexandra Krieger[1]

Age 51, Member of the Supervisory Board since 15 May 2008, Divisional Head for Controlling of Industrial Union Mining, Chemical and Energy (Industriegewerkschaft Bergbau, Chemie, Energie)

## Daniela Mattheus

Age 49, Member of the Supervisory Board since 18 May 2021, attorney at law, governance consultant, Co-Managing Partner European Center for Board-Efficiency

## Caroline Seifert

Age 55, Member of the Supervisory Board since 18 May 2021, management consultant for transformation

## Robin J. Stalker

Age 64, Member of the Supervisory Board since 8 May 2018, former Member of the Board of Managing Directors of adidas AG

## Dr. Gertrude Tumpel-Gugerell

Age 69, Member of the Supervisory Board since 1 June 2012, former Member of the Executive Board of the European Central Bank

## Frank Westhoff

Age 60, Member of the Supervisory Board since 18 May 2021, former Member of the Board of Managing Directors of DZ BANK AG

## Stefan Wittmann[1]

Age 53, Member of the Supervisory Board since 8 May 2018, Trade Union Secretary, ver.di National Administration

# Our share

## Development of equity markets and performance indices

In the first half of the 2021 reporting year, international stock market activity was marked by a progressive economic recovery, but this weakened again during the rest of the year. The coronavirus pandemic worsened again in the fourth quarter and, together with supply bottlenecks and shortages in materials, had a heavy impact on some economic sectors. In particular, the new omicron coronavirus variant increased concerns at the end of the year about the successful containment of the pandemic, and public restrictions had to be reintroduced. In addition, geopolitical events, including the trade dispute between China and the USA and tensions on the border between Russia and Ukraine, caused further uncertainty. Although international equity markets reached new highs, boosted by better corporate profits and liquidity support provided by central banks in response to the pandemic, higher costs for energy and raw materials led at times to significant price increases for consumers and producers. The increased inflation rate reflects not least of all lower availability caused by an interruption in international supply chains that particularly affected the raw materials sector as well as the semiconductor industry and downstream industrial sectors.

While the US Federal Reserve has already moved to prepare the capital market for an interest rate turnaround, triggering a broad appreciation of the US dollar, there are still no signs that the European Central Bank will change its monetary policy. Nonetheless, the decision to reduce the monthly bond purchases and the imminent expiry of the bond purchase programme that was implemented in response to the pandemic have encouraged an increase in yields. Despite conflicting trends over the course of the year, ten-year German Bunds showed a rise of around 30 basis points in yields compared to the previous year, which reflects expectations of higher growth.

The leading German index, the DAX, recorded an increase of 15.8% in 2021, while the MDAX rose by 13.6%. The leading European index, the EuroStoxx 50, gained 21.0%.

## The Commerzbank share

For the European banking sector, the reporting year was marked in particular by the moderate impact that the coronavirus pandemic had on the various business models, in part due to the government support programmes for certain sectors.

As compared with the provisions made for credit risks in the previous year, the banking sector's risk costs developed in this respect far more positively. The economic recovery also encouraged positive earnings growth and higher capital buffers. Meanwhile, the lifting of the previous year's temporary suspension of dividends led European banks to resume dividend payments and in some cases to supplement them with share buybacks. Together with significantly improved earnings and the resumption of dividend distributions, a higher interest rate environment ultimately contributed to increased demand for bank stocks. Against this background, the European sector index EuroStoxx Banks recorded significant growth of 36.2% in the year under review.

With an increase of 27.0%, the Commerzbank share price underperformed the sector average. The Bank is in the middle of a comprehensive cost and restructuring programme that is dampening market expectations for its short-term earnings prospects. It is also not planning to distribute dividends for the past financial year.

On the back of high expectations surrounding the transformation, the share price recovered in the second half of the year from its low in April. When it presented its results for the third quarter of 2021, the Bank finally forecast a net profit for the full year and thereby gained increasing credibility for its strategic course of action, which was also supported by higher interest income from its Polish subsidiary, mBank. A Common Equity Tier 1 ratio of 13.6 % underscores the Bank's continued high level of solvency, which gives it stability despite the high burdens of its restructuring. In connection with this, the buffer for the maximum distributable amount of capital improved to around 420 basis points, benefiting from another successful issue of Additional Tier 1 capital during the year under review.

| Securities code | |
|---|---|
| Bearer shares | CBK100 |
| Reuters | CBKG.DE |
| Bloomberg | CBK GR |
| ISIN | DE000CBK1001 |

Commerzbank shares were trading at €6.69 at year-end. This put Commerzbank's market capitalisation at €8.4bn (maximum €8.9bn, minimum €6.0bn), compared with €6.6bn in the previous year. The price-to-book ratio ranged between 0.24 and 0.35 during the year under review.

By way of comparison, the figure for the European banking index ranged between 0.46 and 0.69. The average daily turnover of Commerzbank shares – i.e. the number of shares traded – was 6.6 million, significantly lower than the previous year's figure of 11.7 million.

The Commerzbank share price showed a significant increase during the first few weeks of the current year. This was related in particular to market expectations of a brightening interest rate environment and the pleasing results for 2021 that were published in mid-February.

## Commerzbank share – key figures

With the number of shares unchanged, the earnings per share amounted to €0.23 in 2021. This was mainly due to a significantly improved annual result compared to the previous year, which benefited in particular from a significantly lower risk result and from the write-down of goodwill no longer having a negative impact.

| Highlights of the Commerzbank share | 2021 | 2020 |
|---|---|---|
| **Shares issued** in million units (31.12.) | 1,252.4 | 1,252.4 |
| **Xetra intraday prices** in € | | |
| High | 7.19 | 6.83 |
| Low | 4.70 | 2.80 |
| Closing price (31.12.) | 6.69 | 5.27 |
| **Daily trading volume**[1] in million units | | |
| High | 25.5 | 38.1 |
| Low | 1.3 | 3.2 |
| Average | 6.6 | 11.7 |
| **Index weighting** in % (31.12.) | | |
| MDAX | 3.6 | 1.4 |
| EuroStoxx Banks | 0.4 | 0.3 |
| **Earnings per share** in € | 0.23 | −2.33 |
| **Book value per share**[2] in € (31.12.) | 20.55 | 19.83 |
| **Net asset value per share**[3] in € (31.12.) | 20.48 | 19.80 |
| **Market value/Net asset value** (31.12.) | 0.33 | 0.27 |

[1] Total for German stock exchanges.
[2] Excluding non-controlling interests.
[3] Excluding non-controlling interests and the cash flow hedge reserve and less goodwill.

Commerzbank's weight in the MDAX was around 3.6%, compared with around 1.4% in the previous year.

In addition to being a constituent of the European sector index EuroStoxx Banks, Commerzbank also featured in 2021 in several sustainability indices, which place particular emphasis on environmental and ethical criteria alongside economic and social factors.

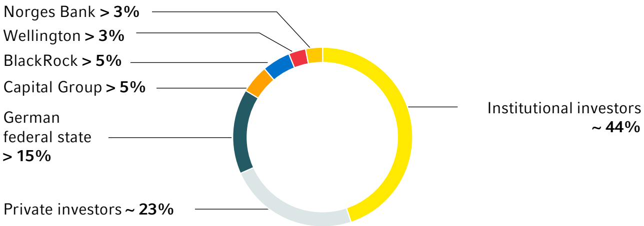
| Selected indices containing the Commerzbank share |
|---|
| **Blue chip indices** |
| MDAX |
| EuroStoxx Banks |
| **Sustainability indices** |
| DAX 50 ESG |
| FTSE4GOOD EUROPE INDEX |
| FTSE4GOOD DEVELOPED INDEX |
| ECPI EMU Ethical Equity |
| ECPI Euro ESG Equity |
| ECPI World ESG Equity |

## Shareholder structure and analyst recommendations

As at 31 December 2021, around 38% of Commerzbank shares were held by the Federal Republic of Germany and our mostly German-based private shareholders.

At the beginning of the current year, Cerberus sold a significant part of its Commerzbank shares. Its stake thereby fell to just under 3%. Consequently, at the beginning of the year, roughly 62% of all Commerzbank shares were in the hands of institutional investors, including in particular Capital Group, BlackRock, Wellington and the Norwegian state, which holds a stake via Norges Bank. The free float stood at around 84%.

**Shareholder structure**
As at 31. January 2022




Some 28 analysts provided regular coverage of Commerzbank during 2021. At the end of 2021, the proportion of buy recommendations was 31%, compared with 18% in the previous year. A further 54% of analysts recommended a hold, while 15% of analysts recommended selling our shares, compared with 26% in the previous year. The analysts' average price target at the end of the year was €7.24, compared with €5.15 at the end of the previous year.

## Commerzbank's ratings

The rating agencies assess Commerzbank as a bank with a strong customer franchise and a solid market position in German corporate customer business. Its credit exposure is mainly oriented towards stable German and European economies and its credit portfolio is considered to be low-risk. The Bank's capitalisation is judged to be solid, and its liquidity situation stable. Its capital buffer helps with the current transformation process and provides loss absorbency to protect senior creditors. Its refinancing options via deposits, Pfandbriefe and the capital markets are still considered good.

The rating agencies expect the Bank to make measurable progress in its transformation and to improve its profitability as part of "Strategy 2024". In view of the persistently difficult business environment with low interest rates and strong competition, they consider this to be ambitious but achievable.

**Rating events in 2021**

**Moody's Investors Service** issuer rating = "A1"
The outlook for the long-term issuer rating (preferred senior unsecured debt) has been negative since September 2020. From the agency's perspective, this reflects uncertainties regarding the Bank's future refinancing structure, including the volume of its medium-term funding and the future development of its total assets. This could have implications for the loss-given-failure analysis applied by the agency, which currently provides an additional three notches of rating support. The outlook for the "A1" deposit rating is unchanged at "stable". The mortgage and public-sector Pfandbriefe enjoy ratings of "AAA".

**S&P Global Ratings** issuer rating = "BBB+"
Commerzbank's long-term issuer rating (preferred senior unsecured debt) has been "BBB+" with a negative outlook since April 2020. This outlook reflects the challenges that the Bank faces in achieving more solid and sustainable profitability in a weak business environment. The success of the revised restructuring plan is the decisive factor for S&P's rating of Commerzbank's credit. S&P described the initial measures taken in 2021 in Commerzbank's restructuring process as promising overall. The Bank's stand-alone rating is "bbb". The issue ratings for unsecured issues linked to the stand-alone rating are "BBB–" for non-preferred senior unsecured debt, "BB+" for subordinated debt and "BB–" for Additional Tier 1 debt. The resolution counterparty rating is "A–".

# Corporate responsibility

› We acknowledge the principles of responsible, transparent management as laid down in the German Corporate Governance Code and adhere to all the suggestions and virtually all of the recommendations it makes. Pages 27 to 33 give details of this aspect of our corporate responsibility.

› The term "corporate social responsibility" describes the extent to which a company is conscious of its responsibilities whenever its business activities affect society, staff or the natural or economic environment. We accept this responsibility, and report on it on pages 40 to 64. In addition, for the 2021 reporting year we are for the first time aligning our non-financial report with the requirements of the Task Force on Climate-related Financial Disclosures (TCFD).

# Contents

# Declaration on corporate governance

## pursuant to Art. 315d in conjunction with Art. 289f of the German Commercial Code (HGB)

In addition to complying with the statutory requirements pursuant to Art. 315d in conjunction with Art. 289f of the German Commercial Code (HGB), the Board of Managing Directors and Supervisory Board must report on the company's corporate governance in the declaration on corporate governance. This follows from Principle 22 of the German Corporate Governance Code in the version of 16 December 2019, published in the Federal Gazette (Bundesanzeiger) on 20 March 2020, on which this declaration is based.

Commerzbank Aktiengesellschaft 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 German Corporate Governance Code and the goals and objectives it pursues.

### Recommendations of the German Corporate Governance Code

Commerzbank Aktiengesellschaft and its subsidiaries that are required by law to do so declare every year whether the recommendations made by the Commission have been and are being complied with, and explain why individual recommendations are not being implemented. These declarations of compliance by the Board of Managing Directors and Supervisory Board are published on the websites of the individual companies. Commerzbank Aktiengesellschaft's declarations can be found at https://www.commerzbank.de/en/hauptnavigation/aktionaere/governance_/corporate_governace_1.html. There is also an archive of all the declarations of compliance made since 2002. The declaration valid as at 31 December 2021 was made in November 2021.

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

"From the time when the last declaration of compliance was made in November 2020, the recommendations of the Government Commission on the German Corporate Governance Code in the version of 16 December 2019 – published in the Federal Gazette on 20 March 2020 – have been complied with except for the following:

- According to recommendation B.3 of the Code, the first-time appointment of members of the Board of Managing Directors should be made for a maximum of three years. Commerzbank Aktiengesellschaft deviated from this in the appointment of two members of the Board of Managing Directors, each of whom was appointed for five years. In addition to the appointment of the new Chairman of the Board of Managing Directors in 2020, a longer appointment than the recommended three years was also required for the new member of the Board of Managing Directors responsible for Private and Small-Business Customers, who was appointed in 2021. Owing to his previous long-standing position on the management board of a bank in Vienna, the longer appointment was necessary in order to be able to attract him to the Bank.

- According to recommendation B.4 of the Code, any re-appointment of a member of the Board of Managing Directors prior to one year before the end of the appointment period at the same time as termination of the current appointment should only happen if special circumstances apply. In June 2021, the Chief Financial Officer was appointed Deputy Chairperson of the Board of Managing Directors by the Supervisory Board of Commerzbank Aktiengesellschaft. This appointment was accompanied by early re-appointment for five years, with the current appointment terminated at the same time. In the context of her appointment as Deputy Chairperson of the Board of Managing Directors, the early granting of a five-year appointment period was appropriate. Commerzbank Aktiengesellschaft nevertheless assumes in precautionary fashion that in making this re-appointment in the absence of special circumstances it has deviated from recommendation B.4 of the Code.

- According to recommendation D.5 of the Code, the Supervisory Board should establish a nomination committee made up exclusively of shareholder representatives. Under Art. 25d (11) sentence 2 no. 1 of the German Banking Act, the Nomination Committee is also assigned tasks for which the involvement of employee representatives is customary and necessary. For example, the Nomination Committee is tasked with assisting the supervisory board in identifying candidates to fill management positions at banks. In order to maintain the established practice at Commerzbank of involving both employee and shareholder representatives in the selection of candidates for the Board of Managing Directors, two members of the Commerzbank Supervisory Board's Nomination Committee are employee representatives.

- According to recommendation G.10 sentence 1 of the Code, the variable remuneration amounts granted to a member of the Board of Managing Directors should be predominantly invested in the company's shares or granted as share-based remuneration, with due regard to the respective tax burdens. Commerzbank's remuneration system provides for half of variable remuneration to be paid as share-based remuneration. This share-based portion ensures that the members of the Board of Managing Directors are sufficiently participating in the performance of Commerzbank shares. This incentivises them to align their actions with the long-term performance of Commerzbank Aktiengesellschaft."

## Suggestions of the German Corporate Governance Code

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

## Company values and governance practices of Commerzbank Aktiengesellschaft and the Commerzbank Group

Commerzbank Aktiengesellschaft and its subsidiaries are committed to their corporate, environmental and social responsibilities. To ensure sustainable corporate governance, extensive standards were defined in various spheres of activity and published on Commerzbank Aktiengesellschaft's website. Corporate values, which we refer to as "ComWerte", create a binding and unifying corporate culture. They lay the foundation for the entrepreneurial and individual responsibility of every employee in the Commerzbank Group. Based on the ComWerte corporate values, Commerzbank Aktiengesellschaft has set out codes of conduct for acting with integrity, which provide all Commerzbank Group employees with a binding framework for ethical and lawfully appropriate conduct in the day-to-day working environment. Both the ComWerte and the codes of conduct are reviewed as required and refined if necessary. Such a refinement was initiated in the 2021 financial year.

Commerzbank Aktiengesellschaft has also formulated guidelines on corporate responsibility as guidance for the sustainable orientation of the Commerzbank Group's business activities. One of the six guidelines is the commitment to the principles of the UN Global Compact, an initiative set up by the United Nations together with many renowned companies, which is dedicated to active environmental protection, responsible dealings with employees, respect for human rights and the fight against corruption and bribery. As a key financier of the German economy, Commerzbank Aktiengesellschaft has also defined various positions and guidelines for its core business 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 on controversial environmental or social issues and regular discussion with non-governmental organisations. In addition, specific environmental guidelines have been formulated to guide the management of operational environmental impacts.

## Board of Managing Directors

The Commerzbank Aktiengesellschaft 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 company's strategy, discusses it with the Supervisory Board and ensures its implementation. In addition, it sees that efficient risk management and risk control measures are in place. The Board of Managing Directors manages the Commerzbank Group as the Group executive body on the basis of uniform guidelines and exercises general control over all Group companies. It conducts the Bank's business activities in accordance with the law, the Articles of Association, its rules of procedure, internal guidelines and the relevant employment contracts. It cooperates on a basis of trust with Commerzbank Aktiengesellschaft's other corporate bodies, the employee representatives and the corporate bodies of other Group companies.

The composition of the Board of Managing Directors and the responsibilities of its individual members are presented on page 5 of this Annual Report. The work of the Board of Managing Directors is specified in greater detail in its rules of procedure, which may be viewed on Commerzbank Aktiengesellschaft's website.

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

## Supervisory Board

The Supervisory Board of Commerzbank Aktiengesellschaft advises and monitors the Board of Managing Directors in its management of the Bank 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 presented on pages 19 to 21 of this Annual Report, in accordance with recommendation D.2 of the Code. Details of the work of this committee, its structure and its control function can be found in the report of the Supervisory Board on pages 6 to 18. 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 Commerzbank Aktiengesellschaft’s 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. 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. Progress in implementing the targets should be published in the declaration on corporate governance. In addition, in accordance with recommendation C.2, an age limit for members of the Supervisory Board should be specified and disclosed in the declaration on corporate governance.

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

The composition of the Supervisory Board should be staffed in such a way, that its members have the necessary skills, expertise, experience and knowledge to be able to perform its duties properly. In particular, the Supervisory Board should have all the expertise and experience deemed essential for the activities of the Commerzbank Group. In addition, the legal requirements with regard to special expertise and professional experience of individual members of the Supervisory Board in special areas must be met (for example, expertise in the areas of accounting and auditing 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. Furthermore, 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 Aktiengesellschaft. The length of service of the Supervisory Board members elected by the Annual General Meeting should generally not exceed a period of 12 years. The Supervisory Board has resolved a detailed profile of skills and expertise for its composition, which may be consulted on Commerzbank Aktiengesellschaft’s website. The Supervisory Board takes account of the targets and requirements set out there in its election proposals to the Annual General Meeting and the regular assessment of the Supervisory Board as a whole and its individual members.

All targets set by the Supervisory Board for its composition and skills profile were implemented as at 31 December 2021. With Burkhard Keese as Chairman of the Audit Committee and Robin J. Stalker, who is also a member of the Audit Committee, the Supervisory Board has two members with special expertise in the areas of accounting and auditing. Robin J. Stalker also has special expertise in environmental, social and governance (ESG) issues. In order to remain aligned with developments within Commerzbank Aktiengesellschaft in matters of sustainability and also to ensure that the growing requirements and responsibilities of the Supervisory Board in this area are properly complied with, the Supervisory Board has also resolved to add environmental and governance matters to the work of the Social Welfare Committee, rename the committee accordingly and increase the number of members. All other goals and requirements of the skills profile were also met as at 31 December 2021. None of the members of the Supervisory Board elected at the Annual General Meeting exceed the normal length of service of 12 years. The specific periods of service of the individual members of the Supervisory Board as well as the particular skills and expertise they bring to the Supervisory Board of Commerzbank Aktiengesellschaft can be found in their CVs, which are available on Commerzbank Aktiengesellschaft’s website.

In accordance with recommendation C.1 of the German Corporate Governance 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 on the Supervisory Board and the names of these members. According to recommendation C.6 of the Code, a Supervisory Board member is considered as independent if he or she is independent of the Bank and its Board of Managing Directors and independent of any controlling shareholder. A Supervisory Board member is independent of the Bank and its Board of Managing Directors if he or she has no personal or business relationship with the Bank or its Board of Managing Directors that may lead to a significant, non-transient conflict of interest. When assessing the independence of their members according to the recommendation of the Code, the shareholder representatives should in particular take into account whether the Supervisory Board member him or herself or a close relative of the Supervisory Board member was a member of the Bank's Board of Managing Directors in the two years before his or her appointment; currently has or had in the year leading up to his or her appointment a material business relationship with the Bank or one of its dependent companies, either directly or as a shareholder or in a responsible function of a non-Group company; is a close relative of a member of the Board of Managing Directors; or has been a member of the Supervisory Board for more than 12 years.

Based on the above criteria, all ten shareholder representatives can be classified as "independent" within the meaning of the German Corporate Governance Code, namely Helmut Gottschalk, Dr. Frank Czichowski, Sabine U. Dietrich, Dr. Jutta A. Dönges, Burkhard Keese, Daniela Mattheus, Caroline Seifert, Robin J. Stalker, Dr. Gertrude Tumpel-Gugerell and Frank Westhoff. Dr. Jutta A. Dönges and Dr. Frank Czichowski were proposed for election to the Supervisory Board of Commerzbank Aktiengesellschaft at the suggestion of the Financial Market Stabilisation Fund, represented by the Federal Republic of Germany – Finance Agency. The Financial Market Stabilisation Fund holds 15.6% of the share capital of Commerzbank Aktiengesellschaft and is therefore not a controlling shareholder within the meaning of the German Corporate Governance Code. Nor does the Federal Republic of Germany – Finance Agency have a material business relationship with Commerzbank Aktiengesellschaft.

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 2021, the Supervisory Board dealt with the results of the efficiency audit carried out in the 2020 financial year. On the basis of the results, it drew up a catalogue of measures that covers topics such as Supervisory Board expertise, qualification and training measures, and optimisation of the remuneration system for the Board of Managing Directors, and implemented these measures. At the end of the 2021 financial year, in accordance with recommendation D.13 of the German Corporate Governance Code, the Supervisory Board also reviewed the effectiveness of its work in 2021 as part of the assessment required under Art. 25d (11) nos. 3 and 4 of the German Banking Act (KWG). For this purpose all members of the Supervisory Board completed various questionnaires, which were then analysed. The resulting analyses were presented to the plenary session for discussion at the start of 2022. On the basis of these discussions, a catalogue of measures was drawn up, which will be promptly addressed. The members of the Supervisory Board believe that the board and its committees work effectively and to a high standard overall.

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

The remuneration of the members of the Supervisory Board of Commerzbank Aktiengesellschaft is presented in detail in the remuneration report, which is published on Commerzbank Aktiengesellschaft's website.

In accordance with recommendation B.2 of the German Corporate Governance Code, the Supervisory Board works with the Board of Managing Directors to ensure long-term succession planning for the Board of Managing Directors, which also includes measures to ensure they can respond appropriately to any short-term staffing changes (such as resignations for personal reasons). The Presiding and Nomination Committee of the Supervisory Board of Commerzbank Aktiengesellschaft 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 and expertise profile and suitability matrix for the Board of Managing Directors as well as other targets for its composition (such as diversity). In accordance with Art. 25 (11) no. 5 of the German Banking Act, the Presiding and Nomination Committee also reviews the principles of the Board of Managing Directors for the selection and appointment of persons at top management level. It also determines whether there are suitable succession candidates at this level for appointment to the Board of Managing Directors.

The resolution of the 2020 Annual General Meeting on the system of remuneration for members of the Supervisory Board pursuant to Art. 113 (3) sentence 1 of the German Stock Corporation Act is published on Commerzbank Aktiengesellschaft's website. The 2022 Annual General Meeting is to vote on an adjustment to the remuneration system for the members of the Supervisory Board with regard to remuneration for serving on committees.

## Diversity

Both Commerzbank Aktiengesellschaft and the Group companies take diversity into account in the composition of the Board of Managing Directors, appointments to management and recommendations for the election of Supervisory Board members (recommendations A.1, 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

The Supervisory Board of Commerzbank Aktiengesellschaft consists of 20 members. As already mentioned in the description of the targets for the composition of the Supervisory Board, the Supervisory Board is supposed to always have at least eight members elected by the Annual General Meeting who are independent (shareholder representatives) as defined in recommendations C.6, C.7 and C.8 of the Code and – in accordance with recommendation C.11 – not more than two former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft. The Supervisory Board has also set a regular age limit of 72 and aims to have a broad range of ages represented on the board. The Supervisory Board also wants its members to have a suitable range of educational and professional backgrounds and for the board to have at least one international member at all times. The Supervisory Board also considers appropriate female and male representation when proposing candidates to the Annual General Meeting for election. The Supervisory Board is committed to fulfilling the statutory minimum requirement for female and male representation of at least 30% each. Thereby it has to be considered 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 maintain female and male representation of at least 30% each among employee representatives in future.

The Supervisory Board achieved all the stated goals in the 2021 financial year. As at 31 December 2021, with Dr. Gertrude Tumpel-Gugerell and Robin J. Stalker, the Supervisory Board included two international members and nine women, five of whom were shareholder representatives. The percentage of women on the Supervisory Board is therefore 45% at present, while the proportion of men is 55%.

The situation in the Group companies is similar. Where required by law, they have also set their own targets for the proportion of women on their supervisory boards.

The members of the Supervisory Board of Commerzbank Aktiengesellschaft are between 48 and 70 years old; the average age is 56.8. 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, geographic origin, education and professional background and to give appropriate consideration to women. As a rule, the members of the Board of Managing Directors should not be over 65 years of age. In addition, the Supervisory Board ensures that the members of the Board of Managing Directors have a suitable range of educational and professional backgrounds.

The Supervisory Board had set a target of at least one female member by 31 December 2021. This target was met ahead of schedule on 1 November 2017 and has been exceeded since 1 January 2020 with two women on the Board of Managing Directors. This means that the minimum proportions under Art. 76 (3a) of the German Stock Corporation Act have been met and indeed exceeded, according to which a Board of Managing Directors consisting of more than three people must have at least one woman and at least one man among its members. The Supervisory Board will strive to continue to exceed the statutory minimum proportions in the future. The proportion of women on the Board of Managing Directors was 33.3% as at 31 December 2021.[1]

Where required by law, the Group companies have also set their own targets for the proportion of women on their management boards.

### Targets for the first and second levels of management

Art. 76 (4) of the German Stock Corporation Act (AktG) requires the Board of Managing Directors of Commerzbank Aktiengesellschaft to set a target for female representation at the two management levels below the Board of Managing Directors and a deadline for achieving this target. In accordance with Art. 25 (1) of the Introductory Act of the German Stock Corporation Act, the targets and deadlines had to be set for the first time and documented by 30 September 2015. The deadlines specified had to be no later than 30 June 2017. A maximum period of five years applies to all subsequent deadlines under Art. 76 (4) of the German Stock Corporation Act.

The Board of Managing Directors last set new targets for female representation at the first and second management levels of Commerzbank Aktiengesellschaft (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 Aktiengesellschaft has thus set itself ambitious targets despite the uncertainties resulting from the Bank's current transformation programme. It is

[1] With approval of the appointment of Dr. Oliveri del Castillo-Schulz by the regulatory authority, the proportion of women is 28.6%.

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 2021, the first management level below the Board of Managing Directors at Commerzbank Aktiengesellschaft consisted of 38 managers, of whom 32 were male and 6 female. The percentage of women in the first level of management below the Board of Managing Directors was therefore 15.8%.

The second management level below the Board of Managing Directors consisted of 359 people, of whom 278 were male and 81 female. The percentage of women in the second level of management below the Board of Managing Directors was thus 22.6%.

The Board of Managing Directors chose not to set targets for the first and second levels of management at Group level. Instead, the individual Group companies have set their own targets within the statutory framework.

In the Group, the first management level below the Board of Managing Directors consisted of 41 people, of whom 35 were male and 6 female. The percentage of women at the first management level below the Board of Managing Directors as at the reporting date was therefore 14.6%.

The second management level below the Board of Managing Directors consisted of 422 people, of whom 336 were male and 86 female. The percentage of women at the second management level below the Board of Managing Directors was therefore 20.4%.

## Accounting

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

The Group 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 101 to 144 of this Annual Report.

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

## Shareholder relations, transparency and communication

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

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

In accordance with Article 120a (1) of the German Stock Corporation Act, the Supervisory Board submitted to the 2020 Annual General Meeting the remuneration system for members of the Board of Managing Directors, which had been adapted in line with the new requirements of the German Stock Corporation Act following the enactment of the German Act implementing the Second Shareholder Rights Directive (SRD II). The amendments to the German Corporate Governance Code were also taken into account when amending the system. The Annual General Meeting approved the remuneration system. The current remuneration system and the resolution of the Annual General Meeting are published on Commerzbank Aktiengesellschaft's website. An adjusted remuneration system for the members of the Board of Managing Directors will be submitted to the 2022 Annual General Meeting for approval.

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 Aktiengesellschaft 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 Aktiengesellschaft 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 Aktiengesellschaft uses the options offered by the internet for reporting purposes, providing a wealth of information about the Group at https://www.commerzbank.com. In addition to the rules of procedure of the Board of Managing Directors and the Supervisory Board, the Articles of Association of Commerzbank Aktiengesellschaft 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.

# Details pursuant to Art. 315a (1) and Art. 315 (4) of the German Commercial Code (HGB)

## Information under takeover law required pursuant to Art. 315a (1) of the German Commercial Code (HGB) and explanatory report

### Share capital structure

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

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

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

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

### 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 2021, to increase the share capital, with the approval of the Supervisory Board, on one or more occasions until 21 May 2024, but by no more than a total of €626,178,817.00 by issuing new shares:

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

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

The proportional amount of the share capital attributable to those shares issued in exchange for cash or contributions in kind subject to exclusion of shareholders' subscription rights must not, in aggregate, exceed 10% of the share capital of the Bank existing at the time when the Annual General Meeting adopts the resolution. If shares are issued to members of the Board of Managing Directors, members of the management or employees of Commerzbank Aktiengesellschaft and its Group companies within the meaning of Art. 18 (1) of the German Stock Corporation Act, subject to the exclusion of shareholders' subscription rights, the Board of Managing Directors may make use of the authorisation only up to a maximum total amount of 3% of the share capital existing at the time when the Annual General Meeting adopts the resolution. For the determination of this 3% limit, the offsetting rules set out in the Articles of Association apply. For details of the authorised capital, particularly regarding terms and conditions of exercise, please refer to the detailed explanations in Note 62.

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 afore-mentioned 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.

### Equity holdings that exceed 10% of the voting rights

According to the German Securities Trading Act (WpHG), 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 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 holds a stake of 17.15% in the voting capital of Commerzbank Aktiengesellschaft. Provided that the voting rights are unchanged, the Financial Market Stabilisation Fund would hold a stake of approximately 15.6% in the voting capital of Commerzbank Aktiengesellschaft following the capital increase in April 2015.

## Details pursuant to Art. 315 (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 regard 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 pages 104 and 105.

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

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

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

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

### Organisation

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

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

The organisational control and monitoring units that ensure a functioning and efficient control structure are aligned in three successive levels at Commerzbank AG. 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, Accounting and Controlling Policies & Guidelines is the department responsible for drawing up accounting guidelines and publishing them on the intranet. Implementation of these accounting guidelines supports consistent and correct financial reporting across the Group. The key areas of the cluster delivery organisation located within GM-F are 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. It performs its duties 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, a multi-stage escalation process comes into effect. 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 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. Further plausibility checks are carried out using this data in GM-F. After these checks have been successfully completed, the Commerzbank Aktiengesellschaft annual financial statements are drawn up and all the necessary steps are taken to produce the Group financial statements. Drawing up the Group financial statements involves individual consolidation steps (e.g. consolidating equity, liabilities, income and expenses), currency translation and the elimination of intra-Group profits.

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

## Measures to further enhance the ICS over financial reporting

The ICS over 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 ISA 315. This involves checking whether a risk can be assigned to one of the following three categories and their various aspects:

- assertions about classes of transactions: their occurrence, completeness, accuracy, allocation to the correct period and the correct account;
- assertions about account balances at the reporting date: existence, rights and obligations, completeness, valuation and allocation;
- assertions about presentation in the financial statements and about the notes to the financial statements: occurrence, rights and obligations, completeness, presentation and understandability, accuracy and measurement.

Suitable controls are implemented to minimise the risks identified, and these in turn are also assigned to the ISA 315 categories and their various aspects. 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 over 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.

# Combined separate non-financial report

## About this report

The non-financial report for Commerzbank Aktiengesellschaft and the Commerzbank Group[1] is prepared in order to meet the obligations under the German Act on Strengthening Corporate Non-Financial Reporting (CSR-Richtlinie-Umsetzungsgesetz, CSR-RUG). Alongside the parent company, Commerzbank Aktiengesellschaft, the main subsidiaries Commerz Real AG, mBank S. A. and Commerzbank Finance & Covered Bond S. A. are also included.

In our report we provide information on environmental protection, treatment of employees, social responsibility, respect for human rights and the fight against corruption and bribery. Since customer orientation is a key factor in our success, we also report on matters relating to customers (see table "Content of the non-financial report"). In order to identify the relevant issues, a materiality analysis was conducted to evaluate and pinpoint non-financial matters that are essential for understanding the course of business and the position of Commerzbank Aktiengesellschaft and the Group and that have a significant impact on our business activities. The description of the business model can be found in the "Structure and organisation" section of the (Group) management report.

**Content of the non-financial report**

| Section | Material aspects in accordance with the CSR-RUG |
|---|---|
| Anchoring sustainability in our strategy | • Environmental protection |
| Managing our portfolio | • Environmental protection<br>• Respect for human rights |
| Accompanying our customers | • Environmental protection<br>• Treatment of customers |
| Leading by example | • Environmental protection<br>• Treatment of employees<br>• Anti-corruption<br>• Social responsibility |

The directives stipulated by Commerzbank Aktiengesellschaft apply to the entire Group because it is defined as the "global functional lead". If relevant arrangements at the subsidiaries differ from these policies, these arrangements are explained in this report. Commerzbank Finance & Covered Bond S. A., which as at the end of 2021 had just ten remaining employees and was exclusively managing a run-off portfolio, did not have any additional information to contribute on material non-financial issues in 2021.

In the interests of providing focused information to the recipients of our financial reporting, we have refrained from using a reporting framework. Nevertheless, this non-financial report is guided by the standards of the Global Reporting Initiative (GRI) where relevant for the defined issues. Detailed information on the sustainability work of Commerzbank Aktiengesellschaft is also presented in the GRI sustainability reporting. In addition, for the 2021 reporting year we are for the first time aligning our non-financial report with the requirements of the Task Force on Climate-related Financial Disclosures (TCFD) (see table "TCFD recommendations in the non-financial report"). An expansion of TCFD reporting is envisaged in the years to come. That includes, among other things, the further development of scenario analyses and quantitative methods for determining climate risks, as well as the publication of other climate-related indicators. Also for the first time, we have included information that is required by the EU Taxonomy Regulation starting from the 2021 reporting year. Apart from the description of the business model, references to further information in the management report and elsewhere do not form part of this non-financial report.

[1] Unless stated otherwise, the information in this report relates to the Group.

### TCFD recommendations in the non-financial report

| TCFD recommendation | Included in section |
|---|---|
| **Governance** | |
| Disclose the organisation's governance around climate-related risks and opportunities | • Sustainability anchored in strategy: Governance structure expanded<br>• Managing our portfolio: Setting limits |
| **Strategy** | |
| Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business activity, strategy and financial planning, where such information is material | • Sustainability anchored in strategy: Strategic direction further developed<br>• Managing our portfolio: Managing risks holistically<br>• Accompanying our customers: Using sustainability effects in lending |
| **Risk management** | |
| Disclose how the organisation identifies, assesses, and manages climate-related risks | • Managing our portfolio: Managing risks holistically |
| **Metrics and targets** | |
| Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material | • Taking responsibility: Strategic KPIs and key figures<br>• Sustainability anchored in strategy: Strategic direction further developed<br>• Leading by example: Reducing operational emissions |

We are not aware of any material risks resulting from the application of the net method either from the Bank's own business activities or in connection with business relations, products or services that would be highly likely to have a severe negative impact on the non-financial aspects, now or in the future. Further information on our risk management can be found in the Group risk report.

This non-financial report was subject to a limited assurance engagement performed by the auditing firm Ernst & Young in accordance with ISAE 3000 (Revised)[2]. The report on the engagement can be found in the Group's Annual Report under "Further information".

[2] Compliance with the TCFD recommendations in this report was not audited by EY.

## Taking responsibility

Companies can only be successful in business if their day-to-day activities are accepted by society and they meet their responsibility towards the environment and society. That is why we have firmly anchored sustainability as one of the four cornerstones of our strategy at Commerzbank.

With our new net zero commitment among other things, we seek to live up to this responsibility and to drive forward climate protection on many levels. We have long had binding rules in place for handling environmental and social risks. That is why we have a clear stance on controversial topics such as arms, fossil energies and mining. Transparency and fairness towards our customers are one of the key pillars of sustainable business development.

We treat our employees as partners – especially in times of great upheaval and economic challenges. The far-reaching restructuring associated with our new strategy will lead to a further loss of jobs. To this end, early in the year under review Commerzbank Aktiengesellschaft agreed with the employee representatives on a framework social plan with the aim of achieving fair and socially acceptable job reductions.

The coronavirus pandemic continued to mark the daily lives of all of us in 2021. Protecting health is Commerzbank's top priority in the coronavirus pandemic. Right at the start of the pandemic a crisis team was set up to respond to developments and decide on new measures and coordinate them. Our primary goal is to protect our employees and customers. This entails, among other things, the temporary closure of branches, restrictions of business trips and split business operations. A large part of the workforce is working from home on a mobile basis in order to avoid contact with others. At the same time, we have made it possible to continue standing by our customers' side during this stressful period.

In the following, we explain in detail how we specifically fulfil our responsibility towards the environment and society as well as our customers and employees, what success we have achieved and what we are still working on. We highlight what we stand for and what we are committed to.

In order to make our progress in the individual areas visible, we regularly collect strategic KPIs (key performance indicators) and key figures.

### Strategic KPIs and key figures in 2021

| Strategic KPIs | |
|---|---|
| Strategic KPI 1: net zero portfolio by 2050 | Publication from reporting year 2023 |
| Strategic KPI 2: net zero banking operations of Commerzbank Aktiengesellschaft by 2040 | Total emissions of 84,048t $CO_2$ equivalents (2020) |
| Strategic KPI 3: €300bn for sustainable financial products by 2025 | €194.2bn |
| **Other key figures** | |
| Transactions, business relationships and products examined in relation to specific environmental, social and ethical issues by Commerzbank Aktiengesellschaft's Reputational Risk Management function | Around 3,300 |
| Scope of the Competence Center Energy loan exposure | €5.3bn exposure at default |
| Total volume of all green and social bonds where Commerzbank Aktiengesellschaft assisted in issuance | €62.3bn |
| Group-wide proportion of women in management positions | 33.7% |
| Number of reported cases of corruption in the year in the Commerzbank Group | No cases of corruption known |

# Sustainability anchored in strategy

The transformation into a sustainable economy affects our customers and ourselves in equal measure. We aim to shape this change in a proactive manner. As part of our Strategy 2024 programme, we have defined sustainability as a key cornerstone alongside customer orientation, digitalisation and profitability. As a bank we want to make our contribution to achieving the Sustainable Development Goals (SDGs) of the United Nations and we are committed to the goal under the Paris Agreement of limiting global warming to well below 2°C and of aiming for the target of 1.5°C. To achieve this goal, we are expanding our range of innovative and environmentally friendly products. We are also pushing ahead with transforming our own Bank.

## Strategic direction further developed

In the first quarter of 2021 we committed ourselves to becoming a net zero bank as the core of the sustainability strategy passed by the Board of Managing Directors. Our strategy to achieve this ambitious vision rests on two pillars: we support our customers in their sustainable transformation and set a good example ourselves. This is reflected in three ambitious objectives:

1. By 2050 we are aiming for net zero $CO_2$ emissions from our entire lending and investment portfolio. To measure our reduction progress reliably, we are making use of $CO_2$ reduction targets from the Science-based Targets Initiative (SBTi), under which we seek to manage our portfolios from 2025 at the latest in line with the Paris Agreement (see "Establishing a sustainable management framework").
2. By 2025 we will mobilise €300bn for sustainable financial products, of which €100bn will be in the Private and Small-Business Customers segment and €200bn in the Corporate Clients segment. The Bank's Sustainable Finance Framework sets down which transactions are included in the totals. The criteria will be regularly checked and, if necessary, optimised, taking into account regulatory developments such as those resulting from the EU Taxonomy Regulation and the associated market standards. We will also expand the range of sustainable products offered in our business divisions (see "Using sustainability effects in lending" and "Offering sustainable investments and capital market products").
3. We plan to reduce the $CO_2$ emissions of our own banking operations to net zero as early as 2040. By 2025 greenhouse gas emissions at Commerzbank Aktiengesellschaft are to be reduced by 30% compared with 2018. We expect our suppliers to be climate-neutral by 2040. (See "Reducing operational emissions").

The status of target achievement will be regularly ascertained and reported both internally and externally. The strategic KPIs for objectives 1 and 3 will be published annually (objective 1 from the 2023 reporting year), while progress on objective 2 will also be ascertained during the year. The Group Sustainability Board, which is chaired by the CEO (see below), reviews the progress.

- Key figure: by the end of 2021, Commerzbank Aktiengesellschaft had mobilised €194.2bn for sustainable products.

We have been implementing our sustainability strategy since April 2021 through our overarching strategic Group programme called "Sustainability 360°", which is the result of a major sustainability project launched in 2019. The customer segments, Risk Management and a number of other Group divisions are involved in the Group-wide initiative, as is Commerz Real. It thus forms an overarching framework for all sustainability work in the relevant departments and projects and ensures a close linking of overall issues, a coordinated approach and stringent tracking.

A steering committee consisting of members of the top management of the relevant divisions monitors progress every two months. The status of the programme is regularly reported to the Board of Managing Directors.

Commerz Real adopted its sustainability strategy “Sustainable4Life” in 2020 and made sustainability one of the four strategic pillars of its business strategy in the reporting year. Through this, Commerz Real shows that sustainability is a recognised responsibility and that its business activities are geared towards “creating sustainable living environments”. The greatest sphere of influence lies in its investment portfolio. Therefore, a long-term goal is to reduce the greenhouse gas emissions associated with the investment portfolio. At the same time, investments in renewable energies are being promoted. Concrete goals illustrate this commitment: the investment portfolio is to be climate-neutral by 2050, and the company’s own operations by 2025. In addition, a further €4bn is to be mobilised for the expansion of renewable energies by 2025, thus tripling the portfolio compared with 2019.

In November 2021, mBank – in its capacity as an independent institution – published its new business strategy for 2021 to 2025. This includes ESG aspects (ESG stands for environment, social and governance) as one of its main pillars. In this, mBank continues to base its approach on the Sustainable Development Goals of the United Nations that are relevant to it. Its strategy covers matters such as mBank’s responsibility for climate change, for the financial situation of its customers, for society, for investors and for alignment with ESG values. At the same time, mBank announced long-term goals for its zero emissions strategy. In line with EU policy, it committed itself to achieving carbon neutrality from its direct emissions (Scope 1) and emissions from its energy purchases (Scope 2) by 2030 and to becoming a fully climate-neutral bank by 2050, including in its loan portfolio. To achieve this, mBank committed itself to developing a roadmap for decarbonisation with a specific timeline. Just like Commerzbank, it will use the standards of the SBTi to ensure that the goals of the Paris Agreement are met. As part of its new strategy, mBank has also committed itself to introducing at least one new ESG-compliant product each year in the Private Customers and Corporate Clients segments. For example, a green mortgage offering was set up.

## Governance structure expanded

The Supervisory Board advises and monitors the Board of Managing Directors, including with regard to sustainability issues. This includes, for example, auditing the non-financial report. In addition, the ESG Committee (formerly the Social Welfare Committee) of the Supervisory Board will deal with sustainability issues in greater depth from 2022. The targets set annually by the Supervisory Board for the variable remuneration of the Board of Managing Directors promote the long-term performance of Commerzbank. They also include ESG goals, such as specific objectives with regard to the sustainability strategy, customer and employee satisfaction, demographic change, and risk and reputation management. The Supervisory Board has further increased the share of ESG targets for the 2022 financial year, in particular environmental targets aligned with the Bank’s strategy.

The Board of Managing Directors develops the Commerzbank Group’s strategic direction, discusses it with the Supervisory Board and ensures its implementation. Sustainability issues are included in the annual strategy process for the overall bank strategy and are discussed as required in Board of Managing Directors meetings. Each member of the Board of Managing Directors is responsible for implementing sustainability measures within their own divisional remit. The Chairman of the Board of Managing Directors is regularly informed about progress on sustainability work and issues, and is directly involved in the highest sustainability committee. The central sustainability management function also reports to him.

In order to manage the sustainable alignment of the business model in overall fashion, at the start of 2021 Commerzbank set up a cross-divisional decision-making and escalation committee for sustainability. With this Group Sustainability Board, we are firmly anchoring the wide-ranging issue of sustainability within the organisation of the Bank. This board is responsible for setting the Bank’s strategic sustainability goals and monitors the measures for their implementation and management. In addition, the divisions and segments report regularly on the progress made with regard to their sustainability work and the implementation of regulatory sustainability requirements. The Chairman of the Group Sustainability Board is the Chairman of the Board of Managing Directors. In addition to him, the board includes other members of the Board of Managing Directors and Divisional Board members who cover matters of sustainability across Commerzbank Aktiengesellschaft. Meetings are held every two months so that the highest decision-makers are regularly informed about the relevant sustainability issues.

With Group Sustainability Management as the overarching sustainability division, Commerzbank underscores the strategic priority of the issue and takes into account the requirements of relevant stakeholder groups such as customers and investors. The division is responsible for the development of the sustainability strategy and comprehensive governance. At the same time, Group Sustainability Management manages the "Sustainability 360°" Group-wide programme and thereby coordinates the sustainability work of Commerzbank in an overarching way. In addition, internal networking and overall stakeholder dialogue are also part of the division's tasks. One example is the internal "Sustainability Group" exchange format, which provides information on sustainability and related activities at the Bank.

**Sustainability governance of Commerzbank Aktiengesellschaft**


Increasing regulatory requirements at national and EU level regarding sustainability issues require constant monitoring. Group Sustainability Management keeps an eye on regulatory developments and coordinates implementation with the relevant units at the Bank. The aim is to further integrate sustainability and ESG risks into the Bank's strategy, management framework and risk management. In a similar way to the regulatory framework, such as the EU Taxonomy Regulation, the focus is currently on considering the effects of climate change on both business activities and the risks resulting from different climate trajectories. The Sustainability Regulatory Working Group was set up to share and discuss regulatory issues with all affected areas of the Bank. The latest developments and their bearing on Commerzbank are discussed every two months. The ECB climate stress test is being prepared for as part of a dedicated preparatory project.

The relevance of sustainability is also reflected in Commerz Real's governance structure. In 2021 sustainability was anchored in the newly established Real Estate Asset Management and Sustainability division, which has additional access to further relevant resources from other divisions, such as Legal and Compliance. The divisional head reports directly to the CEO on sustainability issues.

At mBank, the Sustainable Development Committee, which was newly established in 2021, coordinated the formulation of the bank's new ESG strategy for 2021 to 2025. The committee is chaired by a member of the Board of Managing Directors (Chief Risk Officer) and includes top managers from all business areas of the bank. The committee oversees ESG management within the bank and ESG-related KPIs. It also oversees the issuance of green bonds and the $CO_2$ footprint calculation process for mBank, assists in the implementation of the EU Taxonomy Regulation for sustainable finance and improves non-financial reporting.

## Commitment reinforced

To reinforce the net zero target of our sustainability strategy, Commerzbank Aktiengesellschaft joined the Net Zero Banking Alliance in April 2021. This makes us one of the first to sign up to the global alliance launched by the United Nations Environment Programme Finance Initiative (UNEP FI). The aim of this voluntary commitment is to align the Bank's entire lending and investment portfolio to net zero emissions by 2050 at the latest. In this way the Bank is underlining its determination to play an active role in shaping the sustainable transformation of the economy and society. Steering our way towards net zero is a long-term process that we have started on early and consistently. As a member of the SBTi, we are looking to portfolio management based on scientific findings.

mBank signed the UNEP FI Principles for Responsible Banking in October 2021. Like Commerzbank in 2019, mBank has made a commitment to conducting its business in line with the UN Sustainable Development Goals and the Paris Agreement. Commerzbank Aktiengesellschaft and mBank are also signatories to the UN Global Compact and as such respect its ten principles covering human rights, labour standards, the environment and anti-corruption.

## Measuring success

Our sustainability ratings and our inclusion in the relevant indices demonstrate that we are on the right track. In 2021, major rating agencies for sustainability gave Commerzbank Aktiengesellschaft a rating that was mostly above the sector average: ISS ESG[3] gave us a C and thus prime status, MSCI rated us AA, CDP gave us a B, while we are rated as "medium risk" by Sustainalytics and our Moody's Credit Impact Score was 3 ("moderately negative"). Commerzbank Aktiengesellschaft continues to be listed in the DAX

[3] The rating scales of the agencies differ from each other. ISS ESG: A+ to D–; MSCI: AAA to CCC; CDP: A to D–; Sustainalytics: "negligible risk" to "severe risk"; Moody's Credit Impact Score: 1 – "positive" to 5 – "very highly negative".

50 ESG index, in two sustainability indices from FTSE4Good and in three ethical and ESG equity indices from ECPI.

In addition, the MSCI ESG rating assessed mBank at BBB in the year under review. Sustainalytics has graded mBank's risk profile as "low risk" and found no significant issues. In the Warsaw Stock Exchange's WIG-ESG index, mBank belongs to the group of companies considered to be socially responsible. mBank is also a member of the FTSE4Good index. In November 2021 Commerz Real was named the best asset manager for ESG infrastructure by the rating agency Scope. In addition, the ESG capability rating was raised to level A in December 2021. Scope has thus underscored Commerz Real's commitment to actively shaping the sustainable transformation.

Commerzbank repeatedly receives awards for its commitment to the environment and society. For example, in 2022 the Canadian organisation Corporate Knights once again included Commerzbank Aktiengesellschaft in the Global 100 Most Sustainable Corporations in the World Index. It is ranked 60th and is one of the top three most sustainable banks.

### Living a sustainable dialogue

Corporate responsibility also means seeking a regular exchange with external and internal stakeholders. Commerzbank maintains relationships with numerous organisations and groups which approach the company with requests, demands or suggestions. In particular we pursue dialogue with stakeholder groups which have a perceptible impact on Commerzbank's economic, environmental or social performance or are heavily affected by it. Alongside the employees, this also includes customers and the capital market, suppliers, the media, non-governmental organisations, political bodies, representatives of civil society and science.

The discourse on important questions relating to social, economic and financial policy is of great importance to us. Commerzbank pursues an active and transparent dialogue with a view to satisfying the expectations and needs of its stakeholders, taking account of them in its corporate strategy and setting out its own perspective. For example, we regularly discuss the potential impact of our business activities on human beings and the environment with non-governmental organisations.

### Fostering opinion-forming

We are also engaged in a continuous dialogue with domestic and international regulatory and supervisory authorities and decision-makers in politics in order to improve the clarity and reliability of provisions on products and services – in the interests of both our customers and our long-term planning capability. As the interface between the Bank and political bodies, Commerzbank Aktiengesellschaft's Public Affairs department formulates positions on relevant political and regulatory issues. On-site support is provided through the Bank's liaison offices in Berlin and Brussels and a liaison officer based at the Institute of International Finance (IIF) in Washington. Through its lobbying activities, the Bank plays an integral role in the democratic opinion-forming process and aims to encourage appropriate, sound decisions that are geared towards the common good. The focus here is on explaining banking, economic and financial policy issues with a view to helping politicians and administrators develop and expand their knowledge of the sector as the basis for appropriate decision-making. We are entered in the EU's Transparency Register and report on local activities, acting persons and annual expenditure on political lobbying. In accordance with its donations directive which applies Group-wide, Commerzbank makes no donations to political parties, party institutions or politicians.

We have established several event formats for dialogue with political representatives, most of which were held in a digital format in the year under review due to the coronavirus pandemic. These include the "Political Breakfast" in Berlin, at which guest speakers debate social and economic policy issues with representatives from politics, science and business during the weeks when parliament is in session. "Commerzbank in Dialogue" sees the Chairman of the Board of Managing Directors of Commerzbank debate issues with high-profile personalities from politics or business. Members of parliament and speakers come together at "Mittags:werkstatt" events to share specialist knowledge and discuss current topics. The "Lunch:lab!" in Brussels pursues a similar objective. "SHE VIP" is a networking format created by and for successful women from business, politics, society, media or culture. These activities can be followed on social media at #cobapolitics.

## Managing our portfolio

One of the three goals agreed as part of the 2015 Paris Agreement was to bring global financial flows in line with climate targets. New projects and technologies are intended to reduce greenhouse gas emissions and promote climate-resistant developments.

The aim is a gradual decarbonisation of industry with the aid of financial instruments. This can be done, for example, by promoting renewable energies or forgoing certain transactions such as financing new coal mines or coal-fired power stations. We want to prevent our business activities from having a negative impact on the environment and on society and avoid or mitigate any resultant risks.

## Establishing a sustainable management framework

We have begun to examine Commerzbank Aktiengesellschaft's loan portfolio in view of sustainability considerations in order to manage it accordingly in future. Our focus is on the $CO_2$ emissions associated with our business activities. The $CO_2$ intensity of the Bank's loan portfolio is to be steered towards the requirements of the Paris Agreement via sector-specific target values. In order to make this procedure comprehensible and to place it on a scientifically sound basis, Commerzbank Aktiengesellschaft has joined the SBTi. It advocates for 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. We will use the SBTi method to calculate and reduce the $CO_2$ emissions associated with our loan portfolio ("financed emissions") so that we can ultimately achieve our net zero commitment.

In the future, we want to manage all portfolios specified under the SBTi method, with a special focus on the emission-intensive sectors. These include power generation, fossil fuels, automotive manufacturing, as well as the production of cement, iron and steel. We are also planning to include the portfolio of private retail mortgage financing – which is optional under the SBTi – in this management process. In the year under review, we continued the necessary steps to collect data and calculate $CO_2$ emissions (emission intensities). We formulated corresponding targets to reduce emission intensities for the first portfolios (power generation and automotive manufacturing) and communicated these at the beginning of 2022. For 2022, we are committed to completing these targets. Our goal is to support our customers in the real economy in their transition process and to sustainably reduce emissions.

We are developing an overarching and integrated ESG framework that will set the overall context for our understanding of sustainability and strategic guidelines for our business. Both opportunities and risks in the sustainable transformation will be included in evaluation and management. To this end, we are already evaluating customers and businesses in $CO_2$-intensive sectors to gain a better understanding of their transformation efforts.

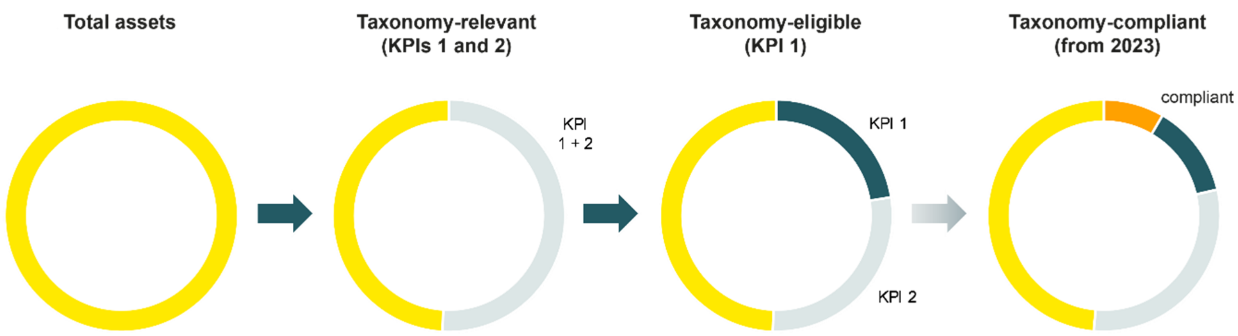
## Incorporating the EU taxonomy in a reasonable way

With the European Green Deal, which envisages greenhouse gas neutrality by 2050, the EU has set itself ambitious sustainability goals. The financial system can make a crucial contribution to transforming the economy by directing capital flows towards sustainable investments. The EU Taxonomy Regulation as a uniform classification system is intended to support financial market players in the future in recognising sustainable economic activities using comparable criteria.

In the future, the EU taxonomy for the development of new green products and services will represent an important guideline that we are already using as a basis to develop our ESG framework for assessing the sustainability of transactions, business partners and customers. The regulation is also taken into account during product development. For example, the development of Commerz Real's klimaVest impact fund was based on the provisional criteria of the EU taxonomy. With full implementation, more extensive information will also be available that will significantly increase transparency with regard to the sustainability of business partners and their activities. On this basis, the sustainable transformation can, for example, be supported to an even greater extent through differentiated pricing models.

By 31 December 2021, the EU had identified 98 "economic activities" in 13 sectors that are part of the regulation. Activities were included that may be particularly relevant in terms of their impact on the climate and environment – both positive and negative. Until the full requirements come into force in the 2023 reporting year, the affected transactions must be checked for their "taxonomy compliance". Only then can a statement be made as to whether the business can be described as sustainable within the meaning of the EU taxonomy. It is on this basis that the bank-specific "Green Asset Ratio" metric will be calculated in the future.

A reduced scope of reporting is required for the current reporting year. This includes an initial indication of what proportion of the business volume is covered by the taxonomy (taxonomy-relevant), as this is only applicable to certain parts of the portfolio (e.g. assets outside the European Economic Area are not included). The proportion of the defined economic activities and sectors that must be subjected to a taxonomy compliance check (taxonomy-eligible) is disclosed. The portfolio is initially differentiated only according to the required scope of the taxonomy check, whereas the result of the check will be reported with full implementation in 2023 (taxonomy-compliant). The following figure illustrates this:




The metrics to be published until the full requirements come into force are described in a separate legal act. If this provides no clear specifications regarding the calculation method, reasonable assumptions have been made.

A total of seven metrics (KPIs 1 to 7) are to be disclosed in the 2021 reporting year. These were determined on the basis of the key financial figures as at 31 December 2021. They were drawn from the Bank's central database. The mBank data were collected locally and then integrated into the Group figures. The calculation was based on gross carrying amounts. The following picture emerged:

| KPI to be disclosed | | Share of total assets |
|---|---|---|
| KPI 1 | **Taxonomy-eligible** assets | 24.1% |
| KPI 2 | **Non-taxonomy-eligible** assets | 30.4% |
| **Taxonomy-relevant (KPIs 1 and 2)** | | **54.5%** |
| KPI 3 | Exposures to **central governments, central banks and supranational issuers** | 12.8% |
| KPI 4 | **Derivatives** | 0.2% |
| KPI 5 | Exposures to **companies not subject to the NFRD** | 9.9% |
| KPI 6 | **Trading portfolios** | 8.5% |
| KPI 7 | **Short-term interbank loans** | 0.1% |

For the derivation of KPIs 1 and 2, the taxonomy-relevant volume was determined. In this analysis, significant parts of the portfolio are omitted. For example, the taxonomy only applies to assets within the European Economic Area. Derivatives and exposures to governments and central banks, short-term interbank loans and the trading portfolio are also currently not taxonomy-relevant. These positions can be determined from attributes that are available in the Bank's database.

KPIs 3, 4, 6 and 7 indicated in the table illustrate a dimension about the disclosed amounts. Exposures to small and medium-sized companies that are not required to submit a non-financial report based on the Non-Financial Reporting Directive (2013/34/EU) are also not taxonomy-relevant. In order to identify these, available company metrics (sales, total assets and number of employees) were used. The amendments to Directive 2013/34/EU currently in draft form were anticipated as well as possible to improve comparability with subsequent years. Thus, the envisaged extension of the reporting obligation is already taken into account in KPI 5.

In the next step, the volume identified as taxonomy-relevant was examined for its taxonomy eligibility and assigned to KPI 1 or KPI 2. Taxonomy eligibility can be derived in particular from the specific intended use. However, this is not available for parts of the taxonomy-relevant assets, such as the securities portfolio and general-purpose loans. In principle, the taxonomy ratios published by the counterparties or borrowers are required to derive this. Since this information is not yet available for the first year under review, it is currently not possible to determine definitively whether these volumes should be allocated to the taxonomy-eligible portfolio.

Commerzbank decided to classify corresponding assets conservatively as non-taxonomy-eligible and to assign them to KPI 2. KPI 1 thus represents the lower limit of the taxonomy-eligible proportion of assets. For the future, it can be assumed that, based on the expanded disclosures of company data, further assets can ultimately be classified as taxonomy-eligible and that the taxonomy-eligible volume will increase as a result.

## Managing risks holistically

The integration of non-financial aspects into the Bank's risk management processes is hugely important for sustainable finance. In particular, these include risks resulting from climate change. We do not see climate risks as a separate, "new" type of risk, but as a cross-sectional driver (what is known as a horizontal risk) that can materialise in the known types of risk – especially in credit risk. The reorientation of companies and society towards acting sustainably gives rise to transition risks. Companies encounter transition risks, for example, as a result of changes in energy policy, changes in market sentiment or technological changes. Physical risks will increase if the shift to a climate-preserving future is not made quickly and consistently enough. Physical risks include, for example, rising sea levels and flooding for the real estate sector, along with crop failures in agriculture because of heatwaves, or low water levels in rivers, with implications for the transport and chemical industries.

We have examined the possible future impact of physical and transition risks on the loan portfolio as part of scenario analyses. To this end, we tested our portfolio in various scientific climate scenarios of the International Energy Agency (IEA, 1.8°C scenario for transition risks) and the Intergovernmental Panel on Climate Change (IPCC, 3-4°C scenario for physical risks). In the future, we will also use the scenarios of the Network for Greening the Financial System (NGFS).

The analyses were carried out using a specific model that holistically translates the relevant parameters of a scenario into economic effects (changes in balance sheet indicators). With regard to transition risks, changes in regulation, price changes, changes in supply/demand and the effects of technological changes are considered, among other things; in the case of physical risks, the effects of all relevant events (storm/hurricane, drought, heat, flood, sea level rise) are taken into account. Periods up to at least 2050 were considered.

Transition risks are industry-specific, with sometimes significant differences in the sub-sectors within an industry (e.g. mechanical engineering). There is also a connection between the degree of adaptation of a company, i.e. its progress in the transition, and the risk. In the case of physical risks, the regional/geographical distribution of the portfolio is relevant, too.

As a major financier of the German economy, we are also active in sectors that are particularly exposed to climate risks. However, we have little exposure to some of the hardest-hit sectors (agriculture, for example). Climate-risk-sensitive sectors with significant exposure include the energy sector, the automotive sector and mechanical engineering.

Owing to the geographical focus of our portfolio in Germany and Europe, we are less affected by physical risks in some events (e.g. hurricanes, sea level rise) than other regions. As a result, we consider the transition risks to be more relevant to our portfolio.

In order to manage the effects of climate risks in the lending business in a proactive manner, we are systematically improving our risk management processes and methods. Lending decisions for companies and institutional customers therefore take into account not only an individual risk assessment but also – where relevant – the extent to which they involve climate risks and the level of resilliance to them. In this, we are progressively combining the specific findings from the scenario analyses with the individual risk analysis at customer level. We take a portfolio-specific approach and thus take appropriate account of the differences in terms of those affected and the risk drivers. In the particularly relevant portfolios (large companies, special financing and commercial real estate financing), we have supplemented the qualitative risk analysis in the individual loan decisions with specific aspects for the analysis of climate risks. In the future, the results of the analyses will be aggregated in a structured evaluation ("score"), which will be integrated into the decision-making process and can also be used in the context of portfolio analysis and management. In our target scenario we want to integrate climate risks – as far as possible – into the quantitative credit risk analysis and thus fully reflect them in the process chain (including pricing, reporting).

Sustainability risks also play a major role in Commerz Real's asset management, for example when examining the potential effects of physical risks and evaluating new regulations. For this reason, Commerz Real introduced the first stage of a risk management tool in 2021, which is used to assess the real estate portfolio with regard to physical and transition risks. Scenario analyses are also a central component of the analysis when purchasing real estate, and are used to estimate the point in time of "stranding" with regard to different climate scenarios. The results feed into the risk assessment and the sustainability assessment of the real estate transaction and are taken into account accordingly in the management phase. In taking this approach, Commerz Real is following the recommendations of the TCFD for the management of climate risks through scenario analyses. The basis of climate risk management is collecting all consumption and emissions data in a way that is as reliable as possible. To this end, Commerz Real started implementing an integrated sustainability data management system in 2021 and also uses external partners to collect data on a global level.

Furthermore, in 2021 a comprehensive, cross-risk-type materiality assessment was carried out for climate and environmental risks for the first time. The respective risk type owners examined all risk types regarded as fundamentally material for the Commerzbank Group within the risk inventory and assessed the materiality of transition risks and physical risks for the respective risk type. Depending on the risk type, the assessment was made on a qualitative and/or quantitative basis. As a result of the analysis, the influence of climate and environmental risks for the risk types credit risk, market risk, operational risk (including compliance and cyber risk), reputational risk and business risk was assessed as material. The findings of the materiality analysis feed into the business strategy, the overall risk strategy and the sub-risk strategies, as well as into other core elements of the Bank's internal process to ensure an adequate capital position (Internal Capital Adequacy Assessment Process – ICAAP), such as the internal stress test framework and the risk-bearing capacity concept. The materiality analysis for climate and environmental risks is therefore an integral part of the Commerzbank Group's risk governance.

## Taking a position

In addition to climate risks, there are other risks to the environment and society that arise from our core business. These are assessed in Commerzbank Aktiengesellschaft's Reputational Risk Management department. The Bank has adopted a clear position on controversial issues such as weapons, palm oil, deforestation, agricultural commodities and fossil energies. Our process for managing these risks is described in detail in the framework for handling environmental and social risks in the core business, which is published online. The framework also includes all industry-specific requirements, for example relating to mining, energy, oil and gas. Cross-sector requirements relate to human rights and indigenous peoples. Exclusion criteria were defined for particularly critical products, transactions or business relationships. These include projects related to fracking or tar sands, but also the Group-wide decision not to finance new coal mines or coal-fired power stations. mBank has also formulated its own exclusion criteria for various sectors, including mining and energy, based on the EU's climate and energy policy.

When assessing sustainability risks, Commerzbank Aktiengesellschaft always keeps regulatory requirements in mind. However, it does not limit itself to what is legally required, but also raises the question of legitimacy in legal transactions. One example of this is the arms policy. We recognise the basic right of states to defend themselves, and do not question the need for the German armed forces or NATO partners to be adequately equipped.

However, our financing of military equipment is dependent on the countries involved and the type of weapons to be financed. We generally do not involve ourselves in financial transactions related to "controversial weapons". Our arms policy also excludes arms exports to conflict zones or areas of tension. The policy is more restrictive than is required by law, and our exclusion list also includes countries that are not affected by sanctions or embargoes. The list of countries is reviewed and adjusted quarterly and on an ad hoc basis.

## Setting limits

Commerzbank Aktiengesellschaft's Reputational Risk Management department thus defines the criteria for and limits of business operations and carries out differentiated analyses of transactions, products and customer relationships. The assessment process starts in the front office: as soon as an issue defined as sensitive by the Bank is affected, Reputational Risk Management must be brought in to perform in-depth research into possible environmental and social risks that may be associated with the existing or potential business partners or the content of the transaction. The department looks at information and reports from non-governmental organisations and analysts as well as media reports and company publications. The analysis is concluded with a differentiated vote. The assessment uses a five-point scale and can result in a rejection of the product, the transaction or the business relationship.

- Key figure: in 2021, Commerzbank Aktiengesellschaft's Reputational Risk Management department assessed around 3,300 transactions, business relationships and products relating to specific environmental, social and ethical issues (2020: 4,500, 2019: 5,450 votes).

The decline in votes resulted from a decrease in the trade finance transactions carried out at Commerzbank in almost all sectors. This development was due to a combination of effects. These include in particular the global economy, which was negatively impacted by the coronavirus pandemic, and also the decline in trade finance transactions overall in 2021. In addition, a further internal focus on business relationships (e.g. in the agriculture and forestry sector) led to a reduced number of voting processes.

In view of the special risks associated with issues related to fossil fuels and arms, the Board of Managing Directors of Commerzbank Aktiengesellschaft has passed its own binding directive that defines many of the relevant transactions and business relationships in these areas as being subject to assessment and sets down exclusion criteria.

The revised fossil fuel directive came into force on 1 January 2022 and includes Commerzbank Aktiengesellschaft's requirements for customers from both the coal sector and the oil and gas sector.

**Breakdown of 2021 risk assessment by sector**

| Sector | Number of votes |
|---|---|
| Mining | 360 |
| Energy | 606 |
| Agriculture and forestry | 155 |
| Oil and gas | 566 |
| Arms | 914 |
| Textiles | 314 |
| Other sectors | 410 |
| **Total** | **3,325** |

According to the risk inventory, reputational risk is one of the main non-quantifiable risk types in the Commerzbank Group and is therefore managed as part of the overall risk strategy. The Reputational Risk Management department is the responsibility of the Chairman of the Board of Managing Directors. If a material reputational risk is identified in the course of an assessment, senior management is always notified. In serious cases (a high level of reputational risk), Reputational Risk Management has the option of a veto, which can be overturned by the front office only if the issue is escalated to the Group management level. In order to raise awareness for and identify risk concentrations at an early stage, all material and high reputational risk votes are presented to the Board of Managing Directors and the Risk Committee of the Supervisory Board in a quarterly report.

To continue developing its reputational risk management, Commerzbank Aktiengesellschaft monitors issues of potential environmental and social relevance on an ongoing basis and checks how they may be embedded in the Bank's internal processes and evaluation criteria. All sensitive issues, positions and directives are reviewed regularly and updated as necessary. The credit decision and reporting processes are also updated if required.

The Group's formal requirements, such as the requirement for defined loan approval and decision-making rules, generally also apply to the material subsidiaries and are agreed with Commerzbank Aktiengesellschaft's Reputational Risk Management department as global functional lead. The Group companies define priorities according to the requirements of their business model, for example based on the reasons for customer complaints.

mBank in Poland operates its own reputational risk management based on a commitment to the United Nations Global Compact. The policy on providing services and financing to entities operating in areas that are particularly sensitive in terms of mBank's reputational risk is designed to implement this commitment and can lead to particular lending transactions or the opening of bank accounts being turned down. mBank's reputational risk strategy is reviewed annually and coordinated with the parent company.

# Accompanying our customers

Global efforts to combat climate change require not only favourable political conditions and new technologies, but also adequate financial resources. This financial industry contribution to sustainable development, known as "sustainable finance", offers numerous opportunities for us as a bank: the energy revolution and reduction in $CO_2$ emissions are creating a need for new technologies and products requiring large investments. Moreover, there is growing interest from investors and customers in sustainable investment opportunities. That is why we are developing products and services that take account of these changes while offering an environmental or social benefit.

Customer orientation is also an important part of our strategy. We therefore design our products and services to serve the interests of customers, and we treat customer satisfaction as one of the most important components in evaluating our business success. In addition to attractive products as well as competent and fair advice, ensuring data security makes a significant contribution to customer satisfaction. We continuously check this level of satisfaction and ensure that we involve our customers at the appropriate points.

## Using sustainability effects in lending

Our sustainable products are developed with regard for regulatory requirements, market analysis and input from our technical and product experts. Traditional product development methods, agile methods and dialogue with our customers are used. The prioritisation of the development of different products results from the specifications of the sustainability strategy in accordance with economic considerations and the fulfilment of regulatory requirements. In the Corporate Clients segment, we rely on risk and sales data to evaluate the ESG dimensions of our portfolio and to carry out a dedicated potential analysis for new products.

As a result, we have identified sectors that make new sustainable business opportunities possible and which enable us to provide tailored advisory services and financing products that will assist our customers in their own transformation. The sales and credit departments work closely together to address the specifics of ESG issues. In 2021, mBank implemented a product development process that ensures each new product is assessed for its ESG impact prior to launch.

### Promoting renewable energies

Commerzbank Aktiengesellschaft has extensive experience with renewable energies. Corporate and project financing along the value chain have been part of our portfolio since the 1980s and will continue to be a growth area for us in the future. The core business of the Competence Center Energy (CoC Energy) with its sites in Hamburg and New York is the global provision of finance to wind and solar parks as well as related technology. The plants that are financed are operated in particular by independent power producers, project developers, institutional investors and utilities. Today we are one of the largest financiers of renewable energy in Europe and we have further expanded our international portfolio share in the past year. In addition to financing for wind and solar parks in Germany, the new deals in 2021 also include fresh projects in Finland, France, the Netherlands and the USA, where, among other things, we financed one of the first offshore wind parks in the country.

- Key figure: CoC Energy's loan exposure (exposure at default) came to around €5.3bn in 2021 (2020: €5.1bn, 2019: €5.1bn).

mBank in Poland is continuing to act on its commitment to environmentally friendly product solutions and is therefore continually increasing its share of financing for projects that contribute to climate protection. In November 2021, in line with its new business strategy, mBank committed itself to mobilising around €2.2bn (PLN 10bn) for climate protection projects. This refers to €1.1bn (PLN 5bn) of its own funds for new financing of renewable energy, waste management, e-mobility and similar projects. A further €1.1bn (PLN 5bn) is to come from other sources, for example through syndicated financing for sustainability projects with other institutions and the issuance of green bonds for customers in accordance with the Green Bond Principles.

Commerz Real makes a direct contribution to shaping the energy revolution through sustainable investment opportunities in renewable energies and ensures that electricity is obtained from renewable energy sources in its real estate assets insofar as the local markets allow.

### Demonstrating sustainable solutions for our customers

Commerzbank Aktiengesellschaft also incorporates sustainability aspects into the development of traditional financing solutions by advising corporate customers about the advantages of public promotional loans such as KfW's energy efficiency programmes or its climate protection initiative for small and medium-sized enterprises. With a share of around 5% in KfW's commercial sustainability programmes, we are one of the main players in Germany in using this type of funding for such investments by small and medium-sized enterprises. Private and small-business customers also receive attractive financing conditions for energy-efficient buildings: The green mortgage loans scheme, for example, offers preferential financing conditions for the construction, modernisation or acquisition of buildings – for personal or third-party use – whose final energy demand is less than 75 kWh per square metre of usable floor space.

### Providing holistic advisory services

Responsibility in lending business goes even further for the Private Customers segment, however: responsible lending is a holistic advisory approach that also takes account of potential changes in a customer's economic situation. In line with this approach, the Bank's Risk division has special units dedicated to early risk detection. Their tasks include identifying customers with signs of financial problems early on – and thus before the emergence of problems threatening their existence, if possible – and reaching a joint agreement on measures to be taken which will, ideally, lead to a regular repayment process.

## Offering sustainable investments and capital market products

In the investment business, too, we want to contribute to sustainable development and take advantage of the associated business opportunities, for example by offering sustainable funds, integrating sustainability aspects in asset management and using sustainable capital market instruments.

### Developing sustainable bonds and loans

As early as 2007, what was then a subsidiary of Commerzbank Aktiengesellschaft played a leading role in the world's first green bond. Since then, we have supported a large number of customers in preparing and issuing sustainable bonds.

In the year under review alone, Commerzbank Aktiengesellschaft acted as lead manager for the issue of 57 sustainable bonds[4] with a total volume of more than €62.3bn. This also included a number of innovative transactions, such as the world's first sustainability-linked bond issued by a bank in April 2021 and the issue of a 30-year green German government bond in May 2021. We continue to be active in various industry associations and similar interest groups, thus helping to actively develop the market for sustainable bonds. In total, the Bank has already assisted in the issue of 155 sustainable bonds.

- Key figure: the total volume of all green and social bonds issued with the support of Commerzbank Aktiengesellschaft in 2021 was €62.3bn (2020: €46.3bn, 2019: €12bn).

Commerzbank Aktiengesellschaft also arranges, structures and places sustainable promissory note loans and syndicated loans in the form of green loans or ESG-linked loans for companies in a wide range of sectors. ESG-linked loans, also known as positive incentive loans, are a comparatively new product category but one that is seeing very dynamic growth. With this type of syndicated loan, the conditions are linked to sustainability criteria such as the borrower's ESG rating. The better the criteria perform, the lower the interest rates – and vice versa. Commerzbank Aktiengesellschaft was involved in 50 green or ESG-linked loans with a total volume of €84.5bn in 2021. Since 2017, we have been participating in working groups of the Loan Market Association to actively shape the implementation of sustainability in the syndicated loan market.

Following the adoption of the Green Bond Framework in 2020, mBank also made significant green bond issues in 2021, both on behalf of its customers and for itself. It first implemented a bond issuance programme worth approximately €218m (PLN 1bn) in the renewable energy industry. Subsequently, mBank sold €500m of its own non-preferred senior bonds, which marked the first green bond issue in the euro benchmark format by a private financial institution in Poland.

Sustainability aspects are also playing an increasingly important role in the Bank's own investments. As part of its liquidity management activities, Commerzbank Aktiengesellschaft is increasingly investing in sustainable bonds and building up its own ESG portfolio. To this end, the Bank plans to invest an increasing proportion of its own assets in green, social and sustainability bonds. By the end of 2021, the volume was already €1.6bn, which equated to more than 5% of the liquidity portfolio. Commerzbank takes sustainability aspects into account in its company pension scheme in Germany, with asset managers only selected for the pension plan if they have signed the UN Principles for Responsible Investment (PRI).

### Investing customers' money sustainably

Commerzbank also offers its customers an increasing range of opportunities to participate in the growing responsible investment market, for example through sustainability funds offered by various providers for private and institutional customers. Wealthy private customers and corporate clients can arrange individual sustainable asset management with Commerzbank Aktiengesellschaft, in which the selection of securities takes sustainability ratings into account in addition to exclusion criteria. By signing the UN PRI, the Asset Management unit at Commerzbank Aktiengesellschaft is committed to responsible investment decisions. Since the base year 2017, we have quadrupled the total volume of sustainable investments to around €600m.

The Commerzbank brand comdirect offers a motif-investing product that enables customers to make targeted investments in megatrends, including sustainability. To create a sustainability custody account, for example, comdirect makes available selected sustainable funds, exchange-traded funds (ETFs) and equities, from which customers are able to compile a custody account of their choice. comdirect customers can also choose between a number of sustainable products in other investment formats such as savings plans or ETFs.

mBank is also active in this segment, having launched the first ESG investment strategy on the Polish market in September 2019. Private customers can invest in ETF-based equity and bond portfolios that have a positive impact on the environment and society.

Commerz Real combines sustainable investment opportunities with a direct contribution to shaping the energy revolution: In 2005 it invested in solar energy for the first time and numerous investments in this area followed. The portfolio was also expanded to include onshore and offshore wind turbines. With a total annual output of around 1,358 megawatts from 54 ground-mounted solar power plants and 33 onshore/offshore wind parks, Commerz Real is now one of the biggest German asset managers in this segment. The total transaction volume in renewable energies came to around €2.43bn at the end of 2021.

In October 2020, Commerz Real launched the first impact fund "klimaVest" – and thus the first open-ended real asset fund in the field of renewable energies for private investors with redemption rights in the form of an ELTIF (European Long-Term Investment Fund). Since 10 March 2021 the fund has been classified as a sustainable financial product in accordance with Article 9 of the Disclosure Regulation.

[4] Our definition of sustainable bonds is based on the recommendations of the ICMA Bond Principles and Guidelines.

The fund invests mainly in facilities for the generation of renewable energy and in the infrastructure of the energy revolution. The fund's investment objective is to generate attractive risk-adjusted returns for investors while making a measurable positive contribution to the achievement of environmentally sustainable objectives as defined by the EU taxonomy. klimaVest shows its investors what amount of $CO_2$ emissions can be prevented by the renewable energy assets in the portfolio. klimaVest's volume stood at around €586.9m as at the end of 2021. In addition, the fund received the Sustainable Award in Finance in the Environment category in November 2021. By 2025, the total volume is expected to rise further to €4.5bn, with a target of around €2.2bn in equity.

In addition, Commerz Real is building on sustainability in managing its real estate assets, such as with hausInvest. With €17.1bn in fund assets at the end of 2021, the fund is one of the largest open-ended real estate funds in Europe. Since 10 March 2021 it has been one of the first open-ended real estate funds to promote environmental and/or social objectives in accordance with Article 8 of the Disclosure Regulation. The fund has aligned its investment strategy accordingly. The aim is to reduce the portfolio's $CO_2$ footprint to 14 kilogrammes per square meter by 2050. In addition, the fund takes into account social aspects: in the Social Charter laid down in 2021, the aim is to achieve a proportion of 20% to 40% in affordable living space in its residential properties and to refrain from making "luxury renovations". These features, as well as other aspects such as accessibility, connection to public transport, digital equipment and the use of green electricity in communal areas, are inspected annually in a specially developed Sustainability Due Diligence check. The results feed into purchasing decisions and form a basis for the further sustainable development of the portfolio.

### Trading or offsetting emissions

Commerzbank Aktiengesellschaft participates in the European Emissions Trading Scheme (EU ETS). It advises companies on the procurement of carbon emissions rights and certificates and the associated risk management aspects, and implements the resulting trading strategies for customers. This is accompanied by the option of voluntary carbon offsetting for companies not subject to the mandatory EU ETS. As a member of the World Bank's Carbon Pricing Leadership Coalition (CPLC), the Bank also participates in the global debate on carbon pricing.

In equipment leasing, Commerz Real has started to anchor sustainability in its business via its subsidiary Commerz Real Mobilienleasing GmbH (CRML). As a form of financing, leasing allows users to participate in sustainable technological advancement in shorter cycles, while enabling the leased goods to be reintroduced into the economic cycle in a resource-conserving manner. Since mid-2021, CRML has also been offering its customers via the product "PRO climate lease" the optional service of individually offsetting $CO_2$ emissions – in parallel with the financing business. This service is gradually being expanded in accordance with regulatory requirements and customer needs.

## Ensuring data security

In times of increasing digitalisation, protecting customer data and safeguarding banking confidentiality are of the utmost importance and a basic requirement in customer satisfaction. That is why data security is a key issue for us in terms of responsible banking.

The Physical Security Board, which is headed by the Chief Operating Officer, defines Commerzbank's security strategy. International protection of data privacy is implemented through a governance model with defined roles and responsibilities, policies and directives, standardised processes and control mechanisms.

### Responding appropriately to cyber crime

With the increasing digital networking of state, business and society, cyber security and resilience are becoming more and more important. Commerzbank scrutinises not only its own information, premises and IT systems, but also those of its customers and service providers, including any independent transport routes. Cyber security is a strong driver of customer confidence and thus an important competitive factor. As part of the critical infrastructure, the financial industry is subject to enhanced legal requirements.

To adequately address both this trend and future challenges relating to the management of cyber risks, cyber and information security risks are managed by the Group Risk Management – Cyber Risk & Information Security (GRM-CRIS) division, which reports to the Group Chief Information Security Officer (CISO). In addition to established security functions such as the Information Security Management System, GRM-CRIS focuses on managing cyber risk appropriately, and on strengthening Commerzbank's cyber-resilience, including its information security incident management capabilities. To cover the human component, Commerzbank Aktiengesellschaft also relies on a high level of safety and risk awareness among its employees. This is constantly promoted as part of a special information security awareness campaign, which has received the Outstanding Security Performance Award. It also addresses the interaction between cyber and information security risks and other types of risk relating to areas such as HR, procurement, business continuity management and physical security. Commerzbank Aktiengesellschaft is also a founding member of the German Competence Centre against Cyber-crime (G4C) association, which cooperates with the Federal Criminal Police Office. The association's aim is to develop and optimise measures to counteract cyber crime in order to protect its members and their customers against damage.

mBank has also been warning about threats from the digital world for many years. It launched its first cyber security initiative back in 2015. Since then, the topic has been addressed in an annual campaign. In the past, mBank has received awards for its efforts in this area, and it launched another cyber security campaign in 2021. mBank works continuously to reduce cyber risks and counteract cyber attacks. For example, the bank's security department includes a 24-hour Security Operations Centre (SOC). Employees and customers can report all cyber security matters to the SOC, including identified incidents, attempted attacks, infections and suspicious transactions. Since 2020 mBank has also had an accredited quick response team, "mBank CERT", which responds in the event of a cyber security breach and, as a member of the Trusted Introducer organisation, collaborates with other teams of this type around the world.

### Ensuring data protection

The Group data protection policy forms the basis for the proper handling of personal data and customer-related information. It includes principles applicable Group-wide for the collection, processing, use and international transmission of personal data. It is the responsibility of the individual companies to implement these principles.

The data protection officers of Commerzbank Aktiengesellschaft provide assistance to the Bank's business units in Germany and abroad and monitor adherence to data protection provisions in compliance with the law. We provide regular training courses, mandatory tutorials on the protection of data privacy, a seminar on data protection in practice and individual information events to ensure that our employees remain aware of and informed about the issues surrounding the protection of data privacy and data security.

The data protection management system for the comdirect brand comprises a data protection management unit, which is responsible for the active management of all the company's data protection activities. At Commerz Real there is a central data protection officer and data protection coordinators in the departments. In Poland, the mBank data protection officer and the associated team support the bank's business units.

In view of the fact that the Bank has around 11 million customers in Germany, around 5.5 million customers in Poland, the Czech Republic and Slovakia, as well as around 28,000 corporate client groups, multinational groups, financial service providers and institutional customers worldwide, the number of data protection complaints was again comparatively low in 2021.

For example, the data protection officer of Commerzbank Aktiengesellschaft in Germany received 266 customer complaints in the year under review. In most cases, the complaint was that customer data had been subject to unauthorised use or had been obtained by third parties.

### Using big data responsibly

The use of big data and advanced analytics (BDAA) is of central strategic importance for Commerzbank. Efficient and holistic data processing offers great opportunities for all segments and Group divisions: as a basis for decision-making in the management of operational processes, for more detailed and faster analyses, and for improved customer service and cross-selling. In addition, BDAA provides methods for efficiently designing Group-wide models to calculate credit and operational risk as well as capital requirements, and to perform stress testing. This helps to ensure regulatory compliance and improve capital efficiency. To comply with the high data protection standards, Commerzbank Aktiengesellschaft works with pseudonymisation, anonymisation and micro-segmentation.

## Living out transparency and fairness in customer relationships

Fairness towards our customers means for us that we provide comprehensive and readily understandable advice on financial products, their risks and possible alternatives guided by the customer's long-term needs together with transparent and readily understandable documentation of the advisory process. We pursue the aspiration to provide fair and competent advice through financial planning tools such as CustomerCompass, Strategy Dialogue and Business Owners' Dialogue. Moreover, we have in recent years introduced new products and services that are particularly beneficial to customers. These include accounts with a security guarantee, digital instalment loans, mortgage financing with a free choice of supplier and securities savings plans that can be concluded on mobile devices.

### Measuring satisfaction

The willingness of Commerzbank customers to recommend the Bank plays an important role in the sales management of Commerzbank Aktiengesellschaft. The ongoing quality benchmark we have used for years in the Private Customers segment is the net promoter score (NPS), an internationally recognised standard for measuring customer satisfaction. Each month around 7,000 customers of Commerzbank Aktiengesellschaft are asked in a brief telephone interview whether they would recommend their branch or advisory unit to others.

The findings from open feedback are used to improve customer service and thereby achieve a lasting increase in customer satisfaction. The proportion of Commerzbank Aktiengesellschaft's private and small-business customers with a strong willingness to recommend the Bank (promoters) was once again stable at 57% in 2021. In addition, satisfaction is measured via other contact channels such as the customer centre or online banking in order to have a positive influence on the customer experience in these channels. The high level of customer willingness to recommend the Commerzbank brand comdirect is also reflected in an NPS value of 52%, while the proportion of promoters is even 64%.

Commerzbank Aktiengesellschaft additionally garners important insights through its "Customer Barometer" strategic customer loyalty study. To this end, around 3,800 customers in the Private and Small-Business Customers segment are surveyed over a full-year period. Indicators of overall satisfaction, recommendation and competitive advantage are established and subsequently consolidated into the KUBIX customer loyalty index. The resulting key figures are supplemented by the evaluation of individual aspects of the Bank's offering (e.g. product and service components) in order to improve these and the associated customer perception of quality.

Customer satisfaction is also a high priority for mBank. Projects such as "mSatisfaction" are designed to further strengthen customer loyalty. mBank measures satisfaction with the relationship in general and with particular products and processes in retail and corporate banking by using the NPS. The results in both customer segments substantially exceeded the Polish industry average in the year under review.

Regular customer surveys also provide the Corporate Clients segment with information on how satisfied customers are with the service they receive, and what expectations and wishes they have for the relationship. Based on the surveys, most of our corporate customers intend to take advantage of the Bank's service offerings to the same extent as currently and are happy to recommend us.

### Involving customers across the board

All Group units actively engage with customers so as to take systematic account of their interests. Experts communicate with customers through various media to ensure that their ideas and suggestions are taken into account when developing products and services. The UX Studio of Commerzbank Aktiengesellschaft supports this process with insights into the requirements and needs of users. UX stands for user experience, that is the customer's experience before, during and after their use of a product. In UX research studies, customers, non-customers and employees are involved at an early stage in the entire development process and in live operations to ensure Commerzbank's customer focus.

In addition, we have set up a UX branch in Frankfurt. This is a regular branch in which we try out new things during ongoing operations – whether it be technical innovations or design elements that make life more pleasant for customers and employees. In order to learn from our customers, we ask them for their opinion in online surveys.

mBank has a similar project known as the mBank Lab, where banking experts meet with customers to design and test new services. In line with the design thinking method, customers become part of the process by supporting the development of solutions and the testing of prototypes. The Commerzbank brand comdirect carries out activities to foster customer loyalty that are based in part on the "comdirect community", where customers and others with an interest in the financial markets can discuss products and other financial topics with the Bank.

The Corporate Clients segment of Commerzbank Aktiengesellschaft conducts regular customer surveys on specific topics in order to develop its range of products and services. This provides us with information on customer preferences and requirements, which can be used in the design of products and processes.

In addition, Commerzbank Aktiengesellschaft actively involves its customers through various customer advisory councils. In a central advisory council and in six regional advisory councils, selected representatives of companies, institutions and public life have the opportunity to enter into direct dialogue with the Board of Managing Directors, to find out about the performance of the business and to contribute their experience and expectations.

### Highlighting customer issues

SME topics are at the heart of Commerzbank's "Unternehmerperspektiven" initiative (Business Owners' Views). Once a year it surveys owners and managers at the first management level from companies of different sizes and from different industries. The focus in 2020 was on sustainability. The study "Wirtschaft im Umbruch: die Chancen des Green Deal" ("Economy in Turmoil: Opportunities of the Green Deal") examined the sustainability strategies of 2,700 SMEs between November 2019 and March 2020. Due to the coronavirus crisis, it was not released until April 2021. Three interactive events took place in June 2021. We initially focused on digital formats in which participants could discuss the study results with experts from business, associations, politics and academia. The aim was to develop ideas on how sustainability can be a successful component of corporate strategy. When the pandemic situation permitted, we started small face-to-face dialogue events in September 2021, where well-known speakers from business and academia go into greater detail on the subjects of the study, and businesspeople were able to exchange ideas personally and make new contacts.

The focus of the 2021 small-business customer study was the future of bricks-and-mortar retail. Retailers throughout Germany with annual sales of less than €15m were surveyed in around 3,200 interviews. These included both Commerzbank customers and customers of other banks. The results show that three out of five retailers were struggling with lost sales in connection with the coronavirus pandemic and one in six saw their livelihoods under threat. In addition, more than 40% of retailers had to draw on their equity reserves to compensate for lost sales. To overcome the crisis, many retailers are using new marketing and sales channels and are relying on solutions such as Click&Meet and Click&Collect. Despite all the challenges, retailers were also able to gain some positive things from the coronavirus crisis. Around half of those surveyed stated, for example, that they had more time for their families.

### Creating accessibility as a matter of course

To make Commerzbank's products and services available to all interested parties, we go to great lengths to ensure that our branches and online offering are fully accessible. Around two-thirds of our roughly 550 branches are accessible at ground level. We strive to ensure accessibility for all user groups where possible whenever we renovate a branch or install an ATM. For cash disbursements, all of Commerzbank Aktiengesellschaft's ATMs have a read aloud function for visually impaired customers. Further information on our efforts to be inclusive, including towards our employees, can be found under "Diversity and equal opportunities".

# Leading by example

The environment and society are fundamental components of our corporate responsibility. As a company, we want to set a good example and thereby exert a positive influence on our environment. We will achieve this, among other ways, by continuously reducing our own $CO_2$ footprint. At the same time we want to be a reliable partner for our stakeholders, and our actions are guided by ethical values such as integrity and fairness. In this way, we guarantee positive effects from our financial services on the economy. In addition, we take our responsibility as an employer seriously and encourage extensive voluntary commitment to charitable purposes and our foundations.

## Reducing operational emissions

The systematic reduction of our environmental footprint is an important part of Commerzbank Aktiengesellschaft's understanding of sustainability. Commerzbank has had an environmental management system in place in accordance with ISO 14001 since 2009. In addition, an energy management system in accordance with ISO 50001 was introduced in 2015, and thus an integrated environmental and energy management system (iUEMS) was established. In the iUEMS, responsibilities, behaviour, processes and specifications for the implementation of the operational environmental and energy policy of the organisation are defined and documented in a structured manner. The focus is on optimising resource consumption, particularly where we can have a direct impact on the environment, such as in building management and business trips.

First and foremost, the iUEMS serves to ensure continual improvement in our own environmental and energy performance, to reduce the $CO_2$ footprint of our own company and thus to protect the environment. But in addition to the aspect of active environmental protection, an environmental and energy management system also serves to minimise risk. By regularly observing and checking the current situation, any need for action can be identified at an early stage and preventive measures can be taken. This integrated system is the best prerequisite for a company seeking to be sustainable and to reduce its own operational emissions.

Savings in our own operational emissions can be achieved through efficient and sustainable building management. In this context, various measures have been taken. Among other things, conventional light sources have been progressively replaced by LEDs since a light audit was carried out in 2017. Since then, the energy-saving potential of converting to LEDs has been analysed and implemented in many locations, making a significant contribution to energy savings.

Another example is the software used by the Bank in the Lateral Towers in Frankfurt in cooperation with the landlord to optimise the building management system. The programme controls the operation of the systems in a forward-looking manner, taking into account the weather. After the software was put in place in 2019, energy savings of around 30% were achieved in 2020[5], the first year of operation. The use of software can therefore achieve significant energy and cost savings in relatively large properties without the need for a complete renewal of technical systems such as heating, air conditioning and ventilation. The deployment of this programme in other large properties is in preparation.

In addition, special attention is paid to making travel activities as environmentally friendly as possible and thus preventing $CO_2$ emissions. The business travel policy therefore envisages rail as the preferred means of transport.

In 2018 we were already able to reach our climate target of saving 70% of $CO_2$ emissions from banking operations in Germany compared to 2007 ahead of schedule, thanks in part to

[5] The results for this were available for the first time in 2021.

the measures listed above. As part of the net zero commitment by 2040, another interim target for reducing $CO_2$ by 30% by 2025 compared to 2018 was therefore set. At the same time, our net zero commitment is intended to ensure compliance with the 1.5°C target under the Paris Agreement. For the first time, our new climate target will apply to international Commerzbank Aktiengesellschaft locations in around 20 countries.

In 2020, due to the coronavirus pandemic, global $CO_2$ emissions fell by 30.1% compared to the base year 2018, in particular owing to reduced travel. A comparison of emissions from 2020[6] and 2019 clearly shows this effect. We expect that $CO_2$ emissions will increase again after the coronavirus pandemic, but will not reach the 2019 level. Since 2015, the remaining emissions from Commerzbank Aktiengesellschaft in Germany that are difficult to prevent have been offset. The Bank therefore works in climate-neutral fashion.

### Operational $CO_2$ emissions of Commerzbank Aktiengesellschaft

| Tonnes of $CO_2$ equivalents | 2019 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Germany | Other countries | Total | Germany | Other countries | Total |
| Scope 1 | 36,106 | 895 | 37,001 | 27,326 | 988 | 28,314 |
| Scope 2 market-based | 7,205 | 7,888 | 15,093 | 7,142 | 5,120 | 12,262 |
| Scope 2 location-based | 91,129 | 7,153 | 98,282 | 71,644 | 6,259 | 77,903 |
| Scope 3 | 65,664 | 6,130 | 71,794 | 41,188 | 2,284 | 43,372 |
| **Total** | **108,975** | **14,913** | **123,888** | **75,656** | **8,392** | **84,048** |

The table shows the $CO_2$ emissions of Commerzbank Aktiengesellschaft according to the global categorisation by the Greenhouse Gas (GHG) Protocol. Scope 1 designates the emissions caused directly, for example through the consumption of natural gas, heating oil or fuel. Scope 2 refers to emissions from purchased energy. These can be calculated based on either the energy mix actually purchased ("market-based") or the statistical country mix ("location-based"). We use market-based scope 2 emissions to calculate our total emissions. Scope 3 includes other indirect emissions from the upstream and downstream value chain. At Commerzbank Aktiengesellschaft, these include paper and water consumption, business trips and commuting, and other emissions from the energy supply. The indirect emissions from our financial products ("financed emissions") are not included in the calculation of the operational $CO_2$ footprint.

Commerzbank determines its greenhouse gas emissions in accordance with the standard developed by the Association for Environmental Management and Sustainability in Financial Institutions (VfU). This is based on international guidelines for environmental and climate reporting, such as the Greenhouse Gas (GHG) Protocol, CDP and the Global Reporting Initiative (GRI). Emissions are calculated as $CO_2$ equivalents.

[6] The previous year's figures were chosen for this report, as the $CO_2$ footprint for 2021 will be available only after publication. From 2022 the applicable date for collecting the data will be brought forward to enable timely publication.

## Retaining and training employees

The corporate success of the Commerzbank Group is based on qualified and motivated employees. Our 46,218 colleagues worldwide contributed their knowledge and experience to our work processes in 2021. A fundamental appreciation of the importance of fairness, respect of others and lived diversity is anchored in our ComWerte and our code of conduct; it is our responsibility as an employer to ensure its implementation.

Commerzbank Aktiengesellschaft aims to offer its staff a working environment characterised by a spirit of partnership. Our human resources policy makes it possible to promote the development of each individual employee as well as collegial cooperation, even in a challenging economic setting.

Commerzbank Aktiengesellschaft must be positioned for the future. By focusing on digitalisation and to implement the strategic agenda, we will increasingly need different skills and job profiles in certain areas in the future. That is why we are positioning ourselves accordingly for this target group in order to attract suitable experts. At the same time, it is important to counteract demographic change. Initiatives to ensure that the Bank has a healthy pipeline of future talent are firmly solidified in the HR strategic agenda. These include, for example, new trainee programmes focusing on digitalisation or a more generalist pathway. Our extensive training offering, innovative training programmes and the opportunity to pursue various development paths should also make the Bank attractive for talented young people, however.

Commerz Real has also adapted to the new circumstances and developed an onboarding app for new employees. Since December 2020 this has enabled a seamless onboarding process from the day the contract is signed. The app contains, for example, information about working practices and IT systems as well as insights into the culture and teams.

### Implementing holistic employee development

Commerzbank Aktiengesellschaft offers a host of optional and mandatory training modules, such as seminars, workshops and e-learning courses, designed to prepare employees for the transformation of the banking sector resulting from digitalisation and develop their skills on an ongoing basis. The different requirements call for learning and information formats that are appropriate to specific target groups. These include needs-based learning sprints for managers and digital courses for all employees.

As a consequence of the coronavirus pandemic, new non-specialist web seminars were developed and offered – topics such as virtual communication, motivation and leadership were in particularly high demand. In addition, more e-learning courses on specialist topics have been established, enabling employees to access learning content at any time.

The development dialogue provides a regular, online-supported personnel development process through which the necessary skills and knowledge for current and future requirements are developed in a structured and continuous manner for all employees.

Our performance instruments such as the performance appraisal and individual development plans have also been realigned to meet the needs of the digital strategy. We are also addressing the increasingly digital working world within the Group through changes in work structures: mobile technical applications, agile working and flexible workplaces and working hours are just a few of the keywords in this context.

Commerz Real, for example, offers a model in which employees can choose between variable working hours and trust-based flexitime. It also attaches great importance to the further training of its employees. In the virtual "CR Talk" and "Digi Sessions" formats, topics such as sustainability and digitalisation in the real estate and renewable energy sectors as well as in equipment leasing are presented and discussed across disciplines.

### Achieving a work-life balance

Alongside professional development, work-life balance is an important goal to remain attractive as an employer. Within Commerzbank Aktiengesellschaft this balance is ensured by concepts for different stages of life with specific offerings, such as flexible working time models, sabbaticals, the "Keep in Touch" programme and "return guarantee" model, which facilitate the return to work after parental leave. We also offer advisory and support services relating to childcare, home care and care for the elderly through pme Familienservice.

As in the prior year, Gruner&Jahr Verlag honoured this commitment in 2021 by once again naming the Bank best employer for women. In addition, we successfully passed the "berufundfamilie" audit for the seventh time in 2021. The award is regarded as a seal of quality for companies with human resources policies that are particularly friendly for the family and different stages of life. Also in 2021, we were awarded the Total E-Quality title for the ninth time – this title is awarded to companies that work voluntarily, for the long term and systematically to establish equal opportunities.

At the beginning of 2021a large proportion of childcare services could not be used in their previous form. With virtual childcare for colleagues who work on a mobile basis and virtual workshops and exchange formats, we were able to continue to relieve the burden on many parents and offer their children a varied range of activities. During the lockdown in the first quarter of 2021, virtual childcare was used a total of 1,237 times.

With an ageing workforce, taking care of relatives is becoming increasingly important. As a result, there is higher demand for our care-related workshops and advisory services.

### Maintaining health

Health management is another important concern in human resources work at Commerzbank Aktiengesellschaft, which has been pursued as a strategic approach since 2006: the Bank seeks to promote the mental and physical health and social well-being of its employees. In 2021 as in 2020, Commerzbank was not alone in facing the major challenge of reconciling employee health protection with operational requirements in the face of a global pandemic. For this purpose the Bank created a far-reaching hygiene and distancing concept, which is continuously adapted to the current situation, and extended the options for mobile working. The health offerings also use digital formats to convey health knowledge that is otherwise shared in classroom training. A global exercise initiative reached all employees, including those working from home on a mobile basis, and was especially helpful during social distancing. A podcast with the head company doctor provides regular information on medical topics relating to the coronavirus. In the summer months, our company doctors provided a large number of employees at locations across Germany with a free coronavirus vaccination. Commerzbank is thus making an active contribution to combating the coronavirus pandemic.

We analyse working conditions on a continuous and holistic basis using the legally required risk assessment tools. We also consult employees and managers on a regular basis about various aspects such as work structures or leadership and team topics. Based on this analysis, targeted measures are then developed and their effectiveness tested.

The requirements of the working world are changing and the structural adjustments at Commerzbank are noticeable for the workforce. We want to empower employees and managers to deal with this themselves. To this end, we offer them a wide range of preventive measures such as professional advisory services (e.g. the Employee Assistance Programme) or training, including how to deal with stress, and campaigns to encourage people to stay mobile.

Commerz Real is also committed to the health of its employees. For this purpose it develops its own approaches and also carries out measures in collaboration with Commerzbank Aktiengesellschaft. In the course of the coronavirus pandemic, the options for mobile and flexible working were significantly expanded. Employees can work up to 50% in mobile fashion and organise their working hours flexibly. mBank is also supporting its employees amid the coronavirus pandemic. During the year the majority of mBank employees worked from home. The appropriate hygiene and safety measures were implemented for the employees in the offices and branches. The bank provided psychological, educational and financial support for employees as well and helped them to combine family and work, for example by organising courses, workshops and activities for children.

### Involving employees

Employee satisfaction and motivation during periods of corporate restructuring are an important yardstick for assessing whether key objectives of our strategy resonate with employees. To this end, Commerzbank Aktiengesellschaft has been conducting short surveys (“Pulse Checks”) and surveys of focus groups since 2020. The results provide a reliable picture of employee sentiment towards the transformation. At Commerz Real, employees give their managers feedback on their leadership performance, which is referred to as “feedforward”. mBank also obtains an anonymised picture of employee satisfaction each quarter through its employee engagement survey (“Pulse Check”).

### Offering fair remuneration and attractive additional benefits

We want to create a good working environment by offering attractive additional benefits, showing recognition and positioning ourselves as an attractive employer. Commerzbank Aktiengesellschaft has for many years supplemented the statutory pension with a company pension. Employees can also take advantage of other occupational pension products at special conditions. Commerzbank Aktiengesellschaft and Commerz Real also offer their employees the opportunity to lease cars, bicycles or IT equipment for private use through the Bank. Sustainably powered vehicles are promoted as part of the leasing on offer. Employees in Germany receive a mobility allowance for using public transport to get to work. With the exception of car leasing, these fringe benefits are available to both pay-scale and non-pay-scale employees.

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

Information on HR risks such as motivational, resignation and bottleneck risks is reported to the Board of Managing Directors on a regular basis (see the “Other risks” section of the Group risk report).

## Promoting diversity and equal opportunities

A working environment that is free of prejudice, characterised by mutual respect and acceptance is a basic requirement for a climate where everyone is able to thrive. We do not tolerate discrimination at Commerzbank. Any form of unfavourable treatment of people based on their gender, nationality, ethnic origin, religion or beliefs, disability, age, sexual orientation or gender identity constitutes a violation of human dignity and infringement of personal rights.

In 2021 Commerzbank Aktiengesellschaft and the Central Works Council agreed on an expanded works agreement on “cooperative behaviour in the workplace”. This works agreement is also a clear signal from the Bank against any form of discrimination, including explicitly xenophobic aspects.

Commerz Real signed the Diversity Charter in 2021. As a result, employee awareness of the issues of diversity and inclusion is raised through presentations, and human resources processes are checked to determine whether they guarantee equal opportunities and diversity. In Poland, too, mBank is further developing its Diversity and Inclusion Policy and is a signatory to the Diversity Charter of the Responsible Business Forum. As such, the Bank also undertakes to prevent discrimination in the workplace and implement measures to create and promote diversity. In 2021 mBank was included in the Bloomberg Gender Equality Index, validating its commitment to reducing inequalities in pay, promotion and development opportunities for female and male employees.

For almost three decades, our Diversity Management unit has been working for an open and fair Group-wide environment where everyone feels appreciated. The focus is on the topics of gender equality and inclusion of people with disabilities and the promotion of cultural diversity. For us, diversity is a success factor for the Bank’s performance. Worldwide, the Group employs people from around 120 nations. Their diverse origins vitalise and enrich interactions. Differences in viewpoint and experience lead to new ideas.

### Increasing the proportion of women in management positions

Teams characterised by diversity often perform better, and they are also indispensable for corporate success in view of internationalisation and demographic change. Although a small majority of the Commerzbank staff is female (53%), women are not yet represented at management level to the same extent. For this reason, in recent years the measures designed to promote a good work-life balance have been further improved to open up fresh career opportunities for women in particular. These include company childcare, innovative part-time models – also for managers – and structured back-to-work options to prevent career precipices. To this end, for example, the "return guarantee" model was extended to all Commerzbank employees in 2021.

These measures have enabled Commerzbank to increase the proportion of women in leadership positions to more than 30% Group-wide over the past few years. Our Board of Managing Directors has now set itself a new goal of achieving a proportion of 40% across all management levels by the end of 2030. All divisions of Commerzbank Aktiengesellschaft are explicitly tasked with actively approaching suitable female employees during the recruitment process. The aim is to further increase the proportion of female candidates for management positions when filling new positions.

- Key figure: the proportion of women in management positions totalled 33.7% Group-wide at the end of 2021 (2020: 33.3%, 2019: 32.5%).

### Driving inclusion

The inclusion of people with disabilities is another part of our diversity strategy. In 2018, Commerzbank Aktiengesellschaft became the first bank in Germany to publish an inclusion action plan based on the UN Convention on the Rights of Persons with Disabilities. Following on from this, we continued to work on implementing these measures in 2021. Barrier-free access to the workplace and to working tools is just as high a priority as the implementation of accessibility in our digital offerings for customers. We are also well positioned in accordance with the German Act on Promoting Barrier-Free Access (Barrierefreiheitsstärkungsgesetz), which came into force in 2021. Here we benefit in many places from the inclusion activities that we have already started. With our IDEAL employee network of and for people with and without disabilities, we have valuable expertise at the Bank that will help us with future developments in accessibility.

Commerzbank Aktiengesellschaft has consistently exceeded the statutory requirement of 5% employees with disabilities in recent years. We expect to meet the quota in 2021 as well. However, the final percentage figure will not be available until March 2022. In the meantime, we are also paying more attention to the next generation: In 2021 our recruitment policy was revised with the aim of further promoting diversity and inclusion.

### Treating each other with respect

Commerzbank Aktiengesellschaft is committed to an open approach in respect of the sexual orientation and gender identity of its staff, customers and business partners. In the 2021 financial year, the Bank continued on its way to further anchoring the self-image of our diverse society within the Bank's culture. The aim is to break with (conscious and unconscious) prejudices and reduce fears of contact.

This is achieved at the Bank through exchange formats, digital events and communication about queer people. External input is regularly included in our events and panel guests from other companies or industries are invited to exchange formats in order to constantly broaden our own perspective. In particular, the formats on the subject of unconscious reservations, family skills or equal opportunities, which are supported by the members of the Bank's Board of Managing Directors and its Divisional Board members, are very popular with employees.

Examples of cross-company collaboration are the initiatives of our ARCO network. On Coming Out Day, closely connected people received specific options for action in an exchange format in order to be able to support those affected as best as possible. Another example is the Ladies Lounge initiative, which promotes the visibility of women in queer networks who, through their work, have also initiated a new movement outside the Bank. An ARCO spokesperson received special recognition for this; she was awarded first place from the PROUT PERFORMER jury for her commitment to lesbian visibility. Through publication of its PROUT PERFORMER lists, the Prout@Work Foundation recognises individuals from business and public life who stand up for the interests of lesbian, gay, bisexual, trans*, inter* and queer people and become role models. The ARCO network is supported at the Bank by "Allies" – regardless of their own sexual orientation or identity. Since 2021 we have also had Executive Allies in top management, who support us and our members.

Commerzbank takes a clear stance in public too and underlines this with visuals following the motto "We live diversity 365 days a year". For example, suitable colours were applied to the Commerzbank tower and the Bank's logo on all digital channels and applications ahead of the Pride season.

### Connecting people

Commerzbank Aktiengesellschaft's seven employee networks make a further important contribution to a lively and diverse corporate culture and thus support our diversity management goals. They regularly participate in internal events and public campaigns, and offer employees the opportunity to network and develop their skills across all levels. Some 1,500 employees were involved in the networks in the year under review.

### Embedding diversity and inclusion in strategy

In 2021 there were some developments in the Diversity & Inclusion unit: on the basis of various studies, Talent Management developed guidelines that summarise the latest standards for an inclusive way to address people and help managers to formulate their own job advertisements. This was published in February.

In June the GM-HR Recruitment Policy was expanded to include a diversity definition. The aim is to anchor and actively promote the consideration of equal opportunities and diversity in the Bank's appointment processes.

Commerzbank Aktiengesellschaft also positions itself on diversity and inclusion through its standard for sustainable procurement and takes these matters into account when procuring services and products. The environmental, social and governance (ESG) criteria specified in the standard reflect Commerzbank's commitment to the corporate responsibility of its service providers and suppliers.

## Ensuring integrity and compliance

Integrity is the basis of our business model. We act in an attentive, trustworthy and reliable manner. The globally binding Code of Conduct was updated in the first quarter of 2022 and summarises our understanding of impeccable ethical and moral behaviour. It goes beyond legal and regulatory requirements and sets standards for Commerzbank Group employees. We use service providers professionally and check their integrity. The code also demonstrates to our customers and investors that we are aware of this responsibility and that we actively give shape to integrity and embody it in our lives.

The focus of Commerzbank's compliance activities is on preventing and uncovering money laundering, terrorist financing, market abuse (insider trading and market manipulation), fraud, corruption and other criminal activities wherever the Bank does business, as well as on protecting investors. We also ensure that insider information and other confidential data about our customers and their transactions are protected in accordance with the need-to-know principle.

Commerzbank Aktiengesellschaft's Compliance division has wide-ranging authority and escalation rights, including powers to obtain information and carry out investigations, enabling it to implement its requirements throughout the Group.

### Clarifying expectations and living out integrity

The cross-segment "culture of integrity" network has the task of promoting a culture of integrity through targeted initiatives and measuring its development. At the same time, it is important to treat compliance risks with the same relevance and professionalism as credit and market risks. We report regularly via a Bank-wide communication campaign on practical examples of correct conduct in grey areas, show where potential violations of the law may occur and indicate what the right response should be.

To promote conduct characterised by a high degree of integrity and reward employees who act as a role model, Commerzbank Aktiengesellschaft has instigated the Culture of Integrity Award. It is given to employees or teams who have distinguished themselves through their integrity and protection of customer and bank interests. In the 2021 financial year two employees from the Saarbrücken branch received the award, beating 33 other nominees. Through their particularly attentive, committed and honest behaviour, they succeeded in uncovering account opening fraud with forged identity papers. By responding proactively and involving the police, they prevented major monetary and reputational damage to Commerzbank.

### Fighting corruption effectively

In our fight against corruption and bribery, we go further than simply focusing on statutory requirements such as the German Criminal Code, the UK Bribery Act or the US Foreign Corrupt Practices Act. We also adhere to the principles of the UN Global Compact and the OECD's Guidelines for Multinational Enterprises, and comply with the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. These external standards are supplemented with internal guidelines: Commerzbank's Global Anti-Bribery and Corruption Policy (ABC Policy) actively seeks to combat bribery and other forms of corruption. To this end, we conduct regular training sessions for our employees so that they can implement our guidelines competently and consistently. A central element of this is the annual anti-corruption training for all employees and managers. Business and functional units with heightened risk profiles and individuals who have an increased risk of bribery and corruption due to their functions at Commerzbank Aktiengesellschaft receive additional targeted training. An anti-corruption team is available to answer all employees' and managers' questions.

Commerzbank has a zero-tolerance approach to corruption and other criminal acts by staff. Any employee who is proven to have breached this principle will face the full consequences under labour, civil and criminal law.

- Key figure: we are not aware of any cases of corruption in the Commerzbank Group in 2021 (2020: none, 2019: none).

### Stopping money laundering for the long term

The core tasks of Compliance also include meeting regulatory requirements for the prevention of and fight against money laundering and terrorist financing. Alongside local laws, regulatory requirements and industry standards, we also take into account recognised international standards such as the recommendations of the Financial Action Task Force on Money Laundering (FATF) and the Wolfsberg Anti-Money Laundering Principles. Commerzbank uses the know-your-customer principle, which involves obtaining detailed knowledge about and an examination of the customer in order to create transparency in business relationships and individual transactions. Commerzbank also achieves this through the use of appropriate monitoring systems.

Commerzbank Aktiengesellschaft is a member of the Anti Financial Crime Alliance, which was founded by the Central Office for Financial Transaction Investigations together with the Federal Financial Supervisory Authority (BaFin), the Federal Criminal Police Office and other banks in 2019. This alliance between the public and private sectors aims to establish a lasting strategic cooperation in the fight against money laundering and terrorist financing in Germany.

### Observing sanctions

Compliance is also responsible for ensuring that the financial and economic sanctions applicable for the Bank and additional regulatory requirements are observed. In doing so, we enact directives and instructions as well as inform the segments, Group divisions and subsidiaries about sanction-related restrictions to business policies and advise them in their implementation and monitoring. If Commerzbank Aktiengesellschaft has business relationships with countries affected by sanctions, these are monitored, and immediate measures are implemented which may range from termination of the business relationship and the restriction of permissible transactions to monitoring and close oversight.

### Preventing or reporting fraud

Commerzbank takes extensive precautions to prevent, uncover and respond appropriately to financial crime, with the aim of protecting the assets of our customers and the Bank. In this context, extensive measures were increasingly implemented in 2021 to inform our customers and employees about the most common fraud schemes and to protect them from these. This included extensive training on social engineering for our customers and employees (techniques for cleverly exploiting human characteristics, manipulating them, and carrying out fraudulent intentions). Relevant business partners from whom the Bank purchases products and services are subject to a compliance check for indications of corruption or fraud. This check results in a risk assessment.

The main rule is a zero-tolerance approach to all financial crime. This also means that we are open to tip-offs. Alongside proven communication channels such as contacting the Compliance departments, Commerzbank has set up a whistle-blowing platform called the Business Keeper Monitoring System (BKMS) for this purpose. The online platform allows customers, employees and third parties to report signs of financial crime, violations of regulatory rules and requirements or breaches of internal instructions and other requirements within Commerzbank – anonymously if desired.

### Protecting the market and customers

Market and customer protection is also of central importance. We feel particularly committed to protecting these valuable assets. Furthermore, violations might involve more than just legal consequences; they may harm the Bank's reputation and lead to a loss in profitability too. We therefore provide information to our customers, explain risks and fulfil recording and retention requirements in order to verifiably document the fact that our actions comply with rules. In addition, we resolutely act to counter attempts at market manipulation, which is also in the interests of our customers. To this end, in addition to the existing global trade monitoring system, we have introduced a tool that assists us in evaluating potentially market abusive behaviour.

### Managing compliance risks

As a proactive risk manager, Group Compliance manages compliance risk throughout the Group and thus lays the foundation for compliance with laws and regulations. Its objective is to identify compliance risks before they materialise, and to manage them effectively if and when they do arise. The basis for management is the compliance risk strategy, which provides for a Group-wide risk analysis as the central tool for assessing and minimising potential compliance risks. It is carried out once a year and applies to all business divisions, branches and other affiliated or dependent Group companies in Germany and abroad that are deemed to be relevant for compliance purposes. We regularly review the prevention measures implemented as a result of the risk analysis and supplement them as needed.

To satisfy the requirements of increasingly complex national and international legislation and regulations, the Group is continually developing its compliance risk management and bringing this in line with current developments and challenges.

Other central prevention systems include controls to assess the appropriateness and effectiveness of relevant processes, employee training, compliance support and advice for business units with regard to process development and transactions, compliance hotlines and committees with compliance involvement, case-by-case approvals by the compliance function, mandatory approval for securities transactions in insider-relevant areas, mandatory time away, reliability checks of potential employees, due diligence reviews of third parties, an integrity clause to be signed by all suppliers and service providers, and the BKMS whistle-blowing system.

### Documenting violations

The Bank's consequence management process ensures that sanctions for violations of rules and statutory or regulatory provisions are applied as uniformly as possible throughout the Group. Misconduct by employees requiring at least a written warning is documented centrally. By establishing a uniform reporting process, a decision board for consistent decisions and a records office as a "central memory", we can strengthen Commerzbank's "culture of integrity". We create transparency and thus comparability regarding the consequences of cases of misconduct. The anonymous depiction of this (with personal data removed) in the records office enables the evaluation of misconduct in relation to the measure decided upon and the identification of areas where rules and instructions need to be optimised. For Commerzbank employees, the consequence management framework provides security in terms of a uniform approach to similar cases.

## Making a social commitment

With regard to its social commitment, Commerzbank engages with its environment in a variety of ways. Various projects and initiatives that are implemented in conjunction with partners from business and society make contributions to society, especially in the fields of education and sport. One example is the environmental internship launched with the German national parks in 1990. Every year, the internship gives up to 75 students practical experience in the areas of environmental education and PR work in German national parks. The environmental internship is organised and financed by Commerzbank, with the national parks providing technical support and assistance for students. More than 1,800 students have taken part in the programme since it began. After completing the programme, the graduates then bring their experience to bear in business, politics, society and environmental protection.

In 2021 the Commerzbank environmental internship was nominated for the Sustainability Heroes Award of DQS Deutsche Gesellschaft für Qualität in the biodiversity category for its contribution to species protection.

Through the Green Band initiative for outstanding contributions to promoting talent in sport ("Das Grüne Band für vorbildliche Talentförderung im Verein"), Commerzbank Aktiengesellschaft, in conjunction with the German Olympic Sports Confederation, has been awarding prizes of €5,000 every year for more than three decades as at the end of 2021; the prizes go to 50 sports clubs that do outstanding competitive sports work with young people. More than 2,000 German sports clubs have benefited from the initiative. The German Football Association's DFB Junior Coaches cooperation project is designed to support grass-roots sport. While the DFB trains young people from the age of 15 in schools to become junior football coaches, Commerzbank mentors provide support in preparing the young people for working life by organising job application training and providing work experience for school students in Commerzbank branches. Since the project was launched in 2013, around 3,000 young people are trained as DFB Junior Coaches at around 200 schools nationwide every year.

Furthermore, Commerzbank Aktiengesellschaft is involved in the "finanz-heldinnen" ("financial heroines") initiative to get more women interested in finance. The initiative was set up in early 2018 by comdirect employees with the aim of making a positive contribution to society. In order to support women in becoming better acquainted with the topic of finance and in making financial decisions themselves, the financial heroines convey their knowledge through a variety of formats, including an online magazine, podcasts, afterwork events and an Instagram channel, as well as the bestselling "Manager Magazin" book "Der Finanzplaner für Frauen" (Financial planner for women").

Commerz Real has been committed for many years to support disadvantaged children, digital education, the environment, sports and culture. In 2021 the focus continued to be on promoting home schooling due to the coronavirus, but also on supporting flood disaster victims in North Rhine-Westphalia. In addition, Commerz Real in 2021 donated a total of around €58,000 to various institutions. At Christmas, customers and partners receive donation vouchers instead of gifts, which they can send to one of five "Commerz Real for Children" facilities. A budget of €5,000 is available for each facility. In the year under review, it also continued its cooperation with the Pacemaker initiative, which promotes digital literacy among schoolchildren in Germany.

In 2021 mBank was for the fourth time the exclusive bank partner and sponsor of Poland's biggest charity event, the Great Orchestra of Christmas Charity Foundation (WOSP), which took place for the 29th time. For each day between Christmas 2020 and the Grand Finale fundraiser in mid-January 2021 on which there were at least 100 donations made to the foundation by mBank customers, mBank donated an additional €22,000 (PLN 100,000) – a total of around €436,000 (PLN 2m). In addition, mBank supported fundraising through quick payments to WOŚP in the mobile app and online banking, a cash counting service, promotion in the Corporate Clients segment and a social media campaign at the subsidiary mLeasing.

### Shaping the future

Various foundations supported by the Group over the long term also make a significant contribution to society. As a corporate foundation, the Commerzbank Foundation promotes the social responsibility of its founding company for a society fit for the future. Its motto is: Participation creates the future. With its independent foundation, Commerzbank takes responsibility for its sustainable commitment to be a "good citizen" of the community that goes beyond its actual business activities. Since its establishment in 1970, the Commerzbank Foundation has built up many sustainable partnerships across Germany and has thus become a firmly established provider of support in the world of German foundations. In the 50 years of its existence, it has supported well over 1,000 projects related to cultural, social and scientific activities with a total of around €35m. Its partnership network ranges from museums and theatres to non-profit social organisations and scientific institutions, from national lighthouse projects to exemplary local initiatives. The funding always supports cultural education and mediation, social participation for disadvantaged people and incentives for young researchers.

In addition, seven social foundations have been established to provide financial support to the Bank's employees and pensioners in unforeseeable emergencies. The common aim of all the foundations is to make a long-term and sustainable contribution to the future viability of society. Commerzbank Aktiengesellschaft provided a total of €645,000 in funding for these foundations in 2021, covering expenses such as staff, workplaces and other operating costs.

The mFoundation in Poland supports children, parents, teachers, students and young academics through several funding programmes. In 2021, it allocated more than €545,000 (PLN 2.5m) to promote mathematics education. Furthermore, in 2021 mBank presented an award for the best academic thesis, distributed free e-books and collaborated with external initiatives to promote mathematical education. Another focal point of support is young artists. Through its "M wie Malerei" ("P for Painting") fund, the bank buys paintings by up-and-coming Polish artists. In 2021 mBank established an independent panel of experts that selected 50 artworks throughout the year to be included in a unique collection. mBank also has a fund that provides financial assistance to employees, retirees and their family members in health emergencies.

### Promoting employee engagement

Commerzbank supports the social commitment of its employees, too. They are encouraged and enabled to perform voluntary charity work, with the Bank granting leave or providing the necessary infrastructure. This personal commitment not only benefits the development of society, but also has a positive effect on participating colleagues. Our employees are able to get involved in various different projects. Opportunities in Germany include an educational mentorship programme for disadvantaged young people. There are also non-profit sports projects, the business@school initiative, various Christmas campaigns for social institutions (carried out by the Central Works Council and individual employee groups) and last but not least the leftover cent donation scheme, in which employees at Commerzbank Aktiengesellschaft in Germany and Commerz Real regularly donate the cent amounts of their monthly salary to a good cause. Commerzbank Aktiengesellschaft also donated a total of around €307,000 to various institutions and organisations over the past year. Through the "Wertewald" ("Value Forest") Challenge initiated in 2021, Commerz Real encourages its employees to plant trees as a sign of their personal and professional commitment to sustainability.

# Group management report

› In the Group management report, we provide in-depth information about the Commerzbank Group's performance in the 2021 financial year and about the macroeconomic and sector-specific conditions and their impact on Commerzbank's business activities. We also describe the outlook for the anticipated performance of the Commerzbank Group in 2022 and overall conditions expected.

› Despite high special charges, Commerzbank returned to the black in the 2021 financial year, the first year of its far-reaching transformation, posting a consolidated profit of €430 million. The basis for this was good performance in customer business, with stabilised net interest income and significantly higher net commission income. The Bank reduced its current costs as planned. In addition, the risk result was significantly lower in the second year of the coronavirus pandemic. Overall, the Bank posted an operating profit of just under €1.2bn. The Common Equity Tier 1 ratio (CET1 ratio) rose to 13.6% and thus offers a solid basis for further transformation.

# Contents

# Basis of the Commerzbank Group

## Structure and organisation

Commerzbank is the leading bank for SMEs (the Mittelstand) and a partner to some 28,000 corporate client groups and around 11 million private and small-business customers in Germany. The Bank offers a comprehensive portfolio of financial services in two business segments – Private and Small-Business Customers and Corporate Clients.

In its corporate client business, Commerzbank focuses on German SMEs, large companies and institutional customers. In international business, the Bank supports customers who have business links with Germany and companies in selected future-oriented sectors. Following the integration of comdirect, private and small-business customers benefit from the services of one of the most modern online banks in Germany, along with telephone support and personal advisory services at a local level. The Polish subsidiary mBank is an innovative digital bank. It serves around 5.5 million private and small-business customers, mainly in Poland but also in the Czech Republic and Slovakia.

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

On the domestic market, Commerzbank Aktiengesellschaft is headquartered in Frankfurt am Main, from where it manages its branch network serving all customer groups. Following the merger with comdirect Bank AG, Commerz Real AG is now the biggest domestic subsidiary. Outside of Germany, as at the reporting date Commerzbank has 6 material subsidiaries, 19 operational foreign branches and 26 representative offices in just under 40 countries and is represented in all major financial centres, such as London, New York, Tokyo and Singapore. However, the focus of the Bank's international activities is on Europe.

Commerzbank prepares Group financial statements which, in addition to Commerzbank Aktiengesellschaft as operating lead company, incorporate all material subsidiaries over which the Bank exercises control. The financial year is the calendar year.

## Objectives and strategy

The 2021 financial year was the first year of Commerzbank's comprehensive transformation, which the Bank initiated in February 2021 with its "Strategy 2024" programme. Through the measures announced, we will combine the benefits of a digitalised bank with personal advisory services, an unwavering customer focus and sustainability. We have a clear goal in mind: to create a strong Commerzbank that is fit for the future. At a Capital Markets Day at the beginning of March 2022, we updated the target values for costs and return on equity. The key elements are described below.

**We are putting profitability before growth**
We have to make the Bank profitable again. To achieve this, we will focus on optimally meeting the changing needs of our customers while also ensuring a high level of efficiency.

**We are adjusting our capacities**
We want to reduce our costs by €1.3bn. This also entails eliminating around 10,000 full-time positions (in gross terms) to enable us to operate profitably again in the long term and be in a position to offer long-term job prospects for the majority of the workforce in the future.

**We are embracing comprehensive digitalisation**
We want to become the number one digital advisory bank in Germany. To achieve this, we will invest significant amounts in our IT: €1.7bn over the next few years. We are hugely expanding digital relationship management in both customer segments, tapping into the expertise of comdirect. We will also make our IT considerably more agile, powerful and efficient in the coming years, for example by significantly expanding our cloud-based solutions.

### Private and Small-Business Customers

Commerzbank is to radically restructure its business with private and small-business customers. The aim is to further develop the segment into an attractive combination of a high-performance direct bank and a provider of first-class advisory services.

At 450 locations throughout Germany, customers will in future be able to seek advice on topics such as accounts, cards and instalment loans, and obtain support with the use of the Bank's digital services. Private and small-business customers requiring more in-depth advisory services will receive comprehensive, personal advisory support and individual solutions relating to wealth management and financing.

### Corporate Clients

In the Corporate Clients segment, Commerzbank will in future focus on offering a streamlined and digitalised product range to German SMEs and large companies. We will continue to serve international corporate clients if they have business links with Germany or operate in selected future-oriented sectors such as mobility, sustainability, communications, life sciences and capital goods. Our international network remains an important building block. We will also continue to rely on and further optimise our network of correspondent banks and selected non-banking financial institutions (NBFIs).

### Cost savings

Following the restructuring, Commerzbank is targeting a return on tangible equity (RoTE) of over 7% for the 2024 financial year. Costs will be reduced by €1.3bn or around 20% by 2024 compared with the figures for 2020. Income, on the other hand, is expected to remain largely stable, the exception being mBank, where further growth should be seen. Almost all of the restructuring expenses anticipated under the "Strategy 2024" programme have been recognised in the income statement as at the end of the reporting year. The contractual terms for more than 60% of the planned elimination of 10,000 full-time positions (in gross terms) have already been agreed.

Despite the significant restructuring, the capital ratio (CET1) will consistently be at least 200 to 250 basis points above the minimum regulatory requirements (MDA). This will enable Commerzbank to remain robust and resilient in the future while still managing its capital efficiently.

### Sustainability

Sustainability is one of the four cornerstones of our "Strategy 2024" programme. The sustainability strategy integrated therein currently focuses on climate protection in light of climate change and its consequences. At the heart of the strategy is our commitment to achieve net zero by 2050 at the latest. We have thus aligned ourselves with the Paris Climate Agreement's goal of limiting global warming to a maximum of 1.5 degrees Celsius compared with pre-industrial times. We see sustainable transformation as both an obligation and an opportunity, because sustainability is playing an increasingly important role for both our customers and investors alike. We set a good example and support our customers on their path toward greater sustainability.

Detailed information on the "Strategy 2024" programme can be found both in the Annual Report 2020 and on the Commerzbank website at https://www.commerzbank.com.

## Corporate management

Corporate management in the Commerzbank Group is based on a value-oriented steering concept. This concept is focused on ensuring that the risks entered into by the business units are in line with the external and internal guidelines on risk-bearing capacity and on striving to achieve an appropriate return over the long term on the capital employed. In this respect, the Bank regularly monitors the allocation of scarce resources to business units and actively adapts its business strategy to changing market circumstances in order to boost the enterprise value over the long term.

The annual planning process is a key corporate management tool. In this process, the Board of Managing Directors sets targets for the business units based on the business strategy. Existing resources such as capital and risk limits are allocated to the segments in a way that reflects the targets and risk profiles. The segments operationalise the targets based on the business strategy and the results of the planning process. The Board of Managing Directors carries out regular checks to ensure that business planning is being followed. This ensures that any deviations are identified at an early stage through monthly management reporting, and corrective measures are taken.

In order to manage the Group and its segments, the Bank uses the standard controlling indicators described below, which cover all the essential dimensions of Group management. Their development is monitored as part of regular management reporting.

The management of the Bank takes account of both pillars of capital adequacy requirements. To ensure internal risk-bearing capacity at all times, planning includes allocating economic capital to the segments according to type of risk. The average capital employed in the segments is calculated based on the average segmented risk-weighted assets. At Group level, Common Equity Tier 1 (CET1) is shown. The reconciliation of average capital employed in the segments to the Group's CET1 capital is carried out in Others and Consolidation. The Common Equity Tier 1 ratio is a key indicator for the Bank in capital management.

The key figures used for measuring success in the corporate management process are operating profit/loss and group profit/loss after tax and non-controlling interests, along with the cost/income and return on equity ratios and the economic value added calculated from these ratios. The cost/income ratio is used to assess cost efficiency and is defined as the ratio of operating expenses (excluding impairments of goodwill and restructuring expenses) to income before the risk result. The cost/income ratio is calculated in two variants: with and without the inclusion of compulsory contributions in the item “expenses”. Segment return on equity is calculated as the ratio of operating profit/loss or pre-tax profit/loss to the average amount of regulatory capital employed. It shows the return on the equity invested in a given business segment. As is standard for value-based management concepts, the target minimum return on capital employed is derived from the expected return on the capital market. Here the focus at Group level is on the return on tangible equity.

Economic value added is the indicator used for determining the performance of the Group. It is defined as the difference between the Group’s return on equity and the capital cost rate, multiplied by the Group’s equity. The Group’s return on equity is the ratio of the consolidated profit after tax and non-controlling interests to the average CET1 capital of the Group.

The calculation of the capital cost rate is based on the Bank’s strategic target return on tangible equity and the capital market-oriented Capital Asset Pricing Model (CAPM) and is subject to an annual review. Commerzbank currently calculates its post-tax cost of capital to be 9.2%.

As Group figures, the controlling data listed above form part of a system of other segment-specific data that vary from segment to segment depending on the business strategy.

# Remuneration report

The remuneration report for the Board of Managing Directors and the Supervisory Board is published as a separate report and can be found at https://www.commerzbank.com/en/haupt-navigation/aktionaere/publikationen_und_veranstaltungen/unternehmensberichterstattung_1/index.html.

# Details pursuant to Art. 315 (4) of the German Commercial Code (HGB)

Details pursuant to Art. 315 (4) of the German Commercial Code (HGB) can be found in the section on corporate responsibility. They form part of the Group management report.

# Details pursuant to Art. 315a (1) of the German Commercial Code (HGB) and explanatory report

Details pursuant to Art. 315a (1) of the German Commercial Code (HGB) and explanatory report can be found in the section on corporate responsibility. They form part of the Group management report.

# Details pursuant to Art. 315d of the German Commercial Code (HGB)

Details pursuant to Art. 315d in conjunction with Art. 289f of the German Commercial Code (HGB), “Declaration on corporate governance”, can be found in the section on corporate responsibility. They form part of the Group management report. The declaration on corporate governance can be found at https://www.commerzbank.de/ geschaeftsbericht2021.

# Details pursuant to Art. 340i (5) in conjunction with Art. 315b (3) of the German Commercial Code (HGB)

Details pursuant to Art. 340i (5) in conjunction with Art. 315b (3) of the German Commercial Code (HGB) can be found in the section on corporate responsibility as a combined separate non-financial report and online at www.commerzbank.com/NFR2021. They form part of the Group management report.

# Important staffing and business policy events

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

We are on track in terms of ensuring that the headcount reduction under the “Strategy 2024” programme is as socially responsible as possible: We agreed a framework reconciliation of interests and a framework social plan with the employee representatives in May, and were able to finalise the partial reconciliations of interests for the respective divisions by November.

There were changes in the composition of both the Board of Managing Directors and the Supervisory Board during the year under review. The Bank also made progress in streamlining the Group structure and further reducing complexity. The optimisation of the Bank’s capital structure was also on the agenda. At the end of the third quarter of 2021, Commerzbank explained the ambitious key elements of its sustainability strategy at its first “Sustainability Dialogue” event. At the heart of the strategy is our commitment to achieve net zero by 2050 at the latest. The Bank also further strengthened its compliance function in 2021.

## Changes in the Supervisory Board of Commerzbank

Hans-Jörg Vetter resigned his position as Chairman and member of the Supervisory Board of Commerzbank for health reasons at the close of 16 March 2021. Andreas Schmitz stepped down from the Supervisory Board of Commerzbank on 24 March 2021. At the request of the Board of Managing Directors of Commerzbank, Helmut Gottschalk was appointed by a court as a member of the Supervisory Board until the end of the 2021 Annual General Meeting by resolution dated 14 April 2021 and elected as Chairman of the Supervisory Board at the end of April until the end of the 2021 Annual General Meeting. Dr. Victoria Ossadnik, Dr. Tobias Guldimann and Dr. Rainer Hillebrand stepped down from the Supervisory Board at the close of the Annual General Meeting on 18 May 2021. The Annual General Meeting elected Daniela Mattheus, Caroline Seifert, Helmut Gottschalk, Burkhard Keese and Frank Westhoff to the Supervisory Board as shareholder representatives with simultaneous effect. Following the Annual General Meeting on 18 May 2021, the Supervisory Board elected Helmut Gottschalk again as Chairman of the Supervisory Board. On the employee representative side, Christian Höhn stepped down from the Supervisory Board on 31 December 2021. His successor Stefan Jennes has been a new member of the Supervisory Board since 1 January 2022.

## Changes in the Board of Managing Directors of Commerzbank

During the 2021 financial year, the Supervisory Board of Commerzbank took staffing decisions aimed at putting the Board of Managing Directors in a position to tackle the far-reaching transformation initiated as part of the “Strategy 2024” programme.

At its meeting of 16 June 2021, the Supervisory Board appointed Dr. Bettina Orlopp as Deputy Chairwoman of the Board of Managing Directors with effect from 17 June 2021, at which point the Supervisory Board also extended her appointment to the Board of Managing Directors by five years until June 2026. At the same time, Jörg Hessenmüller's contract was also extended.

At its meeting of 15 September 2021, the Supervisory Board appointed Thomas Schaufler, previously a member of the Management Board with responsibility for Retail Banking at Austria’s Erste Group Bank AG, to the Board of Managing Directors. Thomas Schaufler assumed responsibility for Commerzbank’s Private and Small-Business Customers segment on 1 December 2021. As announced in June 2021, Sabine Schmittroth will therefore concentrate fully on her duties as Director of Human Resources. This task is particularly important, both within the context of the transformation and its implementation from an HR perspective. The Supervisory Board also appointed Dr. Jörg Oliveri del Castillo-Schulz to the Board of Managing Directors as the new Chief Operating Officer (COO). Dr. Jörg Oliveri del Castillo-Schulz had already assumed responsibility for the COO department as general representative with effect from 1 October 2021 and thus succeeded Jörg Hessenmüller, who left the Bank on 30 September 2021. He was appointed to the Board of Managing Directors with effect from 20 January 2022.

Sabine Schmittroth, Commerzbank’s Member of the Board of Managing Directors responsible for Group Human Resources and Director of Human Resources, informed the Supervisory Board in mid-February 2022 that for personal reasons she had decided to leave the Bank when her contract expires at the end of the year. The Supervisory Board will start the search for her successor in the near future.

## Commerzbank making good progress with its restructuring

Commerzbank is making good progress towards the cost reductions targeted under the “Strategy 2024” programme. At the end of March 2021, the Bank agreed a voluntary programme with the Central Works Council for the required headcount reduction. Around 1,600 full-time employees left the Bank at the turn of the year under the voluntary programme at Commerzbank Aktiengesellschaft in Germany.

The Bank agreed a framework reconciliation of interests and a framework social plan for the required headcount reduction at Commerzbank Aktiengesellschaft in Germany with the employee representative committees at the beginning of May 2021. The binding agreements will form the basis for ensuring that the headcount reduction is as socially responsible as possible.

Commerzbank and the employee representatives successfully concluded the negotiations on the implementation of the “Strategy 2024” programme in mid-November 2021. The agreement creates clarity regarding the structure of all Group divisions in Germany. Overall, the Bank will become significantly leaner as a result. Following completion of the partial reconciliations of interests, the framework social plan adopted in May 2021 came into force at the same time. Since then, employees have been able to use the tools designed to ensure that the headcount reduction is socially responsible.

## Commerzbank streamlines its capital market business

Since 11 May 2021, Commerzbank has been working with the German-French financial group ODDO-BHF in equities business. The cooperation has enabled the Bank to align its capital market business even more consistently with the needs of its core customers. It also enables the Bank to reduce costs and complexity without compromising on customer service. In brokerage business, ODDO-BHF now acts as an exclusive partner for Commerzbank, contributing its extensive expertise in equity sales and trading for European and North American markets. This has allowed Commerzbank to achieve significantly greater reach for its corporate clients' equity transactions and place them even more effectively. The broad geographical platform means corporate clients now enjoy strong coverage of other European countries and sectors with correspondingly greater sales power, in addition to the existing market-leading coverage of equities in the DACH region. Commerzbank itself will no longer offer institutional equity research, i.e. research on equities for professional clients. Instead, its cooperation partner ODDO-BHF will render this service. The Bank's advisory expertise in equities business, delivered through Equity Capital Markets, remains a key cornerstone of Commerzbank's corporate banking business and will continue to be available to customers without restriction. Here the Bank will continue to focus on the relevant needs of its corporate clients, including SMEs, and will continue to help them issue new equity via avenues such as IPOs, share placements, capital increases or convertible bonds.

## Commerzbank successfully issues another Additional Tier 1 bond

In mid-June 2021, Commerzbank Aktiengesellschaft successfully issued the third bond under its issuance programme for Additional Tier 1 capital (AT1). The bond has a volume of €500m and a fixed coupon of 4.25% per annum. At over €1.75bn, the order book was heavily oversubscribed, reflecting the widespread interest among investors. The new AT1 bond has a perpetual maturity and the first call date is in the period from October 2027 to April 2028. The bond terms provide for a temporary write-down in the event that the Bank's Common Equity Tier 1 ratio (CET1 ratio) drops below 5.125%. Shareholders' subscription rights were excluded. With the issue of the AT1 bond, Commerzbank is further strengthening and optimising its capital structure.

## Commerzbank keeps securities settlement in-house – outsourcing project halted

On 22 July 2021, the Board of Managing Directors of Commerzbank decided to terminate the project to outsource securities settlement to HSBC Transaction Services GmbH with immediate effect due to technical implementation risks and changed market conditions. The termination of the project resulted in a charge of €200m for the second quarter of 2021 arising from the derecognition of an intangible asset. This derecognition had no impact on the Bank's liquidity or CET1 ratio. Provisions in the double-digit millions were also recognised.

With this decision, Commerzbank is reducing the complexity of the transformation and will initially focus on further modernising its own system landscape. Commerzbank's IT delivery organisation, launched two years ago, is set to make an important contribution to this, with the Bank creating a dedicated key area for securities & brokerage within the delivery organisation as part of its "Strategy 2024" programme. The market environment and technological possibilities have changed considerably since the outsourcing project was launched in 2017. The significant growth in trading volume and ongoing technological development mean that Commerzbank is now able to continue securities settlement profitably. As a result, the transfer of processes to the systems of the HSBC subsidiary, most recently planned for mid-2021, did not take place.

## Commerzbank sells Hungarian subsidiary to Erste Bank

Commerzbank announced in mid-December 2021 that it will sell its wholly owned subsidiary Commerzbank Zrt. to Erste Bank Hungary Zrt. The sale is part of the "Strategy 2024" programme, under which Commerzbank announced in February that it intends to streamline its international presence. The transaction in Hungary is still subject to approval by the competition authorities and the banking regulator. The parties have agreed not to disclose the purchase price. The completion of the sale and thus the start of the operational implementation of the transaction is planned for the second half of 2022. A comprehensive cooperation agreement between Commerzbank and Erste Group, which was signed at the same time, is also due to come into effect upon completion of the sale. This partnership will enable Commerzbank to offer its corporate customers easy access to selected markets in central and south-eastern Europe via its cooperation partner Erste Group.

Commerzbank has a presence in eastern Europe through its own locations in Poland, the Czech Republic and Russia.

## Commerzbank sets ambitious sustainability targets and launches sustainability dialogue

Being "sustainable" is one of the four pillars of our "Strategy 2024" programme, alongside being "customer-oriented", "digital" and "profitable". We see sustainable transformation as both an obligation and an opportunity, because sustainability is playing an increasingly important role for both our customers and investors alike. We set a good example and support our customers on their path toward greater sustainability. We are convinced that working together with our customers is the most effective way for us to reach climate targets. The Bank explained the ambitious key elements of its sustainability strategy at its "Sustainability Dialogue" event, which was held for the first time on 17 September 2021.

The core of the Bank's sustainability agenda is its net zero commitment. Commerzbank is fully committed to the Paris Climate Agreement. In keeping with that commitment, the Bank has pledged to reduce the carbon emissions of its entire lending and investment portfolio to net zero by 2050 at the latest. The Bank aims to help channel more capital into sustainable economic activities in order to mitigate the consequences of climate change. It follows that our primary goal is therefore to support our customers in their own transformations to becoming sustainably operating companies. The Bank will mobilise around €300bn for this purpose by 2025, which corresponds to a threefold increase in sustainable business volume compared with the end of 2020. As a bank, we are financiers of the green transformation and that makes sustainability a mainstay of our business model.

Further information on this can be found on page 40 ff. of the combined separate non-financial report.

## Further strengthening of the compliance function

The Bank continued its activities in 2021 to further strengthen the compliance function. In addition to the structural changes, these also related to staff training and the successful recruitment of qualified compliance experts to work at head office and in foreign locations.

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

In the year under review, the Bank rigorously pressed ahead with the further development of the global compliance system landscape in line with the latest market standards. Following the global upgrade of the systems and models for monitoring transactions with regard to money laundering and terrorist financing – completed while maintaining continuous operational stability and further improving risk coverage – a number of legacy systems that were no longer required were removed and data paths were standardised to further improve data quality.

The quality of the established expanded sanctions compliance function is constantly maintained, in particular through active participation in banking associations (Association of German Banks and European Banking Federation). The Bank implemented a further process improvement in 2021 by linking the relevant foreign locations to the sanctions list check carried out when processing the respective domestic payment transaction.

In 2021, Global Markets Compliance continued the Global Surveillance Implementation Programme (GSIP) launched in 2018. The programme is aimed at expanding global surveillance of trade and communications. Implementation of the Behavox communications surveillance system was completed in the Shanghai, Prague and Moscow locations and new communication channels integrated into the surveillance process. The "Fixed Income" and "Commodities" asset classes were made available for the SCILA trade surveillance system, and steps were taken to ensure that coverage was in place for all relevant products under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

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

For more information on compliance risks and on integrity and compliance at Commerzbank, please see page 138 f. of the Group risk report and page 61 ff. of the combined separate non-financial report.

# Economic report

## Economic conditions

### Economic environment

The coronavirus pandemic continued to have a huge impact on the global economy in 2021. While the incidence of infection decreased significantly in spring 2021 in many countries and the coronavirus-related restrictions were noticeably relaxed, new waves of infection began to build up in autumn, which recently gained considerable momentum with the emergence of the Omicron variant. Against this background, the coronavirus-related rules in many countries were tightened again, sometimes drastically. The closure of production facilities and logistics bottlenecks severely disrupted global supply chains. Many companies were unable to adapt their production to meet the increased demand due to a lack of intermediate products. In the automotive industry, production even had to be significantly curtailed at times due to a lack of semiconductors.

In China, where entire cities with millions of inhabitants are locked down in the event of even small coronavirus outbreaks, economic growth slowed considerably again in 2021. More restrictive lending and problems in the real estate sector also contributed to this slowdown.

In the USA, the economy continued to recover markedly in 2021 despite sometimes high numbers of new coronavirus infections, returning to its pre-crisis level in the second quarter. Demand from private households in particular continued to grow strongly, boosted by a very extensive government aid package and a rapid recovery in the labour market. The strong demand also had a downside, however, as it drove inflation up to 7% as at the end of the year, its highest level in 40 years. At the same time, wage growth increased noticeably as a result of the largely empty labour market. Against this background, the US Federal Reserve announced in December that it would end its bond purchases in March 2022.

The eurozone economy also returned to its pre-crisis level at the end of 2021. It recovered markedly after coronavirus restrictions were eased in the spring, but the wave of coronavirus infections in the autumn meant that economic growth largely came to a standstill again. At the end of 2021, eurozone inflation rose to its highest level since the start of the monetary union. Against this background, the European Central Bank (ECB) announced in December that it intends to buy fewer government bonds. The emergency purchase programme, which runs until the end of March 2022, is not to be extended.

In Germany, the economic slump caused by the pandemic at the beginning of 2021 was particularly pronounced, although the country's GDP also grew significantly in the summer half-year. The number of new coronavirus infections rose sharply again from October onwards, however, prompting politicians to gradually tighten the coronavirus rules again. As a result, the economy shrank again in the final quarter of 2021 and will probably continue to fall in the first quarter of the current year, although the decline is unlikely to be anywhere near as severe as in the same quarter of the previous year. This is backed up by the continued recovery in industry. Sectors such as hotels and catering, event management and tourism have been hit hard once again. Thanks to the extensive government aid package, particularly for short-time work, there has been only a slight rise in unemployment as a result of the crisis. The unemployment rate is now almost back to the low level seen at the end of 2019.

The financial markets continued to benefit from the expansive monetary and financial policy, although this did not prevent yields, particularly on long-term US government bonds, from being higher at the end of 2021 than they were at the beginning of the year. The yield on ten-year German Bunds is still close to zero, however. Share prices continued to rise sharply in 2021, with indices such as the DAX, Dow Jones and Nasdaq at times reaching new highs. By contrast, the euro fell significantly against the US dollar over the course of 2021.

### Sector environment

The difficult economic situation brought about primarily by the coronavirus pandemic meant 2021 was another particularly challenging year for the banking sector. While comprehensive government aid programmes prevented a larger economic downturn, the negative consequences of the pandemic for the economy and society have not yet been overcome. In particular, the risks for the banking environment's short-term prospects are still high. Nervousness has returned to the international capital markets with the emergence of the new Omicron coronavirus variant. Throughout the world, the industrial sector is suffering from supply chain problems caused in part by China's zero-Covid strategy. In addition, energy and commodity prices as well as material costs have risen significantly and are fuelling inflation worldwide. China is becoming increasingly unable to fulfil its role as the engine of the global economy: its economic growth has slowed markedly due to high levels of corporate debt, a weaker labour market and turbulence on the real estate market.

The strain on European banks' lending business has been considerably mitigated to date, primarily thanks to government support for the real economy and central bank support measures relating to liquidity and refinancing. Income losses were limited for both companies and households; employment conditions were protected and the supply of credit to the economy was guaranteed. The financial markets also recovered their initial price losses very quickly and climbed to new highs. As a result, European banks have so far been spared any major impact on earnings despite uncertainty about their risk provisioning requirements and volatility in trading income. Exposures to consumer loans and to companies and self-employed persons in sectors that have been particularly hard hit by the pandemic, such as personal services, gastronomy, tourism and event management, are still subject to high risks, however. There are also fears of loan defaults on commercial property financing if recent changes to working and shopping habits are maintained over the long term.

Germany saw a marked rise in the number of personal insolvencies last year. This was probably due in part to the law aimed at gradually reducing the length of residual debt discharge proceedings from six to three years. By contrast, the number of corporate insolvencies fell even after the expiry of a number of special regulations such as the suspension of the obligation for over-indebted companies to file for insolvency. However, there was also a marked increase in the volume of expected corporate insolvency claims. To mitigate the negative impact, the Corporate Stabilisation and Restructuring Act (Unternehmensstabilisierungs- und Restrukturierungsgesetz, StaRUG), which came into force at the beginning of 2021, is intended to establish new rules for restructuring law upstream of insolvency law. The measures laid down in the Act are designed to significantly improve companies' restructuring prospects and thus prevent insolvencies in a targeted manner.

Even though there has recently been a significant rise in inflation, for the time being the ECB will maintain its expansive monetary policy. The period of extremely low interest rates continues to exert considerable pressure on interest margins in lending business, especially in Europe. This is severely restricting the profitability of the banking sector despite increased income from fees and commissions. The latest EBA stress test in 2021 confirms this finding: although the capital position of the European financial sector proved to be robust, a general income weakness was evident even in the baseline scenario due to the low interest rate environment. Many banks in Germany did not benefit sufficiently from the recent significant improvement in income in investment banking and trading business due to the high level of competitive pressure and their previous withdrawal from currently lucrative business areas such as investment banking.

According to the European Banking Authority (EBA), the banking sector's capital base, liquidity and profitability improved around the middle of 2021 compared with the previous year. As a result, the most important European banks currently have sufficient equity capital and are liquid.

The Deutsche Bundesbank Financial Stability Review also confirms that the German financial system is currently very resilient. For example, in the event of a severe macrofinancial shock the capital buffers that have been built up can be used to prevent restrictions on the supply of credit. At the same time, however, both of the institutions mentioned above point to a marked increase in banks' vulnerability to macroeconomic risks. In its regular Risk Assessment Report, the EBA notes that banks' liquidity would look much worse without central bank support. The supervisory authorities also consider the trend towards high concentrations of government bonds in European banks' balance sheets to be a critical issue. In addition, there is a risk of losses from overvalued assets, especially on the real estate markets.

The Polish banking sector has so far proved to be robust in assessments of financial stability. There are risks, however, from unsecured consumer loans and mortgage loans. There are currently numerous pending lawsuits from private customers relating to Swiss franc real estate loans with indexing clauses. Case law on such lawsuits is inconsistent, but the majority of rulings favour consumers. To date, neither the Polish courts nor the European Court of Justice have come up with a clear and conclusive solution to the issue of foreign currency loans. As a result, at the end of 2020 the Polish banking regulator proposed that foreign currency loans issued by Polish banks be converted into Polish złoty on the basis of voluntary agreements with their customers and that interest be charged based on Poland's WIBOR reference rate. Some Polish banks have made corresponding settlement offers to their customers. As the Polish złoty has depreciated considerably against the Swiss franc over the past few years, such a conversion will have a significant negative impact on the earnings of the banks concerned. Since the end of 2019, they have therefore recognised higher provisions for risks in connection with lawsuits alleging the ineffectiveness of agreements or individual clauses.

# Financial performance, assets, liabilities and financial position

The coronavirus pandemic once again had a major impact on the German economy and the global economy as a whole in the 2021 financial year and has therefore also affected the Commerzbank Group's financial statements. The effects of the pandemic on the different divisions of the Commerzbank Group were reviewed in various working groups and projects, and appropriate measures were decided upon.

Explanations of these effects and of amendments to the accounting and measurement methods can be found in Notes 2 and 4 to the Group financial statements.

The Commerzbank Group recorded an operating profit of €1,183m for the year under review, after an operating loss of €–233m in the previous year. The consolidated profit attributable to Commerzbank shareholders for the period under review was €430m.

Total assets of the Commerzbank Group as at 31 December 2021 were €473.0bn, compared with €506.6bn at the end of 2020. The significant decline of 6.6% was due in particular to the reduction in deposits and to the derivatives business.

The decline in risk-weighted assets (RWA) to €175.2bn was mainly due to effects relating to credit and market risk. Common Equity Tier 1 capital was €23.8bn and the corresponding Common Equity Tier 1 ratio 13.6%.

## Income statement of the Commerzbank Group

The individual items in the income statement were as follows in 2021:

At €4,849m, net interest income in the period under review was 2.5% below the prior-year level. In the Private and Small-Business Customers segment, interest-bearing business in Germany recorded a significant increase in income due to the continued growth of the credit portfolio, particularly in retail mortgage financing and individual loans. This offset the further significant decline in interest income from deposit business. Several interest rate rises imposed by Poland's central bank in the final quarter of 2021 have already had a noticeably positive impact on mBank's deposit business, meaning that its net interest income, including effects from volume growth in lending business, remained almost at the prior-year level. Net interest income in the Corporate Clients segment was also slightly below the prior-year level. The significant decline in net interest income in the Others and Consolidation segment was primarily attributable to lower interest income from Group Treasury with corresponding offsetting effects in net income from financial assets and liabilities measured at fair value through profit or loss. The recognition of extraordinary income totalling €264m from the targeted longer-term refinancing operations (TLTRO) with the ECB only partially offset the decline in net interest income.

Net commission income rose by 9.0% year on year to €3,616m. In the Private and Small-Business Customers segment, net commission income was the main income driver in the year under review. In Germany, the increase resulted from material growth in the volumes of security accounts and the ongoing very high volume of customer transactions. The increase at mBank was mainly due to price adjustments in retail banking and corporate client business and to higher fees in lending business. In the Corporate Clients segment, net commission income was up slightly year on year.

The net income from financial assets and liabilities measured at fair value through profit or loss was €980m in the period under review, after €66m in the prior-year period. The significant increase was mainly attributable to positive remeasurement effects, whereas the prior-year period was affected by valuation fluctuations in connection with the coronavirus pandemic.

| Statement of comprehensive income I €m | 2021 | 2020 | Change |
|---|---|---|---|
| Net interest income | 4,849 | 4,975 | –126 |
| Dividend income | 22 | 37 | –16 |
| Risk result | –570 | –1,748 | 1,178 |
| Net commission income | 3,616 | 3,317 | 299 |
| Gain or loss from financial assets and liabilities measured at fair value through profit and loss and net income from hedge accounting | 884 | 273 | 610 |
| Other profit or loss from financial instruments, income from at-equity investments and other net income | –911 | –416 | –495 |
| Operating expenses | 6,239 | 6,160 | 79 |
| Compulsory contributions | 467 | 512 | –45 |
| **Operating profit/loss** | **1,183** | **–233** | **1,416** |
| Impairments of goodwill and other intangible assets | – | 1,578 | –1,578 |
| Restructuring expenses | 1,078 | 814 | 263 |
| **Pre-tax profit or loss from continuing operations** | **105** | **–2,626** | **2,731** |
| Taxes on income | –248 | 264 | –512 |
| Consolidated profit or loss from discontinued operations | 0 | 30 | –30 |
| **Consolidated profit/loss** | **354** | **–2,861** | **3,214** |
| Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components | 430 | –2,870 | 3,300 |

The other net income figure of €–944m relates in particular to provisions and allocations to provisions. These include provisions in connection with the ruling of the Federal Court of Justice on price changes with private customers, provisions in connection with mortgage loans issued in foreign currencies at mBank, additional provisions in connection with potential tax refund claims and provisions in connection with the termination of the project to outsource securities settlement to HSBC Transaction Services GmbH.

The risk result of €–570m was significantly lower than the prior-year figure of €–1,748m. The much lower risk result compared with the previous year was due to the reduced number of loan defaults in 2021. The risk result for the prior-year period included a top-level adjustment (TLA) of €–505m made because of the coronavirus pandemic. The default of a large individual exposure also had a negative impact on the risk result in the prior-year period. In the reporting year, the TLA was increased by €–17m to €–523m. Further information on the TLA can be found in the risk report on page 117 ff. and in Note 32 of the notes to the financial statements. In both the Private and Small-Business Customers segment and the Corporate Clients segment, the loan loss provisions required for 2021 remained significantly below the level of the prior-year period.

Operating expenses increased by 1.3% year on year to €6,239m due to the special charge of €200m arising from the derecognition of an intangible asset in connection with the termination of the project to outsource securities settlement to HSBC Transaction Services GmbH, which was incurred at the end of the first half of 2021. Personnel expenses were slightly below the prior-year level at €3,464m, with the elimination of full-time equivalents more than offsetting cost-generating effects including salary adjustments and higher variable remuneration. By contrast, administrative expenses, including depreciation of fixed assets and amortisation of other intangible assets, increased by 4.3% to €2,775m. Excluding the special charge, administrative expenses decreased significantly.

Compulsory contributions, which include the European banking levy, contributions to the Deposit Protection Fund and the Polish bank tax, were reported separately and were below the prior-year level at €467m. In the year under review, Commerzbank made use of the opportunity to meet part of its annual contribution to the European banking levy and the statutory deposit insurance scheme in the form of irrevocable payment commitments.

Restructuring expenses of €1,078m during the reporting period affected earnings performance. These mainly related to the implementation of the "Strategy 2024" programme and resulted primarily from the recognition of restructuring provisions – particularly in connection with the headcount reduction and the closure of locations – and from higher depreciation of leased assets and office furniture and equipment due to a reduction in their remaining useful life in connection with restructuring measures.

The pre-tax profit from continuing operations was €105m, compared with a loss of €–2,626m in the prior-year period.

A positive tax effect of €248m was reported in the period under review. This resulted primarily from tax income relating to the retrospective recognition of deferred tax assets on loss carryforwards, offset mainly by current tax expenses of the mBank subgroup for the period under review and tax expenses relating to other periods resulting from the additional recognition of provisions for tax risks.

The profit from continuing operations after tax was €354m, compared with a loss of €–2,890m in the prior-year period. There was no result from discontinued operations after tax in the year under review. In the previous year, the income and expenses of the Equity Markets & Commodities (EMC) division sold to Société Générale were reported here.

Net of non-controlling interests, a consolidated profit of €430m was attributable to Commerzbank shareholders and investors in additional equity components for the 2021 financial year, compared with a consolidated loss of €–2,870m in the previous year.

Despite Commerzbank Aktiengesellschaft reporting significantly negative results for the 2021 financial year in accordance with the German Commercial Code (HGB), the plan is to service all capital instruments issued by Commerzbank Aktiengesellschaft for the 2021 financial year. We will be proposing to the Annual General Meeting that no dividend be distributed for 2021.

Total comprehensive income, which includes both consolidated profit/loss and other comprehensive income for the period, showed a net total of €774m in 2021.

Other comprehensive income of €421m consists of the sum of changes in the revaluation reserve (FVOCImR) (€–244m), the cash flow hedge reserve (€–192m) and the currency translation reserve (€216m), changes in companies accounted for using the equity method (€–1m), changes from the remeasurement of defined benefit plans not recognised in the income statement (€674m), changes from the remeasurement of land and buildings not recognised in the income statement (€2m), changes in own credit spreads of liabilities FVO not recognised in the income statement (€–30m), and the change in remeasurement effects from net investment hedges (€–5m). Further information on other comprehensive income can be found on page 150 of the Group financial statements.

Operating profit per share was €0.94 and earnings per share €0.23. The comparable figures in the prior-year period were €–0.19 and €–2.33 respectively.

## Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 31 December 2021 were €473.0bn, down 6.6% compared with year-end 2020.

Cash on hand and cash on demand fell by €26.1bn to €49.5bn. The marked decrease compared with the end of 2020 was attributable to reduced demand deposits held with central banks.

Financial assets at amortised cost rose slightly by €7.0bn to €299.2bn compared with the end of 2020. While there was growth in lending to private customers, particularly in retail mortgage financing and universal loans, there were corresponding declines in lending business with international customers.

Financial assets in the fair value OCI category were €40.1bn, down €2.7bn compared with the end of 2020. The fall of 6.4% was attributable to a lower volume of securitised debt instruments.

At €28.4bn, financial assets mandatorily measured at fair value through profit or loss were almost on a par with the end of the previous year. The increase of €5.1bn in loans and advances to central banks was almost entirely offset by a decline of €5.0bn in loans and advances to banks and financial service providers.

Financial assets held for trading were €43.8bn at the reporting date, down €8.4bn compared with the end of 2020, due largely to lower positive fair values of derivative financial instruments. While positive fair values of interest-rate-related and currency-related products fell significantly by a total of €10.8bn, securitised debt instruments increased slightly by €0.4bn and other trading portfolios by €2.0bn.

Non-current assets held for sale and disposal groups were €0.8bn, compared with €2.0bn at the end of 2020. The decline related to portfolio transfers in connection with the sale of the EMC business to Société Générale. The value at the reporting date related in particular to the planned sale of Commerzbank Zrt. to Erste Bank Hungary Zrt.

| Assets I €m | 31.12.2021 | 31.12.2020[1] | Change in % |
|---|---|---|---|
| Financial assets – Amortised cost | 299,181 | 292,142 | 2.4 |
| Financial assets – Fair value OCI | 40,115 | 42,862 | −6.4 |
| Financial assets – Mandatorily fair value P&L | 28,432 | 28,677 | −0.9 |
| Financial assets – Held for trading | 43,790 | 52,176 | −16.1 |
| Other assets | 61,526 | 90,756 | −32.2 |
| **Total** | **473,044** | **506,613** | **−6.6** |

| Liabilities and equity I €m | 31.12.2021 | 31.12.2020[1] | Change in % |
|---|---|---|---|
| Financial liabilities – Amortised cost | 373,976 | 397,725 | −6.0 |
| Financial liabilities – Fair value option | 19,735 | 20,104 | −1.8 |
| Financial liabilities – Held for trading | 32,957 | 42,843 | −23.1 |
| Other liabilities | 16,549 | 17,367 | −4.7 |
| Equity | 29,827 | 28,574 | 4.4 |
| **Total** | **473,044** | **506,613** | **−6.6** |

[1] Figures adjusted due to restatements (see Group financial statements, Note 4).

On the liabilities side, financial liabilities at amortised cost were down €23.7bn to €374.0bn compared with the end of the previous year. The decline compared with the end of 2020 was driven by a significant reduction of €21.1bn in deposits and other financial liabilities, especially from corporate customers and banks, while deposits from central banks increased by €3.6bn. Debt securities issued fell by €2.6bn compared with the end of the previous year.

Financial liabilities under the fair value option were slightly lower than year-end 2020 at €19.7bn. While debt securities issued increased slightly by €0.5bn to €2.6bn, deposits fell by €0.8bn. The decrease was mainly due to lower repo business.

Financial liabilities held for trading were €33.0bn, down €9.9bn compared with the end of 2020. The decrease was due to the negative fair values of derivative financial instruments, especially interest-rate-related derivative transactions, which fell by €10.6bn.

Provisions increased by €0.6bn year on year to €3.8bn. The increase was mainly due to the restructuring provisions of €0.4bn recognised in the reporting year as part of the "Strategy 2024" programme.

Liabilities from disposal groups were €0.7bn, compared with €2.1bn at the end of 2020. The decline related to portfolio transfers in connection with the sale of the EMC business to Société Générale. The planned sale of Commerzbank Zrt. to Erste Bank Hungary Zrt. had an offsetting effect.

**Equity**

The equity capital attributable to Commerzbank shareholders reported in the balance sheet on 31 December 2021 was €25.7bn, up 3.6% compared with year-end 2020. Further information on the change in equity can be found on page 153 ff. of the Group financial statements.

Risk-weighted assets were €175.2bn as at 31 December 2021 and thus €3.4bn lower than at year-end 2020. This change is mainly attributable to credit and market risk effects, primarily as a result of decreases in the corporate portfolio through active strategic management of the efficiency of risk-weighted assets. This was partially offset by increases at mBank, the implementation of the new regulatory requirements (Capital Requirements Regulation, CRR II), the model adjustment for regulatory counterparty risks and foreign currency effects. The decline in risk-weighted assets from market risks was caused by both the elimination of pandemic-related high-risk scenarios from the calculation and by changes in positions. The increase in risk-weighted assets from operational risks due to the switch from the internal model to the standardised approach had a slightly offsetting effect.

As at the reporting date, Common Equity Tier 1 capital was €23.8bn, compared with €23.6bn as at 31 December 2020. In addition to our net profit for the year, the key factor behind the increase in Common Equity Tier 1 capital was a rise in the actuarial gains made by the pension plans. These positive effects were partially offset by higher regulatory capital deductions. The Common Equity Tier 1 ratio was thus 13.6%, compared with 13.2% in the previous year.

The improvement in the ratio was due in part to the increase in Common Equity Tier 1 capital, but above all to the decline in risk-weighted assets. The Tier 1 ratio (with transitional provisions) was 15.5% as at the reporting date, up from 15.0% as at the end of 2020. The increase in Tier 1 capital was chiefly attributable to the issue of an AT1 bond in the first half of 2021. Grandfathered Tier 2 capital instruments became ineligible due to regulatory transitional provisions, but this decline was offset by the issue of a subordinated bond with a nominal value of €500m. The total capital ratio (with transitional provisions) was 18.4% as at the reporting date, compared with 17.7% as at the end of 2020. Own funds increased by €0.6bn year on year to €32.2bn as at 31 December 2021.

The leverage ratio based on the CRD V/CRR II rules applicable on the reporting date, which is equal to Tier 1 capital divided by leverage ratio exposure, was 5.2%, both with transitional provisions and fully loaded.

The Bank complies with all regulatory requirements. This information includes the consolidated profit attributable to Commerzbank shareholders and eligible for regulatory purposes.

## Funding and liquidity of the Commerzbank Group

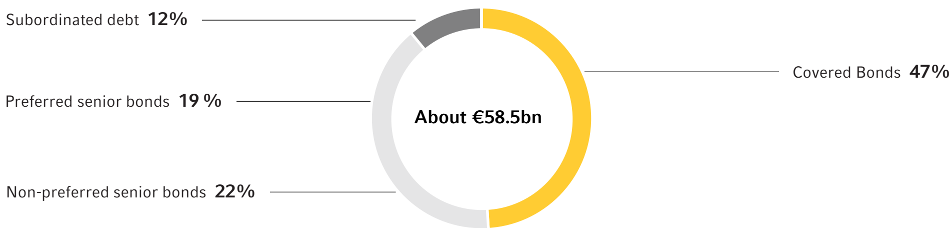
The liquidity management of the Commerzbank Group is the responsibility of Group Treasury, which is represented in all major Group locations in Germany and abroad and has reporting lines in all subsidiaries.

Liquidity management comprises both operational and strategic components. Operational liquidity management encompasses management of daily payment inflows and outflows, planning for payment flows expected in the short term and management of access to central banks. The division is also responsible for access to unsecured and secured sources of funding in the money and capital markets and the management of the liquidity reserve portfolio. Strategic liquidity management involves managing maturity profiles for liquidity-relevant assets and liabilities within specified limits and corridors. Additional information on this subject can be found in the "Liquidity risk" section of the Group risk report.

Guidelines for the funding profile and funds are derived from the business strategy and reflect risk tolerance. The Group's funding is appropriately diversified in terms of investor groups, regions, products and currencies. Top-level decisions about liquidity management are taken by the Group Asset Liability Committee (ALCO), which meets at regular intervals.

The quantification and limitation of liquidity risks is carried out via an internal model in which expected cash inflows are compared against expected cash outflows. The limits set are monitored by the independent risk function. ALCO and the Board of Managing Directors receive regular reports on the liquidity risk situation.

**Capital market funding structure**[1]
As at 31 December 2021




[1] Based on reported figures.

Commerzbank had access to the money and capital markets at all times during the reporting period, and its liquidity and solvency were always adequate. Furthermore, the Bank's liquidity management is always able to respond promptly to new market circumstances. Even against the background of ongoing uncertainty due to the coronavirus pandemic, the Bank's liquidity situation is comfortable and complies with both internal limits and applicable regulatory requirements.

The Commerzbank Group raised a total of €3.6bn in long-term funding on the capital market in 2021.

Commerzbank Aktiengesellschaft issued an AT1 bond in June under its issuance programme for Additional Tier 1 capital, with a volume of €500m and a fixed coupon of 4.25% per annum. It has a perpetual maturity and the first call date is in the period from October 2027 to April 2028.

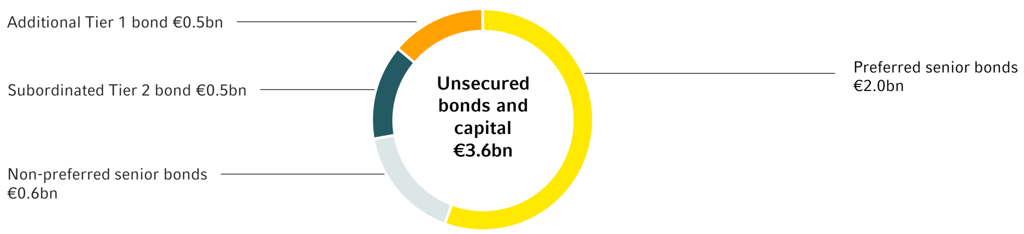
The bond terms for the issue provide for a temporary write-down in the event that the Bank's Common Equity Tier 1 ratio (CET1 ratio) drops below 5.125%. With the issue of the bonds, Commerzbank is further strengthening and optimising its capital structure.

The Bank also issued a subordinated bond (Tier 2) with a volume of €500m. This bond has a term of 10.25 years with the first call date being in the period from September to December 2026 and a fixed coupon of 1.375% per annum.

A preferred senior bond with a total volume of €750m (including increase) was also issued. The benchmark bond has a term of four and a half years, and the re-offer spread was on average 44 basis points over six-month Euribor. A two-year preferred senior bond with a variable interest rate and a volume of €700m was issued in November. In addition, a preferred senior bond with a volume of GBP 250m was placed for the first time. The bond has a term of three years, and the re-offer spread was 105 basis points over the comparable UK government bond. A further €0.3bn of preferred and non-preferred senior bonds were issued as private placements.

mBank issued its first green non-preferred senior bond from Poland in a €500m benchmark transaction. The bond has a term of six years with a call option after five years.

**Group capital market funding 2021**
Volume €3.6bn




The eurozone money markets continued to be significantly influenced by the coronavirus pandemic and its repercussions.

The ECB is still in the process of implementing the comprehensive measures it decided on in March 2020 to counter the economic downturn in the eurozone and the resulting impact on the financial sector. Under the TLTRO III programme, the ECB provided banks with additional liquidity of around €1,300bn in 2020. After the ECB announced in December that it would extend the maximum participation from 50% to 55% of the eligible loan portfolio from March 2021, Commerzbank made use of this option and increased its participation by a further €3.6bn. As a result, the total volume currently amounts to €35.9bn, the maximum possible volume. The interest rates for the main refinancing operations, the marginal lending facility and the deposit facility were unchanged.

As at the reporting date, the Bank had a liquidity reserve of €60.0bn in the form of highly liquid assets. The liquidity reserve portfolio works as a buffer in stress situations. It is funded in line with the liquidity risk appetite to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors. Part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Group Treasury to cover liquidity outflows should a stress event occur and ensure solvency at all times.

The Bank also holds an intraday liquidity reserve portfolio. As at the reporting date, the total value of this portfolio was €6.1bn.

At 145.1% (average of the last 12 month-end values), Commerzbank was well above the minimum 100% level required for the liquidity coverage ratio (LCR). Commerzbank's liquidity situation as at the end of the quarter was therefore comfortable given its conservative and forward-looking funding strategy.

## Summary of 2021 business position

The difficult economic situation in the second year of the pandemic, with severe encroachments on economic and social life, meant that 2021 was another particularly challenging year for the banking sector.

It was also the first year of Commerzbank's comprehensive transformation under the "Strategy 2024" programme, and despite all the adversities it was a good year for Commerzbank. We achieved a consolidated profit in the 2021 financial year despite special charges totalling around €2bn, mainly relating to the restructuring and foreign currency loans at our Polish subsidiary mBank. That we were able to more than compensate for these charges was due to significantly lower loan loss provisions and in particular to very robust customer business. We also showed the necessary discipline when it came to costs.

In addition to the encouraging key figures, we also made good progress in the 2021 financial year with the strategic measures we decided in February and achieved some important milestones: For example, the gross reduction of 10,000 jobs that is necessary for the planned cost decrease – to be carried out in a way that is as socially responsible as possible – is well under way. We agreed a framework reconciliation of interests and a framework social plan with the employee representatives in May, and were able to finalise the partial reconciliations of interests for the respective divisions by November.

We have also made significant progress with the optimisation of our branch network, another cornerstone of our strategy: In Germany, we have reduced the number of branches from around 800 to about 550 as at the end of 2021; most of the road on the way to the target of 450 branches has already been traversed.

We have also made faster-than-expected progress in streamlining our international network. During the year, we shut 6 of a total of 15 locations planned for closure. Added to this was the sale of our Hungarian subsidiary to Erste Bank Hungary Zrt., which was agreed shortly before the end of the year. Thanks to the cooperation agreement concluded at the same time with Erste Group, we will actually be able to expand our range of services in the region for our corporate customers in the future. We are increasingly relying on partnership models in other areas, too. In May we announced the streamlining of our capital markets business through extensive collaboration in equity trading and equity research with ODDO-BHF.

With a transformation on this scale, there are also issues that cannot be implemented right away, or where individual adjustments are necessary. For example, midway through the year the Board of Managing Directors of Commerzbank decided to terminate the project to outsource securities settlement to HSBC Transaction Services GmbH with immediate effect due to technical implementation risks and changed market conditions. Accordingly, this led to an unplanned impact on earnings.

With business performance in the first quarter already significantly better than planned, however, we were able to gradually adjust our guidance regarding 2021 earnings given in the Annual Report 2020 in line with the ongoing successful business performance. This was in spite of the difficult operating environment and a number of special charges.

At the beginning of the year we were still expecting to report a consolidated loss for the year under review, but we were able to revise our profit forecast upwards as the year progressed. The expectations of a risk result of between €–0.8bn and €–1.2bn, which were formulated against the background of the ongoing difficult operating environment and risk factors, were also not borne out over the course of the year. In the second half of the year, we therefore reduced the expected negative impact of the risk result for 2021 as a whole to less than €–0.7bn. Overall, thanks to very robust customer business, significantly lower provisioning requirements for credit risks, positive remeasurement effects and a positive tax effect, we were able to more than offset the special charges incurred in the 2021 financial year, allowing us to record a consolidated profit in 2021 and significantly improve a number of the associated profitability indicators.

In the Private and Small-Business Customers segment, the focus in the 2021 financial year was on implementing the central initiatives under the "Strategy 2024" programme. The main areas of focus were the expansion of its online and mobile banking channels and the digitalisation of processes and procedures. In the year under review, we once again made noticeable gains in business with private and small-business customers. The securities and lending volume in Germany increased by €50bn to €340bn. Net inflows alone accounted for some €15bn of the growth of around €42bn in the securities volume. Retail mortgage financing grew by a further 7% to around €92bn last year. The segment proved to be robust despite the challenging environment and was able to keep operating income almost stable in the 2021 financial year thanks to the high level of customer activity. It also almost completely offset the negative impact of a further rise in provisions for foreign currency loans at mBank. Without this impact, earnings were significantly higher. The risk result was much lower than we expected despite the ongoing difficult operating environment caused by the coronavirus pandemic. Costs in Germany fell slightly as expected, but this was not fully reflected in total operating expenses for the segment as a whole due to an increase in costs at mBank. We were nevertheless able to keep operating expenses at the prior-year level; this did not lead to an improvement in the cost/income ratio due to the slightly lower operating income reported. Overall, the segment's operating profit rose more strongly than forecast. The operating return on equity recorded an encouraging increase year on year.

The performance of the Corporate Clients segment was characterised by a persistently challenging operating environment in the past financial year. In addition to economic dependencies and the repercussions of the coronavirus pandemic, the negative interest rate environment continued to weigh on the interest margins attainable in German customer business in particular. Delivery bottlenecks and rising energy prices also presented challenges for our customers. By contrast, the capital markets achieved a pleasing performance thanks to low interest rates and sustained liquidity. The Mittelstand division recorded positive income growth compared with the prior-year period. While income from lending business remained stable, the division reported higher income from both transaction banking and capital market business. The International Corporates division recorded a decline in income, however, attributable in particular to the strategic reduction in lending and capital market business as part of the refocusing project. This could be offset only partially by higher income from transaction banking. The Institutionals division also saw a trend toward lower income, particularly in capital market business. By contrast, the division benefited from an increase in payment transaction income and higher deposit fees, primarily in cash management. Contrary to our expectations, the segment recorded a pleasing increase in income overall compared with the previous year. As expected, the risk result was significantly below the prior-year figure, which was impacted by the coronavirus pandemic and the default of a large individual exposure. Also as expected, operating expenses fell year on year thanks to successful cost management. Overall, the higher income and the markedly lower risk result led to a significant increase in operating profit. The cost/income ratio improved accordingly, while the operating return on equity also increased significantly compared with the previous year.

Overall, and despite high special charges, Commerzbank returned to the black in 2021, the first year of its far-reaching transformation, posting a consolidated profit of €430m. The basis for this was good performance in customer business, with stabilised net interest income and significantly higher net commission income. The Bank reduced its operating costs as planned. In addition, the risk result was significantly lower in the second year of the coronavirus pandemic. Overall, the Bank posted an operating profit of just under €1.2bn, with Commerz Ventures also contributing to this thanks to another pleasing result. The net return on equity was still very low at 1.0%, but was in positive territory again after falling to −11.7% in the previous year. The cost/income ratio including compulsory contributions was still too high at 79.3%, but improved compared with the previous year. The Common Equity Tier 1 ratio rose to 13.6% and thus offers a solid basis for further implementation of the “Strategy 2024” programme.

# Segment performance

The comments on the segments' results are based on the segment structure described on pages 264 ff. of the notes to the Group financial statements.

More information and explanations regarding restatements of prior-year figures can be found in Note 61 to the Group financial statements.

## Private and Small-Business Customers

The Private and Small-Business Customers segment encompasses branch business in Germany, the comdirect brand, Commerz Real and the mBank Group. The segment significantly increased the volume of assets managed for customers, i.e. the sum of lending and the volume of security accounts, in Germany to around €340bn in the 2021 financial year. With customer numbers remaining largely unchanged at around 11 million in Germany and roughly 5.5 million in Poland, the Czech Republic and Slovakia, Commerzbank is one of the leading banks for private and small-business customers in these markets.

### Private and Small-Business Customers – earnings performance

| €m | 2021 | 2020[1] | Change in %/%-points |
|---|---|---|---|
| Income before risk result | 4,694 | 4,778 | −1.8 |
| Risk result | −319 | −562 | −43.2 |
| Operating expenses | 3,482 | 3,515 | −0.9 |
| Compulsory contributions | 318 | 331 | −4.0 |
| **Operating profit/loss** | **575** | **370** | **55.4** |
| | | | |
| Average capital employed | 6,175 | 5,680 | 8.7 |
| Operating return on equity (%) | 9.3 | 6.5 | 2.8 |
| Cost/income ratio in operating business (%) – excl. compulsory contributions | 74.2 | 73.6 | 0.6 |
| Cost/income ratio in operating business (%) – incl. compulsory contributions | 81.0 | 80.5 | 0.5 |

[1] Figures adjusted due to IFRS 8.29 (see Group financial statements, Note 61).

Despite a very challenging environment for the banking sector, the Private and Small-Business Customers segment achieved a significantly higher operating profit in 2021 than in the previous year. Higher income from core business, the sharp fall in the risk result and a slight reduction in operating expenses and compulsory contributions softened the impact of the additional provisions for mortgage loans issued in foreign currencies at mBank. Overall, the operating profit improved by €205m compared with the prior-year period to €575m.

Total segment income before risk result was €4,694m in the year under review, down €84m year on year. While all key income items were higher year on year, the increase of €600m in provisions for mortgage loans issued in foreign currencies at mBank had a major negative impact on earnings.

Net interest income increased by €18m to €2,596m year on year. Interest-bearing business in Germany recorded a significant increase in income due to the continued growth of the credit portfolio, particularly in retail mortgage financing and individual loans. This offset the further significant decline in interest income from deposit business. Several interest rate rises imposed by Poland's central bank in the final quarter of 2021 have already had a noticeably positive impact on mBank's deposit business, meaning that its net interest income, including effects from volume growth in lending business, remained almost at the prior-year level.

Net commission income was the main income driver in the year under review in the two core regions of Germany and Poland. It increased by a total of €271m to €2,422m, with double-digit growth rates in both regions. In Germany, the increase resulted from material growth in the volumes of security accounts and the ongoing very high volume of customer transactions. The increase at mBank was mainly due to price adjustments in retail banking and corporate client business and to higher fees in lending business.

Among the other earnings components, the fair value result increased by €135m to €367m, primarily due to positive remeasurement effects for a financial investment in Germany. The increase in negative other net income to €–720m in 2021, from €– 237m in the previous year, primarily reflected the substantial rise of €600m in provisions for mortgage loans issued in foreign currencies at mBank. Provisions in connection with the ruling of the German Federal Court of Justice on price adjustments with private customers were also recognised under this item.

The risk result fell significantly to €–319m, compared with €–562m in the previous year. After a high level of loan loss provisions was recognised in connection with the effects of the coronavirus pandemic in the previous year, a significantly lower level of loan loss provisions was required in the year under review, particularly in Germany. The TLA for the segment was almost entirely attributable to the Small-Business Customers portfolio and was €–126m as at the reporting date, compared with €–129m in the previous year.

Operating expenses were reduced by €33m in the period under review to €3,482m. Cost reductions in the domestic market were offset by somewhat higher expenses at mBank. The total cost of compulsory contributions was also slightly reduced in both core regions, falling from €331m in the prior-year period to €318m.

Overall, the Private and Small-Business Customers segment posted a pre-tax profit of €575m for the period under review, compared with a pre-tax loss of €–1,209m in the previous year. The prior-year figure included impairments of €1,578m recognised on intangible assets.

## Corporate Clients

The Corporate Clients segment comprises four reporting areas. The Mittelstand, International Corporates and Institutionals divisions are responsible for business with our core customers: the Mittelstand division covers Mittelstand (SME) customers and domestic large corporates with the relevant products they require. The International Corporates division looks after corporate clients headquartered abroad and large German multinational companies. The Institutionals division is responsible for managing relationships with banks in Germany and abroad, as well as those with central banks and selected non-bank financial institutions (NBFIs) such as insurance companies and pension funds.

The segment offers customers the complete range of products of an international full-service bank, from traditional credit products and individually tailored financing solutions to cash management and trade finance, investment and hedging products and customised capital market solutions. The Others division handles all business that either has a cross-segment risk management function or falls outside the strategic focus of the Corporate Clients segment. This mainly relates to assets transferred from the former run-off segments and effects from hedging positions.

### Corporate Clients – earnings performance

| €m | 2021 | 2020[1] | Change in %/%-points |
|---|---|---|---|
| Income before risk result | 3,168 | 3,056 | 3.7 |
| Risk result | – 149 | – 1,081 | – 86.2 |
| Operating expenses | 2,267 | 2,327 | – 2.6 |
| Compulsory contributions | 96 | 113 | – 14.7 |
| **Operating profit/loss** | **656** | **– 465** | **.** |
| | | | |
| Average capital employed | 9,891 | 11,280 | – 12.3 |
| Operating return on equity (%) | 6.6 | – 4.1 | 10.7 |
| Cost/income ratio+ in operating business (%) – excl. compulsory contributions | 71.6 | 76.2 | – 4.6 |
| Cost/income ratio in operating business (%) – incl. compulsory contributions | 74.6 | 79.8 | – 5.3 |

[1] Figures adjusted due to IFRS 8.29 (see Group financial statements, Note 61).

The performance of the Corporate Clients segment was characterised by a persistently challenging operating environment in the year under review. In addition to economic dependencies and the repercussions of the coronavirus pandemic, the negative interest rate environment continued to weigh on the interest margins attainable in German customer business in particular.

Delivery bottlenecks and rising energy prices also presented challenges in customer business. By contrast, the capital markets achieved a positive performance thanks to low interest rates and sustained liquidity, leading to higher contributions from fair value items. On the back of a significantly lower risk result, the Corporate Clients segment recorded an operating profit of €656m, compared with an operating loss of €–465m in the prior-year period. The prior-year figure included high valuation allowances for credit risks and expenses from negative remeasurement effects.

The Mittelstand division recorded positive income growth compared with the prior-year period. While income from lending business remained stable, the division reported higher income from both transaction banking and capital market business. The International Corporates division recorded a decline in income, however, attributable in particular to the strategic reduction in lending and capital market business as part of the refocusing project. This could be offset only partially by higher income from transaction banking. The Institutionals division also saw a trend toward lower income, particularly in capital market business. By contrast, the division benefited from an increase in payment transaction income and higher deposit fees, primarily in cash management. The Others division, which includes hedging and remeasurement effects in particular, recorded a positive performance after a negative impact on earnings in the previous year.

In the year under review, income before risk result was €113m higher than in the prior-year period at €3,168m. At €1,689m, net interest income was down €35m on the prior-year level, while net commission income of €1,248m exceeded the prior-year level by €41m. Net income from financial assets and liabilities measured at fair value through profit or loss improved markedly to €257m, €103m higher than the figure for the prior-year period.

The risk result in the Corporate Clients segment in the period under review was €–149m, compared with €–1,081m in the prior-year period, which was affected in particular by the coronavirus pandemic and the default of a large individual exposure. As at the reporting date, the proportion of the TLA attributable to the segment was €–392m, with an allocation of €–18m recognised in profit or loss being made in 2021.

Operating expenses were €2,267m, down €60m on the prior-year figure. The decline resulted from lower personnel and administrative expenses achieved through strict cost management.

The reported compulsory contributions of €96m relate primarily to the European banking levy. Compulsory contributions of €113m were recorded in the previous year.

Overall, the pre-tax profit from continuing operations was €656m, compared with a pre-tax loss of €–465m in the previous year.

## Others and Consolidation

The Others and Consolidation segment comprises the income and expenses which are not attributable to the business segments. Others covers, for example, Group Treasury, equity holdings not allocated to the business segments and overarching specific matters such as expenditure on regulatory fees. Consolidation reconciles the figures shown in segment reporting with the Group financial statements in accordance with International Financial Reporting Standards (IFRS). Others and Consolidation also covers the result of the staff, management and support functions, which are charged to the segments. In addition, restructuring expenses for the Group are reported centrally in this segment.

The Others and Consolidation segment reported an operating loss of €–48m for 2021, compared with an operating loss of €–139m in the prior-year period. The improvement was attributable to an improved Group Treasury result, which recorded higher income from investments in securities and from bond sales in the liquidity portfolio compared with the 2020 financial year, and in particular to net positive remeasurement effects, the deferral of income from targeted longer-term refinancing operations (TLTROs) with the ECB, a change in the estimated remaining term of a liability, which had a negative impact on the previous year, and lower net loan loss provisions for a residual portfolio in the dissolved Asset & Capital Recovery segment. This was offset by the negative impact on earnings resulting from the termination of the project to outsource securities settlement to HSBC Transaction Services GmbH, net negative effects from the recognition and reversal of provisions and consolidation adjustments.

Others and Consolidation recorded a pre-tax loss of €–1,125m for 2021. This figure included restructuring expenses of €1,078m relating to the implementation of the “Strategy 2024” programme.

# Outlook and opportunities report

## Future economic situation

The coronavirus pandemic will continue to have a significant impact on the global economy in the current year. The currently high number of new coronavirus infections is expected to decrease sustainably in spring 2022, in a similar way to last year. While more and more countries have now started to relax their coronavirus restrictions, the materials and delivery bottlenecks are likely to persist for some time.

China is also seeing repeated coronavirus outbreaks at regional level, with the authorities responding by imposing lockdown measures. While they are only likely to affect the economy to a limited extent, these measures are nevertheless a negative factor. The economic outlook for China is also clouded by turbulence on the real estate market, the worsening situation on the labour market and high levels of corporate debt. Last but not least, China's economic performance is being overshadowed by the unresolved trade conflict with the USA, which China is responding to with a costly self-sufficiency strategy. This all points to a further slowdown in economic growth in 2022.

The US economy is set to enjoy further strong growth of 3.8% in 2022, with the sharp rise in employment increasing the incomes of working households. Private households also have high levels of savings that they have been forced to accumulate over the last few years due to limited opportunities for consumption. This money is also available for consumption. Additional growth stimulus can be expected when companies replenish their depleted inventories.

After a hard winter, the eurozone economy is likely to recover strongly from spring onwards when coronavirus restrictions may largely be lifted. As in the USA, the economy can expect to enjoy an additional boost once people start to spend some of the extensive savings they built up during the crisis while shops were closed. However, it is likely to be some time yet before contact-intensive services recover fully from the coronavirus pandemic.

The recovery is also being supported by the continuation of the highly expansive monetary and fiscal policy. The suspension of the Stability and Growth Pact will continue into 2022, meaning that member states will still be allowed to have budget deficits that exceed 3% of GDP. EU member states will also receive increased funds from the Recovery and Resilience Facility in 2022 in the form of loans and non-repayable grants. We are expecting annual average growth of 3.5% for the eurozone economy in 2022, and growth of 3.0% in Germany.

The escalation of the Russia-Ukraine conflict represents a significant risk for the economic outlook. If Russia were to curb or even completely stop energy exports, it would at least short-term lead to energy shortages in Western Europe. Restrictions on production, especially in energy-intensive sectors, would hardly be avoided. At the same time, energy prices would continue to rise, significantly reducing the purchasing power of households. In this case, at least in Germany, a recession would be hard to avoid.

The performance of the financial markets in 2022 will depend as rarely before on inflation and how it is perceived. In the USA, where labour costs are already rising sharply and prices are increasing across the board, the Federal Reserve will react to the high inflation. We are expecting its key interest rate be raised by a total of 150 basis points by the end of 2022. The ECB is also likely to end its bond purchases in the summer and raise its deposit facility rate in two steps from −0.5% to 0% during the second half of the year. This policy should enable the ECB to largely shield the euro bond market from disruptive influences from the USA in 2022. The yield on ten-year German Bunds is likely to be negative for large periods of 2022, while interest rates will remain low for another year. The DAX therefore remains attractive with a dividend yield of just under 3%. Admittedly, the approaching start of the rate hikes and the Russian-Ukraine crisis have led to some sharp falls in prices. However, starting in the spring, with economic growth likely to be strong again, gains can be expected, provided geopolitical conflicts do not escalate further. If a recession in the euro area were to occur in the wake of the Ukraine conflict, the ECB would probably delay the change in interest rates further.

The euro is likely to appreciate slightly against the US dollar in 2022, as the markets believe the ECB is now also taking more decisive action to combat inflation risks. We are anticipating a euro/US dollar exchange rate of 1.16 at the end of 2022.

| Exchange rates | 31.12.2021 | 31.12.2022[1] |
|---|---|---|
| Euro/US-dollar | 1.14 | 1.16 |
| Euro/Sterling | 0.84 | 0.87 |
| Euro/Zloty | 4.59 | 4.70 |

[1] The figures for 2022 are Commerzbank forecasts.

# Future situation in the banking sector

The outlook for the banking industry remains very challenging. Planning uncertainties and risks are still massively higher as a result of the coronavirus pandemic. The constant emergence of new variants means that infection rates worldwide have so far not been effectively reduced. For the global economy, the prospect of further waves of infection and the associated countermeasures is the central forecasting risk for the coming months. This uncertainty has led to considerably higher volatilities in the valuation of assets, placing a significant burden on the global banking sector in terms of income expectations, risk provisioning and capital requirements.

With the future course of the coronavirus pandemic still uncertain, neither industry nor the trade and service sectors are likely to be able to contribute much to economic growth in the first few months of the current year. Business with corporate and small-business customers will therefore remain under pressure in the first half of the year. A recovery should gradually take shape in the second half of the year, however. German banks' interest and commission business will benefit from the revival of the export industry, which is so important for the country's economy. The weakness of the euro against the US dollar as a result of the interest rate differential strengthens the price competitiveness of German exporters. Retail banking business is likely to benefit from private consumption, which is set to pick up considerably again in the next few months after people largely tended to prioritise saving during the coronavirus crisis. Demand for residential mortgages is also likely to continue unabated, driven by the lack of affordable housing and the related boom in new building, and in particular by the persistently low level of interest rates. However, retail banking business continues to offer only limited income potential due to the strong national competition among banks and the narrow interest margins.

Even before the coronavirus crisis, the prospect of prolonged low interest rates was seen as one of the key challenges for the banking sector. Central banks reacted to the far-reaching economic impact of the pandemic with bond purchase programmes, extensive liquidity provision and a zero interest rate policy. This has improved banks' liquidity position and financing situation, but at the same time puts ongoing pressure on interest margins and thus adversely impacts income in the financial sector.

Government lending programmes are also having a negative impact on banks' interest margins and profitability. Achievable net interest margins are therefore very low throughout Europe, but particularly in the German banking market. At the same time, refinancing costs have risen due to the growth in customer deposits.

The extremely accommodative monetary policy is reaching its limits, and the global interest rate markets are positioning themselves for a fundamental regime change. Inflation has risen sharply all over the world, and the rapid pace of this inflation is pushing more and more central banks towards abandoning their expansive monetary policy. That is why the Bank of England announced a first interest rate rise in mid-December 2021, and why the US Federal Reserve is implementing tapering measures in the form of reduced bond purchases. The Fed is also considering raising key interest rates in several small steps during the current year. By contrast, the ECB is so far anticipating only a temporary rise in inflation. It therefore intends to maintain its extremely expansive monetary policy for the time being and not raise its key interest rate in the foreseeable future. As such, the interest rate-related pressure on income in the European banking sector is set to continue. Even the two-tier system for reserve remuneration implemented by the ECB, which exempts part of banks' excess liquidity holdings from the negative deposit rate, only mitigates the negative consequences of the low interest rate environment to a limited extent. To increase revenues in the highly important interest business, banks are not only raising lending rates and fees but also introducing negative interest rates across the board in the form of custody fees on customer deposits. All in all, there is currently barely any scope for the vast majority of banks in the German market to improve their margins across the board.

Long-term loans increase the banking sector's exposure to interest rate risks and harbour the risk of losses in the value of property pledged as loan collateral. According to the Bundesbank, residential property prices in Germany – including outside of metropolitan areas – were up to 30% above the level justified by fundamentals even back in 2020. According to the Association of German Pfandbrief Banks, the overall residential index in Germany rose further in the first three quarters of 2021 by a cumulative 11% compared with 2020. A further significant increase in housing prices is also expected for the current year. In parallel with the rising prices, the sum of housing loans granted by German banks to domestic private households, by far the largest group of borrowers, is also likely to increase after having already risen in the first three quarters of 2021.

Against this background, in its most recent Financial Stability Review published in November 2021 the ECB called for macroprudential measures in the financial sector to counter developments in the German residential real estate market. In mid-January 2022, the Bundesbank's financial stability committee then proposed stricter capital requirements for German banks. The Federal Financial Supervisory Authority is therefore planning to raise the countercyclical capital buffer from the current 0% to 0.75% by 1 February 2023 and introduce a sectoral systemic risk buffer of 2.0% of risk-weighted assets on loans secured by residential real estate.

The outlook for trading business is more favourable than for the dominant interest-bearing business, although many institutions have already withdrawn partially or even completely from this area of activity. Even the current boom in cashless payment transactions is only benefiting banks' commission-bearing payment services business to a limited extent due to strong competition from fintech companies. This market segment remains fiercely competitive, with online banks, fintech companies and big tech players such as PayPal, Apple and Google looking to further increase their market share, especially in digital payments. Services such as Klarna's "Buy now, pay later" offering are having a marked impact on consumer behaviour. Cryptocurrency custody and trading services are also becoming more important. By contrast, the outlook for banks' securities commission business is better than that for payment transactions. It is highly likely that the number of private shareholders in Germany will continue to increase over the next few years due to the lack of investment alternatives in the low interest rate environment. This will benefit direct banks in particular, as they are likely to see further significant growth in new customers. The growing popularity of digital and mobile products has also led to increased demand for individual financial advice among bank customers in recent months, however, as they are less comfortable with technology and hugely unsettled by the economic turbulence. Given the existing demand for advice on complex banking transactions such as retail mortgage financing, branch business will therefore remain part of the basic service provided by banks, albeit in a pared back form.

In view of the income problems and ongoing competitive pressure, cost reduction remains the main issue both for German banks and for their European competitors. As a result, digitalisation of business processes and the utilisation of the data generated will advance rapidly. The pandemic has already massively accelerated the trend towards digital banking services. This calls for highly automated IT processes and comprehensive data analytics measures that permit rapid adjustments in response to changing market conditions.

The trends in customer behaviour that have been accelerated during the crisis – more online banking and new payment habits – are set to continue. Engagement banking puts the focus on the customer, with services and solutions tailored to their requirements. Financial institutions that focus increasingly on customers' use of multimedia channels and offer a wide range of online banking tools, robo-advisory services and tailor-made financial solutions will be at an advantage in the future. This is encouraging the increasing shift away from branch-based retail banking, resulting in efficiency gains and a reduction in the range of products and services but also making it more difficult to generate commission income. In addition to ever shorter innovation cycles and faster product delivery, the new digital business models also entail the use of new technologies such as the cloud and artificial intelligence. At the same time, despite the pressure to innovate and reduce costs many traditional banks are faced with the challenge of ensuring the quality and stability of their IT systems, protecting themselves against the growing threat of cyber attacks and maintaining the integrity of their data.

Against this background, the German banking market in particular is on the brink of a major upheaval. In the longer term, the number of banks will be drastically reduced and competition will further intensify as more and more global technology groups, fintechs and foreign banks, along with market infrastructure providers such as stock exchanges, clearing houses and information service providers, offer a selection of traditional banking products. It seems unlikely that competitors from the tech segment will provide a full range of banking services, however. A significantly stricter regulatory framework for financial market players outside of the traditional banking sector, as recently advocated by the Bank for International Settlements (BIS), is also likely to limit the current competitive advantages of young fintech companies in the foreseeable future. Ultimately, European banks must continuously invest in improving their digital competitiveness to avoid losing their direct access to customers and the data advantage that goes with it. This will require a huge effort given their weak income situation. Positive returns can only be achieved through additional cost reductions and further expansion of commission-based business areas.

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

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

For the time being, the target of European banking union remains unachieved, with the lack of an EU-wide deposit insurance scheme (EDIS) in particular preventing further market integration. This in turn means that countries still have a great deal of scope for national discretion when it comes to banking regulation. Progress is being made, however, with the completion of the Basel 3 capital rules. Basel 4 (officially Basel 3: Finalising post-crisis reforms) contains regulatory innovations that have not yet been (fully) incorporated into the Capital Requirements Regulation and Capital Requirements Directive. As these are recommendations, all EU member states need to transpose them into national law. Basel 4 introduces new standards that banks must use to calculate their capital requirements. These include enhanced risk sensitivity of the standardised approaches, a rising leverage ratio for global systemically important banks (G-SIBs), more detailed disclosure of reserves and credit risks and a standardised floor for risk-weighted assets (RWA). Under the latter, the capital requirement must not fall below 72.5% of the requirement under the standardised approach (output floor). In addition, internal models are no longer to be used to determine capital requirements for operational risks. The Basel 4 reforms were originally scheduled to come into effect in January 2022, but were postponed as a result of the coronavirus pandemic. Definitive implementation in the EU is now scheduled for 2025 onwards. The UK has also eased its timetable for implementing the Basel standards.

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. Climate change in particular is one of the great challenges of our time.

With this in mind, the EBA intends to embed climate and environmental risks more firmly in banks' risk management processes over the next few years, including mandatory disclosure of climate risks and a climate stress test in the current year. Climate risks are also set to be a focus of future ECB stress tests, enabling banks to better assess their consequences for their business environment. According to the Bundesbank, the German financial system is well equipped to overcome the risks arising from higher taxes on fossil fuels on the journey to a climate-friendly economy. However, the financing requirements of the European Commission's planned green deal could lead to green quantitative easing. This is new, and moreover not uncontroversial, because to date none of the world's central banks have pursued a monetary policy that is explicitly oriented towards climate protection goals.

The National Bank of Poland (NBP) began to hike its key interest rate in October 2021 after previously cutting it in response to the coronavirus crisis. The increasingly restrictive monetary policy is helping to improve interest margins in the Polish banking sector. It remains to be seen, however, whether a decline in the quality of the loan portfolio will lead to significantly higher risk costs and increased loan defaults. The economic environment is still extremely fragile, and sharp rises in consumer prices are impacting the real disposable income of private households. Overall, bank earnings are likely to remain under pressure, while the trend towards consolidation in the Polish banking market is set to continue.

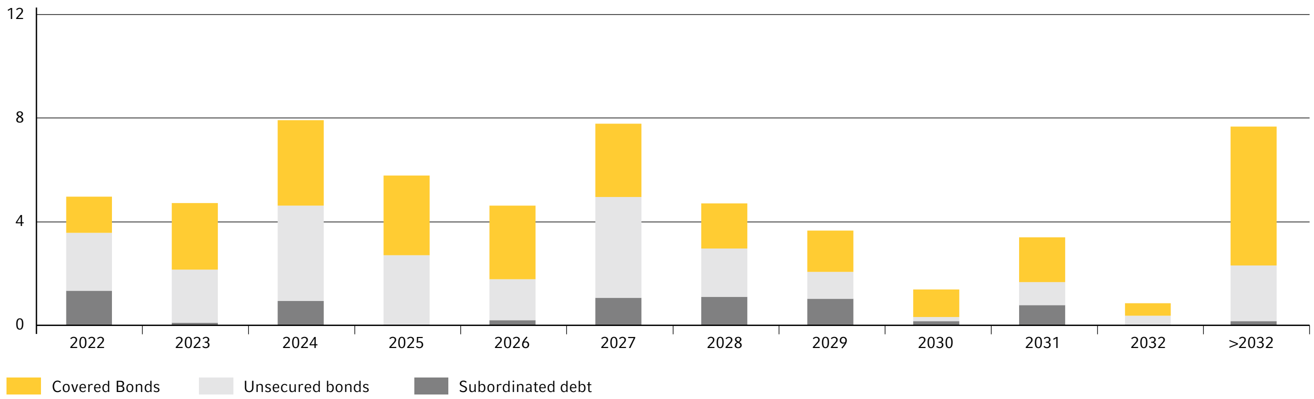
# Financial outlook for the Commerzbank Group

## Planned funding measures

Due to participation in TLTRO III and the optimisation of risk-weighted assets as part of the new business strategy, the funding plan for 2021 was reduced from the original volume of less than €5bn to less than €3bn. The funding plan for 2022 envisages a return to a somewhat higher volume of just under €5bn. Commerzbank's borrowing on the capital market is influenced by the TLTRO refinancing option and the optimisation of risk-weighted assets as part of the new business strategy.

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), Commerzbank can also issue secured funding instruments, in particular mortgage Pfandbriefe and public-sector Pfandbriefe for refinancing purposes. 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.

**Group maturity profile of capital market issues as at 31 Dezember 2021**
€bn




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.

## Planned investments

Commerzbank is planning a total of €1.7bn in direct costs for IT investments under "Strategy 2024", €0.5bn of which relates to the 2022 financial year. Just under half of the investment for the current year relates to the restructuring of the business model and the digitalisation of retail banking business. The other half will be invested in the further digitalisation of processes in corporate client business, the IT infrastructure and regulatory measures.

### Private and Small-Business Customers

The main investment targets for the branch bank in 2022 are the central initiatives relating to the "Strategy 2024" programme.

In the Private and Small-Business Customers segment, Commerzbank is building on the milestones achieved in 2021 to further develop the digital and personal customer relationship management model. The main focus is on creating a digital advisory bank – complete with comprehensive mobile offerings – and achieving greater penetration of the Wealth Management, Private Banking and premium Small-Business Customers segments through supplementary services and personal advice.

The migration to our digital platform ONE will be largely completed in 2022. Other key service and product-relevant functions will also be implemented in the areas of accounts, cards, deposits and securities, along with functions relating to the creation and management of personal data.

The technological foundations laid in 2021 to ensure an individualised customer approach across all sales channels will be further expanded in 2022.

Particular emphasis will be placed on the stability and optimisation of securities transaction processes and on the further development and digitalisation of securities products. Our new "money mate" securities solution, due to launch in 2022, is not just another product but the start of a new and innovative concept for digital asset management.

A large portion of the investments will support the ongoing digitalisation of lending platforms in order to optimise customer service during the application process, particularly in retail mortgage financing. To facilitate the rollout of the new application process for retail mortgage financing planned for 2022, further investment is required to acquire the relevant software and adapt it to customer-specific requirements. Commerzbank is also planning further investments in the existing loan process to digitalise existing manual processing steps and achieve further efficiency gains. With regard to instalment loans, the focus is on expanding omni-channel capability and the ability to conclude transactions in the banking app. In deposits, we plan to further grow our digital customer offering and at the same time create a significantly improved customer experience. This includes ongoing end-to-end digitalisation of the settlement process for time deposits.

A large portion of the investments will be used to expand the online banking channel. The focus here is on implementing a new technological base and a new customer experience. To this end, we are gradually creating a completely new approach to day-to-day banking services, offering customers a modern and functionally improved customer experience for online payment transactions and an overview of their finances and transactions. A financial analysis function is also being rolled out in online banking, giving customers a simple way to obtain an overview of their financial situation.

The systematic expansion of the banking app to create a complete sales and service channel will also be continued in 2022. Planned measures include further expansion of the financial analysis function and the introduction of the financial compass in the banking app to give customers a 360-degree perspective of their financial situation. Additional self-service functions will also be rolled out in the app.

Another area of investment is the future digitalisation of incoming and outgoing mail, with the aim of further enhancing the digital experience for our customers and making our processes more efficient. There is to be a further significant reduction in paper consumption, with documents made available in digital form whenever possible.

As well as establishing a digital bank in the German market, Commerzbank will continue to focus on improving the efficiency of its branch business in 2022. We are benefiting in this regard from the successful first stage in the expansion of the advisory centre. Commerzbank will press ahead with this expansion in 2022, with the aim of giving all customers 24/7 access to expert contact persons for day-to-day banking and needs-oriented advisory services.

In terms of regulation, the focus in 2022 will be on further consolidating "know-your-customer" (KYC) processes to ensure the effective and resource-efficient management of compliance risks. Key tasks will be the technical implementation of the next review date for individuals and legal entities, and preparation for the use of the workflow system already in place in the Corporate Clients segment as part of the KYC review process for legal entities. In addition, further investments will be made in connection with final implementation of the requirements of the EU's amended Markets in Financial Instruments Directive (MiFID) and the Disclosure Regulation for the technical integration of sustainability preferences into the Bank's investment advisory and asset management processes. Adjustments are also planned to implement the new guidelines published by the European Securities and Markets Authority (ESMA) on appropriateness and execution-only requirements, and due to the expiry of the transitional periods in the EU's PRIIPs (packaged retail and insurance-based investment products) Regulation. Furthermore, the technical foundations are currently being laid to ensure that customer consent required for contract amendments can in future be obtained on a process-specific basis.

**Corporate Clients**

Investments in the Corporate Clients segment in 2022 will continue to focus on the implementation of Commerzbank's strategic objectives, targeting the development of a business model offering differentiated, efficient relationship management, the creation of the technical infrastructure and further digitalisation projects.

Commerzbank focuses on German SMEs, large companies and institutional customers. The restructuring of its local presence will be continued by bundling back office functions in regional service units and optimising the correspondent bank portfolio. The transformation will be further advanced by converting sales locations while con-solidating platforms at the same time.

Profitability will be significantly increased, for instance by further digitalising processes, optimising pricing and, in particular, making greater use of data-driven services. The product range will be made more efficient and increasingly digital.

Investments in transaction banking will focus on modernising the system landscape for payment transactions. The worldwide migration of payment transactions networks requires further investment in system adaptation both in Germany and abroad.

To further digitalise the Trade Finance product range and thus make it even more attractive for our customers, there will be further investment in products based on distributed ledger technology and in cooperations that offer additional benefits for our customers.

Further improvements in communication between IT systems will enable us to work even more closely with our customers and partners.

**IT & Operations**

Commerzbank will continue the ongoing optimisation of its IT structure in 2022, with further significant investments in the expansion of cloud technology and the digitalisation of the workplace environment.

Commerzbank therefore remains on track with the digitalisation and streamlining of its business. On the IT side, the Bank will also focus on modernising the IT architecture and putting the technological base on a more professional footing.

The transaction banking business will see further investments in the renewal of the system landscape for payment transactions, with a view to establishing a solid basis for expansion with additional products. The worldwide migration of payment transactions networks for consistent use of ISO20022 XML messages will also require investment in order to adapt systems both in Germany and abroad.

The digitalisation of the product range will also continue. In addition to digital account management and the expansion of functions in the online portals, the focus is on account access via APIs (application programming interfaces), virtual accounts and expanded SWIFT services.

In the current financial year, we are also anticipating a growing need for investments in connection with the implementation of regulatory requirements. Investments to further optimise costs, increase automation and boost IT and operational stability are also planned.

## Anticipated liquidity trends

The short-term repo market in high-quality securities such as government bonds, agencies and Pfandbriefe (high-quality liquid assets or HQLA) is still functioning even in the face of the coronavirus pandemic and plays an important role in servicing the bond markets and financing portfolios.

The Eurosystem and its securities lending programme for holdings under the asset purchase programme (APP) and pandemic emergency purchase programme (PEPP) are important methods for meeting collateral requirements in trading activities, particularly with respect to German government bonds. Under the APP, the ECB intends to make net purchases of €40bn in the second quarter of 2022 and €30bn in the third quarter. The net purchases of assets are due to continue at a monthly rate of €20bn from October 2022 and will only be discontinued shortly before the next interest rate increase. Net purchases for the PEPP programme are set to be lower in the first quarter of 2022 than they have been to date, before then being phased out towards the end of March 2022. For the ECB, the question of which approach to adopt going forward will then hinge on the further course of the pandemic and on the inflation trend.

In addition to collateralisation for TLTROs, a further key driver of the HQLA collateral markets is demand due to the mandatory collateralisation obligation for over-the-counter (OTC) derivatives under bilateral initial margin requirements, as well as margin payments for derivatives and repos settled via central counterparties. Collateral eligible for discounting at the central bank is still in demand following the TLTRO increase in March 2021, meaning that the euro repo markets in HQLA will remain more expensive than the ECB deposit facility. We expect the market to remain at this level for as long as the ECB continues to provide support through monetary policy measures. Investors are generally less willing to make their collateral available over the medium term (longer than three months), meaning that the market for term repos still offers only limited liquidity, especially across important reporting dates.

The situation on the bond markets is also being shaped by the ECB's asset purchase programme and the high level of excess liquidity. Liquidity in the secondary markets, which in this context is already significantly reduced, will thus remain low. Despite rising government debt, we expect German government bond yields to remain very low, even in the long-term segment (yields are currently negative up to 30 years), due mainly to the ongoing high demand from the ECB. Demand for returns among financial investors will also continue to be very strong, causing credit spreads to remain tight.

## 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 of banking, 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. The aim of the "Strategy 2024" programme approved in February 2021 is to combine the benefits of a fully digitalised bank with personal advisory services, an unwavering customer focus and sustainability. Our mission is to become the number one digital advisory bank in Germany. With our new positioning, we want to become more efficient and create sustainable prospects for our workforce, customers and shareholders.

Going forward, the Bank will consistently put profitability before growth, particularly when it comes to the efficient use of capital or adequate pricing of products and services. mBank will continue to press ahead with its explicit growth strategy as part of the Group, while Commerzbank will continue to expand its securities and residential mortgage loans business with retail customers despite the difficult operating environment.

At the same time, we are significantly reducing our costs so that we can operate profitably again over the long term. This is to be achieved by simplifying our location network, organisational structures, products, processes and customer relationship management model.

As part of its comprehensive digitalisation, the Bank will significantly streamline its branch network and expand its range of digital services. The remaining branches will provide advice on all aspects of accounts, cards and instalment loans, while many will also offer comprehensive relationship management on all matters relating to wealth management and financing. The round-the-clock relationship management services provided via the advisory centre will be significantly expanded, and we will systematically automate our business processes across the board. Within the credit process for private customers, this includes standardised products such as instalment loans or increases in credit card limits. We are gradually introducing an innovative direct banking offering – Mittelstandsbank Direkt – for corporate customers who require standardised products and advisory services. Corporate customers with complex advisory requirements will continue to benefit from personalised relationship management. Advice is being combined with innovative services such as the digital bank for companies and forward-looking, sustainable products. Data-based solutions and sales analytics support sales and enable efficient relationship management.

The targeted transformation encompasses strategy, technology, competencies and culture. Our subsidiaries CommerzVentures (a venture capital fund that invests in fintech, insurtech and climate fintech companies) and Main Incubator (a research and development unit for future technologies in the areas of ventures, prototypes and community building) have also been supporting us for some time. In the Private and Small-Business Customers segment, the transformation of the business model is based around two fundamental thrusts. First, to combine comdirect's digital expertise with Commerzbank's acknowledged advisory expertise. In the future, the Bank will provide advice in the form desired by the customer – be that virtually or in person. The advisory centre will be the central point of contact for our 11 million or so customers, bringing authentic advisory services to homes, offices or wherever customers need them. Commerzbank will also retain an extensive local presence through around 450 branches. Second, to exploit the huge growth potential in the German premium market and reposition Commerzbank's relationship management model for wealthy private individuals 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 around 220 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. Through this concept, we are laying the foundations to consolidate our position as the leading bank for German SMEs (the Mittelstand) and a strong partner to private and small-business customers. In the Corporate Clients segment, we will in future focus on offering a streamlined and digitalised product range to customers with a connection to Germany. We will continue to serve international corporate clients if they have business links with Germany or operate in selected future-oriented sectors such as mobility, sustainability, communications, life sciences and capital goods. Our international network remains an important building block.

Commerzbank is driving its cultural change with the aim of strengthening a performance culture geared to success. We also want to strengthen entrepreneurial thinking among our own employees by applying modern forms of cooperation and agile methods to develop innovative products. To support this, we have further developed Commerzbank's delivery organisation. The overarching purpose of this delivery organisation is to modernise the IT architecture while maintaining operational stability, expand capabilities and capacities, and develop new professional functionalities for our customers.

Customers now approach the Bank via various channels – offline, online and mobile. They expect these channels to be closely interlinked and provide a compelling range of products and services. We recognised this at an early stage, leading us to create a central multi-channel platform that includes the private customer and corporate customer portals along with the ONE advisor front-end. These have all been running in the public cloud since August 2021 and enable Commerzbank to offer its customers innovative services quickly, automatically and at a high level of quality. Little by little, instant banking is becoming the new normal.

Our transformation offers both potential cost savings and growth opportunities in future markets such as digital ecosystems, embedded finance, digital assets and sustainability. Our activities in the area of sustainability, one of the four cornerstones of our "Strategy 2024" programme, are based on ESG (environmental, social and governance) criteria. Given the clear evidence of the impact of climate change, we are currently focusing more heavily on climate protection. For some time now we have been helping to manage a significant volume of our customers' green and social bond issues. We have also issued our own very successful green bonds, acted as joint lead manager in the issue of the German federal government's first green bond, expanded our range of more sustainable investments with the new klimaVest mutual fund, and are now one of the leading providers of financing for renewable energy projects in Germany and Europe. One key area of focus is the provision of financial support for the transition to tomorrow's low-carbon economy. Further information on our sustainability strategy can be found in the combined separate non-financial report on page 40 ff.

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

# Anticipated performance of the Commerzbank Group

With the "Strategy 2024" programme adopted in February 2021, Commerzbank has paved the way for a far-reaching transformation of the business model designed to place the Bank on a more efficient footing. A sustainable increase in profitability is being given a much higher priority than business growth. The goal of the transformation is to achieve a return on equity of more than 7% by 2024.

The cornerstones of the strategy include the comprehensive digitalisation of business activities and internal processes along with further expansion of the Bank's strengths, such as a high level of advisory expertise and customer focus. Our ambition is to become the leading digital advisory bank in Germany, combining the benefits of a fully digitalised bank with personal advisory services in order to secure our competitive position and further strengthen it over the long term. To better comply with its social responsibility to achieve climate targets, Commerzbank has anchored sustainability as a strategic cornerstone of its banking activities. This will enable it to take advantage of the opportunities that arise from supporting corporate and small-business customers in their transformation to a sustainable economy. The Bank offers a growing number of sustainable financing and investment products for private customers. At the same time, it will be judged on its efforts to achieve a continuous and significant reduction in its own carbon footprint and to make the Bank climate-neutral in the long term.

Despite the more difficult operating environment as a result of the ongoing pandemic, Commerzbank achieved key milestones in the 2021 financial year in line with its ambitious plans. The comprehensive restructuring will be continued systematically this year, with a particular focus on maintaining the high speed of implementation and constantly reviewing the progress made in order to initiate any adjustment measures that may become necessary. The agreement reached with the employee representative committees last year on the implementation of the HR measures means that specific individual contractual agreements have already been concluded in a socially responsible manner for more than half of the employees affected by the planned headcount reduction. These will reduce the cost base to an increasingly large extent over time. With a volume of around €2bn, mainly in the past two financial years, Commerzbank has now borne almost the entire cost of the restructuring measures required over the full period of the transformation. The impact in 2022 is likely to only be in the double-digit millions. This has created the basis for substantially reducing total operating costs by €1.3bn or around 20% by the end of 2024 compared with the starting point in 2020. More than one-third of the total journey, which aims to achieve a vastly improved cost/income ratio of 60%, will have been covered by the end of the current year. Investments of €1.7bn are also planned for the period from 2021 to 2024, targeting the development and expansion of digital expertise and structures and the comprehensive modernisation of the IT infrastructure.

Commerzbank expects the exceptionally challenging operating environment for the German banking sector to persist throughout 2022. The high degree of uncertainty, particularly with regard to the further course of the pandemic but also in relation to other aspects such as the geopolitical situation, means it is significantly more difficult to make economic forecasts. As such, we have to expect a higher range of fluctuation in the factors that influence banking business. The sharp increase in volatility in numerous segments of the international capital markets since the beginning of the year clearly demonstrates that major deviations from assumptions are possible over the course of the year with regard to expected credit demand or the forecast development of customer activity in the securities business. While future interest rate trends at both the short and long end of the yield curve, which are currently difficult to assess, should primarily result in additional income opportunities, new risks may also arise. Driven by the variation in the rate of inflation, interest rates in the two core markets of Germany and Poland have been moving at very different speeds since autumn 2021. While Poland's key interest rate has already been raised five times since last October, taking it from its low of 0.1% to 2.75%, the ECB's refinancing rate remains negative at −0.5%. Our forecast assumes that the ECB will maintain this interest rate until the end of 2022. In this difficult environment, which is still characterised by intense competition, Commerzbank nevertheless considers itself to be in a very robust position. This is due in part to the tangible progress made with the transformation process. The Bank also has an attractive risk profile by international standards that demonstrated a high degree of resilience to the pandemic-related stress test. In addition, the capital ratios reported are well above the regulatory minimum, reflecting the good risk coverage potential. The consistent and effective management of all risks will continue to be of paramount importance for Commerzbank.

The extraordinarily challenging environment, which is characterised by uncertainty and numerous imponderables, is reflected in the forecast that total operating income in the 2022 financial year will be roughly on a par with the previous year. This is based on the assumption that the high level of income resulting from the fair value measurement of assets will not be repeated on the same scale as in the previous year. However, we anticipate a slight upward trend in income relating to customer business, namely the sum of net interest income and net commission income. Net interest income at mBank, which is benefiting from increases in Poland's key interest rate that are boosting margins, is an especially positive contributor in this regard. This figure already takes into account an expected reduction in the number of private customers as a result of the Group's far-reaching restructuring. Commerzbank is expecting a risk result of less than €−0.7bn.

Total operating expenses (including compulsory contributions) are set to be reduced to around €6.3bn in the current year, reflecting cost savings potential already realised from the transformation of the business model. Overall, Commerzbank is aiming to post an operating profit of significantly more than €1bn in the 2022 financial year. Net income is also expected to be above €1bn, enabling shareholders to participate in the Bank's success through the payment of a dividend.

## Anticipated performance of individual earnings components

Net interest income, the key source of income, is expected to be slightly higher year on year under the baseline scenario, which does not envisage any material changes in the key eurozone interest rates. In the Corporate Clients segment, the main focus during the current phase of the transformation is on making more efficient use of capital resources. Restricting activities to selective growth focusing primarily on SME customers and discontinuing non-strategic business, mostly abroad, will result in subdued lending growth and thus tend to lead to a slight decline in interest income. The Bank anticipates lending volumes in retail banking business will grow at a slightly slower pace than last year, particularly for mortgage loans and loans to business and small-business customers. Additional interest income from lending business, together with a further rise in income from passing on negative interest rates – corporate client business is also expected to make a positive contribution here – will probably be able to offset the once again lower interest income expected from deposit business. The extraordinary income from longer-term refinancing transactions with the ECB reported under net interest income will decrease substantially compared with the previous year and is expected to be more than halved. mBank will likely record a very positive improvement in net interest income, due in part to a significant expansion in both lending and deposit volumes. The sharp rise in key interest rates in Poland since October 2021, which most economists predict will be followed by further rate increases over the course of the year, should also open up considerable scope for margin improvements.

Net commission income is expected to decline slightly in the current financial year. This decrease is based in part on the assumption that losses in commission business will result from both customer attrition due to branch closures in retail banking business, which was expected but did not arise in 2021, and from the planned withdrawal from less attractive markets in corporate client business.

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 accounting for a high proportion of total Group income in the 2021 financial year, the fair value result is expected to be significantly lower in the current year.

Experience has shown that the other income items, including realised profit or losses on financial instruments and other net income, are often affected to a large extent by one-off income and measurement effects that are usually impossible to predict. Overall, a negative figure in the triple-digit millions is again forecast for the 2022 financial year. Although further charges cannot be ruled out in respect of the provisions for legal risks in connection with mortgage loans issued in foreign currencies at mBank, whose effects are reflected under other net income, no material expense is expected for 2022 following the provisions accrued in 2021, which also took into account a voluntary settlement offer to debtors.

Commerzbank is aiming to limit the risk result to €–0.7bn in the current financial year. This forecast also reflects the ongoing high degree of uncertainty that a continuation of the coronavirus pandemic could delay and/or negatively impact the extent of the expected economic recovery. In our opinion, however, the provisions of more than €–0.5bn that continue to be recognised specifically for potential charges arising from the coronavirus pandemic will cushion the risks of a worse-than-expected economic scenario that may prevail over a longer period of time. A higher risk result is also expected at mBank, but the increase is set to be lower than the anticipated double-digit growth in lending volume.

The measures initiated last year for the far-reaching restructuring of the Group, in particular the agreements reached on implementation of the HR measures, will lead to marked cost reductions in the 2022 financial year. Accordingly, operating expenses (including compulsory contributions) are expected to be some €400m lower at around €6.3bn despite extensive investment in measures such as the comprehensive digitalisation of the service offering and foreseeable cost inflation in some areas. Within this, the amounts that can be influenced only to a limited extent, primarily for the European banking levy, the Deposit Protection Fund and the Polish bank tax, will in all likelihood increase substantially. mBank has budgeted for a significant increase in operating expenses, also due to inflation, but at a considerably lower rate than the increase in operating income.

Provisions for restructuring expenses linked to the implementation of the “Strategy 2024” programme have already been recognised almost in full in the past two financial years. An allocation in the double-digit millions is all that is planned in 2022.

## Anticipated segment performance

**Private and Small-Business Customers**

The Private and Small-Business Customers (PSBC) segment is aiming to make further progress this year with the far-reaching restructuring of its sales model, culminating in a combination of two business models – a digital direct bank with particular expertise in securities business and a branch-based full-service bank offering a broad product range and expert, in-depth personal advisory services – that is unique in the marketplace. The next strategic steps to be taken by the end of the year include the launch of new digital applications, which will enable more banking products to be concluded online, and the provision of more opportunities for customers to resolve their own service issues quickly and easily via online and mobile banking. This goes hand in hand with the continued development of the advisory centre, through which all customers will have convenient access to personal telephone support at all times. This also includes standardised investment advice via an investment centre and mortgage advice via digital direct sales.

The target structure of 450 branches throughout Germany is set to be achieved over the course of the year after the closure of around 100 further branches. Of these, 220 are premium branches that will cater to the needs of discerning small-business customers and wealthy private individuals requiring individually tailored banking products. They will also offer the self-service infrastructure of the advisory points. The objective at the end of the restructuring phase is to seamlessly link all sales channels so that all customers, whatever stage they are at in their lives, are offered the most suitable banking product at the ideal time and via the appropriate channel.

The current financial year will see a gradual change in customer relationship management, with customers responding to the ongoing reduction in the number of branches by increasingly contacting the advisory centre to seek advice, buy products and resolve service issues. These changes in the sales model mean we are cautious about the current year. We are anticipating a temporary slowdown in customer activity and a slight fall in the number of active customers. In lending business, this is expected to lead to slower growth in the credit portfolio due to lower new business volumes, particularly in mortgage lending and loans to small-business customers. In addition, maturing loans with higher interest rates will be replaced by financing at somewhat lower rates. The same applies to income from investments refinanced with modelled deposits, meaning that the low level of interest rates will once again result in a slight decline in the average interest margin in lending and deposit business. A further significant increase in income from deposit fees is expected to offset the volume and margin effect.

In addition to the temporarily more noticeable restraint on the part of customers due to the restructuring of the sales model, we believe that the exceptionally good environment in securities business over the past two years will be considerably less favourable in the current year. Our baseline assumption is a decline in volatility on the capital markets as an end to the pandemic becomes more likely, which will probably result in significantly lower transaction figures over the course of the year. A sharp fall in transaction-related commissions is therefore likely. Portfolio-related commissions should remain at a high level, however. Ongoing initiatives to convert customer deposits into investment products delivering significantly higher yields, for example sustainable investments such as the klimaVest impact fund, offer income potential.

The Bank is also targeting higher income from asset management. It will seek to expand its market position, particularly among discerning small-business and wealth management customers who require tailored premium solutions. Income from payment transactions will also grow, primarily from card business as customer mobility increases. We expect the amended pricing for account management services will translate initially into only a stabilisation of commissions realised in the current year, as it will also lead to a higher number of customer departures. Experience has shown, however, that the associated loss of income is limited and mainly affects customer relationships with very low product usage. Overall, we expect total domestic operating income to be significantly below the prior-year level.

The subsidiary mBank is aiming to continue its growth strategy of the past few years and should be able to benefit from the much improved interest rate environment this year. In contrast to the eurozone, the change in policy by the Polish central bank has resulted in a clear upward trend for interest rates since autumn 2021, with markedly positive effects for interest margins. Strong double-digit income growth is expected, primarily from lending business, even though measures to curb the high rate of inflation through further increases in the key interest rate could, depending on their extent, limit the targeted significant increase in lending. Commission-bearing business is expected to settle down following very significant growth in the past two years. Following the extensive provisions recognised in the previous year for legal risks in connection with mortgage loans issued in foreign currencies at mBank, which had a negative impact on earnings, no further charges are expected.

Thanks to the marked improvement in mBank's financial performance, total operating income in the PSBC segment is expected to significantly exceed the prior-year level.

As part of the implementation of the strategic measures, further extensive investments in the restructuring of the sales channels are planned for the current financial year. These include in particular the build-up of the advisory centre and the ongoing digitalisation of products and processes, the aim being to achieve the target structure of 450 branches – after the closure of a further 100 branches – with no discernible impact on customers. Measures introduced in the previous year to improve efficiency will also have an increasingly positive effect on costs over the course of the year. Total domestic operating expenses will fall significantly year on year, due in particular to the intended reduction in personnel expenses, although a small offsetting effect is expected from compulsory contributions.

At mBank, operating expenses (including compulsory contributions) are expected to increase significantly due to inflation and in connection with the planned expansion of business volume. However, this increase is set to be disproportionately lower than the growth in operating income.

We are anticipating a slight reduction in operating expenses for the PSBC segment as a whole in the 2022 financial year.

We remain cautious about the risk result and are expecting a significant year-on-year increase under the baseline scenario. This forecast reflects the high degree of uncertainty about whether or not a lengthy delay in economic recovery could have a more tangible impact on the quality of the loan portfolio, which is considered to be high. mBank is also anticipating a higher risk result, which is likely to increase on a similar, albeit somewhat smaller scale than in Germany and also reflects the comparatively larger expansion in lending volume.

We are forecasting a substantial increase in operating income and a slight decline in operating expenses for the PSBC segment as a whole, offset by a significantly higher expected risk result. Operating profit is therefore expected to improve markedly to around €1bn in the 2022 financial year. The operating return on equity is likely to increase to a similar extent, while the cost/income ratio is expected to improve markedly.

**Corporate Clients**

During the current financial year, the Corporate Clients (CC) segment will seek to further improve its cost/income ratio and the efficiency of capital employed without compromising its strong market position with German SME customers and international companies who have business links with Germany. Corporate clients will continue to benefit from Commerzbank's strengths such as its acknowledged high level of advisory expertise and strong presence in international trade corridors. However, the scope of support offered and the product range will in future be more nuanced according to customer needs in order to improve the profitability of customer relationships. Going forward, many of the demands of corporate clients can be met much more efficiently via the digital product and service offering of a modern direct bank. After withdrawing from six European and Asian locations in 2021, the Bank will further streamline its foreign network as planned and will have closed ten locations in total by the end of the current year. As has already happened with the outsourcing of institutional equities business to ODDO-BHF, cooperations offer alternative and efficient ways of serving our corporate clients. Through our partnership with Erste Group, we are taking advantage of selective growth opportunities in five Central and Eastern European countries.

Other strategic measures in the current year include the ongoing implementation of a new lean branch concept at selected locations in Western Europe and addressing further target customers in certain promising sectors in which Commerzbank has particular expertise. Based on the planned digitalisation of the product range and of internal processes, extensive data analyses should also support the efficient use of capital resources for customers who require a high level of intensive individual support and offer corresponding income potential. They will also enable Commerzbank to identify insufficiently profitable customer relationships that only use a small part of the Bank's range of services, and to terminate these relationships where necessary. RWA efficiency therefore remains a key management metric for the implementation of strategic measures.

In the current financial year, the CC segment is seeking to achieve selective growth with a stronger focus on target regions and sectors with core customers who expect a broad range of services and a high level of advisory expertise. A more focused international presence and further optimisation of the needs-based customer approach are also likely to result in lower activity among some customers, although this is not expected to lead to a significant drop in income. Given the continuing uncertainty with regard to the economic outlook, companies' financing requirements in terms of capital expenditure are expected to remain subdued, meaning only modest credit growth. As a result of the objective to focus on income opportunities in business areas with above-average capital efficiency, income growth is expected primarily in capital market business and in transaction banking. The more intensive servicing of corporate clients in the defined future-oriented sectors is also expected to result in higher earnings contributions. The forecast of a significant fall in total operating income in corporate client business in the 2022 financial year is based primarily on the cautious assessment with regard to income that is based on changes in fair value, where we are expecting a sharp decline.

Numerous measures to improve efficiency, in particular by reducing personnel expenses, have already been initiated and will have an increasingly positive impact on costs over the course of the year. Despite significant strategic investments, such as the establishment of the direct bank and the ongoing digitalisation of products and processes, the Bank is targeting a significant reduction in total operating costs for the 2022 financial year. This decrease, however, will be offset somewhat by an increase in the cost of compulsory contributions.

Following the very positive trend in the previous year, with risk provisions for corporate clients kept at a low level despite the very challenging phase of the coronavirus pandemic, we are cautious about the current year and expect the risk result to roughly double in size.

Overall, declining income and the substantially higher risk result will be offset by considerably lower operating expenses. We therefore expect a significant decrease in operating profit, which will be reflected in a lower operating return on equity. The cost/income ratio should nevertheless show a slight improvement.

## General statement on the outlook for the Group

Commerzbank expects to achieve further milestones in the Group's transformation towards greater efficiency and profitability in the 2022 financial year and is targeting an operating profit significantly in excess of €1bn. With operating income at the prior-year level and a risk result of up to €–0.7bn, the reduction in total operating expenses to around €6.3bn is set to be the main driver of the expected marked improvement in operating profit compared with the previous year. With the Bank only planning a further expense item in the double-digit millions for future restructuring measures, a consolidated profit of more than €1bn is forecast after deductions for tax expense and non-controlling interests. The return on equity would therefore more than double compared with the previous year.

Commerzbank's target for its Common Equity Tier 1 capital ratio is based in part on the capital requirements resulting from the Supervisory Review and Evaluation Process (SREP). The ECB, as the responsible supervisory authority, has set this minimum requirement at an essentially unchanged level of 9.4% for the 2022 financial year. Commerzbank's management also calculates a capital buffer that is deemed appropriate to cover potential unexpected stress situations. Commerzbank intends to maintain a Common Equity Tier 1 ratio of more than 13%, significantly above the regulatory requirement imposed by the ECB, for the entirety of the 2022 financial year. This target compares with the ratio of 13.6% reported as at the end of 2021. The Bank therefore believes it has a sufficient capital buffer that already comfortably covers the additional countercyclical capital buffers to be held in the future in the UK (from December 2022: 1%) and Germany (from February 2023: 0.75%; plus a systemic risk buffer of 2% for residential real estate loans), which together add up to an effect of some 70 basis points on capital.

This solid capitalisation reflects the high risk-bearing capacity demonstrated during the exceptionally challenging phase of the pandemic. It also underlines the ambition to follow the intended payment of a dividend for the 2022 financial year with further attractive distributions to shareholders in subsequent years.

Nonetheless, there are numerous risk factors that could affect the 2022 profit forecast to a considerable, though not reliably quantifiable extent, should events take an unfavourable turn. These include, first and foremost, exceptionally high global economic risks. It is still not possible to reliably estimate either the duration or likely extent of the coronavirus pandemic. Geopolitical risks, which can significantly reduce 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 development. So the war in Ukraine affects both our business with Ukraine and our business with Russia. We assume that sanctions relating to individual business partners (for example, the exclusion of large Russian financial institutions from the SWIFT banking communications network or the prohibition of US dollar clearing with large Russian banks) or entire industries (for example, the energy or raw materials sector) will also have an impact on Commerzbank. In addition, we expect Russian countersanctions to have an impact on Commerzbank's portfolios. We closely monitor further developments and continuously adapt our risk assessment and business policy. Commerzbank strictly follows the sanctions at all times. Moreover, trade disputes between the economic blocs Europe, North America and Asia, triggered by political tensions, remain possible.

Signals, chiefly from the US Federal Reserve, pointing to a turnaround in monetary policy have triggered a significant increase in volatility across numerous segments of the global capital markets since the beginning of 2022. With some valuations extraordinarily high by historical standards, especially on the bond and equity markets, the value corrections that have occurred to date could become even more pronounced as the year progresses. With their extensive toolkit, to which they have added a raft of unconventional monetary policy measures over the last few years, central banks also have a major responsibility to ensure international financial stability. A loss of confidence in their ability to effectively counter the strengthening inflationary trend and thus perform their main task of safeguarding monetary stability could therefore have adverse consequences for the stability of both the financial markets and the banking system.

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

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

For further information on other risks, see the Group risk report on page 101 ff.

# Group risk report

The Group risk report is a separate reporting section in the Annual Report. It forms part of the Group management report.

# Group risk report

› In the Group risk report, we give a comprehensive presentation of the risks we are exposed to. We provide a detailed insight into the organisation and key processes of our risk management. Our primary aim is to ensure that all risks in Commerzbank are fully identified, monitored and managed based on adequate procedures at all times.

# Contents

# Executive summary 2021

The 2021 financial year, like the previous year, was marked by the coronavirus pandemic. However, our sound portfolio quality and the measures taken by governments mean that the effects have so far had only a limited impact on the risk ratios. The top-level adjustment (TLA) recognised for the expected coronavirus effects remains available to cover the direct and indirect effects of the pandemic.

**Risk-bearing capacity ratio stood at 176% as at 31 December 2021**

- The risk-bearing capacity ratio remains well above the minimum requirement.
- The reduction in the economically required capital compared with December 2020 is attributable in particular to lower credit and market risk.

**The Group's exposure at default increased**

- The Group's exposure at default increased from €466bn to €470bn in 2021.
- The risk density declined from 21 basis points to 18 basis points over the same period.

**Risk result for the Group amounted to €–570m in 2021**

- There was a considerable drop in the risk result compared to the previous year because lower loan losses were recorded for 2021 than had originally been expected and no further significant additions to the TLA had to be made.
- For 2022 the Bank expects charges of less than €700m for the risk result.

**Market risk in the trading book declined in 2021**

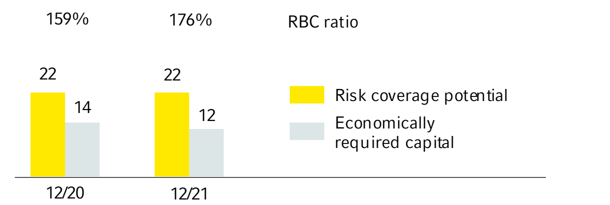
- The value at risk (VaR) declined from €12m to €7m over the course of 2021.
- The reason for this was that extreme scenarios relating to the coronavirus from March of the previous year no longer had an influence on the time series for the VaR calculation.

**Operational risks increased year on year**

- In 2021 risk-weighted assets from operational risks increased from €18.3bn to €19.8bn. This rise was mainly due to the switch from the advanced measurement approach (AMA) to the standardised approach.
- The total charge for OpRisk events increased from €345m to €1,136m compared with the previous year.

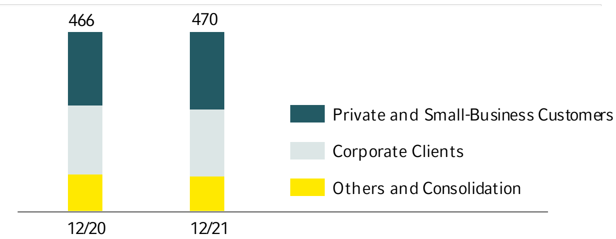
**Risk-bearing capacity**

€bn



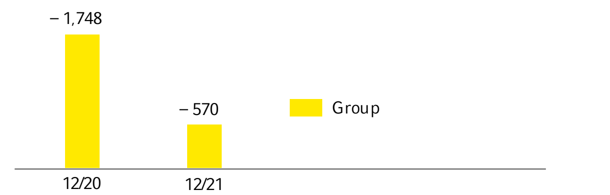

**EaD**

€bn



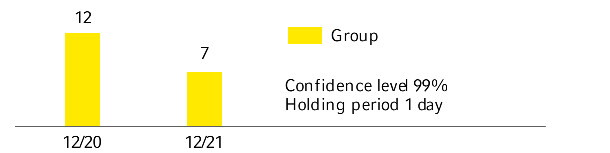

**Risk result**

€m



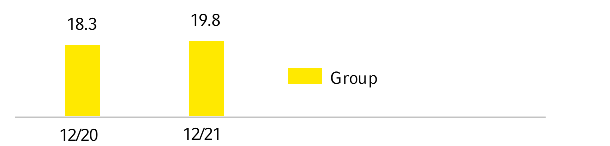

**VaR**

€m




**Risk-weighted assets from operational risks**

€bn



# Risk-oriented overall bank management

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

## Risk management organisation

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

Until 31 December 2020, the risk management organisation consisted of the following divisions: Group Credit Risk Management, Group Credit, Group Market Risk Management, Group Risk Controlling & Capital Management and Group Cyber Risk & Information Security.

As of 1 January 2021, Commerzbank combined the divisions Group Market Risk Management and Group Risk Controlling & Capital Management to form the new Group Risk Control division. Furthermore, the Group Big Data & Advanced Analytics division was integrated into the risk management organisation.

In addition, the CRO has assumed 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 central 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 operates on the basis of the credit risk strategy. It takes decisions in line with the competencies delegated to it by the Board of Managing Directors.

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

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

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

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

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

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

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

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

# Risk strategy and risk management

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

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

However, mitigation strategies are developed to counter these inherent existential threats, in order as far as possible to reduce the probability of damage or the extent thereof. On the other hand, if a threat materialises that is inherent in the business model but not existential, there is always the possibility of mitigation through, among other things, capital measures available on the market or the use of appropriate capital buffers. It is therefore not necessary to activate the Single Resolution Mechanism (SRM) in this threat scenario. For Commerzbank, the existential threats inherent in its business model include, for example, the default of Germany, the disintegration of the eurozone and a sovereign 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, a collapse or a massive malfunction in global clearing houses, as well as extreme cyber attacks on states and institutions due to increasing digitalisation and geopolitical tensions.

The (non-existential) threats inherent in the business model include a deep recession lasting several years with severe effects on the German economy (e.g. triggered by a global pandemic or originating in the USA or China) and the resulting consequences such as huge loan defaults or a sharp outflow of customer deposits affecting the liquidity situation. The global economic downturn caused as a result of the outbreak of the coronavirus pandemic increased overall uncertainty. Commerzbank quickly adapted to the new pandemic scenario and adjusted the management of market, liquidity, credit and operational risks in line with the specific requirements of the pandemic. The observable effects of the pandemic on value chains and commodity prices show, however, that the effects are also still ongoing and remain difficult to assess. Increasing geopolitical tensions, including between Western countries and Russia or China, could lead to significant negative effects on economic performance. The potential for conflict, which is difficult to gauge and goes far beyond trade disputes, remains a relevant risk for Commerzbank as a bank heavily involved in financing global trade.

Climate change may pose another inherent threat. Climate change may be reflected in physical and transition risks for Commerzbank. The transitional aspects in particular harbour risks (as well as opportunities) that are difficult to assess in the short term. Identifying and mitigating this threat to Commerzbank is one of the objectives of risk strategy. Accordingly, Commerzbank has determined for each type of risk whether environmental risks are a key driver. All risk types that are material in relation to environmental risks have been adequately reflected in the risk strategy and risk management.

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

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

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

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

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

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

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

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

## Risk ratios

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

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

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

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

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

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

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

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

In relation to bulk risk, the **"all-in"** concept comprises all customer credit lines approved by the Bank in their full amount – irrespective of the loan utilisation to date. It is independent of statistically modelled parameters to the greatest possible extent and comprises internal as well as external credit lines.

# Risk-bearing capacity and stress testing

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

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

The capital requirement for the risks taken is quantified using the internal economic capital model. All risk types of the Commerzbank Group classified as significant and quantifiable within the annual risk inventory are taken into account when determining the economically required capital. The economic risk approach therefore also comprises risk types that are not included in the regulatory requirements for banks' capital adequacy. The model also reflects diversification effects incorporating all types of risk. The confidence level for the calculation of economically required capital is 99.90% and is harmonised with the going concern approach. The quantifiable significant risks in the economic capital model are divided into default risk, market risk, operational risk and (not separately disclosed in the table on the next page) business risk and property value change risk. Furthermore, reserve risk is included in the risk-bearing capacity calculation by means of a corresponding risk buffer. Business risk is the risk of a potential loss resulting from deviations in actual income and expense from the respective budgeted figures. Business risk is used to substantiate a higher-level management buffer that ensures the responsiveness of capital management. Physical asset risk is the risk of an unexpected fall in the value of owned property which is either already recognised as an asset in the Group's balance sheet or which can be recognised during the next 12 months under contractually assured obligations with option character (especially real estate). Climate and environmental risks are defined as horizontal risks within Commerzbank and arise in existing risk categories, with both transition and physical risks being considered. The annual materiality assessment of climate and environmental risks, carried out for the first time in 2021, provides a holistic overview of the impact on existing material risk types identified in the risk inventory. Climate and environmental risks are appropriately reflected in Commerzbank's risk-bearing capacity analysis. Among other things, a risk buffer was implemented as at 31 December 2021 for default and market risks that are materially influenced by climate and environmental risks. Further information on climate and environmental risks can be found in the "Environmental, social and governance (ESG) risks" section on page 140 f.

The results of the risk-bearing capacity analysis are shown using the risk-bearing capacity ratio (RBC ratio), indicating the excess of the risk coverage potential in relation to the economically required capital. Risk-bearing capacity is monitored and managed monthly at Group level. Risk-bearing capacity is deemed to be assured as long as the RBC ratio is higher than 100%. In 2021, the RBC ratio was consistently above 100% and stood at 176% as at 31 December 2021. The reduction in the economically required capital compared with December 2020 is attributable in particular to lower credit and market risk. The decline in credit risk is attributable primarily to improvements in average customer credit ratings, which are reflected both in the expected loss and in the capital requirement. The decline in market risk results in particular from the fact that the coronavirus crisis figures from March 2020 are no longer included in the calculation on which the capital requirement is based, and from improved risk diversification. The RBC ratio is still well above the minimum requirement.

| Risk-bearing capacity Group \| €bn | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Economic risk coverage potential** | **22** | **22** |
| **Economically required capital[1]** | **12** | **14** |
| thereof for default risk | 9 | 10 |
| thereof for market risk[2] | 3 | 4 |
| thereof for operational risk | 1 | 1 |
| thereof diversification effects | −2 | −2 |
| **RBC ratio (%)[3]** | **176** | **159** |

[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, from December 2021, additionally for climate and environmental risks.
[2] Including deposit model risk.
[3] RBC ratio = economic risk coverage potential/economically required capital (including risk buffer).

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

The risk-bearing capacity and stress testing concept is subject to an annual internal review and is refined on an ongoing basis. The development of the regulatory environment is also taken into account. In addition to the regular stress tests, reverse stress tests are implemented annually at Group level. Unlike regular stress testing, the result of the simulation – a sustained threat to the Bank – is determined in advance. The aim of the analysis process in the reverse stress test is to improve the transparency of Bank-specific risk potential and interactions of risk by identifying and assessing extreme scenarios and events. On this basis, for instance, action fields in risk management including the regular stress tests can be identified and taken into account in the ongoing development efforts. In 2021, an internal holistic climate risk stress test was carried out by the Bank for the first time in preparation for the ECB climate risk stress test which is to be conducted in 2022. Both transition and physical risk factors relating to default, market, operational and reputational risks were analysed on the basis of scenarios.

In 2021, the risk-weighted assets resulting from Commerzbank's business activities decreased from €179bn to €175bn.

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

| | 31.12.2021 | | | | 31.12.2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **Risk-weighted assets €bn** | **Default risk** | **Market risk** | **Operational risk** | **Total** | **Default risk** | **Market risk** | **Operational risk** | **Total** |
| Private and Small-Business Customers | 42 | 1 | 10 | 53 | 40 | 1 | 6 | 47 |
| Corporate Clients | 70 | 6 | 5 | 81 | 74 | 7 | 7 | 89 |
| Others and Consolidation | 33 | 3 | 5 | 41 | 34 | 4 | 5 | 43 |
| **Group** | **145** | **10** | **20** | **175** | **148** | **12** | **18** | **179** |

[1] Adjustment due to restatements.

The coronavirus pandemic continued to have a huge impact on the global economy in 2021. While the incidence of infection decreased significantly in spring 2021 in many countries and the coronavirus-related restrictions were noticeably relaxed, new waves of infection began to build up in autumn, which recently gained considerable momentum with the emergence of the Omicron variant. Against this background, the coronavirus-related rules in many countries were drastically tightened again.

The coronavirus pandemic will continue to have a significant impact on the global economy in 2022. The currently high number of new coronavirus infections will likely only decrease sustainably in spring 2022, as was the case in the past year.

Inflation has risen sharply all over the world, and the rapid pace of this inflation is pushing more and more central banks towards abandoning their expansive monetary policy. The performance of the financial markets in 2022 will depend as rarely before on inflation and how it is perceived.

Further information on the effects of the coronavirus pandemic and the inflation risks can be found in the economic report and in the outlook and opportunities report in the Group management report.

The escalation of the Russia-Ukraine conflict represents a significant risk for the economic outlook. If Russia were to curb or even completely stop energy exports, it would at least short-term lead to energy shortages in Western Europe. Restrictions on production, especially in energy-intensive sectors, would hardly be avoided. At the same time, energy prices would continue to rise, significantly reducing the purchasing power of households. In this case, at least in Germany, a recession would be hard to avoid.

So the war in Ukraine affects both our business with Ukraine and our business with Russia. Commerzbank's net exposure in Russia amounts to €1.3bn. On top of this exposure, the Bank has around €0.6bn Russia related exposure which consists mostly of pre-export financing of commodities. The net exposure in Ukraine is less than €0.1bn. We assume that sanctions relating to individual business partners (for example, the exclusion of large Russian financial institutions from the SWIFT banking communications network or the prohibition of US dollar clearing with large Russian banks) or entire industries (for example, the energy or raw materials sector) will also have an impact on Commerzbank. In addition, we expect Russian countersanctions to have an impact on Commerzbank's portfolios. We closely monitor further developments and continuously adapt our risk assessment and business policy. Commerzbank strictly follows the sanctions at all times.

## Regulatory environment

With Basel 3, the Basel Committee on Banking Supervision published among other things comprehensive rules on the components of equity and equity ratios as well as the management of liquidity risk. The associated Capital Requirements Directive and Regulation, constituting the European implementation of Basel 3, have been in force since 1 January 2014, with the more stringent capital requirements having been phased in up to 2019. 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. The phasing in of capital buffers is a significant feature of the Basel 3 revision, which has now been completed. In accordance with the legal requirements, the buffers are subject to planned, regular supervisory review.

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

Further information on the countercyclical capital buffer can be found in the outlook and opportunities report in the Group management report.

In addition, under Basel 3 the leverage ratio has been introduced as a new and non-risk-sensitive debt ratio. Commerzbank has set internal targets for managing the leverage ratio and capital adequacy requirement. These are subject to ongoing review and consideration as part of the capital management process.

Liquidity risk is to be monitored by means of the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). The LCR entered into force on 1 October 2015 and is binding on all European banks. The final version of the NSFR, which was approved by the Basel Committee in October 2014, was transposed into European law as part of the Capital Requirements Regulation II (CRR II) and has been binding since June 2021. Commerzbank is already calculating both ratios as part of its regulatory reporting processes, communicating them in its internal reporting and reporting them to the supervisory authority.

The CRR II was published together with the Capital Requirements Directive (CRD V) as part of the Risk Reduction Package in the Official Journal of the European Union on 7 June 2019. As a European directive, CRD V requires transposition into national law within 18 months. The legislation implements, among other things, the Basel Committee's requirements on the leverage ratio, the net stable funding ratio, regulations on the trading book and large exposures, and the treatment of investment funds. In addition, numerous specifications have yet to be made by the EBA.

The CRR relief enacted by the EU in 2020 in the wake of the coronavirus pandemic ("CRR Quick Fix"), such as the early relief for risk positions with small and medium-sized enterprises, was implemented accordingly by Commerzbank.

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 3 February 2022, in its final SREP decision for 2021, the ECB informed Commerzbank of the results of the SREP and the associated supervisory requirements. It did not change the bank-specific capital requirements for the Commerzbank Group set for 2022. With effect from 1 March 2022 the SREP decision replaces the previous SREP decision of 10 December 2019.

A key aim of the ECB project is to harmonise RWA-relevant models for market, counterparty and credit risk that fall within the scope of the Single Supervisory Mechanism (SSM). In particular, the scope for interpretation permitted by the regulations or arising due to differences in national application is to be significantly reduced in future. Some future regulations have been anticipated and far-reaching independent interpretations have been made through the relevant Guides as part of an SSM-wide Targeted Review of Internal Models (TRIM) programme. Commerzbank has received the final ECB decisions with the results of the review.

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 MREL and 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 October 2021 to reflect the regulatory requirements. The recovery plan describes in detail for instance the courses of action and recovery potential available to the Bank in the event of a crisis and which specific recovery measures, in various stress scenarios, will enable the Bank to complete its recovery.

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

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

# Default risk

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

## Strategy and organisation

The credit risk strategy is the sub-risk strategy for default risks and is derived from the overall risk strategy. It is embedded in the ICAAP process of the Commerzbank Group and forms a link between the Bank's overall risk management across all risk types and the operationalisation of default risk management. The overriding aim is to ensure the adequate quality of the credit portfolio. To this end, the credit risk strategy defines the credit risk tolerance, specifies risk strategy priorities, provides an overview of the material credit risk management concepts and thereby plays an integral part in maintaining the Group's risk-bearing capacity. The credit risk strategy makes use of quantitative and qualitative management tools that give decision-makers clear guidance on both portfolio management and decisions in specific cases. Within the context of the requirements of the EBA guidelines on loan origination and monitoring (LOaM) implemented in 2021, sustainability aspects were defined and anchored, and expanded out-of-policy reporting was put in place.

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

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

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

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

## Risk management

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

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

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

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

To monitor compliance with credit risk strategic rules, continuous monitoring and reporting has also been set up at whole Group level and at segment or sub-portfolio level. Asset quality reviews by the risk function make an important contribution here to quality assurance and early risk detection. The focal points of the monitoring vary depending on the issue and target group. Ad hoc reporting processes have been established. In addition, crisis events may pose a risk to the Bank's capital and liquidity adequacy and thereby to its risk-bearing capacity. In a crisis, the Risk Mitigation Task Force will manage decisions flexibly in a coordinated, Group-wide process. For example, in the context of the ongoing pandemic the Task Force Corona (TFC) was established at the beginning of 2020 in order to identify effects on the Group portfolio as quickly as possible and to be able to take countermeasures. The TFC continued its work in 2021. 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.

## 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<br><br>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<br><br>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)<br><br>Uniform, consolidated data repository as basis for Group reporting | Ensuring exchange of information and networking in committees that operate across all risk types<br><br>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.)<br><br>Differenciated credit authorities based on compliance of transactions with the Bank's risk policy | Performance metrics on level of risk categories and sub-portfolios<br><br>Expansion of Group-wide performance metrics using sub-portfolio-specific indicators | Portfolio batches as per established portfolio calendar*<br><br>Asset quality review and analysis of High Attention Parts (HAP)<br><br>Trigger monitoring with clear escalation and reporting lines | Interdisciplinary composition of segment committees<br><br>Ensuring uniform economic opinions |

**Individual exposures**

| | | | |
| --- | --- | --- | --- |
| Rating-dependent and bulk-sensitive credit authority regulations with clear escalation processes | Limitation of bulk risk and uniform management according to model-independent all-in definition | Limit monitoring at individual exposure level<br><br>Monthly report to the Board of Managing Directors on the development of bulk risks<br><br>Review of individual customers/exposures resulting from asset quality review or HAP analyses | Deal team structures<br><br>Institutionalized exchange within the risk function, also taking account of economic developments<br><br>Sector-wise organization of domestic corporate business |

The Task Force Corona established in 2020 as part of crisis management under the direction of the Chief Credit Risk Officer continued its work in 2021. The Board of Managing Directors was regularly informed about the results and decisions of the cross-unit meetings to ensure a coordinated vote on the effects of the crisis. These internal meetings were discontinued in February 2021, but are to be revived if necessary. The existing ad hoc reports were continued on a monthly basis. The established exchange formats with the supervisory authorities continue to take place at regular intervals. There are still bi-weekly meetings between the Joint Supervisory Team (JST) and the CFO/CRO and quarterly JST meetings with senior management. Workshops were also held with regulators to clarify specific issues.

## 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.

## 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. However, this is possible and expedient amid a pandemic only to a limited extent, which is why the associated negative developments will become apparent only with a time lag.

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

The credit approval authorities of both individual staff and the committees (Board of Managing Directors, Credit Committee, sub-credit committees) are graduated by a range of factors including size of exposure and rating class.

**Commerzbank master scale**

| Commerzbank AG rating | PD and EL mid-point % | PD and EL range % | S&P scale | | Credit quality steps in accordance with Article 136 CRR[1] | |
|---|---|---|---|---|---|---|
| 1.0 | 0 | 0 | AAA | AAA | I | Investment Grade |
| 1.2 | 0.01 | 0 – 0.02 | | | | |
| 1.4 | 0.02 | 0.02 – 0.03 | AA+ | AA | | |
| 1.6 | 0.04 | 0.03 – 0.05 | AA, AA– | | II | |
| 1.8 | 0.07 | 0.05 – 0.08 | A+, A | A | | |
| 2.0 | 0.11 | 0.08 – 0.13 | A– | | | |
| 2.2 | 0.17 | 0.13 – 0.21 | BBB+ | BBB | III | |
| 2.4 | 0.26 | 0.21 – 0.31 | BBB | | | |
| 2.6 | 0.39 | 0.31 – 0.47 | | | | |
| 2.8 | 0.57 | 0.47 – 0.68 | BBB– | | | |
| 3.0 | 0.81 | 0.68 – 0.96 | BB+ | BB | IV | Sub-investment grade |
| 3.2 | 1.14 | 0.96 – 1.34 | BB | | | |
| 3.4 | 1.56 | 1.34 – 1.81 | | | | |
| 3.6 | 2.10 | 1.81 – 2.40 | BB– | | | |
| 3.8 | 2.74 | 2.40 – 3.10 | | | | |
| 4.0 | 3.50 | 3.10 – 3.90 | B+ | B | V | Non-investment grade |
| 4.2 | 4.35 | 3.90 – 4.86 | | | | |
| 4.4 | 5.42 | 4.86 – 6.04 | B | | | |
| 4.6 | 6.74 | 6.04 – 7.52 | | | | |
| 4.8 | 8.39 | 7.52 – 9.35 | B– | | | |
| 5.0 | 10.43 | 9.35 – 11.64 | | | | |
| 5.2 | 12.98 | 11.64 – 14.48 | CCC+ | CCC | VI | |
| 5.4 | 16.15 | 14.48 – 18.01 | CCC, CCC– | | | |
| 5.6 | 20.09 | 18.01 – 22.41 | CC, C | CC, C | | |
| 5.8 | 47.34 | 22.41 – 99.99 | | | | |
| 6.1 | 100 | > 90 days past due | D | | | Default |
| 6.2 | | Imminent insolvency | | | | |
| 6.3 | | Restructuring with recapitalisation | | | | |
| 6.4 | | Termination without insolvency | | | | |
| 6.5 | | Insolvency | | | | |

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

## Risk mitigation

The collateral taken into account in risk management changed in the period under review from €121.2bn to €123.3bn for positions in the Group's performing portfolio and from €1.2bn to €1.1bn 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.

There have been no visible effects of the coronavirus pandemic on the market values of typical loan collateral (especially real estate) to date; with the exception of aircraft, no further portfolio-based haircuts have been factored in.

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, in the case of the CRSA, the regulatory risk weightings.

As at the reporting date, no loan loss provisions were created for transactions with a total volume of €5.9bn (31 December 2020: €6.0bn), as these are entirely collateralised.

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

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

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

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

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

## Commerzbank Group

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

The coronavirus pandemic continued to have a huge impact on the global economy in 2021. While the incidence of infection decreased significantly in spring 2021 in many countries and the coronavirus-related restrictions were noticeably relaxed, new waves of infection began to build up in autumn, which recently gained considerable momentum with the emergence of the Omicron variant. Against this background, the coronavirus-related rules in many countries were drastically tightened again.

The coronavirus pandemic will continue to have a significant impact on the global economy in 2022. The currently high number of new coronavirus infections will likely only decrease sustainably in spring 2022, as was the case in the past year.

The direct and indirect consequences of the coronavirus pandemic are covered in particular by means of a top-level adjustment (TLA) in the risk result as well as adjustments of models. The TLA figure recorded in the 2020 financial statements was checked during the year on the quarterly reporting dates and recalculated if necessary. The majority of these effects are not yet perceptible in the remaining risk figures, as they will only become noticeable here with a time lag.

**Credit risk parameters**

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

| | 31.12.2021 | | | | 31.12.2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **Credit risk parameters** | **Exposure at default** €bn | **Expected loss** €m | **Risk density** bp | **CVaR** €m | **Exposure at default** €bn | **Expected loss** €m | **Risk density** bp | **CVaR** €m |
| Private and Small-Business Customers | 203 | 408 | 20 | 2,180 | 190 | 401 | 21 | 2,025 |
| Corporate Clients | 174 | 347 | 20 | 4,197 | 180 | 430 | 24 | 4,647 |
| Others and Consolidation | 93 | 114 | 12 | 2,141 | 96 | 141 | 15 | 2,721 |
| **Group** | **470** | **869** | **18** | **8,518** | **466** | **971** | **21** | **9,393** |

When broken down on the basis of PD ratings, 85% of the Group's portfolio is in the internal rating classes 1 and 2, which comprise investment grade.

| | 31.12.2021 | | | | | 31.12.2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Rating breakdown** EaD \| % | **1.0-1.8** | **2.0-2.8** | **3.0-3.8** | **4.0-4.8** | **5.0-5.8** | **1.0-1.8** | **2.0-2.8** | **3.0-3.8** | **4.0-4.8** | **5.0-5.8** |
| Private and Small-Business Customers | 30 | 55 | 12 | 2 | 1 | 32 | 52 | 13 | 3 | 1 |
| Corporate Clients | 18 | 62 | 15 | 3 | 2 | 20 | 59 | 16 | 4 | 2 |
| Others and Consolidation | 49 | 47 | 3 | 0 | 0 | 56 | 41 | 3 | 0 | 0 |
| **Group** | **29** | **56** | **11** | **2** | **1** | **32** | **53** | **12** | **2** | **1** |

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

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

| | 31.12.2021 | | | 31.12.2020 | | |
|---|---|---|---|---|---|---|
| **Group portfolio by region** | **Exposure at default** €bn | **Expected loss** €m | **Risk density** bp | **Exposure at default** €bn | **Expected loss** €m | **Risk density** bp |
| Germany | 257 | 363 | 14 | 248 | 415 | 17 |
| Western Europe | 96 | 198 | 21 | 102 | 238 | 23 |
| Central and Eastern Europe | 55 | 222 | 40 | 51 | 207 | 41 |
| North America | 37 | 35 | 9 | 33 | 46 | 14 |
| Asia | 15 | 23 | 16 | 24 | 34 | 15 |
| Other | 11 | 28 | 27 | 10 | 31 | 31 |
| **Group** | **470** | **869** | **18** | **466** | **971** | **21** |

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

**Risk result**

The risk result relating to the Group's lending business in 2021 amounted to €–570m (prior-year period: €–1,748m).

The following table shows the breakdown of the risk result by stage according to IFRS 9. In Note 32 of the Group financial statements (Credit risks and credit losses) details regarding the stages can be found; in Note 11 (Risk result) the definition of the risk result can be found.

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

| | 31.12.2021 | | | | 31.12.2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **Risk result \| €m** | **Stage 1** | **Stage 2[1]** | **Stage 3[1]** | **Total** | **Stage 1** | **Stage 2[1]** | **Stage 3[1]** | **Total** |
| Private and Small-Business Customers | −23 | −1 | −295 | −319 | −9 | −183 | −369 | −562 |
| Corporate Clients | 8 | 18 | −175 | −149 | −35 | −355 | −690 | −1,081 |
| Others and Consolidation | 6 | −35 | −72 | −101 | −6 | 5 | −106 | −106 |
| **Group** | **−9** | **−18** | **−542** | **−570** | **−50** | **−533** | **−1,165** | **−1,748** |

[1] Including allocated risk result from POCI (POCI – purchased or originated credit-impaired).

There was a considerable drop in the risk result compared to the previous year because lower loan losses were recorded for 2021 than had originally been expected and no further significant additions to the TLA had to be made. The model-based parameters used to determine risk provisions do not yet fully reflect the effects of the coronavirus pandemic. As in 2020, a pandemic-related top-level adjustment was therefore required for the risk result.

The TLA figure of €–505m booked as at 31 December 2020 was checked during the year on the quarterly reporting dates and recalculated if necessary. At the end of 2021 the TLA figure was completely recalculated based on an updated macroeconomic scenario, parameter adjustments derived from it and current portfolio data. This led to an increase in the TLA in the current calendar year by €–17m. The TLA as at 31 December 2021 thus amounted to €–523m. The assumptions regarding increased probabilities of default compared with the model result were updated to take account of developments as at the reporting date. The TLA takes into account the expected effects of the coronavirus pandemic on the Commerzbank Group by the end of 2022. This is based on a macroeconomic scenario that reflects the uncertainty that increased in the fourth quarter of 2021 owing to the fourth coronavirus wave and the occurrence of new mutations, including the resulting measures and restrictions on public life, which will have a negative impact on economic performance in 2022. In addition, economic performance in 2022 is threatened by indirect and secondary effects from the pandemic, such as interruptions to production chains, scarcity of raw materials and rising energy prices in the eurozone. The adequacy of the TLA is continually reviewed. (Details on the background to and adjustment of the TLA can also be found in Note 32 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.

For 2022 the Bank expects charges of less than €700m for the risk result.

**Default portfolio**

The Group's default portfolio decreased by €640m in 2021 and stood at €4,156m as at the end of the year. The decline in 2021 was attributable in the main to larger write-downs on individual exposures in the Corporate Clients segment, as well as in Others and Consolidation amid otherwise low inflows into the default 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 €3.9bn (31 December 2020: €4.6bn) relates to the loans and receivables class, and €244m (31 December 2020: €211m) to off-balance-sheet transactions. As at 31 December 2021 the volume of defaulted securities that can be assigned to the debt securities class was €3m (31 December 2020: €3m fair value OCI category). The collateral shown is liable to the full extent for loans in the amortised cost category, with €1,087m (31 December 2020: €1,137m) relating to loans and receivables and €27m (31 December 2020: €31m) to off-balance-sheet transactions.

As at 31 December 2021 there was no default volume to be reported for credit transactions in the fair value OCI category (31 December 2020: €4m).

| | 31.12.2021 | | | 31.12.2020 | | |
|---|---|---|---|---|---|---|
| **Default portfolio Group \| €m** | **Loans** | **Securities** | **Total** | **Loans** | **Securities** | **Total** |
| Default portfolio | 4,152 | 3 | 4,156 | 4,792 | 3 | 4,795 |
| LLP[1] | 2,055 | 0 | 2,055 | 2,272 | 0 | 2,272 |
| Coverage ratio excluding collateral (%)[2] | 49 | – | 49 | 47 | – | 47 |
| Collateral | 1,109 | 0 | 1,109 | 1,168 | 0 | 1,168 |
| Coverage ratio including collateral (%)[2] | 76 | – | 76 | 72 | – | 72 |
| NPE ratio (%)[3] | | | 0.9 | | | 1.0 |

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

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

- Rating class 6.1: Over 90 days past due.
- Rating classes 6.2/6.3: Unlikely-to-pay, or the Bank is assisting in financial rescue or distressed restructuring at the customer by making concessions.
- Rating classes 6.4/6.5: The Bank recalls the loan and the customer has become insolvent respectively.

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

| | 31.12.2021 | | | | 31.12.2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **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 | 668 | 1,722 | 1,766 | 4,156 | 759 | 1,924 | 2,112 | 4,795 |
| LLP | 274 | 690 | 1,090 | 2,055 | 350 | 691 | 1,231 | 2,272 |
| Collateral | 287 | 441 | 382 | 1,109 | 333 | 416 | 419 | 1,168 |
| Coverage ratio including collateral (%) | 84 | 66 | 83 | 76 | 90 | 58 | 78 | 72 |

**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 2021. The changes may also be due to short-term overdrafts:

| | 31.12.2021 | | | | | 31.12.2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **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 | 568 | 80 | 38 | 0 | 686 | 834 | 82 | 27 | 11 | 954 |
| Corporate Clients | 1,553 | 62 | 0 | 0 | 1,615 | 1,823 | 19 | 19 | 42 | 1,903 |
| **Group**[1] | **2,121** | **142** | **38** | **0** | **2,301** | **2,657** | **101** | **46** | **53** | **2,857** |

[1] Including Others and Consolidation.

## Private and Small-Business Customers segment

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

The focus of the portfolio is on traditional owner-occupied home financing and the financing of real estate capital investments (residential mortgage loans and investment properties with a total EaD of €102bn). We provide our small-business customers with credit mainly in the form of individual loans with a volume of €27bn. In addition, we meet our customers' day-to-day demand for credit with consumer loans (overdrafts, instalment loans and credit cards, to a total of €15bn). The portfolio's expansion in recent months was largely due to residential mortgage loans.

Compared with the previous year, the risk density of the portfolio improved slightly to 20 basis points (December 2020: 21 basis points). An increased risk due to the coronavirus pandemic is not yet visible in the portfolio, but the uncertainty about further developments remains.

| | 31.12.2021 | | | 31.12.2020 | | |
|---|---|---|---|---|---|---|
| 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 | 83 | 108 | 13 | 114 | 149 | 13 |
| Small-Business Customers | 35 | 54 | 15 | 34 | 60 | 18 |
| comdirect | 2 | 5 | 24 | 2 | 8 | 44 |
| Commerz Real | 0 | 0 | 10 | 0 | 0 | 16 |
| Private Banking | 11 | 9 | 8 | – | – | – |
| Wealth Management | 26 | 25 | 10 | – | – | – |
| mBank | 45 | 207 | 46 | 41 | 184 | 45 |
| **PSBC** | **203** | **408** | **20** | **190** | **401** | **21** |

[1] As at 1 July 2021 the structure of the sub-portfolios was changed.

The risk result in the Private and Small-Business Customers segment was €–319m in the 2021 financial year (previous year: €–562m). The reduction was largely due to the lower impact of the coronavirus pandemic. The effects of the coronavirus crisis have not yet materialised to a large extent for the Small-Business Customers portfolio owing to support measures and a pandemic-related TLA was therefore still required for 2021. The updated TLA as at December 2021 remained almost unchanged for the portfolio and amounted to €–126m as at 31 December 2021 (31 December 2020: €–130m); the amount is almost entirely attributable to the Small-Business Customers portfolio. In addition, an amount of €–60m from the regular reassessment of the IFRS 9 parameters was added to the risk result in the fourth quarter of 2021, of which €–42m was attributable to the non-significant default portfolio.

At €–187m, risk provisioning for possible loan losses at mBank was also well below the previous year's figure of €–274m, which was due to the significantly reduced impact relating to the coronavirus pandemic compared to the previous year. The risk result of mBank resulted in part from allocations for individual cases. mBank's result also includes a reversal of loan loss provisions totalling €14m resulting from the regular reassessment of the IFRS 9 parameters.

The default portfolio in the segment declined and stood at €1,846m as at the reporting date (31 December 2020: €2,041m). The decline compared with the end of 2020 was primarily due to the low level of new defaults at both Commerzbank and mBank in 2021.

| Default portfolio PSBC \| €m | 31.12.2021 Loans | Securities | Total | 31.12.2020 Loans | Securities | Total |
|---|---|---|---|---|---|---|
| Default portfolio | 1,846 | 0 | 1,846 | 2,041 | 0 | 2,041 |
| LLP | 826 | 0 | 826 | 969 | 0 | 969 |
| Coverage ratio excluding collateral (%) | 45 | – | 45 | 47 | – | 47 |
| Collateral | 717 | 0 | 717 | 727 | 0 | 727 |
| Coverage ratio including collateral (%) | 84 | – | 84 | 83 | – | 83 |

## 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 €180bn to €174bn compared with 31 December of the previous year. Risk density decreased from 24 basis points to 20 basis points.

For details of developments in the Financial Institutions portfolio, please see page 124.

| Credit risk parameters | 31.12.2021 Exposure at default €bn | Expected loss €m | Risk density bp | 31.12.2020 Exposure at default €bn | Expected loss €m | Risk density bp |
|---|---|---|---|---|---|---|
| Mittelstand | 77 | 158 | 20 | 80 | 189 | 24 |
| International Corporates | 60 | 120 | 20 | 64 | 155 | 24 |
| Financial Institutions | 21 | 47 | 23 | 20 | 57 | 28 |
| Other | 16 | 23 | 14 | 16 | 29 | 18 |
| **CC** | **174** | **347** | **20** | **180** | **430** | **24** |

The risk result for the Corporate Clients segment in the 2021 financial year was €–149m (previous year: €–1,081m). The charge for the segment was considerably reduced compared with the previous year owing to the lower impact of the coronavirus pandemic. The proportion of the TLA attributable to the segment was €–392m as at 31 December 2021, with an allocation of €–18m recognised in profit or loss being made in 2021. The need for the TLA adjustment resulted from the assumptions for sectors/sub-portfolios, which were checked and in part adjusted on the basis of the macroeconomic scenario, for which direct and/or indirect effects are to be expected. Tourism/hotels and retail, which are predominantly affected by primary effects, are relevant examples here. Another example is the automotive industry, where secondary effects in particular, such as interruptions to supply chains and production cutbacks due to a lack of raw materials (e.g. semiconductors), are having a negative impact. Resulting rating migrations and defaults are expected for 2022, which are currently not yet reflected in the model-based calculation of loan loss provisions and are therefore covered by the TLA.

The risk result for the segment also includes an addition of €–21m for the fourth quarter, which results from the regular reassessment of the IFRS 9 parameters, of which €–17m relates to the non-significant default portfolio.

The default portfolio in the segment stood at €2,096m as at the end of 2021 (31 December 2020: €2,334m). The change in 2021 was mainly attributable to the write-down of a relatively large individual exposure and repayments, which continued to overcompensate for the currently low inflows to the default portfolio from new defaults.

| | 31.12.2021 | | | 31.12.2020 | | |
|---|---|---|---|---|---|---|
| **Default portfolio CC** \| €m | **Loans** | **Securities** | **Total** | **Loans** | **Securities** | **Total** |
| Default portfolio | 2,092 | 3 | 2,096 | 2,331 | 3 | 2,334 |
| LLP | 1,076 | 0 | 1,076 | 1,106 | 0 | 1,106 |
| Coverage ratio excluding collateral (%) | 51 | – | 51 | 47 | – | 47 |
| Collateral | 387 | 0 | 387 | 402 | 0 | 402 |
| Coverage ratio including collateral (%) | 70 | – | 70 | 65 | – | 65 |

The risk result in the Others and Consolidation segment was €–101m in the 2021 financial year (previous year: €–106m) and was thus at a similar level. Drivers for risk provisions in 2021 were the negative performance of an existing exposure, which required an increase in the existing risk provision, and an increase in the risk provision in the non-defaulted portfolio in the amount of €–19m due to the regular review of the IFRS 9 parameters. The regular review of the IFRS 9 parameters did not result in any need for adjustments in the non-significant default portfolio of the segment. The TLA for the segment was €–5m, of which €–3m was added in 2021 with an effect on income.

## 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**

Overall, the different sectors of German industry continue to be affected to varying degrees by the coronavirus pandemic as well as by unrelated, fundamental structural challenges. In the first half of 2021, the negative impact of the crisis decreased. An improved performance since the beginning of the pandemic was particularly noticeable in the manufacturing, construction, automotive and logistics sectors.

The tourism segment suffered significantly from the strict infection control measures in the first half of 2021. With the easing of the restrictions, partial recovery effects were observed, albeit well below the pre-crisis level. While the tourism industry is optimistic about 2022, the risks from new virus variants (e.g. Omicron) remain a latent risk that still needs to be closely observed.

In addition to the course of the coronavirus pandemic, the maintenance of the supply chains and the availability of intermediate products (e.g. semiconductors) as well as increased raw material prices will have a significant impact on the business performance of many companies. In the second half of 2021 in particular, an increase in risks was observed in some sectors (e.g. automotive suppliers). It is to be expected that the increased raw material prices and the limited availability of intermediate products will continue in 2022. The pandemic and possible other virus variants will continue to influence the risk profile.

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

| Corporates portfolio by sector | 31.12.2021 Exposure at default €bn | Expected loss €m | Risk density bp | 31.12.2020 Exposure at default €bn | Expected loss €m | Risk density bp |
|---|---|---|---|---|---|---|
| Energy supply/Waste management | 22 | 51 | 23 | 22 | 73 | 33 |
| Consumption | 16 | 38 | 24 | 15 | 51 | 34 |
| Technology/Electrical industry | 15 | 27 | 18 | 14 | 35 | 25 |
| Wholesale | 13 | 37 | 27 | 12 | 43 | 35 |
| Transport/Tourism | 13 | 46 | 37 | 12 | 56 | 45 |
| Basic materials/Metals | 10 | 25 | 24 | 10 | 28 | 27 |
| Services/Media | 10 | 28 | 28 | 10 | 34 | 34 |
| Automotive | 10 | 30 | 30 | 10 | 39 | 41 |
| Chemicals/Plastics | 8 | 26 | 31 | 9 | 23 | 26 |
| Mechanical engineering | 7 | 19 | 25 | 8 | 31 | 37 |
| Pharma/Healthcare | 6 | 25 | 42 | 5 | 22 | 41 |
| Construction | 5 | 12 | 22 | 6 | 17 | 31 |
| Other | 5 | 3 | 6 | 6 | 7 | 11 |
| **Total** | **141** | **367** | **26** | **141** | **460** | **33** |

**Financial Institutions portfolio**

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

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

We are keeping a close eye on developments in various countries affected by specific issues such as recessions, embargoes and economic uncertainty caused by political events (e.g. trade wars) and are responding with flexible portfolio management that is tailored to the individual situation of each country. This applies in particular to the upheavals resulting from the coronavirus pandemic and energy price developments, which are having a major impact on the operating environment of our correspondent banks in both industrialised and developing countries. Overall, our risk appetite is geared to keeping the portfolio as responsive as possible.

| FI portfolio by region | 31.12.2021 Exposure at default €bn | Expected loss €m | Risk density bp | 31.12.2020 Exposure at default €bn | Expected loss €m | Risk density bp |
|---|---|---|---|---|---|---|
| Germany | 5 | 4 | 9 | 6 | 7 | 11 |
| Western Europe | 15 | 10 | 7 | 16 | 13 | 8 |
| Central and Eastern Europe | 2 | 9 | 44 | 2 | 12 | 60 |
| North America | 2 | 1 | 2 | 3 | 1 | 2 |
| Asia | 5 | 15 | 28 | 7 | 22 | 32 |
| Other | 6 | 18 | 31 | 5 | 18 | 37 |
| **Total** | **35** | **56** | **16** | **39** | **72** | **18** |

**Non-Bank Financial Institutions portfolio**

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

Commerzbank conducts new business with NBFIs partly in consideration of regulatory requirements (clearing via central counterparties) and partly in the interests of our institutional customers, with a focus on attractive opportunities with customers with good credit ratings and valuable security. We manage our portfolios with the aim of ensuring their high quality and responsiveness. We are keeping a close eye on risks stemming from global events and are responding with flexible portfolio management that is tailored to the individual situation. The effects of the coronavirus pandemic on the operating environment of

NBFI customers have further diminished, so that we currently do not expect any deterioration in creditworthiness.

| | 31.12.2021 | | | 31.12.2020 | | |
|---|---|---|---|---|---|---|
| **NBFI portfolio by region** | **Exposure at default** €bn | **Expected loss** €m | **Risk density** bp | **Exposure at default** €bn | **Expected loss** €m | **Risk density** bp |
| Germany | 18 | 18 | 10 | 17 | 18 | 10 |
| Western Europe | 13 | 18 | 14 | 12 | 23 | 19 |
| Central and Eastern Europe | 2 | 14 | 75 | 2 | 12 | 53 |
| North America | 9 | 5 | 6 | 9 | 11 | 11 |
| Asia | 1 | 1 | 11 | 2 | 2 | 12 |
| Other | 1 | 3 | 39 | 1 | 4 | 55 |
| **Total** | **44** | **60** | **14** | **44** | **71** | **16** |

**Originator positions**

Commerzbank has in recent years securitised receivables from loans to the Bank's customers with a current volume of €11.5bn for capital management purposes (31 December 2020: €12.3bn).

As at the reporting date 31 December 2021, risk exposures with a value of €9.8bn were retained (31 December 2020: €10.2bn). By far the largest share of all positions was accounted for by €9.6bn (31 December 2020: €10.0bn) on senior tranches, which are almost entirely rated good to very good. Commerzbank did not issue any new transactions in 2021. In 2020, two transactions with a total issue volume of €7.9bn were issued. We do not see any impacts from the coronavirus pandemic on risk positions in the reporting period.

| | | Commerzbank volume[1] | | | |
|---|---|---|---|---|---|
| **Securitisation pool** €bn | **Maturity** | **Senior** | **Mezzanine** | **First loss piece** | **Total volume[1]** |
| Corporates | 2025 - 2036 | 9.6 | < 0.1 | 0.2 | 11.5 |
| **Total 31.12.2021** | | **9.6** | **< 0.1** | **0.2** | **11.5** |
| Total 31.12.2020 | | 10.0 | < 0.1 | 0.2 | 12.3 |

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

**Conduit exposure and other asset-backed exposures**

The Bank provides financing to securitise receivables, in particular trade and leasing receivables, from customers in the Corporate Clients segment. In this context, Commerzbank acts mainly as an arranger of asset-backed securities transactions via the Commerzbank-sponsored multi-seller conduit Silver Tower. The volume and risk values for the securitisation of receivables in the Corporate Clients segment rose by €0.3bn to €3.9bn in 2021.

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 govern-ment-guaranteed asset-backed securities (ABS) held by Commerzbank Finance & Covered Bond S.A. and Commerzbank AG in Germany. In 2021 the volume declined to €3.9bn (December 2020: €4.4bn), as did the risk values[1] at €3.9bn (December 2020: €4.4bn).

[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.

There are also investments in the Structured Credit area. The volume of new investments entered into since 2014 stood at €6.9bn (December 2020: €5.9bn). We have invested in bonds of senior tranches of securitisation transactions in the consumer (auto) ABS, UK RMBS and CLO asset classes, which have a robust structure and a moderate risk profile. At 31 December 2021, this portfolio solely contained AAA-rated CLO positions (also the case at the end of 2020). Remaining structured credit positions with a volume of €0.2bn were already in the portfolio prior to 2014 (December 2020: €0.3bn), while risk values stood at €0.2bn (December 2020: €0.2bn).

**Forbearance portfolio**

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

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:

| | 31.12.2021 | | | 31.12.2020 | | |
|---|---|---|---|---|---|---|
| **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 | 920 | 140 | 15 | 1,091 | 201 | 18 |
| Corporate Clients | 2,240 | 413 | 18 | 2,215 | 377 | 17 |
| Others and Consolidation | 207 | 142 | 69 | 298 | 156 | 53 |
| **Group** | **3,367** | **695** | **21** | **3,604** | **735** | **20** |

The forbearance portfolio by region is as follows:

| | 31.12.2021 | | | 31.12.2020 | | |
|---|---|---|---|---|---|---|
| **Forbearance portfolio by region** | **Forborne exposure** €m | **LLP** €m | **LLP coverage ratio** % | **Forborne exposure** €m | **LLP** €m | **LLP coverage ratio** % |
| Germany | 1,744 | 390 | 22 | 1,912 | 376 | 20 |
| Western Europe | 858 | 183 | 21 | 745 | 48 | 6 |
| Central and Eastern Europe | 472 | 112 | 24 | 866 | 301 | 35 |
| North America | 8 | 1 | 7 | 2 | 0 | 1 |
| Asia | 220 | 1 | 1 | 3 | 2 | 47 |
| Other | 65 | 8 | 13 | 76 | 9 | 12 |
| **Group** | **3,367** | **695** | **21** | **3,604** | **735** | **20** |

In April 2020, the EBA established a relief regime in relation to public and private payment moratoria in the context of the coronavirus pandemic. These payment moratoria do not trigger the classification as forbearance or distressed restructuring if the measures taken are based on applicable national law or on an industry-wide private initiative agreed and widely applied by the credit institutions involved.

Commerzbank also granted its customers corresponding moratoria in the second and third quarters of 2020 with terms of three to six months. The vast majority of borrowers resumed payment of their instalments on time after the end of the deferral period.

The decline in forbearance exposure of around 7% in 2021 stems primarily from German Private and Small-Business Customers. The LLP coverage ratio at Group level increased slightly to 21%.

In addition to the LLP of €695m (31 December 2020: €735m), the risks in the forbearance portfolio are covered by collateral totalling €1,179m (31 December 2020: €1,032m).

# Market risk

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

## Strategy and organisation

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

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

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

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

## Risk management

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

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

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

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

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

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

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

## Trading book

Below, we show how the regulatory market risk ratios of the trading book portfolio developed. Most of Commerzbank's trading book positions derive from the Corporate Clients segment and Group Treasury division. The VaR figures comprise all risks in the internal VaR model. Commerzbank subsidiaries use standardised approaches for their regulatory capital calculation under partial use rules.

The VaR declined from €12m to €7m in 2021. The reason for this was that extreme scenarios relating to the coronavirus from March of the previous year no longer had an influence on the time series for the VaR calculation.

| VaR of portfolios in the trading book \| €m | 2021 | 2020 |
|---|---|---|
| Minimum | 3 | 5 |
| Mean | 7 | 13 |
| Maximum | 20 | 31 |
| **VaR at end of reporting period** | **7** | **12** |

The market risk profile is diversified across all asset classes.

| VaR contribution by risk type in the trading book \| €m | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Credit spreads | 1 | 2 |
| Interest rates | 2 | 4 |
| Equities | 0 | 0 |
| FX | 2 | 4 |
| Commodities | 2 | 3 |
| **Total** | **7** | **12** |

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

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

| Stressed VaR contribution by risk type in the trading book \| €m | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Credit spreads | 7 | 3 |
| Interest rates | 10 | 8 |
| Equities | 1 | 1 |
| FX | 5 | 7 |
| Commodities | 16 | 9 |
| **Total** | **39** | **28** |

In addition, the incremental risk charge and the equity event VaR figures quantify the risk of deterioration in creditworthiness and event risks in trading book positions. The incremental risk charge rose by €11m to €31m in the course of 2021. This is mainly due to position changes in the Corporate Clients segment and in Group Treasury.

The reliability of the internal model (historical simulation) is monitored in various ways, including by backtesting, on a daily basis. The VaR calculated is set against actually occurring profits and losses. The process draws a distinction between "clean P&L" and "dirty P&L" backtesting. 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 2021 two negative clean P&L outliers and one negative dirty P&L outlier were measured. The clean P&L outliers are mainly due to extraordinary price fluctuations related to trading in $CO_2$ emissions certificates. The dirty P&L outlier was mainly caused by market movements in interest rates and foreign currencies.

Checks were carried out to verify that none of the observed backtesting outliers were caused by model weaknesses. Backtesting is also used by the supervisory authorities for evaluating internal risk models. Negative outliers are classified by means of a traffic-light system laid down by the supervisory authorities. All negative backtesting outliers at Group level (from both clean P&L and dirty P&L) must be reported to the supervisory authorities, citing their extent and cause.

As the VaR concept gives a prediction of potential losses assuming normal market conditions, it is supplemented by stress tests. These stress tests measure the risk to which Commerzbank is exposed, based on unlikely but still plausible events. These events may be simulated using extreme movements on various financial markets. The key scenarios relate to major changes in credit spreads, interest rates and yield curves, exchange rates, share prices and commodities prices. 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 independently validated at regular intervals to assess their appropriateness for risk measurement. The identification and elimination of model weaknesses are of particular importance in this.

## Banking book

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

In market risk management, credit spread sensitivities in the banking and trading books are considered together. Credit spread sensitivities (downshift of 1 basis point) for all securities and derivative positions (excluding loans) were at €50m as at the end of 2021 (31 December 2020: €53m).

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 €2,523m as at 31 December 2021 (31 December 2020: €2,776m potential economic loss) was determined, and in the scenario –200 basis points a potential economic profit of €746m (31 December 2020: €343m 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) amounted to €7.3m as at 31 December 2021 (31 December 2020: €9.0m) per basis point of falling interest rates due to position changes in Group Treasury.

At the end of 2021 the first major milestone in the Interest Rate Benchmark Reform was reached. The publication of EONIA and of the LIBOR rates in UK pounds (GBP), Japanese yen (JPY) and Swiss francs (CHF) was discontinued; the US dollar (USD) LIBOR for 1-month, 3-month, 6-month and 12-month maturities can still be used for existing business until mid-2023. For new business, the procedural and technical prerequisites for using the new alternative reference interest rates have been put in place. With a few exceptions, the underlying LIBOR contracts have been adjusted in line with the new market conventions. The Strategic Initiative IBOR (Interbank Offered Rates) Transition launched to implement the benchmark reform was completed as planned in December 2021. The Bank has set up a smaller project to complete the pending tasks, in particular preparations for replacing the remaining USD LIBORs as at June 2023.

Further information on the benchmark reform can be found in Note 1 to the Group financial statements (Initially applicable, revised and new standards).

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

## Market liquidity risk

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

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

# Liquidity risk

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

## Strategy and organisation

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

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

## Risk management

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

Group Treasury is responsible for the Group's liquidity management operations. Group Treasury is represented in all major locations of the Group in Germany and abroad and has reporting lines into all subsidiaries. Commerzbank manages its global liquidity centrally using cash pooling. This approach ensures that liquidity resources are used efficiently and that this occurs across all time zones, as Group Treasury units are located in Frankfurt, London, New York and Singapore. Additional information on this subject can be found in the "Funding and liquidity of the Commerzbank Group" section of the Group management report. Liquidity risk is monitored on the basis of the Bank's own liquidity risk model by the independent risk function.

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

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

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

Commerzbank also ensures that it monitors foreign exchange risks and fulfils the currency matching requirements for highly liquid assets and net liquidity outflows.

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 liquidity emergency measures 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 all maturity bands. 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.

Additional information on the current developments caused by the coronavirus pandemic can be found in the "Funding and liquidity of the Commerzbank Group" section of the management report in the Annual Report 2021.

## 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 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 situa-tion arising from a rating downgrade of two notches, whereas the market-wide scenario is derived from experience of the subprime crisis and simulates an external market-wide shock. The main liquidity risk drivers of both scenarios are a markedly increased outflow of short-term customer deposits, above-average drawdown of credit lines, prolongations of lending business regarded as commercially necessary, the need to provide additional collateral for secured transactions and the application of higher risk discounts to the liquidation values of assets.

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

The table below shows the liquidity gap profile values after application of the respective stress scenarios for periods of one and three months as at the end of the year. Significantly more liquidity flows out in a combined scenario compared with the individual scenarios. As at the end of 2021, in the one-month and three-month periods, the combined stress scenario leaves net liquidity of €12.8bn and €14.7bn respectively.

| **Net liquidity in the stress scenario** \| €bn | | **31.12.2021** | **31.12.2020** |
|---|---|---|---|
| Idiosyncratic scenario | 1 month | 20.8 | 21.1 |
| | 3 months | 24.1 | 16.8 |
| Market-wide scenario | 1 month | 24.1 | 23.3 |
| | 3 months | 26.0 | 16.9 |
| Combined scenario | 1 month | 12.8 | 14.7 |
| | 3 months | 14.7 | 8.4 |

## Liquidity reserves

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

As at the end of 2021, the Bank had highly liquid assets of €60.0bn. This liquidity reserve is funded in line with the liquidity risk appetite to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors.

Part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Group Treasury to cover liquidity outflows should a stress event occur and 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 reporting date, the total value of this portfolio was €6.1bn (31 December 2020: €6.1bn).

The liquidity reserves comprising highly liquid assets are made up of the following three components:

| **Liquidity reserves from highly liquid assets** \| €bn | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Highly liquid assets | 60.0 | 94.8 |
| of which level 1 | 56.3 | 85.6 |
| of which level 2A | 3.4 | 8.6 |
| of which level 2B | 0.3 | 0.6 |

## Liquidity ratios

Throughout the 2021 financial year, Commerzbank's internal liquiddity ratios, including the regulatory liquidity coverage ratio (LCR), were above the limits set at least annually by the Board of Managing Directors. The same is true of compliance with the survival period calculation set down by MaRisk.

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

In 2021, Commerzbank significantly exceeded the minimum ratio of 100% stipulated for that year on every reporting date. As at the end of 2021, the average month-end value of the LCR over the last 12 months was 145.1% (as at the end of 2020: 135.7%).

The Bank has established corresponding limits and early warning indicators to ensure the LCR minimum requirements are met. Additional information on the LCR can be found in the "Funding and liquidity of the Commerzbank Group" section of the Group management report.

# Operational risk

Based on the Capital Requirements Regulation (CRR), Commerzbank defines operational risk (OpRisk) as the risk of loss resulting from the inadequacy or failure of internal processes, people and systems or from external events. This definition includes, among other things, legal risk, human resources risk, IT risk, outsourcing risk or tax risk, as well as product risk, conduct risk and environmental risk in the area of social governance (ESG). In this definition the focus is not on strategic or reputational risk. In view of their increased economic significance, compliance risk and cyber risk are managed as separate risk types. However, losses from compliance risks and cyber risks are still 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 low-er the amount of economic capital required to cover operational risks in the medium to long term. Conversely, the operational risk management systems enable the ICS to adapt itself consistently to them. The further development of the ICS structure is an essential aspect of the proactive reduction or prevention of operational risks where possible.

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

Commerzbank's OpRisk strategy is approved on an annual basis by the Board of Managing Directors after it has been discussed and voted upon in the Group OpRisk Committee. The OpRisk strategy describes the risk profile, key elements of the desired risk culture, its management framework and measures to be taken by Commerzbank to manage operational risk.

OpRisk management is based on three consecutive levels (three lines of defence) which, when taken together, are crucial for reaching the given strategic aims.

# Risk management

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

Operational risks are characterised by asymmetric distribution of losses. This means that most of the losses are relatively small, while isolated losses with a very low probability of occurrence have the potential to be large and devastating. This makes it necessary, where possible, 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 ap-petite/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. Furthermore, OpRisk loss events are subjected to ongoing analysis and to ICS backtesting on an event-driven basis if relevant. 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. Risk-weighted assets for operational risks on this basis came to €19.8bn at the end of the fourth quarter of 2021 (31 December 2020: €18.3bn). This rise was mainly due to the switch from the advanced measurement approach (AMA) to the standardised approach. The economically required capital was €1.5bn. The internal model used for this corresponds to the AMA previously in use. A comparison with the prior year (31 December 2020: €1.5bn) shows a stable trend.

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

| | 31.12.2021 | | 31.12.2020 | |
|---|---|---|---|---|
| €bn | RWA | ErC | RWA | ErC |
| Private and Small-Business Customers | 10.3 | 0.8 | 6.1 | 0.5 |
| Corporate Clients | 4.9 | 0.3 | 7.4 | 0.6 |
| Others and Consolidation | 4.6 | 0.4 | 4.8 | 0.4 |
| **Group** | **19.8** | **1.5** | **18.3** | **1.5** |

The total charge for OpRisk events as at the end of the fourth quarter of 2021 was approximately €1,136m (full-year 2020: €345m). The events mainly related to losses in the "Products and business practices" category. These primarily include the provision of mBank for legal risks related to Swiss franc loan agreements, which is a key driver of the increase compared to the previous year. In addition, process-related risks materialised in the context of projects.

Realised losses from operational risks due to the coronavirus only include cost items. The Bank has still not incurred any damage due to a disruption of its core banking processes. In accordance with regulatory requirements, the recognition of these recurring cost items was discontinued in 2021. They are part of a "new normal", which was taken into account in the multi-year plan.

| OpRisk events[1] \| €m | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Internal fraud | –1 | 1 |
| External fraud | 35 | 9 |
| Damage and IT failure | 2 | 29 |
| Products and business practices | 738 | 277 |
| Process related | 352 | 29 |
| HR related | 9 | 0 |
| **Group** | **1,136** | **345** |

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

A structured, centralised and decentralised reporting system ensures that the management of the Bank and its segments, members of the OpRisk Committee and the supervisory bodies are informed regularly, promptly and fully about operational risk. OpRisk reports are produced quarterly. They contain changes in OpRisk losses, the segments' main loss events, current risk analyses, changes in the capital requirement and the status of measures implemented. Operational risks are also part of the regular risk reporting process to the Board of Managing Directors and to the Supervisory Board's Risk Committee.

# Other risks

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

## Legal risk

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

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

**Organisation**

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

**Risk management**

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

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

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

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

**Current developments**

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

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, adequate provisions are now in place for the tax risks arising from this issue. The possibility of further charges over and above the provisions recognised by the Bank cannot be completely ruled out.

With respect to cum-cum securities lending transactions, Commerzbank is exposed to compensation claims from third parties for crediting entitlements that have been denied. Based on the analyses performed, Commerzbank considers it rather unlikely that such claims could be enforced. However, it cannot be ruled out. Under these circumstances, Commerzbank estimates the potential financial impact in the upper double-digit million range, plus interest on arrears. The possibility that this conclusion could alter as developments unfold, for example in connection with assessments made by the tax authorities and fiscal/civil courts, cannot be completely ruled out.

In May 2017, a Polish court admitted a class action lawsuit against a subsidiary of Commerzbank alleging the ineffectiveness of index clauses in loan agreements denominated in Swiss francs. A total of 1,731 plaintiffs have joined the class action. The court of appeal partially overturned and referred back the judgement of the court of first instance, which dismissed the class action in its entirety; the court of first instance has meanwhile dismissed the claim, legal remedies are still possible.

Independently of this, numerous borrowers have also filed individual lawsuits for the same reasons. In addition to the class action, 13,036 other individual proceedings were pending as at 31 December 2021 (31 December 2020: 6,870). The subsidiary is defending itself against all of the claims. In some cases, the subsidiary has filed counterclaims for compensation for the provision of capital.

The case law of the Polish courts on loans with indexation clauses has so far been inconsistent overall. As at 31 December 2021, there were 473 final rulings in individual proceedings against the subsidiary, of which 82 were decided in favour of the subsidiary and 391 were decided against the subsidiary. A total of 227 proceedings before courts of second instance have been suspended because of legal issues that are being considered by the Polish Supreme Court and the European Court of Justice (ECJ).

In a non-public session on 7 May 2021, the Polish Supreme Court (via a panel of seven judges) ruled on referral questions from an ombudsman of the Polish banking regulator relating to the nature of the parties' mutual claims and to limitation. In the Bank's view, the judgement does not change the current risk assessment.

The session of the Civil Chamber of the Polish Supreme Court examining loan agreements in Swiss francs with index clauses was held on 2 September 2021. The questions referred by the President of the Supreme Court were not answered; instead, questions on the legality of the process for appointing new judges were referred to the ECJ. The further course of the proceedings and the outcome remain to be seen.

On 29 April 2021, the European Court of Justice (ECJ) delivered a judgement (C-19/20) on five questions referred for a preliminary ruling by a Polish court in proceedings against another bank. In the Bank's view, the judgement does not change the current risk assessment. Other preliminary ruling proceedings on loans with indexation clauses are pending before the European Court of Justice, two of which concern proceedings against the subsidiary. Decisions are not expected until the second half of 2022.

In December 2020, a proposal by the local supervisory authority to convert foreign currency loans into local currency loans was announced.

In December 2021, the subsidiary made settlement offers to a representative group of 1,278 customers with active contracts. The maximum hypothetical cost would be €645.5m if all customers with active loans accepted the offer. The subsidiary will evaluate the results of the pilot project and analyse further options for action.

Against the background of the inconsistent case law to date, the small number of rulings in the last instance and outstanding decisions in principle from the Supreme Court and the ECJ, the amount of the provision on the balance sheet for this set of issues is highly discretionary. Until 31 December 2020, legal risks in connection with Swiss franc loan agreements with indexation clauses were accounted for in their entirety in accordance with IAS 37. Swiss franc loans that have not been fully repaid are now primarily shown in accordance with IFRS 9. The accounting policy was not adjusted for loans that have already been fully repaid and legal costs; these are still accounted for in accordance with IAS 37. 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. Recognition in accordance with IFRS 9 is standard market practice in the subsidiary's domestic market and thus increases comparability with the financial statements of other market participants and comparability for the Polish regulator. Applying IFRS 9 rather than IAS 37 therefore provides more relevant information. The measurement method used to estimate the impact on the cash flows expected to arise from the loans remained largely unchanged compared with the previous measurement method.

As at 31 December 2021, the portfolio of loans denominated in Swiss francs that have not been fully repaid had a carrying amount of 9.1bn Polish zloty; the portfolio that had already been repaid amounted to 7.3bn Polish zloty when it was disbursed. Overall, the Group recognised a provision of €899m for the risks arising from the matter, including potential settlement payments and the class action lawsuit. The provision for individual lawsuits amounted to €312.9m in the previous year. In addition, costs for active claims totalling €18.7m were recorded in the financial year.

The methodology used to calculate the provision and remeasurement effect is based on parameters that are varied, discretionary and in some cases associated with considerable uncertainty. Key parameters are the estimated total number of plaintiffs, the probability of losing a lawsuit in the last instance, the amount of the loss and the development of the exchange rate. Fluctuations in the parameters and the interdependencies between them may mean that the amount of the provision has to be adjusted significantly in the future.

Another component in determining the provision is the expectation regarding the development of the settlement discussions. As at the reporting date, the subsidiary had accounted for risks in connection with future settlement payments in the amount of €219.7m. This amount corresponds to 34% of the maximum cost of the settlements based on the calculation method used in the pilot project. To determine the provision for the settlement programme, the subsidiary assumes that the maximum acceptance rate will not exceed 34% of active contracts. If the acceptance rate changes by +/–1 percentage point and all other relevant assumptions remain unchanged, the provision for the settlement programme would change by +/–€6.5m.

As at the reporting date, the subsidiary estimated the risk of defeat on the basis of expert assessments, which are supported by legal opinions on future case law trends.

Assuming otherwise unchanged parameters, the following sensitivities result for the main parameters underlying the recognition of provisions or remeasurement effects for the individual lawsuits:

- The number of future claimants increases by 1% of borrowers: change of €+15m.
- The probability of a ruling by the court of last instance that is unfavourable to the subsidiary changes by +/–1 percentage point: change of €+/–12m.
- The assumed weighted average loss changes by +/–1 percentage point: change of €+/–8m.

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. The Bank has set up a central unit to deal with the issues arising from the judgement on a consolidated basis. As a result, clear and understandable information for affected customers was ensured and a customer interface was created for the reimbursement of unjustly charged fees. The necessary new agreement of the general terms and conditions in existing customer business is also being coordinated. The Bank has created a provision for customer claims.

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 58 regarding provisions and Note 60 regarding contingent liabilities and lending commitments in the Group financial statements.

## Compliance risk

Compliance risk falls within the definition of operational risk according to the Capital Requirements Regulation (CRR). Commerzbank ac-knowledges 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 includes the risks associated with money laundering, terrorist financing, sanctions and embargoes, markets compliance, fraud, bribery and corruption.

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

Group Compliance is responsible for:

A. The four types/areas of compliance risk:

1) anti money laundering/combating terrorism financing
2) sanctions and embargoes
3) combating fraud, bribery and corruption
4) markets compliance

as well as

B. Further responsibilities:

- coordination of the requirements under MaRisk section 4.4.2 ("MaRisk compliance function"),
- independent implementation of internal special investigations with compliance relevance.

The responsibilities based on the obligations under the QI (Qualified Intermediary), FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standard) regimes as well as in relation to the prevention of the aiding and abetting of tax evasion (ATEF, Anti-Tax Evasion Facilitation) were bundled within the Group Tax function in October 2020 and have therefore no longer been part of the other tasks of Group Compliance since that date within Germany. The corresponding role of the QI and FATCA Responsible Officer will also be transferred to Group Tax in 2022. In the foreign locations, the roles and responsibilities with regard to ATEF-related tasks under the overall responsibility of Group Tax remain unaffected by this structural change and will continue to be carried out there by the local Group Compliance function.

**Risk management**

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

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

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

The 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 implementtation closely.

**Current developments**

In recent years, Commerzbank has worked through the majority of the findings from the settlements with various US authorities regarding violations of US sanctions and anti-money laundering provisions. The US monitor submitted its final report dated 15 October 2018, thus concluding its on-site investigations. In accordance with the terms of the engagement letter between the Bank and the monitor, the monitorship ended on 24 June 2019. The Bank has made good progress in carrying out the agreed implementation programmes and has executed most of the measures. Commerzbank continues to provide quarterly reports to the DFS (Department of Financial Services) on the progress of implementation plans.

In line with the requirements of the UK Financial Services and Markets Act 2000 (FSMA), in 2017 Commerzbank London mandated a consulting company as a “skilled person”. The consulting company carried out a review of existing structures and processes (especially with regard to money laundering/financing of terrorism as well as sanctions/embargoes) and prepared a report for the UK Financial Conduct Authority (FCA). Commerzbank London subsequently launched a comprehensive remediation project, the implementation of which was evaluated by the “skilled person”, with half-yearly reports sent to the FCA. In May 2021 the FCA officially declared the skilled person programme to be completed.

## Reputational risk

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

#### Strategy and organisation

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

#### Risk management

Managing intrinsic reputational risk means identifying and reacting to potential environmental, social and ethical risks at an early stage, thereby reducing any potential communication risk or even preventing it completely. Intrinsic reputational risk is managed by means of a qualitative approach. As part of a structured process, transactions, products and customer relationships in connection with sensitive areas are assessed with reference to environmental, social and ethical 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.

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

### Environmental, social and governance (ESG) risks

The integration of non-financial aspects into the Bank's risk management processes is hugely important for sustainable finance. In particular, these include risks resulting from climate change. We do not see climate-related risks as a separate, "new" type of risk, but as a cross-sectional driver (what is known as a horizontal risk) that can materialise in the known types of risk – especially in credit risk. The new course steered by companies and society towards acting sustainably gives rise to transition risks. Physical risks will increase if the shift to a climate-preserving future is not made quickly and rigorously enough. Physical risks include, for example, rising sea levels and flooding for the real estate sector, along with crop failures in agriculture because of heatwaves, or low water levels in rivers, with implications for the transport and chemical industries. Companies encounter transition risks, for example, as a result of changes in energy policy, changes in market demand or technological changes.

We have examined the possible future impact of physical and transition risks on the loan portfolio as part of scenario analyses. To this end, we tested our portfolio in various scientific climate scenarios of the International Energy Agency (IEA, 1.8°C scenario for transition risks) and the Intergovernmental Panel on Climate Change (IPCC, 3-4°C scenario for physical risks). In the future, we will also use the scenarios of the Network for Greening the Financial System (NGFS).

The analyses were carried out using a specific model that holistically translates the relevant parameters of a scenario into eco-nomic effects (changes in balance sheet ratios). With regard to transition risks, changes in regulation, price changes, changes in supply and demand and the effects of technological changes are considered, among other things; in the case of physical risks, the effects of all relevant events (storm/hurricane, drought, heat, flood, sea level rise) are taken into account. Periods up to at least 2050 were considered.

Transition risks are industry-specific, with sometimes significant differences in the sub-sectors within an industry (e.g. mechanical engineering). There is also a connection between the degree of adaptation of a company, i.e. its progress in the transition, and the risk. In the case of physical risks, the regional/ geographical distribution of the portfolio is relevant, too.

As a major financier of the German economy, we are also active in sectors that are particularly exposed to climate-related risks. However, we have little exposure to some of the hardest-hit sectors (agriculture, for example). Climate-risk-sensitive sectors with significant exposure include the energy sector, the automotive sector and mechanical engineering. Owing to the geographical focus of our portfolio in Germany and Europe, we are less affected by physical risks associated with some events (e.g. hurricanes, sea level rise) than other regions. As a result, we consider the transition risks to be more relevant to our portfolio.

In order to proactively manage the effects of climate-related risks in the lending business, we are systematically optimising our risk management processes and methods. Lending decisions for corporate and institutional customers therefore take into account not only an individual risk assessment but also – where relevant – climate-related risk affectedness and resilience. In this, we are progressively combining the specific findings from the scenario analyses with the individual risk analysis at customer level. We take a portfolio-specific approach and thus take appropriate account of the differences in terms of affectedness and the risk drivers. In the particularly relevant portfolios (large companies, special financing and commercial real estate finance), we have supplemented the qualitative risk analysis in the individual loan decisions with specific aspects for the analysis of climate-related risks. In the future, the results of the analyses will be aggregated in a structured evaluation (“score”), which will be integrated into the decision-making process and can also be used in the context of portfolio analysis and management. In our target state, we want to integrate climate-related risks – as far as possible – into the quantitative credit risk analysis and thus fully reflect them across the process chain (including pricing, reporting).

Sustainability risks also play a major role in Commerz Real’s asset management, for example when examining the potential effects of physical risks and evaluating new regulations. For this reason, Commerz Real introduced the first stage of a risk management tool in 2021, which is used to assess the real estate portfolio with regard to physical and transition risks. Scenario analyses are also a central component of the analysis when purchasing real estate, and are used to estimate the point in time of “stranding” with regard to different climate scenarios. The results feed into the risk assessment and the sustainability assessment of the real estate transaction and are taken into account accordingly in the management phase. In taking this approach, Commerz Real is following the recommendations of the TCFD for the management of climate-related risks through scenario analyses. The basis of climate risk management is collecting all consumption and emissions data in a way that is as reliable as possible. To this end, Commerz Real started implementing an integrated sustainability data management system in 2021 and also uses external partners to collect data on a global level.

Furthermore, in 2021 we carried out a comprehensive, cross-risk-type materiality analysis for climate-related and environmental risks for the first time. The risk type owners examined all types within the risk inventory that are regarded as fundamentally material for the Commerzbank Group and assessed the materiality of transition risks and physical risks for the respective risk type. Depending on the risk type, the assessment was made on a qualitative and/or quantitative basis. As a result of the analysis, the influence of climate-related and environmental risks for the risk types credit risk, market risk, operational risk (including compliance and cyber risk), reputational risk and business risk was assessed as material. The findings of the materiality analysis feed into the creation of the business strategy, the overall risk strategy and the sub-risk strategies as well as into other core elements of the Bank’s internal process to ensure an adequate capital position (Internal Capital Adequacy Assessment Process – ICAAP), such as the internal stress test framework and the risk-bearing capacity concept. The materiality analysis for climate-related and environmental risks is therefore an integral part of the Commerzbank Group’s risk governance.

## IT risk

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

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

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

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

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

Commerzbank attaches great importance to the protection and security of its own information, of that entrusted to it by customers, and of the business processes and systems used to process it. They form a permanent core element in our digital strategy. The processing of information is based increasingly on information technologies. As such, our IT security requirements are at the heart of information security management. 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. In the context of the coronavirus pandemic, consideration of the four IT security objectives for home office technologies became a more central focus. For this purpose, the outsourced services were considered in particular.

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

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

## 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 overall risk strategy and the cyber and information security strategy apply without limitation to cyber risk.

In recent years, there have been a number of serious security incidents – not involving Commerzbank – in the financial sector, leading many of the world's key regulators and standard setters, such as the DFS500 (Department of Financial Services, Section 500, Cyber-security Requirements for Financial Services Companies), NIST (National Institute of Standards and Technology) in the USA and MAS (Monetary Authority of Singapore) in Singapore, to place increasing emphasis on cyber security and publish additional requirements for the management of cyber risks. Within Europe and Germany, the EBA and BaFin are also focusing intensively on this topic.

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 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 risk relating to areas such as human resources, procurement, business continuity management and physical security.

There are currently no concrete attack patterns or other anomalies specifically related to the coronavirus pandemic to which our institution, other financial service providers or financial market infrastructures are exposed. In addition, we are not currently aware of any additional methods used for attacking our employees or an expansion of our attack surface due to the increased remote use of Bank resources, e.g. in connection with split operations or working from home.

However, there are a range of attack vectors that try to engage in criminal activity by capitalising on public fears. This approach is known in the media as fearware and refers specifically to the most common form of its implementation, namely a combination of malware and social engineering powered by the fear of the person being targeted.

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

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

With regard to our customers, we are paying even more attention than usual to transactional anomalies, especially in the context of coronavirus-related fraud.

In December 2021, a security vulnerability was discovered in certain versions of the widely used Java logging library Log4j. This allows attackers to run malicious code on vulnerable systems. Commerzbank did not experience any production disruptions or any exploitation of the Log4j vulnerability at any time.

The task force, which was set up immediately after the vulnerability became known, continues to monitor the situation in order to be able to react promptly to any new attack patterns or new developments.

## Human resources risk

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

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

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

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

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

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

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

## Business strategy risk

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

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

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

## Model risk

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

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

The ongoing coronavirus pandemic, with its considerable economic and social impact as well as the mitigating support provided by the governments, poses challenges for the risk models used. Commerzbank has introduced a series of measures to counter the increased model risk and to ensure appropriate management even in the current phase.

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

**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.

# Group Financial Statements

› Our Group Accounts are drawn up in accordance with International Financial Reporting Standards (IFRS) and their interpretation by the IFRS Interpretations Committee. We have taken account of all the standards and interpretations that are binding in the European Union for the 2021 financial year.

# Financial Statements of the Commerzbank Group as at 31 December 2021

## Contents

# Statement of comprehensive income

## Income statement

| €m | Notes | 1.1.-31.12.2021 | 1.1.-31.12.2020 | Change in % |
|---|---|---|---|---|
| Interest income accounted for using the effective interest method | (9) | 5,956 | 6,636 | – 10.2 |
| Interest income accounted for not using the effective interest method | (9) | 1,311 | 949 | 38.3 |
| Interest income | (9) | 7,268 | 7,585 | – 4.2 |
| Interest expenses | (9) | 2,419 | 2,610 | – 7.3 |
| Net interest income | (9) | 4,849 | 4,975 | – 2.5 |
| Dividend income | (10) | 22 | 37 | – 42.4 |
| Risk result | (11) | – 570 | – 1,748 | – 67.4 |
| Commission income | (12) | 4,255 | 3,909 | 8.8 |
| Commission expenses | (12) | 639 | 592 | 7.9 |
| Net commission income | (12) | 3,616 | 3,317 | 9.0 |
| Net income from financial assets and liabilities measured at fair value through profit or loss | (13) | 980 | 66 | . |
| Net income from hedge accounting | (14) | – 96 | 207 | . |
| Other sundry realised profit or loss from financial instruments | | 48 | 2 | . |
| Gain or loss on disposal of financial assets – Amortised cost | | – 21 | – 68 | – 69.5 |
| Other net income from financial instruments | (15) | 27 | – 65 | . |
| Current net income from companies accounted for using the equity method | (16) | 6 | 6 | 2.6 |
| Other net income | (17) | – 944 | – 357 | . |
| Operating expenses | (18) | 6,239 | 6,160 | 1.3 |
| Compulsory contributions | (19) | 467 | 512 | – 8.7 |
| Impairments on goodwill and other intangible assets | (20) | – | 1,578 | . |
| Restructuring expenses | (21) | 1,078 | 814 | 32.3 |
| **Pre-tax profit or loss from continuing operations** | | **105** | **– 2,626** | **.** |
| Taxes on income | (22) | – 248 | 264 | . |
| **Consolidated profit or loss from continuing operations** | | **354** | **– 2,890** | **.** |
| Consolidated profit or loss from discontinued operations | | – | 30 | . |
| **Consolidated profit or loss** | | **354** | **– 2,861** | **.** |
| Consolidated profit or loss attributable to non-controlling interests | | – 77 | 9 | . |
| Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components | | 430 | – 2,870 | . |

| € | | 1.1.-31.12.2021 | 1.1.-31.12.2020 | Change in % |
|---|---|---|---|---|
| Earnings per share | (24) | 0.23 | – 2.33 | . |

The earnings per share, calculated in accordance with IAS 33, are based on the consolidated profit or loss attributable to Commerzbank shareholders. No conversion or option rights were outstanding either in the previous or current financial year. The figure for diluted earnings per share was therefore identical to the undiluted figure.

# Condensed statement of comprehensive income

| €m | 1.1.-31.12.2021 | 1.1.-31.12.2020 | Change in % |
|---|---|---|---|
| Consolidated profit or loss | 354 | – 2,861 | . |
| Change from remeasurement of defined benefit plans not recognised in income statement | 674 | 29 | . |
| Change from remeasurement of equity instruments (FVOCIoR) | | | |
| Reclassified to retained earnings | – | – 1 | . |
| Change in value not recognised in income statement | – | – 3 | . |
| Change in own credit spreads (OCS) of liabilities FVO not recognised in income statement | – 30 | – 42 | – 27.3 |
| Change in revaluation of land and buildings not recognised in income statement | 2 | – | . |
| **Items not recyclable through profit or loss** | **647** | **– 17** | **.** |
| Change in revaluation reserve (FVOCImR) | | | |
| Reclassified to income statement | – 57 | – 45 | 24.9 |
| Change in value not recognised in income statement | – 187 | 139 | . |
| Change in cash flow hedge reserve | | | |
| Reclassified to income statement | 2 | 2 | 22.8 |
| Change in value not recognised in income statement | – 194 | 65 | . |
| Change in currency translation reserve | | | |
| Reclassified to income statement | – | 2 | . |
| Change in value not recognised in income statement | 216 | – 524 | . |
| Valuation effect from net investment hedge | | – | |
| Reclassified to income statement | – | – | . |
| Change in value not recognised in income statement | – 5 | 3 | . |
| Change from non-current assets held for sale and disposal groups | | | |
| Reclassified to income statement | – | – | . |
| Change in value not recognised in income statement | – | – | . |
| Change in companies accounted for using the equity method | – 1 | 1 | . |
| **Items recyclable through profit or loss** | **– 226** | **– 358** | **– 36.8** |
| Other comprehensive income | 421 | – 375 | . |
| **Total comprehensive income** | **774** | **– 3,235** | **.** |
| Comprehensive income attributable to non-controlling interests | – 209 | –42 | . |
| Comprehensive income attributable to Commerzbank shareholders and investors in additional equity components | 983 | – 3,193 | . |

| **Other comprehensive income** \| €m | **1.1.–31.12.2021** | | |
|---|---|---|---|
| | **Before taxes** | **Taxes** | **After taxes** |
| Change in own credit spread (OCS) of liabilities FVO | – 40 | 10 | – 30 |
| Change from remeasurement of equity instruments (FVOCIoR) | – | – | – |
| Change from remeasurement of defined benefit plans | 967 | – 293 | 674 |
| Change in revaluation of land and buildings | 3 | – 1 | 2 |
| Change in revaluation of debt securities (FVOCImR) | – 291 | 47 | – 244 |
| Change in cash flow hedge reserve | – 239 | 47 | – 192 |
| Change from net investment hedge | – 8 | 3 | – 5 |
| Change in currency translation reserve | 217 | – 0 | 216 |
| Change from non-current assets held for sale and disposal groups | – | – | – |
| Change in companies accounted for using the equity method | – 1 | – | – 1 |
| **Other comprehensive income** | **607** | **– 186** | **421** |

| **Other comprehensive income** \| €m | **1.1.–31.12.2020** | | |
|---|---|---|---|
| | **Before taxes** | **Taxes** | **After taxes** |
| Change in own credit spread (OCS) of liabilities FVO | – 66 | 24 | – 42 |
| Change from remeasurement of equity instruments (FVOCIoR) | – 5 | 0 | – 4 |
| Change from remeasurement of defined benefit plans | 43 | – 14 | 29 |
| Change in revaluation of land and buildings | – | – | – |
| Change in revaluation of debt securities (FVOCImR) | 124 | – 30 | 94 |
| Change in cash flow hedge reserve | 82 | – 16 | 67 |
| Change from net investment hedge | 4 | – 2 | 3 |
| Change in currency translation reserve | – 523 | 1 | – 522 |
| Change from non-current assets held for sale and disposal groups | – | – | – |
| Change in companies accounted for using the equity method | 1 | – | 1 |
| **Other comprehensive income** | **– 339** | **– 36** | **– 375** |

# Balance sheet

| Assets \| €m | Notes | 31.12.2021 | 31.12.2020[1] | Change in % |
|---|---|---|---|---|
| Cash on hand and cash on demand | | 49,507 | 75,603 | – 34.5 |
| Financial assets – Amortised cost | (25) | 299,181 | 292,142 | 2.4 |
| of which pledged as collateral | | 873 | 1,037 | – 15.8 |
| Financial assets – Fair value OCI | (27) | 40,115 | 42,862 | – 6.4 |
| of which pledged as collateral | | 3,645 | 2,299 | 58.6 |
| Financial assets – Mandatorily fair value P&L | (29) | 28,432 | 28,677 | – 0.9 |
| of which pledged as collateral | | – | – | . |
| Financial assets – Held for trading | (30) | 43,790 | 52,176 | – 16.1 |
| of which pledged as collateral | | 802 | 715 | 12.2 |
| Value adjustment on portfolio fair value hedges | | 508 | 1,752 | – 71.0 |
| Positive fair values of derivative hedging instruments | (43) | 846 | 1,878 | – 55.0 |
| Holdings in companies accounted for using the equity method | (44) | 175 | 169 | 3.3 |
| Intangible assets | (45, 46) | 1,243 | 1,420 | – 12.4 |
| Fixed assets | (47) | 2,881 | 3,208 | – 10.2 |
| Investment properties | (48) | 41 | 13 | . |
| Non-current assets held for sale and disposal groups | (49, 50) | 830 | 2,040 | – 59.3 |
| Current tax assets | (52) | 222 | 130 | 70.2 |
| Deferred tax assets | (52) | 3,130 | 2,693 | 16.2 |
| Other assets | (54) | 2,143 | 1,851 | 15.8 |
| **Total** | | **473,044** | **506,613** | **– 6.6** |

[1] Prior-year figures adjusted due to restatements (see Note 4).

| Liabilities and equity \| €m | Notes | 31.12.2021 | 31.12.2020[1] | Change in % |
|---|---|---|---|---|
| Financial liabilities – Amortised cost | (26) | 373,976 | 397,725 | – 6.0 |
| Financial liabilities – Fair value option | (28) | 19,735 | 20,104 | – 1.8 |
| Financial labilities – Held for trading | (31) | 32,957 | 42,843 | – 23.1 |
| Value adjustment on portfolio fair value hedges | | 209 | 1,412 | – 85.2 |
| Negative fair values of derivative hedging instruments | (43) | 6,816 | 5,893 | 15.7 |
| Provisions | (58, 59) | 3,752 | 3,119 | 20.3 |
| Current tax liabilities | (53) | 549 | 448 | 22.7 |
| Deferred tax liabilities | (53) | 13 | 10 | 38.2 |
| Liabilities of disposal groups | (49, 51) | 730 | 2,051 | – 64.4 |
| Other liabilities | (55) | 4,478 | 4,434 | 1.0 |
| Equity | (62) | 29,827 | 28,574 | 4.4 |
| Subscribed capital | | 1,252 | 1,252 | – |
| Capital reserve | | 10,075 | 11,484 | – 12.3 |
| Retained earnings | | 14,979 | 12,576 | 19.1 |
| Other reserves (with recycling) | | – 569 | – 476 | 19.5 |
| Equity attributable to Commerzbank shareholders | | 25,738 | 24,836 | 3.6 |
| Additional equity components | | 3,114 | 2,619 | 18.9 |
| Non-controlling interests | | 975 | 1,119 | – 12.9 |
| **Total** | | **473,044** | **506,613** | **– 6.6** |

[1] Prior-year figures adjusted due to restatements (see Note 4).

# Statement of changes in equity

| €m | Subscribed capital | Capital reserve | Retained earnings[1] | Other reserves: Revaluation reserve | Other reserves: Cash Flow Hedge reserve | Other reserves: Currency translation reserve | Equity attributable to Commerzbank shareholders[1] | Additional equity components[2] | Non controlling interests | Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Equity as at 31.12.2019 (after restatements)** | **1,252** | **17,192** | **10,211** | **10** | **–5** | **–174** | **28,487** | **885** | **1,296** | **30,667** |
| Changes due to retrospective restatements | – | – | –193 | – | – | – | –193 | – | – | –193 |
| **Equity as at 1.1.2020** | **1,252** | **17,192** | **10,018** | **10** | **–5** | **–174** | **28,294** | **885** | **1,296** | **30,474** |
| Total comprehensive income | – | – | –2,886 | 85 | 47 | –440 | –3,193 | – | –42 | –3,235 |
| Consolidated profit or loss | | | –2,870 | | | | –2,870 | | 9 | –2,861 |
| Change in own credit spread (OCS) of liabilities FVO | | | –42 | | | | –42 | | – | –42 |
| Change from remeasurement of defined benefit plans | | | 29 | | | | 29 | | –1 | 29 |
| Change in revaluation of land and buildings not recognised in income statement | | | | | | | – | | – | – |
| Change in measurement of equity instruments (FVOCIoR) | | | –4 | | | | –4 | | –1 | –4 |
| Change in revaluation of debt securities (FVOCImR) | | | | 85 | | | 85 | | 8 | 94 |
| Change in cash flow hedge reserve | | | | | 47 | | 47 | | 19 | 67 |
| Change in currency translation reserve | | | | | | –444 | –444 | | –78 | –522 |
| Valuation effect from net investment hedge | | | | | | 3 | 3 | | – | 3 |
| Change from non-current assets held for sale and disposal groups | | | | | | | – | | – | – |
| Change in companies accounted for using the equity method | | | | | | 1 | 1 | | – | 1 |
| Dividend paid on shares | | | | | | | – | | –0 | –0 |
| Transfer between equity components | | –5,708 | 5,708 | | | | – | | – | – |
| Dividends paid on additional Tier 1 instruments | | | –48 | | | | –48 | | – | –48 |
| Changes in ownership interests | | | –216 | | | | –216 | | –135 | –352 |
| Other changes | | | – 0 | | | | – 0 | 1,734 | 1 | 1,735 |
| **Equity as at 31.12.2020** | **1,252** | **11,484** | **12,576** | **96** | **42** | **–614** | **24,836** | **2,619** | **1,119** | **28,574** |

[1] Prior-year figures adjusted due to restatements (see Note 4).

[2] Includes the Additional Tier 1 bonds (AT1 bond), which are unsecured subordinated bonds classified as equity under IFRS.

| €m | Subscribed capital | Capital reserve | Retained earnings | Other reserves | | | Equity attributable to Commerzbank shareholder | Additional equity components[1] | Non controlling interests | Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Revaluation reserve | Cash Flow Hedge reserve | Currency translation reserve | | | | |
| **Equity as at 31.12.2020 (before restatements)** | **1,252** | **11,484** | **12,602** | **96** | **42** | **–614** | **24,862** | **2,619** | **1,119** | **28,600** |
| Changes due to retrospective restatements | – | – | –26 | – | – | – | –26 | – | – | –26 |
| **Equity as at 1.1.2021** | **1,252** | **11,484** | **12,576** | **96** | **42** | **–614** | **24,836** | **2,619** | **1,119** | **28,574** |
| Total comprehensive income | – | – | 1,076 | –181 | –130 | 219 | 983 | – | –209 | 774 |
| Consolidated profit or loss | – | – | 430 | | | | 430 | | –77 | 354 |
| Change in own credit spread (OCS) of liabilities FVO | | | –30 | | | | –30 | | – | –30 |
| Change from remeasurement of defined benefit plans | | | 674 | | | | 674 | | 0 | 674 |
| Change in revaluation of land and buildings not recognised in income statement | | | 2 | | | | 2 | | 1 | 2 |
| Change in measurement of equity instruments (FVOCIoR) | | | | | | | – | | – | – |
| Change in revaluation of debt securities (FVOCImR) | | | | –181 | | | –181 | | –63 | –244 |
| Change in cash flow hedge reserve | | | | | –130 | | –130 | | –62 | –192 |
| Change in currency translation reserve | | | | | | 225 | 225 | | –9 | 216 |
| Valuation effect from net investment hedge | | | | | | –5 | –5 | | – | –5 |
| Change from non–current assets held for sale and disposal groups | | | | | | | – | | – | – |
| Change in companies accounted for using the equity method | | | | | | –1 | –1 | | – | –1 |
| Dividend paid on shares | | | – | | | | – | | –2 | –2 |
| Transfer between equity components | | –1,409 | 1,409 | | | | – | | – | – |
| Dividends paid on additional Tier 1 instruments | | | –140 | | | | –140 | | – | –140 |
| Changes in ownership interests | | | –1 | | | | –1 | | 1 | – |
| Other changes | | | 60 | | | | 60 | 496 | 65 | 620 |
| **Equity as at 31.12.2021** | **1,252** | **10,075** | **14,979** | **–86** | **–88** | **–396** | **25,738** | **3,114** | **975** | **29,827** |

[1] Includes the Additional Tier 1 bonds (AT1 bond), which are unsecured subordinated bonds classified as equity under IFRS.

**AT1 bond**

In the second quarter of 2020, Commerzbank Aktiengesellschaft launched an issuance programme for additional core capital (Additional Tier 1 capital, AT1), which will enable it to successively issue subordinated bonds with a nominal value of up to €3bn over the next few years. The subordinated AT1 bonds are classified as equity in accordance with IFRS and presented separately in the item "Additional equity components" less issuing costs. The bond terms provide for a temporary write-down in the event that the Bank's Common Equity Tier 1 ratio (CET1 ratio) drops below 5.125 %.

An AT1 bond with a volume of €1.25bn and a fixed coupon of 6.125 % per annum was issued in the second quarter of 2020. The instrument has a perpetual maturity and the first call date is in October 2025. The issuing costs amounted to €11.25m. The bond terms are otherwise the same as for the first AT1 bond.

Commerzbank successfully issued a second AT1 bond in September 2020. The bond has a volume of €500m and a fixed coupon of 6.5 % per annum up to April 2030. The bond has no fixed final maturity date and the first call date is in the period from October 2029 to April 2030. The issuing costs amounted to €4.5m.

The third AT1 bond under the issuance programme was successfully issued in the second quarter of 2021. The bond has a volume of €500m and a fixed coupon of 4.25 % per annum. The instrument has a perpetual maturity and the first call date is in the period from October 2027 to April 2028. The issuing costs amounted to €4.5m.

**Green bond**

Commerzbank successfully issued a green bond with an issue volume of €500m in September 2020. This is the Bank's second green bond and follows the inaugural issue in October 2018. The callable non-preferred senior bond has a fixed interest period until March 2025 and a fixed coupon of 0.75 %. A variable coupon will subsequently be payable. Commerzbank will use the proceeds to finance renewable energy projects.

**Other changes**

As at 31 December 2021, the subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's Articles of Association was €1,252m and was divided into 1,252,357,634 no-par-value shares (accounting value per share of €1.00).

On 18 May 2021 the Annual General Meeting of Commerzbank Aktiengesellschaft decided not to pay a dividend for the financial year.

In its annual financial statements prepared in accordance with the German Commercial Code, Commerzbank offset the net loss for the year as at 31 December 2021 through a withdrawal from the capital reserve as part of the appropriation of profits. In accordance with Art. 272 (2) of the German Commercial Code and Art. 150 of the German Stock Corporation Act, Commerzbank shows the capital reserve in the same amount in the financial statements of Commerzbank Aktiengesellschaft and the Group financial statements. As a result of the reduction in the capital reserve, the Commerzbank Group's retained earnings increased accordingly.

As at 31 December 2021, and as in the previous year, there was no material impact on "Other reserves" from non-current assets held for sale and disposal groups.

As at 31 December 2021, the portion of inactive hedging relationships in the cash flow hedge reserve was €–5m (previous year: €–7m), and the portion of active hedging relationships was €–83m (previous year: €49m).

The main changes in the currency translation reserve in the current financial year were due to the US dollar, Polish zloty, British pound and Russian rouble.

Other changes primarily include changes in the group of consolidated companies and changes from taxes not recognised in the income statement.

The changes in ownership interests in retained earnings of €–1m (previous year: €–216m) resulted from the purchase of additional interests in already consolidated companies, in the previous year this related primarily to comdirect bank Aktiengesellschaft.

# Cash flow statement

| €m | Notes | 2021 | 2020[1] |
|---|---|---|---|
| **Consolidated profit or loss** | | **354** | **– 2,861** |
| Non-cash positions in consolidated profit or loss and reconciliation with cash flow from operating activities: | | | |
| Write-downs, depreciation, write-ups on fixed and other assets, changes in provisions and net changes due to hedge accounting | | 6,290 | 4,531 |
| Change in other non-cash positions | | 2,825 | – 2,294 |
| Net gain or loss on the sale of fixed assets | (17) | 4 | 1 |
| Other adjustments | | – 3,361 | – 3,239 |
| **Sub-total** | | **6,113** | **– 3,861** |
| Change in assets and liabilities from operating activities after adjustment for non-cash positions: | | | |
| Financial assets - Amortised cost | (25) | – 6,818 | 521 |
| Financial assets - Mandatorily fair value P&L | (29) | – 213 | 1,302 |
| Financial assets – Fair value OCI | (27) | 2,746 | – 11,919 |
| Financial assets - Held for trading | (30) | – 6,913 | – 1,548 |
| Other assets from operating activities | | 841 | 6,210 |
| Financial liabilities – Amortised cost | (26) | – 22,302 | 46,449 |
| Financial liabilities – Fair value option | (28) | – 940 | – 592 |
| Financial liabilities – Held for trading | (31) | – 0 | – 420 |
| Net cash from contributions into plan assets | (58) | 479 | 24 |
| Other liabilities from operating activities | | – 2,133 | – 7,501 |
| Interest received | (9) | 7,663 | 7,760 |
| Dividends received | (10) | 22 | 37 |
| Interest paid | (9) | – 2,477 | – 2,810 |
| Income tax paid | (22) | – 328 | 23 |
| **Net cash from operating activities** | | **– 24,261** | **33,676** |
| Proceeds from the sale of: | | | |
| Holdings in subsidiaries and companies accounted for using the equity method | (44) | – 87 | 13 |
| Fixed assets and intangible assets | (47) | 278 | 112 |
| Payments for the acquisition of: | | | |
| Holdings in subsidiaries and companies accounted for using the equity method | (44) | – 24 | – 433 |
| Fixed assets and intangible assets | (47) | – 973 | – 898 |
| Effects from changes in the group of consolidated companies | | | |
| Cash flow from acquisitions less cash reserves acquired | | – | – |
| Cash flow from disposals less cash reserves disposed of | | 2 | – 15 |
| **Net cash from investing activities** | | **– 804** | **– 1,221** |
| Dividend paid on shares previous year | | – | – |
| Raising/repayment of subordinated liabilities[2] | | – 1,375 | 818 |
| Additional equity components[2] | | 496 | 1,734 |
| Repayment of lease liabilities | | – 331 | – 345 |
| **Net cash from financing activities** | | **– 1,211** | **2,208** |
| **Cash and cash equivalents at the end of the previous period** | | **75,603** | **41,164** |
| Net cash from operating activities | | – 24,261 | 33,676 |
| Net cash from investing activities | | – 804 | – 1,221 |
| Net cash from financing activities | | – 1,211 | 2,208 |
| Effects from exchange rate changes | | 179 | – 223 |
| **Cash and cash equivalents at the end of the period** | | **49,507** | **75,603** |

[1] Prior-year figures adjusted due to restatements (see Note 4).
[2] Prior-year figures adjusted due to more transparent presentation of additional equity components.

Cash and cash equivalents was comprised of the following, and is therefore identical with cash on hand and cash on demand:

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| Cash on hand | 9,188 | 9,275 | – 0.9 |
| Balances with central banks | 39,800 | 64,997 | – 38.8 |
| Deposits daily due on demand with banks | 519 | 1,331 | – 61.0 |
| Debt issued by public-sector borrowers | – | – | . |
| **Total** | **49,507** | **75,603** | **– 34.5** |

Cash and cash equivalents do not contain any effects from companies consolidated for the first time or from deconsolidations, either in the current financial year or in the previous year.

The cash flow statement shows the structure of and changes in cash and cash equivalents during the financial year. It is broken down into operating activities, investing activities and financing activities.

Net cash from operating activities includes payments (inflows and outflows) relating to loans and advances and also securities and other assets. Increases and decreases in deposits, debt securities issued and other liabilities also belong to operating activities. The interest and dividend payments resulting from operating activities are similarly reflected in net cash from operating activities.

Changes in net cash from operating activities also resulted from disposals of consolidated companies. The tables below provide an overview of the assets and liabilities at the disposal dates.

| **Assets** \| €m | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Financial assets – Amortised cost | 0 | 3 |
| Financial assets – Mandatorily fair value P&L | – | – |
| Financial assets – Held for trading | – | – |
| Fixed assets | 11 | – |
| Other assets | 0 | – |

| **Liabilities** \| €m | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Financial liabilities – Amortised cost | 11 | – |
| Financial liabilities – Fair value option | – | 3 |
| Financial liabilities – Held for trading | – | – |
| Other liabilities | – | – |

Net cash from investing activities is made up of cash flows relating to payment transactions for intangible assets, fixed assets and companies accounted for using the equity method. Net cash from financing activities consists of the proceeds of capital increases as well as payments made or received on subordinated deposits and debt instruments. Dividends paid are also reported here.

The cash holdings include cash and cash equivalents which can be directly converted to liquid assets and are only subject to an insignificant value fluctuation risk. Here we include the item "Cash on hand and cash on demand", which contains cash on hand, balances held at central banks, sight deposits at banks due on demand, and debt issued by public-sector borrowers.

The cash flow statement includes both cash flows from continuing operations and cash flows from the discontinued business division (see Note 49 for details).

With regard to the Commerzbank Group, the cash flow statement is not very informative. The cash flow statement neither replaces the liquidity/financial planning for us, nor is it used as a management tool.

The following table shows the changes in net debt.

| €m | 2021 | 2020 |
|---|---|---|
| **Net debt as per 1.1.** | **10,661** | **8,805** |
| Changes in net cash from financing activities | – 1,211 | 2,208 |
| Changes in the group of consolidated companies | – | – |
| Exchange rate changes | 301 | – 307 |
| Change in other non-cash positions | 415 | – 45 |
| **Net debt as per 31.12.** | **10,166** | **10,661** |

# Notes

## General information

The Commerzbank Group has its headquarters at Kaiserplatz in 60311, Frankfurt/Main, Germany. The parent company is Commerzbank Aktiengesellschaft, which is registered in the Commercial Register at the District Court of Frankfurt/Main under registration no. HRB 32000. Commerzbank is one of Germany's leading banks for private and corporate clients and an internationally active commercial bank. Our Group financial statements as at 31 December 2021 were prepared in accordance with Art. 315 e of the German Commercial Code (Handelsgesetzbuch, or "HGB") and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (the IAS Regulation). In addition, other regulations for adopting certain international accounting standards on the basis of the International Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB) and their interpretation by the IFRS Interpretations Committee have also been applied.

All standards and interpretations that are mandatory within the EU in the 2021 financial year have been applied. We have not applied standards and interpretations that are not required until the 2022 financial year or later.

The information required under IFRS 7.31 to 7.42 (nature and extent of exposure to risks arising from financial instruments) is reported partly in the notes (see Notes 33 and 34) and partly in the Group Management Report.

The Group Management Report, including the separate Group Risk Report pursuant to Art. 315 of the German Commercial Code, appears on pages 65 to 144 of this Annual Report.

The Group financial statements are prepared in euros, the reporting currency of the Group. Unless otherwise indicated, all amounts are shown in millions of euros. All items under €500,000.00 are presented as €0.00, and zero items are denoted by a dash. Due to rounding, in some cases the individual figures presented may not add up precisely to the totals provided.

For information on environmental, social and governance (ESG) risks, we refer to the management report of this Annual Report (pages 139 f.).

**(1) Initially applicable, revised and new standards**

**Standards to be applied for the first time**

IBOR reform

As part of the Interbank Offered Rates reform (IBOR reform), the IBOR reference rates and the Euro Overnight Index Average (EONIA) will be replaced by other reference rates called risk-free rates (RFR).

In phase 1, the following standards were revised: IFRS 9, IAS 39 and IFRS 7.

These amended standards must be applied in the EU for financial years beginning on or after 1 January 2020 and pertain to the period up to the actual transition.

Commerzbank has implemented the requirements of phase 1. It used the relief for hedge accounting provided by the IASB in connection with the revised standards.

The following table provides an overview of the derivatives in hedging relationships as at 31 December 2021 that are affected by the IBOR reform and conversion to RFRs.

| Currency | Reference | Tenor base | Nominal value €m |
|---|---|---|---|
| EUR | Euribor | 1 month | 997 |
| EUR | Euribor | 3 months | 43,341 |
| EUR | Euribor | 6 months | 57,369 |
| EUR | Euribor | 12 months | 188 |
| USD | | OIS | 30 |
| USD | Libor | 1 month | 151 |
| USD | Libor | 3 months | 9,117 |
| USD | Libor | 6 months | 137 |
| GBP | | OIS | 6,506 |
| GBP | Libor | 6 months | 106 |
| CHF | Libor | 3 months | 137 |
| Others | | | 1,613 |
| **Total** | | | **119,692** |

The IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 standards were amended and published in phase 2.

Commerzbank has been applying the amendments to these standards since 1 January 2021. The phase 2 amendments deal with specific issues where the reference rate has been replaced by an RFR reference interest rate.

Commerzbank has put in place the relevant procedure in terms of methodology and timing in a program for the successful implementation of the interest rate benchmark reform. Within the scope of this program, under the leadership of the COO division of Commerzbank¬Aktiengesellschaft, all relevant units of the Bank were managed. In addition, Commerzbank is part of the international working groups for implementing the interest rate benchmark reform and works closely with the standard setters. As a result, the Bank has successfully implemented all possible steps in the framework of the reform to date.

The IBOR reform does not generate any fundamentally new economic risk elements. The changes carried out so far (see above) did not have any significant impact on the consolidated financial statements. Based on the current information, we do not expect any significant impact on the consolidated financial statements in the future. The Bank's risk strategy is not affected by the interest rate benchmark reform.

Along the above mentioned procedure, the conversion of the contracts and the associated transactions takes place locally in the responsible divisions and processing functions. The basis is the internationally developed standards under the IRB reform. In the 2021 financial year, positions referencing to EONIA, GBP Libor, CHF Libor and JPY Libor were initially affected. Positions in USD Libor will be gradually converted by mid-2023. The positions that referenced to EONIA, GBP Libor, CHF Libor and JPY Libor were converted in 2021,mainly in accordance with the specifications of the various international working groups (e.g. supported by the relevant central bank or interest groups such as ISDA/LMA). Depending on the product, this was achieved centrally (e.g. with the CCPs), by joining a protocol (e.g. ISDA), or bilaterally.

As a rule, positions were switched from forward rates to compounded overnight rates. The Bank expects the Euribor to be used unchanged for the time being.

For the main positions subject to the IBOR reform, the conversion was complete as at 31 December 2021. The changes made so far have not had any notable impact on the Group financial statements. Based on current information, we do not expect any significant effects on the Group financial statements from the outstanding changes. The Bank’s risk strategy is not affected by the interest rate benchmark reform.

The table below provides an overview of the carrying amounts of the non-derivative financial assets and non-derivative financial liabilities as well as the nominal values of the derivatives as at 31 December 2021. The table shows the affected transactions at the Bank with IBORs to be redeemed as at 31 December 2021 (only transactions with maturities after 31 December 2021). The “Others” position mainly comprises both JPY and CHF transactions with three-month maturities. Most of the transactions still to be redeemed relate to USD Libor, which will continue to be quoted in the maturities relevant for the Bank until mid-2023 and therefore do not need to be converted immediately. The assets and derivatives in other currencies, in particular GBP, relate to a small number of bilateral loan agreements for which the Bank is still finalising negotiations with customers, or to derivatives that are not covered by the ISDA protocol and also have to be renegotiated bilaterally. In such cases, the “synthetic Libor” is applied. It may be used for such transactions for a limited period of time.

| €m | Non-derivative financial assets-carrying amount | Non-derivative financial liabilities-carrying amount | Derivatives nominal amount |
|---|---|---|---|
| GBP LIBOR (3 months) | 3 | 0 | 10,844 |
| GBP LIBOR (6 months) | 0 | 0 | 18,679 |
| USD LIBOR (1 month) | 418 | 0 | 135,780 |
| USD LIBOR (3 months) | 1,313 | 70 | 289,668 |
| USD LIBOR (6 months) | 380 | 0 | 21,190 |
| **Others** | **2,115** | **70** | **476,161** |
| **Cross currency swaps** | | | |
| CHF LIBOR to USD LIBOR (3 months each) | 0 | 0 | 9,914 |
| GBP LIBOR to USD LIBOR (3 months each) | 0 | 0 | 22,874 |
| USD LIBOR to JPY LIBOR (3 months each) | 0 | 0 | 10,421 |
| | **0** | **0** | **43,209** |
| **Total** | **2,115** | **70** | **519,370** |

### Revised standards

The revision of the IAS 1 standard clarifies the classification of non-current liabilities with credit terms. In accordance with another change, only significant accounting policies are to be presented in the notes in future. These amendments have no material effects on the Group financial statements. The amendments have not yet been endorsed. The revised standards must be applied for financial years beginning on or after 1 January 2023.

The amendments to IAS 8 explain how changes in accounting policies are to be better distinguished from changes in estimates. The revised standards must be applied for financial years beginning on or after 1 January 2023.

The amendments to IAS 12 Income Taxes deal with more precise specifications for the accounting treatment of deferred taxes in connection with leases, and decommissioning obligations. These amendments have no material effects on the Group financial statements. The revised standard must be applied for financial years beginning on or after 1 January 2023.

The amendment to IFRS 16 related to the coronavirus pandemic is intended to make it easier for lessees to recognise concessions in connection with rent payment deferrals and rent reductions granted during the coronavirus pandemic. The period of application of this relief was extended to 30 June 2022. This amendment has no impact on the Group financial statements. The revised standard including the extension period must be applied for reporting periods beginning on or after 1 April 2021. The amendment was endorsed on 30 August 2021.

The revised standard IFRS 3 now refers to the Conceptual Framework of 2018 rather than that of 1989. The amendments were endorsed by the European Commission on 28 June 2021. The amendments must be applied for all financial years beginning on or after 1 January 2022.

The Annual Improvements to IFRS Standards 2018–2020 result in minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and IFRS 16 Leases. The amendments were endorsed by the European Commission on 28 June 2021. The revised standard must be applied for financial years beginning on or after 1 January 2022.

The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets concern the definition and content of the costs of fulfilling a contract, which a company must take into account when making judgements. The amendments were endorsed by the European Commission on 28 June 2021. The revised standards must be applied for financial years beginning on or after 1 January 2022.

All standard changes not explicitly mentioned do not have a significant impact on our Group financial statements at present.

### New standards

The new accounting standard IFRS 17 Insurance Contracts, which was published in May 2017, will replace the IFRS 4 standard. The new standard applies not only to insurance companies, but to all entities that issue insurance contracts within the scope of the standard. IFRS 17 aims to achieve consistent, principles-based accounting for insurance contracts. It stipulates that insurance liabilities must be measured at the current settlement amount, instead of at historical cost. The IASB's intention in issuing IFRS 17 is to create a uniform basis for recognising, measuring, reporting and making disclosures in the notes regarding insurance contracts. Other matters relating to insurance-specific contracts were defined in the additional amendments published. The standard, which is due to be applied in the EU for financial years beginning on or after 1 January 2023, still needs to be transposed into EU law. Based on our current analyses, we do not expect any significant impact on the Group financial statements.

# Accounting and measurement policies

### (2) Changes in accounting and measurement policies

#### Coronavirus pandemic

The coronavirus pandemic, with its direct and indirect effects, such as disruption of supply chains, had a major impact on the German economy and the global economy as a whole in the 2021 financial year and has therefore also affected the Commerzbank Group's annual financial statements. The effects of the pandemic on the different divisions of the Commerzbank Group were reviewed in various working groups and projects, and appropriate measures were decided upon. In addition to the information provided in the Management Report (see page 101 ff.), descriptions of the current effects of the pandemic can be found mainly in our note on credit risks and credit losses (see Note 32), as well as in the note on the statement of changes in equity. Further details can be found in Notes 11, 36 and 63.

#### Further changes

The procedure for determining the discount rate for pension obligations in the eurozone was adjusted as at 31 March 2021 and has no effect on the valuation in the coming periods, as it will estimated again in those periods. The selection of AA-rated corporate bonds was modified. The adjusted procedure also takes AA-rated public-sector bonds into account in the extrapolation. The reason for the adjustment of the procedure was the small number of representative long-term returns. At the changeover date, the discount rate for Germany determined using the new procedure was 1.30 %. If the original procedure had been retained, the discount rate as at 31 March 2021 would have been 1.00 %. The change led to a reduction of around €450m in the present value of the pension obligation. As at 31 December 2021, the discount rate for the pension obligations in Germany is 1.40 % (previous year: 0.5 %)

The expected pension adjustments were increased to 2.0 % p.a. in 2021 (previous year: 1.4 %). This rise in the expected pension adjustments resulted in a one-off negative effect of around €654m that was recognised directly in equity.

In the first quarter of 2021, the Bank adjusted the relevant criteria for the stage allocation for the calculation of impairment in line with the rules of IFRS 9 so that in the future the option for allocating transactions with a low default risk to stage 1 (low credit risk exemption) will generally be applied only to securities. The implementation led to an increase in risk provisions totalling €23m. In the second quarter, the Bank changed an estimate for the stage allocation for a company included in the Group financial statements as a subsidiary in the special financing portfolio. This change increased the risk provisions by €22m. The largely regular review and reassessment of the parameters relevant for the IFRS 9 loan loss provisions led to an adjustment of Group loan loss provisions by €99m, of which €58m is attributable to insignificant defaulted claims for which loan loss provisions were calculated using parameters in accordance with IFRS 9 (see Note 32 for details on the method used to determine loan loss provisions).

In the cash flow statement, the system for showing cash and non-cash components of provisions within the cash flow from operating activities was improved. For this reason, a retrospective adjustment was made to the presentation of changes in provisions, other adjustments and other liabilities from operating activities within net cash from operating activities for the previous year.

Beside these changes and with the exception of the changes described in Note 1, we have applied the same accounting and measurement policies in these Group financial statements as in our Group financial statements as at 31 December 2020 (see page 178 ff. of the Annual Report 2020).

### (3) Significant principles and uncertainties in estimates

#### Significant principles

Uniform accounting and measurement methods explained in the notes below are used throughout the Commerzbank Group in preparing the financial statements.

The Group financial statements are based on the going concern principle. Financial assets and liabilities are generally measured at amortised cost, unless a different form of measurement is required by IFRS standards. This applies in particular to certain financial instruments classified in accordance with IFRS 9, investment properties and non-current assets held for sale.

Income and expenses are accounted for on an accrual basis; they are recognised in the income statement for the period to which they are attributable in economic terms. Interest from all contractual agreements relating to financial assets or liabilities is reported in net interest income on an accrual basis. We have reported negative interest separately in net interest income (see Note 9). Dividend income is only recognised where a corresponding legal entitlement exists. Commission income and expenses are recognised on the basis of the accounting treatment of the associated financial instruments and on the basis of the nature of the activity. Commission income for services which are performed over a given period is recognised over the period in which the service is performed. Fees associated with the completion of a particular service are recognised at the time of completion of the service. Performance-related fees are recognised when the performance criteria are met. Commission income on trading transactions carried out on behalf of customers is reported in net commission income.

Borrowing costs that are directly attributable to the acquisition, construction or production of a significant tangible or intangible asset are capitalised in the balance sheet, provided that a period of at least 12 months is required to prepare the asset for its intended use.

Assets and liabilities must be posted in the balance sheet as gross (not netted). However, in accordance with IAS 32.42, financial assets and liabilities relating to the same counterparty are netted and shown in the balance sheet on a net basis if there is a legally enforceable right to net the amounts and the transactions are fulfilled on a net basis or the asset is realised simultaneously with the settlement of the liability. In addition to the netting of positive and negative fair values attributable to derivatives with clearing agreements and any variation margins payable on them, this also applies to the netting of claims and liabilities in reverse repo and repo transactions with central and bilateral counterparties, provided they have the same term.

For fully consolidated companies and holdings in companies accounted for using the equity method in the Group financial statements we have generally used financial statements prepared as at 31 December 2021. As regards companies accounted for using the equity method, in some cases we use the most recent audited financial statements under national GAAP if the company's financial statements for the current financial year are not yet available at the date the Group financial statements are being prepared.

Where there is an intention to sell the assets and liabilities of subsidiaries and companies accounted for using the equity method, as well as discontinued operations, and their sale is highly probable within one year, they are reported separately in the relevant balance sheet items and notes (see Notes 49, 50 and 51) and in the statement of changes in equity in accordance with IFRS 5 until transfer of the shares is completed.

Note 38 contains a breakdown of all balance sheet items into short-term and long-term items. The maturities for all financial instruments held as liabilities, financial guarantees and irrevocable lending commitments with contractual maturity dates are also reported in this note.

Monetary assets and liabilities denominated in foreign currencies and pending spot foreign exchange transactions are translated at the spot mid-rate on the reporting date. Realised income and expenses are normally translated using the spot rate applying on the date of realisation.

Average exchange rates may also be used to translate income and expenses, provided the prices on the reporting date have not undergone major fluctuations. Hedged expenses and income are translated using the hedging rate. The expenses and income resulting from the translation of items in the balance sheet are recognised in the net income from financial assets and liabilities measured at fair value through profit and loss.

Non-monetary items are translated using the current rate method. Gains and losses on the translation of non-monetary items are recognised either in equity or profit or loss depending on the way the net gain or loss is recognised.

Monetary and non-monetary assets and liabilities in the financial statements of consolidated subsidiaries and companies accounted for using the equity method that report in foreign currency are translated at the exchange rate prevailing on the reporting date, while income and expenses are normally translated at the exchange rate on the transaction date. For simplification purposes, a price can be used for translation which represents an approximation of the exchange rate on the transaction date, for example the average exchange rate over a given period. All differences arising on translation are recognised as a separate component of equity in the currency translation reserve. Effects arising from the translation of the capital components of subsidiaries included in the consolidation of the capital accounts are recognised in equity in the currency translation reserve. On the date of the sale or partial sale of companies reporting in foreign currency, the translation gains or losses are recognised in other net income. Even if an equity holding in a foreign currency is reduced without being fully deconsolidated, the effect of this partial reduction on the currency translation reserve is recognised in profit or loss.

### Uncertainties in estimates

The Group financial statements include values which are determined, as permitted, on the basis of estimates and judgements. The estimates and judgements used are based on past experience and other factors, such as planning and expectations or forecasts of future events that are considered likely as far as we know today. The estimates and judgements themselves and the underlying estimation methods and judgement factors are reviewed regularly and compared with actual results. In our view, the parameters we have used are reasonable and appropriate. Nonetheless, the actual outturns may differ from the estimates in the instances listed below.

Estimation uncertainties arise, among other things, in the calculation of fair values or the expected cash flows of financial instruments and in the creation of loan loss provisions, which may occur in particular when determining the TLA for reflecting the expected direct and indirect effects of the coronavirus pandemic, such as disruption to supply chains. As climate and environmental risks are "horizontal risks", they can influence different types of risk, in particular the credit risk and the associated loan loss provisions. Greater detail can be found in the ESG (environmental, social and governance) risks section of the Group risk report in the Group management report. For the calculation of loan loss provisions, please also refer to the Group management report. There are also uncertainties surrounding the fair value of investment properties, in the accounting of goodwill and pension obligations, and in provisions for tax-related operational risks.

Pension obligations are measured based on the projected unit credit method for defined benefit pension plans. In measuring such obligations, assumptions have to be made, in particular regarding the discount rate, the long-term rate of increase in pensions, and average life expectancy. Changes in the underlying assumptions from year to year and divergences from the actual annual effects are reported as remeasurements without effect on income in retained earnings (see Note 58 on the impact of changes in parameters).

Provisions for tax-related operational risks are recognised taking into account the most current information from the ongoing tax audit and case law (see Note 53).

There are also uncertainties in the recognition of deferred tax assets.

The assumptions and parameters underlying the estimates we have made are based on the exercise of appropriate judgement by management. This applies in particular to the appropriate selection and use of parameters, assumptions and modelling techniques when valuing financial instruments for which there are no market prices and no comparative parameters observable on the market. Where differing valuation models lead to a range of different potential valuations, management uses its judgement to determine the choice of the model to be used.

The following items in the financial statements are also subject to the judgement of management:

- the impairment of loans and securities and the recognition of provisions for off-balance-sheet lending exposures, in particular the analysis of the borrower's financial situation and the determination of the expected cash flows including the recognition, level and timing of the realisation of collateral (see Notes 2 and 32);
- impairment testing of other financial assets such as holdings in companies accounted for using the equity method and financial instruments held for sale, in particular the choice of criteria used to determine whether an asset is impaired (see Note 50);
- the impairment test for goodwill, which must be carried out at least once a year, uses the value-in-use method. This is based on the future cash flows projected in management's latest planning figures. An analysis of the uncertainties surrounding the estimation of goodwill and fair value of financial instruments is set out in Notes 36 and 45.
- impairment testing of deferred tax assets, in particular determining the methodology used for tax planning and to assess the probability that the expected future tax results will actually occur (see Notes 52 and 53), as well as accounting for tax risk positions; the assessment of the availability of tax assets is primarily based on the potential future taxable income based on our multi-year planning;
- the recognition of provisions for uncertain liabilities (see Note 58);
- the assessment of legal risks (see Note 60);
- recognition of further interest rate discounts on targeted longer-term refinancing operations of the ECB (TLTRO III) in accordance with IAS 20 (see Note 26).

### (4) Changes

In the case of one company included in the Group financial statements as a subsidiary, the change of method described in Note 58 “Provisions” in relation to Swiss franc loan agreements with index clauses reduced loans and advances in the amortised cost category and provisions as at 31 December 2020 by €277m. This also had an impact on the cash flow statement.

An error was corrected in the deferred taxes for a subordinated bond. As a result of the adjustments, retained earnings were €69m lower as at 1 January 2020.

There was a further error correction in deferred taxes due to changes to the tax adjustment item in connection with provisions for contingent losses. As a result of the adjustments, retained earnings were €106m lower as at 1 January 2020.

Moreover, a retrospective adjustment was made to retained earnings due to duplicate entries of commitment interest made in previous years. As a result of the adjustment, retained earnings were €9m lower as at 1 January 2020.

A retrospective adjustment was made to the deferred taxes for one company included in the Group financial statements as an investment fund company. As a result of the adjustments, retained earnings were €25m lower as at 1 January 2020.

An error was corrected in the valuation adjustments for risks from AC loans and advances associated with the systematic consideration of overly long maturities for receivables from letters of credit. As a result of this adjustment, retained earnings were higher by €42m as at 1 January 2020.

An error was corrected in the reporting of value date shifts between the booking date and value date, which increased the balance in a clearing account to €26m. Following extensive analyses, the Bank determined that this balance was due to incorrect initialisation and posting processes in the past and that therefore a non-recoverable asset in the other assets item is involved that was recognised in periods prior to 2020. Accordingly, a valuation allowance was recognised, reducing retained earnings by €26m as at 1 January 2020. This had an impact on the cash flow statement.

The total change resulting from the aforementioned adjustments to our published income statement and our published balance sheet as at 31 December 2020 is summarised in the following tables:

| €m | Originally reported 1.1.–31.12.2020 | Adjustments according to IAS 8 | Restated 1.1.–31.12.2020 |
|---|---|---|---|
| Interest income | 7,585 | – | 7,585 |
| Interest expenses | 2,610 | – | 2,610 |
| Net interest income | 4,975 | – | 4,975 |
| Dividend income | 37 | – | 37 |
| Risk result | – 1,748 | – | – 1,748 |
| Commission income | 3,909 | – | 3,909 |
| Commission expenses | 592 | – | 592 |
| Net commission income | 3,317 | – | 3,317 |
| Net income from financial assets and liabilities measured at fair value through profit or loss | 66 | – | 66 |
| Net income from hedge accounting | 207 | – | 207 |
| Other net income from financial instruments | – 65 | – | – 65 |
| Current net income from companies accounted for using the equity method | 6 | – | 6 |
| Other net income | – 357 | – | – 357 |
| Operating expenses | 6,160 | – | 6,160 |
| Compulsory contributions | 512 | – | 512 |
| Impairments on goodwill and other intangible assets | 1,578 | – | 1,578 |
| Restructuring expenses | 814 | – | 814 |
| **Pre-tax profit or loss from continuing operations** | **– 2,626** | **–** | **– 2,626** |
| Taxes on income | 264 | – | 264 |
| **Consolidated profit or loss from continuing operations** | **– 2,890** | **–** | **– 2,890** |
| Consolidated profit or loss from discontinued operations | 30 | – | 30 |
| **Consolidated profit or loss** | **– 2,861** | **–** | **– 2,861** |
| Consolidated profit or loss attributable to non-controlling interests | 9 | – | 9 |
| Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components | – 2,870 | – | – 2,870 |

| **Assets** \| €m | **Originally reported 31.12.2020** | **Adjustments according to IAS 8** | **Restated 31.12.2020** |
|---|---|---|---|
| Cash on hand and cash on demand | 75,603 | – | 75,603 |
| Financial assets – Amortised cost | 292,420 | –277 | 292,142 |
| Financial assets – Fair value OCI | 42,862 | – | 42,862 |
| Financial assets – Mandatorily fair value P&L | 28,677 | – | 28,677 |
| Financial assets – Held for trading | 52,176 | – | 52,176 |
| Value adjustment on portfolio fair value hedges | 1,752 | – | 1,752 |
| Positive fair values of derivative hedging instruments | 1,878 | – | 1,878 |
| Holdings in companies accounted for using the equity method | 169 | – | 169 |
| Intangible assets | 1,420 | – | 1,420 |
| Fixed assets | 3,208 | – | 3,208 |
| Investment properties | 13 | – | 13 |
| Non-current assets held for sale and disposal groups | 2,040 | – | 2,040 |
| Current tax assets | 130 | – | 130 |
| Deferred tax assets | 2,693 | – | 2,693 |
| Other assets | 1,877 | – 26 | 1,851 |
| **Total** | **506,916** | **– 303** | **506,613** |

| **Liabilities** \| €m | **Originally reported 31.12.2020** | **Adjustments according to IAS 8** | **Restated 31.12.2020** |
|---|---|---|---|
| Financial liabilities – Amortised cost | 397,725 | – | 397,725 |
| Financial liabilities – Fair value option | 20,104 | – | 20,104 |
| Financial liabilities – Held for trading | 42,843 | – | 42,843 |
| Value adjustment on portfolio fair value hedges | 1,412 | – | 1,412 |
| Negative fair values of derivative hedging instruments | 5,893 | – | 5,893 |
| Provisions | 3,396 | – 277 | 3,119 |
| Current tax liabilities | 448 | – | 448 |
| Deferred tax liabilities | 10 | – | 10 |
| Liabilities of disposal groups | 2,051 | – | 2,051 |
| Other liabilities | 4,434 | – | 4,434 |
| Equity | 28,600 | – 26 | 28,574 |
| Subscribed capital | 1,252 | – | 1,252 |
| Capital reserve | 11,484 | – | 11,484 |
| Retained earnings | 12,602 | – 26 | 12,576 |
| Other reserves (with recycling) | – 476 | – | – 476 |
| Equity attributable to Commerzbank shareholders | 24,862 | – 26 | 24,836 |
| Additional equity components | 2,619 | | 2,619 |
| Non-controlling interests | 1,119 | – | 1,119 |
| **Total** | **506,916** | **– 303** | **506,613** |

## Principles of consolidation

All intragroup receivables and liabilities as well as income and expenses resulting from transactions between entities consolidated in the Group financial statements are eliminated when liabilities and income and expenses are consolidated. Any gains or losses realised in the Group on intragroup transactions are likewise eliminated. The ability of the Commerzbank Group to access or use assets and monitor the liabilities of subsidiaries including structured entities, associated companies and joint ventures can be subject to legal, regulatory and contractual restrictions.

### (5) Subsidiaries and business combinations

Subsidiaries are entities which are directly or indirectly controlled by Commerzbank Aktiengesellschaft, because Commerzbank has the power to direct the relevant activities of the entity, has exposure, or rights, to significant variable returns from its involvement and has the ability to use its power over the entity to affect the amount of its returns. When deciding whether or not to consolidate, we review a range of factors such as voting rights, the object and structure of the company and our ability to exert influence. If voting rights are the sole and immediate dominant factor in directing the relevant activities, control can be established more straightforwardly in these cases. We are nonetheless obliged to investigate whether there are any other factors present, such as legal provisions or contractual agreements, which prevent Commerzbank from exercising control in spite of holding a majority of voting rights. Other factors can also lead to control, for example if Commerzbank and the entity stand in a principal-agent relationship. In this case, another party with decision-making powers acts as agent for Commerzbank, but does not control the entity, because it only exercises powers which have been delegated by Commerzbank (the principal). Consolidation takes place from the time when the Group acquires control of the subsidiary.

As part of the first-time consolidation of capital, we completely remeasure the assets and liabilities of subsidiaries irrespective of the interest held at the time of acquisition. The assets and liabilities then measured at fair value are included in the Group balance sheet net of deferred taxes; identified hidden reserves and liabilities are accounted for in accordance with the applicable standards in subsequent reporting periods. Any difference over net assets on remeasurement is recognised as goodwill. Any negative goodwill is reported in the income statement.

Holdings in subsidiaries not consolidated for reasons of immateriality and holdings in associated companies and joint ventures which, because of their immateriality, are not accounted for using the equity method, are shown at their fair value under financial assets in the mFVPL category. Subsidiaries are deconsolidated as at the date on which the Bank loses its control over them.

### (6) Associated companies and joint ventures

Associated companies are entities over which Commerzbank Aktiengesellschaft has a significant direct or indirect influence, but does not control. A significant influence is assumed to exist where the share of voting rights is between 20 % and 50 %. Further factors indicating significant influence could, for example, be membership of an executive or Supervisory Board or significant transactions with the company.

A joint arrangement is where two or more parties agree contractually to exercise joint control over this arrangement. A joint arrangement can be a joint venture or a joint operation. In the Commerzbank Group there are only joint ventures.

Associated companies and joint ventures are ordinarily accounted for using the equity method and are reported in the balance sheet under holdings in companies accounted for using the equity method.

The acquisition cost of these investments including goodwill is determined at the time of their initial consolidation, applying by analogy the same rules as for subsidiaries. If associated companies and joint ventures are material, appropriate adjustments are made to the carrying value in the accounts, in accordance with developments in the company’s equity. Losses attributable to companies accounted for using the equity method are only recognised up to the level of the carrying value (see Note 44). Losses in excess of this amount are not recognised, since there is no obligation to offset excess losses. Future profits are first offset against unrecognised losses.

Equity accounting for holdings in associated companies ends on the date that the Group ceases to exert significant influence over the associated company. Equity accounting for joint ventures ends on the date that joint control of the venture comes to an end.

## (7) Structured entities

Structured entities are entities where voting or similar rights are not the dominant factor in determining control, such as when the voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Examples of structured entities are securitisation companies, leasing structured entities and some investment funds.

Commerzbank also acts as sponsor to structured entities in which it does not have an equity holding. A company is considered to be sponsored if it was founded and/or structured by the Commerzbank Group, received or purchased assets from the Commerzbank Group, was granted guarantees by the Commerzbank Group, or has been intensively marketed by the Commerzbank Group. As with subsidiaries, a structured entity must be consolidated if Commerzbank exerts control over it. In the Commerzbank Group the obligation to consolidate structured entities is reviewed by means of a process that includes transactions where Commerzbank launches a structured entity with or without the involvement of third parties, and transactions where Commerzbank enters into a contractual relationship with an already existing structured entity with or without the involvement of third parties. Decisions as to whether or not to consolidate an entity are reviewed as the need arises, but no less than once a year. All consolidated structured entities and structured entities that have not been consolidated for materiality reasons are listed in Note 69.

## (8) Consolidated companies

The Group financial statements include all material subsidiaries which are directly or indirectly controlled by Commerzbank Aktiengesellschaft. These also include material structured entities. Significant associated companies and joint ventures are accounted for using the equity method.

Subsidiaries, associated companies and joint ventures of minor significance for the Group's assets, liabilities financial position and financial performance are not fully consolidated or not accounted for using the equity method; instead, they are measured at fair value and reported under "Financial assets – Mandatorily fair value P&L".

Please refer to Note 72 for more information on the structure of the Commerzbank Group including a full list of the Group's ownership interests.

### Changes in the current financial year

As at 31 December 2021, Gesellschaft für Kreditsicherung mbH was included in the scope of consolidation. Commerzbank AG has a 63 % holding in this company.

The fair value of its participation in Gesellschaft für Kreditsicherung mbH was €111m as at the reporting date. Shares with a value of €171m and other assets and liabilities totalling €2m were added. Non-controlling interests of €64m were recorded in accordance with the shareholding. No goodwill arose from this.

### Merger of comdirect bank Aktiengesellschaft in the previous year

On 5 May 2020, the Annual General Meeting of comdirect bank Aktiengesellschaft approved the squeeze-out under corporate transformation law. The minority shareholders of comdirect were paid an appropriate cash settlement as compensation for their shares. The entry in the Commercial Register was made on 2 November 2020. comdirect was merged into Commerzbank with retroactive effect from 1 January 2020 and was transferred to Commerzbank as a separate organisation. The merger had no effects on the Group financial statements.

# Notes to the income statement

**(9) Net interest income**

All interest income and interest expenses – including interest-related income and expenses – are reported in this item, provided they do not result from the held-for-trading portfolio.

Interest income includes all interest income that is generated from the primary bank business or banking-related transactions.

This income results primarily from the provision of capital.

As with interest income, interest expense contains all interest expenses, including reversals of premiums/discounts and other amounts based on the effective interest method, as well as interest-like expenses in connection with the ordinary banking business.

Other interest expenses include the net of interest income and interest expenses of hedge accounting items.

| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| **Interest income accounted for using the effective interest method** | **5,956** | **6,636** | **– 10.2** |
| Interest income – Amortised cost | 5,615 | 6,282 | – 10.6 |
| Interest income from lending and money market transactions | 4,883 | 5,519 | – 11.5 |
| Interest income from the securities portfolio | 732 | 763 | – 4.1 |
| Interest income – Fair value OCI | 208 | 227 | – 8.4 |
| Interest income from lending and money market transactions | 6 | 14 | – 57.2 |
| Interest income from the securities portfolio | 202 | 213 | – 5.2 |
| Prepayment penalty fees | 133 | 127 | 4.8 |
| **Interest income accounted for not using the effective interest method** | **1,311** | **949** | **38.3** |
| Interest income – Mandatorily fair value P&L | 144 | 319 | – 55.0 |
| Interest income from lending and money market transactions | 106 | 266 | – 60.1 |
| Interest income from the securities portfolio | 37 | 53 | – 29.0 |
| Positive interest from financial instruments held as liabilities | 1,168 | 630 | 85.5 |
| **Interest expenses** | **2,419** | **2,610** | **– 7.3** |
| Interest expenses – Amortised cost | 1,570 | 1,914 | – 18.0 |
| Deposits | 898 | 1,103 | – 18.5 |
| Debt securities issued | 672 | 811 | – 17.2 |
| Interest expenses – Fair value option | 110 | 255 | – 56.8 |
| Deposits | 51 | 214 | – 75.9 |
| Debt securities issued | 59 | 41 | 43.0 |
| Negative interest from financial instruments held as assets | 620 | 384 | 61.2 |
| Interest expenses on lease liabilities | 16 | 18 | – 14.3 |
| Other interest expenses | 104 | 39 | . |
| **Total** | **4,849** | **4,975** | **– 2.5** |

### (10) Dividend income

All dividends from shares and similar equity instruments – with the exception of dividends from trading portfolios – are reported in this item.

Here we also report the current net income from non-consolidated subsidiaries, which is realised through profit and loss transfer agreements. The non-consolidated subsidiaries are assigned to the mandatorily fair value P&L category.

| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| Dividends from equity instruments – Fair value OCI | – | 0 | . |
| Dividends from equity instruments – Mandatorily fair value P&L | 9 | 18 | – 50.4 |
| Current net income from non-consolidated subsidiaries | 13 | 19 | – 34.0 |
| **Total** | **22** | **37** | **– 42.4** |

### (11) Risk result

The risk result contains changes to provisions recognised in the income statement for on- and off-balance-sheet financial instruments for which the IFRS 9 impairment model is to be applied. This also includes reversals of loss provisions when derecognition occurs because of scheduled redemptions, write-ups and amounts recovered on claims written-down and direct write-downs not resulting from a substantial modification. In addition, changes to provisions recognised in the income statement for certain off-balance-sheet items that are not financial guarantees as defined in IFRS 9 (certain guarantees, letters of credit, see Note 60) are taken into account.

| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| Financial assets – Amortised cost | – 520 | – 1,550 | –66.5 |
| Financial assets – Fair value OCI | 5 | – 14 | . |
| Financial guarantees | 2 | – 2 | . |
| Lending commitments and indemnity agreements | – 58 | – 182 | –68.3 |
| **Total** | **– 570** | **– 1,748** | **–67.4** |

For information on the organisation of risk management and on the relevant key figures, as well as additional analyses and explanatory material on the expected credit loss, please refer to the Group Management Report contained in this Annual Report (see page 101 ff.).

For detailed information on the risk result, please refer to Note 32 and the risk report on page 101 f.).

**(12) Net commission income**

The Group reports income and expenses generated from the utilisation of services in net commission income. These amounts are realised when clients are provided with operational facilities, special business relationships or creditworthiness without changing the capitalised balance of banking claims. This also applies with respect to commissions from the sale of foreign currencies, bank notes and precious metals, provided the activity relates to a service transaction and not to proprietary trading. The same applies conversely when the Bank utilises third-party services. In the case of one-off fees and commissions, e.g. for payment transactions, brokerage and lending transactions, which are not included in the effective interest rate, commission income is recognised at the settlement date. For services rendered over a certain period of time, such as payment transactions (annual fees in the credit card business and current account business), revenues are recognised on the reporting date according to the degree of fulfilment.

| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| **Commission income** | **4,255** | **3,909** | **8.8** |
| Securities transactions | 1,404 | 1,267 | 10.9 |
| Asset management | 367 | 326 | 12.6 |
| Payment transactions and foreign business | 1,462 | 1,361 | 7.5 |
| Guarantees | 239 | 232 | 2.9 |
| Net income from syndicated business | 236 | 274 | – 13.8 |
| Intermediary business | 172 | 162 | 6.4 |
| Fiduciary transactions | 52 | 23 | . |
| Other income | 322 | 265 | 21.6 |
| **Commission expenses** | **639** | **592** | **7.9** |
| Securities transactions | 167 | 147 | 13.4 |
| Asset management | 37 | 36 | 3.7 |
| Payment transactions and foreign business | 159 | 149 | 6.5 |
| Guarantees | 27 | 27 | 2.4 |
| Net income from syndicated business | 0 | 0 | – 46.4 |
| Intermediary business | 137 | 144 | – 4.7 |
| Fiduciary transactions | 40 | 14 | . |
| Other expenses | 71 | 75 | – 4.8 |
| **Net commission income** | **3,616** | **3,317** | **9.0** |
| Securities transactions | 1,237 | 1,119 | 10.5 |
| Asset management | 330 | 291 | 13.7 |
| Payment transactions and foreign business | 1,304 | 1,212 | 7.6 |
| Guarantees | 211 | 205 | 3.0 |
| Net income from syndicated business | 236 | 273 | – 13.8 |
| Intermediary business | 35 | 18 | 95.5 |
| Fiduciary transactions | 12 | 9 | 30.8 |
| Other income | 251 | 190 | 32.0 |
| **Total** | **3,616** | **3,317** | **9.0** |

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The breakdown of commission income into segments by type of services based on IFRS 15 is as follows:

| **2021**<br>€m | **Private and Small Business Customers** | **Corporate Clients** | **Others and Consolidation**[1] | **Group** |
|---|---|---|---|---|
| Securities transactions | 1,383 | 43 | – 21 | 1,404 |
| Asset management | 363 | 4 | – | 367 |
| Payment transactions and foreign business | 662 | 815 | – 15 | 1,462 |
| Guarantees | 27 | 246 | – 34 | 239 |
| Net income from syndicated business | 2 | 234 | 0 | 236 |
| Intermediary business | 165 | 46 | – 40 | 172 |
| Fiduciary transactions | 44 | 8 | – | 52 |
| Other income | 279 | 76 | – 33 | 322 |
| **Total** | **2,926** | **1,473** | **– 144** | **4,255** |

[1] The items in Others and Consolidation mainly relate to effects from the consolidation of expenses and income.

| **2020**<br>€m[2] | **Private and Small Business Customers** | **Corporate Clients** | **Others and Consolidation**[1] | **Group** |
|---|---|---|---|---|
| Securities transactions | 1,245 | 43 | – 21 | 1,267 |
| Asset management | 322 | 4 | – 0 | 326 |
| Payment transactions and foreign business | 628 | 747 | – 14 | 1,361 |
| Guarantees | 27 | 207 | – 2 | 232 |
| Net income from syndicated business | 1 | 273 | – 0 | 274 |
| Intermediary business | 161 | 70 | – 69 | 162 |
| Fiduciary transactions | 18 | 5 | 0 | 23 |
| Other income | 225 | 63 | – 24 | 265 |
| **Total** | **2,627** | **1,412** | **– 130** | **3,909** |

[1] The items in Others and Consolidation mainly relate to effects from the consolidation of expenses and income.
[2] Prior-year figures adjusted due to IFRS 8.29 (see Note 61).

## (13) Net income from financial assets and liabilities measured at fair value through profit or loss

This item includes the net income from all financial assets and liabilities measured at fair value through profit or loss. It contains the net gain or loss from financial instruments in the held-for-trading category, the net gain or loss from financial instruments in the mandatorily fair value P&L category, and the net gain or loss from financial instruments in the fair value option category.

The net gain or loss from financial instruments in the held-for-trading category is the Bank's net trading income and is reported as the net balance of expenses and income. This item therefore includes:

- interest income, including dividends received, and interest expenses from financial instruments held for trading;
- realised gains and losses from the sale of securities held for trading purposes, claims, foreign currencies and precious metals;
- net remeasurement gain or loss from remeasurements to fair value;
- net gain or loss from derivative financial instruments;
- net gain or loss from fair value adjustments (credit valuation adjustment/CVA, debit valuation adjustment/DVA, funding valuation adjustment/FVA);
- commission expenses and income incurred in connection with the acquisition or disposal of financial instruments held for trading purposes;
- the net gain or loss from financial instruments in the mandatorily fair value P&L category and the net gain or loss from financial instruments in the fair value option category contain only net remeasurement gains or losses and realised profit or loss. Expenses and income are each presented on a net basis.

| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| Profit or loss from financial instruments – Held for trading | 422 | – 183 | . |
| Profit or loss from financial instruments – Fair value option | 113 | – 22 | . |
| Profit or loss from financial instruments – Mandatorily fair value P&L | 445 | 271 | 63.9 |
| **Total** | **980** | **66** | **.** |

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## (14) Net income from hedge accounting

Net income from hedge accounting includes gains and losses on the valuation of effective hedges in fair value hedge accounting (fair value hedge). Net income from hedge accounting also includes the ineffective portion of effective cash flow hedges and net investment hedges.

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| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| **Fair value hedges** | | | |
| Changes in fair value attributable to hedging instruments | 71 | – 1,150 | . |
| Micro fair value hedges | – 161 | – 824 | – 80.4 |
| Portfolio fair value hedges | 232 | – 326 | . |
| Changes in fair value attributable to hedged items | – 164 | 1,356 | . |
| Micro fair value hedges | 72 | 957 | – 92.5 |
| Portfolio fair value hedges | – 236 | 400 | . |
| **Cash flow-hedges** | | | |
| Gain or loss from effectively hedged cash flow hedges (ineffective part only) | – 3 | 0 | . |
| **Net investment hedges** | | | |
| Gain or loss from effectively hedged net investment hedges (ineffective part only) | – | | |
| **Total** | **– 96** | **207** | **.** |
| of which hedge ineffectiveness from micro fair value hedges | – 89 | 133 | **.** |
| of which hedge ineffectiveness from portfolio fair value hedges | – 4 | 74 | **.** |

In the reporting period, cash flow hedge accounting was applied to hedge interest rate risks from mortgage loans with a nominal value of €278m (previous year: €281m) and to hedge foreign currency risks from mortgage bonds with a nominal value of €299m (previous year: €300m) by means of a cross-currency swap. Accordingly, €1m (previous year: €2m) was allocated to the cash flow hedge reserve.

In the financial year, net investment hedge accounting was applied to hedge currency risks arising from shipping company investments with a nominal value of USD 90m (previous year: USD 90m). Accordingly, €– 3m (previous year: €3m) was allocated to the currency translation reserve.

**(15) Other net income from financial instruments**

This item contains the gain or loss on disposal of financial assets in the fair value OCI category as well as the gain or loss from the repurchase of financial liabilities in the amortised cost category.

The result from the disposal of financial assets in the amortised cost category includes effects from sales of financial instruments measured at amortised cost that are not triggered by a change in credit rating. It also contains the results from contractual adjustments agreed when loan arrangements with customers are restructured due to a deterioration in their creditworthiness (substantial modifications).

In the case of financial assets in the fair value OCI category (with recycling), the difference between amortised cost and fair value is recognised in the revaluation reserve until disposal (except for impairments) without effect on income, and therefore not in the income statement. The revaluation reserve resulting from debt securities is reversed through profit or loss when the asset is disposed of.

The disposal of financial liabilities in the amortised cost category results in a net realised profit or loss, which arises directly from the difference between the sale price and amortised cost.

This item also includes results from changes in estimates due to changes in expectations regarding future cash flows, as well as results from non-substantial modifications of financial instruments in the amortised cost category.

| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| Other sundry realised profit or loss from financial instruments | 48 | 2 | . |
| Realised profit or loss from financial assets – Fair value OCI (with recycling) | 57 | 45 | 24.9 |
| Realised profit or loss from financial liabilities – Amortised cost | – 6 | 3 | . |
| Gain or loss on non-substantial modifications – Amortised cost | – 4 | – 7 | – 34.1 |
| Gain or loss on non-substantial modifications – Fair value OCI (with recycling) | – | – | . |
| Changes in uncertainties in estimates – Amortised cost | 1 | – 40 | . |
| Changes in uncertainties in estimates – Fair value OCI (with recycling) | – | – | . |
| Gain or loss on disposal of financial assets (AC portfolios) | – 21 | – 68 | – 69.5 |
| Gains on disposal of financial assets (AC portfolios) | 45 | 5 | . |
| Losses on disposal of financial assets (AC portfolios) | 66 | 73 | – 9.4 |
| **Total** | **27** | **– 65** | **.** |

The Commerzbank Group has loan portfolios totalling €302bn (previous year: €295bn) with financial instruments measured at amortised cost. This classification requires that the financial instruments included therein be allocated to a portfolio with the “hold to collect” business model and that no SPPI-non-compliant side agreements exist. These portfolios can involve not only redemptions but also sales of assets, while still remaining fundamentally in compliance with this business model. This is particularly the case if the debtor’s credit rating has deteriorated significantly or the asset no longer corresponds to the required criteria as set out in the internal guidelines, or if the sale is the result of portfolio reallocations just prior to the maturity of these assets.

The net gain or loss from the sale of financial instruments (AC portfolios) mainly resulted from the sale of debt instruments, promissory note loans and other loans as part of permitted portfolio measures.

Commerzbank modifies some of the contractual terms of loans granted, as part of non-substantial modifications that do not result in the derecognition of the previous financial instrument. The default risk of these assets after the change is measured as at the respective reporting date and compared with the risk under the original conditions. Amortised cost before modification amounted to €206m (previous year: €224m).

| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| Modified assets during the period, which are provisioned at their LECL post modification | | | |
| Gross carrying amount pre-modification | 206 | 224 | – 8.0 |
| Corresponding ECL | 17 | 12 | 41.0 |
| Gross carrying amount post-modification | 206 | 228 | – 9.4 |
| Corresponding ECL | 16 | 13 | 28.0 |
| Net result from modification | 0 | 3 | – 96.3 |
| Modified assets, which (since initial recognition) were measured at their LECL and transferred back to stage 1 (12m ECL) during the period | | | |
| Gross carrying amount at the end of financial year | 143 | 193 | – 26.2 |
| Corresponding ECL | 14 | 18 | – 24.2 |

### (16) Current net income from companies accounted for using the equity method

Current net income from companies accounted for using the equity method was €6m (previous year: €6m).

Including the net gain on disposals and remeasurement of companies accounted for using the equity method, which was reported in other net income and amounted to €3m (previous year: €–5m), the total net income from companies accounted for using the equity method was €9m (previous year: €2m).

### (17) Other net income

Other net income primarily comprises allocations to and reversals of provisions and income and expenses from operating leases.

This item also includes the realised profit or loss and net remeasurement gain or loss from associated companies and joint ventures.

| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| **Other material items of income** | **447** | **601** | **– 25.6** |
| Reversals of provisions | 40 | 75 | – 47.0 |
| Operating lease income | 144 | 149 | – 2.9 |
| Income from building and architects' services | 0 | 0 | – 64.5 |
| Hire-purchase income and sublease income | 15 | 15 | – 4.3 |
| Income from investment properties | 4 | 2 | . |
| Income from non-current assets held for sale | – | – | . |
| Income from disposal of fixed assets | 8 | 3 | . |
| Income from FX rate differences | 140 | 239 | – 41.4 |
| Other items in other income | 96 | 118 | – 18.7 |
| **Other material items of expense** | **1,409** | **951** | **48.2** |
| Allocations to provisions | 331 | 337 | – 1.7 |
| Operating lease expenses | 109 | 128 | – 14.7 |
| Expenses arising from building and architects' services | – | – | . |
| Hire-purchase expenses and sublease expenses | 3 | 8 | – 57.5 |
| Expenses from investment properties | 1 | 0 | . |
| Expenses from non-current assets held for sale | – | – | . |
| Expenses from disposal of fixed assets | 4 | 2 | 90.2 |
| Expenses from FX rate differences | 131 | 268 | – 51.2 |
| Other items in other expenses | 830 | 208 | . |
| Other tax (netted) | 14 | – 3 | . |
| Realised profit or loss and net remeasurement gain or loss from associated companies and joint ventures (netted) | 3 | – 5 | . |
| **Other net income** | **– 944** | **– 357** | **.** |

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Other net income essentially includes expenses in connection with loan agreements in Swiss francs (CHF) with index clauses. These amount to €600m in the current financial year (previous year: €229m).

This item also includes provisions totalling €99m for the ruling by the German Federal Court of Justice on price measures, as well as provisions for the termination of the outsourcing project and possible tax refund claims.

## (18) Operating expenses

Operating expenses in the Group of €6,239m (previous year: €6,160m) comprised personnel expenses, administrative expenses, depreciation and amortisation. The breakdown of operating expenses was as follows:

| **Personnel expenses** \| €m | **2021** | **2020** | **Change in %** |
|---|---|---|---|
| Wages and salaries | 3,236 | 3,237 | – 0.0 |
| Expenses for pensions and similar employee benefits | 229 | 263 | – 12.9 |
| **Total** | **3,464** | **3,500** | **– 1.0** |

Wages and salaries include €446m (previous year: €448m) for social security contributions. They also include the employer's contributions to the statutory pension scheme in the amount of €214m (previous year: €221m).

Expenses for pensions and similar employee benefits consist of expenses for defined benefit and defined contribution pension plans (see Note 58), age-related short-time working schemes and early retirement, as well as other pension-related expenses.

| **Administrative expenses** \| €m | **2021** | **2020** | **Change in %** |
|---|---|---|---|
| Occupancy expenses | 252 | 251 | 0.2 |
| IT expenses | 602 | 583 | 3.3 |
| Workplace and information expenses | 220 | 232 | – 5.1 |
| Advisory, audit and other expenses required to comply with company law | 219 | 226 | – 3.3 |
| Travel, representation and advertising expenses | 145 | 169 | – 14.1 |
| Personnel-related administrative expenses | 81 | 85 | – 5.1 |
| Other administrative expenses | 167 | 166 | 0.9 |
| **Total** | **1,686** | **1,712** | **– 1.5** |

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, Germany, was appointed as the group auditors of Commerzbank. The key audit partners responsible for this engagement pursuant to Art. 319a (1) sentence 4 of the German Commercial Code were Claus-Peter Wagner and Marcus Binder. This is the fourth year that Mr Wagner and Mr Binder were the key audit partners. The German public auditor responsible for the Commerzbank engagement as defined under the Professional Charter is Claus-Peter Wagner.

The fees and expenses for the group auditors amounted to €15,281 thousand excluding VAT for the 2021 financial year.

| **Auditors' fees** \| €1,000 | **2021** | **2020** | **Change in %** |
|---|---|---|---|
| Audit services | 13,187 | 13,542 | – 2.6 |
| Audit-related services | 1,955 | 1,878 | 4.1 |
| Tax services | – | – | . |
| Other services | 139 | 90 | 54.4 |
| **Total** | **15,281** | **15,510** | **– 1.5** |

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 obligations 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.

| Depreciation and amortisation \| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| Office furniture and equipment | 102 | 106 | – 4.0 |
| Land and buildings | 11 | 10 | 8.3 |
| Intangible assets | 645 | 487 | 32.5 |
| Right of use assets | 331 | 345 | – 4.1 |
| **Total** | **1,089** | **948** | **14.8** |

Besides the scheduled depreciation, the items also include impairments and write-ups of impairments. The amortisation of intangible assets included €215m of impairment charges (previous year: €9m). On land, buildings and other fixed assets there were write-downs of €–1m (previous year: write-downs of €0m). Depreciation on rights of use mainly relates to land and buildings.

In the current financial year, amortisation of intangible assets includes a derecognition. The reason for the derecognition is primarily Commerzbank's decision to terminate the project to outsource securities settlement to HSBC Transaction Services GmbH. The resulting one-off effect amounts to €200m.

### (19) Compulsory contributions

| Compulsory contributions \| €m | 2021 | 2020 | Change. in % |
|---|---|---|---|
| Deposit Protection | 113 | 154 | –26.4 |
| Polish bank tax | 133 | 118 | 13.3 |
| European bank levy | 220 | 240 | –8.1 |
| **Total** | **467** | **512** | **–8.7** |

In 2021 Commerzbank made use of the opportunity to meet part of its annual contribution to the European banking levy and the statutory deposit insurance scheme in the form of irrevocable payment commitments (IPCs).

€40m (previous year: €3m) was booked for statutory deposit insurance and €33m for the bank levy in the form of IPCs. The same amount of cash collateral was deposited for these amounts.

### (20) Impairments on goodwill and other intangible assets

| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| Goodwill and customer base | – | 1,578 | . |
| **Total** | **–** | **1,578** | **.** |

A scheduled impairment test was carried out in the financial year 2020. The goodwill was fully impaired by €1,521m (see Note 45).

The customer base, which was capitalised in the course of the acquisition of Dresdner Bank, was also fully impaired by €57m (see Note 46).

### (21) Restructuring expenses

| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| Expenses for restructuring measures in progress | 1,078 | 814 | 32.3 |
| **Total** | **1,078** | **814** | **32.3** |

The restructuring expenses of €1.1bn incurred in the 2021 financial year are related to the implementation of the“Strategy 2024” programme and result primarily from the creation of restructuring provisions (see Note 58, Provisions, b) Other provisions) and increased depreciation of both leased assets and office furniture and equipment due to a reduction in the remaining useful life in connection with restructuring measures (see Note 47).

Restructuring expenses of €0.8bn incurred in the prior year resulted primarily from the recognition of restructuring provisions and, to a lesser extent, from write-downs of leased assets and fixed assets of the approximately 200 sites to be closed.

### (22) Taxes on income

| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| Current taxes on income | 315 | 214 | 46.9 |
| Tax expense/income for the current year | 198 | 153 | 29.2 |
| Tax expense/income for previous years | 117 | 61 | 91.4 |
| Deferred income taxes | – 563 | 50 | . |
| Tax expense/income due to temporary differences and tax loss carryforwards | 17 | 15 | 14.4 |
| Tax rate differences | – 15 | – 27 | – 43.9 |
| Tax expense due to impairment of previously recognized deferred taxes | – | 83 | . |
| Tax income from previously unrecognised tax loss carryforwards and temporary differences | – 565 | – 21 | . |
| **Total** | **– 248** | **264** | **.** |

The combined income tax rate applicable to Commerzbank Aktiengesellschaft and its German subsidiaries was 31.5 %.

The following reconciliation shows the relationship between net pre-tax profit according to IFRS and taxes on income in the financial year.

The Group income tax rate selected as a basis for the reconciliation is made up of the corporate income tax rate of 15.0 % applied in Germany, plus the solidarity surcharge of 5.5 % and an average rate of 15.7 % for trade tax. This yields a German income tax rate of 31.5 % (previous year: 31.5 %).

Income tax effects result from discrepancies between the tax rates applying to foreign units. Tax rates outside Germany ranged between 0.0 % (Dubai) (previous year: 0.0 % ) and 45.0 % (Brazil) (previous year: 45.0 %).

As at 31 December 2020, the Group tax rate was −236.2 % (previous year: −10.1 %).

The negative tax rate is due to a net pre-tax profit and to tax income resulting from the recognition of deferred tax assets on loss carryforwards, and tax expenses relating to other periods.

| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| **Pre-tax profit or loss under IFRS** | **105** | **– 2,626** | **.** |
| Group's income tax rate (%) | 31.5 | 31.5 | – |
| **Calculated income tax expense in financial year** | **33** | **– 827** | **.** |
| Effects of differing tax rates and tax rate changes on tax accruals recognised in income | – 36 | – 18 | 99.3 |
| Effect from the remeasurement of deferred taxes | – 525 | 83 | . |
| Effects of non-deductible operating expenses and tax-exempt income | 158 | 557 | – 71.6 |
| Unrecognised deferred tax assets | 39 | 422 | – 90.8 |
| Utilisation of tax loss carryforwards for which no deferred tax assets had been calculated | – 40 | – 21 | 90.5 |
| Effects of additions and deductions for trade tax | – | 7 | . |
| Withholding taxes not creditable | – 1 | 11 | . |
| Current taxes relating to other periods | 132 | 15 | . |
| Other effects | – 8 | 35 | . |
| **Taxes on income** | **– 248** | **264** | **.** |

The table below shows the amount of current and deferred taxes resulting from items that were recognised directly in equity:

| **Taxes on income not recognised in the income statement** \| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| Current taxes on income | – | – | . |
| Deferred taxes on income | 599 | 752 | – 20.3 |
| Measurement differences arising from cash flow hedges | 29 | 3 | . |
| Revaluation reserve | 49 | 13 | . |
| Loss carryforwards | 185 | 130 | 42.3 |
| Remeasurement of defined benefit plans | 302 | 582 | – 48.1 |
| Other | 34 | 24 | 41.7 |
| **Total** | **599** | **752** | **– 20.3** |

### (23) Net income by measurement category

Net income consists of remeasurements to fair value, net interest income, dividend income, foreign exchange translation effects, impairments, write-ups of impairments, realised profit or loss, recoveries on written-down financial instruments and changes in the revaluation reserve recognised in equity.

| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| **Net income from continuing operations** | | | |
| Financial assets and liabilities – Held for trading | 326 | 24 | . |
| Financial assets – Fair value option | – | –0 | . |
| Financial liabilities – Fair value option | 246 | – 41 | . |
| Financial assets – Mandatorily fair value P&L | 371 | 401 | –7.6 |
| Financial assets – Amortised cost | 4,853 | 4,610 | 5.3 |
| Financial liabilities – Amortised cost | – 652 | – 1,559 | –58.2 |
| Financial assets – Fair value OCI | 230 | 259 | –11.0 |
| **Net income from discontinued operations** | **–** | **7** | **.** |
| **Change in value not recognised in income statement** | | | |
| Financial assets – Fair value OCI – debt securities | –187 | 139 | . |
| Financial assets – Fair value OCI – equity instruments | – | –3 | . |
| Financial liabilities – Fair value option (Own credit spread) | – 30 | – 42 | –27.3 |

### (24) Earnings per share

| | 2021 | 2020 | Change in % |
|---|---|---|---|
| Operating profit (€m) | 1,183 | – 233 | . |
| Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components (€m) | 430 | – 2,870 | . |
| Dividend on additional equity components (€m) | 140 | 48 | . |
| Consolidated profit or loss attributable to Commerzbank shareholders (€m) | 291 | – 2,918 | . |
| Average number of ordinary shares issued | 1,252,357,634 | 1,252,357,634 | – |
| Operating profit per share (€) | 0.94 | – 0.19 | . |
| Earnings per share (€) | 0.23 | – 2.33 | . |

Earnings per share, calculated in accordance with IAS 33, are based on the consolidated profit or loss attributable to Commerzbank shareholders and are calculated by dividing the consolidated profit or loss by the weighted average number of shares outstanding during the financial year. As in the previous year, no conversion or option rights were outstanding in the reporting year. The figure for diluted earnings per share was therefore identical to the undiluted figure. The breakdown of operating profit is set out in the segment report (Note 61).

# Notes to the balance sheet

## Financial assets and liabilities in accordance with IFRS 9

**General classification and measurement**

In accordance with IFRS 9, all financial assets and liabilities – which also include derivative financial instruments – must be recognised in the balance sheet. A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. On initial recognition, financial instruments are measured at fair value. For financial instruments that are not measured at fair value through profit and loss, directly attributable transaction costs are included in the fair values as acquisition-related costs, which increase the fair value of financial assets or reduce the fair value of financial liabilities. In accordance with IFRS 13, fair value is defined as the exit price, i.e. the price that the market participant would receive for the sale of an asset or pay to transfer a liability in an orderly transaction. The fair value is a price observed on an active market (mark-to-market) or determined using valuation models (mark-to-model). The relevant inputs for the valuation model are either observed directly on the market or, if not observable on the market, are estimates made by experts.

In subsequent measurement, financial instruments are recognised in the balance sheet either at (amortised) cost or at fair value, depending on the category.

**a) Recognition and derecognition of financial instruments**

A financial asset or a financial liability is generally recognised in the balance sheet when the Commerzbank Group becomes a party to the contractual provisions of the financial instrument. For regular-way purchases or sales of financial assets in the cash market the trading and settlement dates normally differ. These regular-way cash market purchases and sales may be recognised using either trade date or settlement date accounting. In the Commerzbank Group, regular-way cash market purchases and sales of financial assets are accounted for on their recognition and disposal on the trade date.

The derecognition rules of IFRS 9 are based both on the concept of risks and rewards and on the concept of control. However, when deciding whether an asset qualifies for derecognition, the evaluation of the transfer of the risks and rewards of ownership takes precedence over the evaluation of the transfer of control. If the risks and rewards are transferred only partially and control over the asset is retained, the continuing involvement approach is used. The financial asset continues to be recognised to the extent of the Group's continuing involvement, and special accounting policies apply. The extent of the continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred asset. A financial liability (or part of a financial liability) is derecognised when it is extinguished, i.e. when the obligations arising from the contract are discharged or cancelled or expire. The repurchase of own debt instruments is also a transfer of financial liabilities that qualifies for derecognition. Any differences between the carrying value of the liability (including discounts and premiums) and the purchase price are recognised in profit or loss; if the asset is sold again at a later date a new financial liability is recognised at cost equal to the price at which the asset was sold. Differences between this cost and the repayment amount are allocated over the term of the debt instrument using the effective interest rate method.

Some amendments of contractual terms and conditions between borrowers and the Bank, for example as a consequence of forbearance measures or restructuring, can lead to derecognition. A substantial modification of the contractual terms and conditions of a financial instrument between an existing borrower and the Bank leads to the derecognition of the original financial asset and the recognition of a new financial instrument.

Similarly, a substantial modification of the contractual terms and conditions of an existing debt instrument is to be treated as a repayment of the original financial liability. In quantitative terms, an amendment of the contractual terms and conditions is regarded as substantive if the discounted net present value of the cash flows under the new contractual terms and conditions varies by at least 10 % from the discounted net present value of the residual cash flows of the original debt instrument.

**b) Classification of financial instruments and their measurement**

The Commerzbank Group classifies financial assets and financial liabilities in accordance with the applicable IFRS 9 categories:

Financial assets

- Amortised cost (AC)
- Fair value OCI (FVOCI)
- Fair value option (FVO)
- Mandatorily fair value P&L (mFVPL)
- Held for trading (HFT)

Financial liabilities

- Amortised cost (AC)
- Fair value option (FVO)
- Held for trading (HFT)

The Group subdivides the IFRS 9 categories into the following classes:

Financial assets

- Loans and advances
- Debt securities
- Equity instruments
- 
- Derivatives that do not qualify for hedge accounting (stand-alone derivatives)
- Derivatives that qualify for hedge accounting
- Financial guarantees

Financial liabilities

- Deposits
- Debt securities issued
- Derivatives that do not qualify for hedge accounting (stand-alone derivatives)
- Derivatives that qualify for hedge accounting
- Financial guarantees

and irrevocable lending commitments

**c) Net gains or losses**

Net gains or losses include fair value measurements recognised in profit or loss, currency translation effects, impairments, write-ups of impairments, gains realised on disposal, subsequent recoveries on written-down financial instruments and changes recognised in the revaluation reserve classified in the respective IFRS 9 categories. The components are detailed in the condensed statement of comprehensive income and in the notes on net interest income, risk result, net income from financial assets and liabilities measured at fair value through profit and loss and other net income from financial instruments.

**d) Financial guarantees**

A financial guarantee is a contract that requires the issuer to make specified payments that reimburse the holder for a loss they incur because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. This may include, for example, bank guarantees. If the Commerzbank Group is the guarantee holder, the financial guarantee is not recorded in the accounts and is only recognised when determining an impairment of a guaranteed asset. As the issuer, the Commerzbank Group recognises the liability arising from a financial guarantee at inception. Initial measurement is at fair value at the time of recognition. In general terms, the fair value of a financial guarantee contract at inception is zero because for fair market contracts the value of the premium agreed normally corresponds to the value of the guarantee obligation (net method). Subsequent measurement is at the higher of amortised cost or the provision that is required to be recognised if payment of the guarantee becomes probable.

**e) Embedded derivatives**

Embedded derivatives are derivatives that are integrated into primary financial instruments. These include, for example, reverse convertible bonds (bonds that may be repaid in the form of equities) or bonds with index-linked interest payments.

In accordance with IFRS 9, we only separate those derivatives that are embedded in financial liabilities and non-financial host contracts. Financial assets are assessed in their entirety, meaning that the host contract is not accounted for separately from the embedded derivative. Instead, financial assets are classified based on the business model and their contractual terms and conditions.

In the case of financial liabilities, such a separation for accounting purposes is only required if the following three conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative under IFRS 9.
- The primary financial liability is not measured at fair value through profit or loss.

In this case, the embedded derivative to be separated is regarded as part of the held-for-trading category and is recognised at fair value. Changes on remeasurement are recognised in the net income from financial assets and liabilities measured at fair value through profit and loss. The host contract is accounted for and measured applying the rules of the category to which the financial instrument is assigned.

If the above three conditions are not cumulatively met, the embedded derivative is not shown separately and the hybrid financial instrument or structured product is measured as a whole in accordance with the general provisions of the category to which the financial liability is assigned.

**(25) Financial assets – Amortised cost**

If the contractually agreed cash flows of a financial asset comprise only interest and principal payments (i.e. the asset is SPPI-compliant) and this asset was allocated to the “hold to collect” business model, it is measured at amortised cost. The carrying amount of these financial instruments is reduced by any loan loss provision (see Note 32).

Interest payments for these financial instruments are recognised in net interest income using the effective interest method.

| €m | 31.12.2021 | 31.12.2020[1] | Change in % |
|---|---|---|---|
| Loans and advances | 265,006 | 258,178 | 2.6 |
| Central banks | 1,677 | 1,707 | – 1.8 |
| Banks | 17,257 | 21,097 | – 18.2 |
| Corporate clients | 92,597 | 88,195 | 5.0 |
| Private customers | 126,781 | 117,629 | 7.8 |
| Other financial corporations | 11,133 | 12,991 | – 14.3 |
| General governments | 15,563 | 16,560 | – 6.0 |
| Debt securities | 34,175 | 33,964 | 0.6 |
| Banks | 2,665 | 2,688 | – 0.9 |
| Corporate clients | 6,572 | 6,511 | 0.9 |
| Other financial corporations | 6,657 | 5,362 | 24.1 |
| General governments | 18,282 | 19,403 | – 5.8 |
| **Total** | **299,181** | **292,142** | **2.4** |

[1] Prior-year figures adjusted due to restatements (see Note 4).

The business model for a portfolio of promissory note loans issued by British public-sector bodies, which had a carrying amount of €2.8bn, was changed as of 1 January 2019. As part of the planned closure of the Asset & Capital Recovery segment (run-off portfolio), this portfolio was grouped under Treasury and has been administered by the Investment Office since 1 January 2019 (see also Note 61). Distribution and sales activities for the portfolio have been discontinued. As of 1 January 2019, future sales for this portfolio are now only permitted in the event of a significant deterioration in credit quality. Portfolio management and management remuneration are therefore no longer based on fair value. The objective of the portfolio is to generate contractually agreed cash flows. The contractually agreed cash flows are solely payments of interest and principal for the purposes of IFRS 9. The change of business model resulted in reclassification from the mFVPL measurement category to the AC measurement category.

The effective interest rate calculated at the time of reclassification was 2.8 %. In the 2021 financial year the interest income for the reclassified portfolio amounted to €88m (previous year: €87m) and the interest expenses to €0m (previous year: €0m).

The fair value of the portfolio at 31 December 2021 was €3.1bn (previous year: €3.3bn). If the portfolio had remained in the mFVPL measurement category, the fair value change since the start of the year and the offsetting change in value of the derivatives held to hedge the portfolio would have been recognised in the income statement under net income from financial assets and liabilities measured at fair value through profit or loss. This would have resulted in net income of €28m (previous year: €–227m), which would have been the consequence of both credit spread and interest rate-related effects. Since reclassification, the cash flows of the underlying transactions of the portfolio have been assigned to the portfolio fair value hedge accounting of Commerzbank.

## (26) Financial liabilities – Amortised cost

As a rule, financial liabilities must be subsequently measured at amortised cost.

Deposits include primarily deposits due on demand, term deposits and savings deposits.

In other debt issues we also report those subordinated securitised and unsecuritised issues which in the event of an insolvency or liquidation can be repaid only after the claims of all non-subordinated creditors have been satisfied.

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| Deposits | 334,625 | 355,745 | – 5.9 |
| Central banks | 39,797 | 36,232 | 9.8 |
| Banks | 32,862 | 38,408 | – 14.4 |
| Corporate clients | 85,328 | 95,664 | – 10.8 |
| Private customers | 150,004 | 152,064 | – 1.4 |
| Other financial corporations | 22,368 | 26,170 | – 14.5 |
| General governments | 4,265 | 7,206 | – 40.8 |
| Debt securities issued | 39,352 | 41,980 | – 6.3 |
| Money market instruments | 65 | 1,155 | – 94.4 |
| Pfandbriefe | 17,300 | 18,599 | – 7.0 |
| Other debt securities issued | 21,986 | 22,226 | – 1.1 |
| **Total** | **373,976** | **397,725** | **– 6.0** |

In the first half of 2020, Commerzbank participated in the ECB’s targeted longer-term refinancing operations (TLTRO III) with a maximum amount of €32.3bn. The Bank increased the maximum amount in the first quarter of 2021, enabling it to participate in a further €3.6bn tranche (TLTRO III.7). The interest rate depends on the development of the credit volume in a benchmark portfolio, which, if favourable, results in a discount on the rate. Part of the interest rate discount was already sufficiently certain at the time of participation and was accounted for as a government grant under IAS 20, with the liability item reduced accordingly by €164m (TLTRO III.4) and €5m (TLTRO III.7) respectively. The threshold for the development of the benchmark portfolio was reached at the end of the first quarter of 2021. The resulting additional interest rate discount in turn led to a reduction in the liability item and the recognition of a government grant of €494m (TLTRO III.4) and €55m (TLTRO III.7). In addition, another possible interest rate discount was introduced in the financial year. Due to the favourable development of the benchmark portfolio, this led to the additional recognition of a government grant of €164m (TLTRO III.4) and €18m (TLTRO III.7) and thus to a further reduction in the liability item at the end of the fourth quarter of 2021. The grant is recognised in net interest income on a pro rata basis. Given the recognition of the additional interest rate discounts, a one-off effect totalling €222m was recognised in net interest income. A total of €442m was recognised in net interest income in 2021 (of which €264m is attributable to interest recorded up to the end of the first special interest period (23 June 2021) for the government grant that was first recognised in the first quarter and to interest recorded up to 31 December 2021 for the additional special interest period for the government grant recognised in the fourth quarter).

### (27) Financial assets – Fair value OCI

Measurement at fair value with recognition of the change in value in other comprehensive income with recycling (FVOCI with recycling) is required if the financial instrument is allocated to a portfolio with the "hold to collect and sell" business model and, in addition, the contractually agreed cash flows are solely interest and principal payments and are thus SPPI-compliant.

The changes in fair value are recognised in the revaluation reserve (OCI) without effect on income, except for impairments, which are recognised in the income statement. The recognition of loan loss provisions is explained in Note 32 "Credit risks and credit losses". When a financial instrument is derecognised, the accumulated gains and losses recognised to date in OCI are reclassified to the income statement (recycling) and reported in other net income from financial instruments. Interest income from these financial assets is recognised in net interest income using the effective interest method.

In addition, the financial assets – fair value OCI also include equity instruments for which we have chosen the option of fair value measurement without recycling with no effect on income, provided that these meet the definition of equity in accordance with IAS 32 and are not held for trading purposes. Such a classification is set voluntarily and irrevocably per financial instrument. Gains or losses from these equity instruments are never reclassified to the income statement, rather they are reclassified into retained earnings when sold (without recycling). These equity instruments are not subject to impairment testing. Any dividends paid on these instruments are recognised as dividend income in the income statement, provided they do not involve a return of capital.

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---:|---:|---:|
| Loans and advances (with recycling) | 392 | 787 | – 50.2 |
| Banks | 116 | 132 | – 11.9 |
| Corporate clients | 72 | 366 | – 80.4 |
| Other financial corporations | 45 | 76 | – 41.0 |
| General governments | 160 | 214 | – 25.4 |
| Debt securities (with recycling) | 39,723 | 42,074 | – 5.6 |
| Banks | 14,789 | 15,025 | – 1.6 |
| Corporate clients | 2,752 | 1,713 | 60.6 |
| Other financial corporations | 6,729 | 7,259 | – 7.3 |
| General governments | 15,454 | 18,077 | – 14.5 |
| Equity instruments (without recycling) | – | – | . |
| Corporate clients | – | – | . |
| Other financial corporations | – | – | . |
| **Total** | **40,115** | **42,862** | **– 6.4** |

In the Commerzbank Group, sales resulted in realised profit and loss totalling €0m (previous year: €1m), which was recognised in retained earnings without effect on income.

**(28) Financial liabilities – Fair value option**

Under IFRS 9 rules, in the case of an accounting mismatch, the management of financial liabilities on a fair value basis and the existence of embedded derivatives requiring separation may also be conditions for applying the fair value option to liabilities.

If the fair value option is used for financial liabilities or for hybrid contracts, the changes in fair value resulting from fluctuations in own credit risk are not recognised in the income statement, but in other comprehensive income (without recycling) with no effect on income.

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| Deposits | 17,175 | 18,015 | – 4.7 |
| Central banks | 1,236 | 769 | 60.7 |
| Banks | 5,624 | 5,150 | 9.2 |
| Corporate clients | 193 | 909 | – 78.7 |
| Private customers | 62 | 127 | – 50.9 |
| Other financial corporations | 9,939 | 10,859 | – 8.5 |
| General governments | 121 | 202 | – 39.9 |
| Debt securities issued | 2,560 | 2,089 | 22.5 |
| Other debt securities issued | 2,560 | 2,089 | 22.5 |
| **Total** | **19,735** | **20,104** | **– 1.8** |

The debt securities issued item includes the issue of a Commerzbank green bond with a volume of €500m. This was issued in September 2020. The callable non-preferred senior bond has a fixed interest period until March 2025 and a fixed coupon of 0.75 %.

A variable coupon will subsequently be payable. Commerzbank will use the proceeds to finance renewable energy projects.

Applying the fair value option in order to avoid accounting mismatches and for financial instruments with embedded derivatives produced the following values in the “Financial liabilities – Fair value option” category:

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| Deposits | 1,073 | 1,370 | – 21.7 |
| Debt securities issued | 2,560 | 2,089 | 22.5 |
| **Total** | **3,632** | **3,459** | **5.0** |

For liabilities to which the fair value option was applied, the change in fair value in the 2021 financial year for credit risk reasons was €41m (previous year: €66m). The cumulative change was €119m (previous year: €78m). The repayment amount of financial liabilities measured at fair value was €3,589m (previous year: €3,325m).

€30m (previous year: €42m) realised from disposals of financial liabilities for which the fair value option was applied was recognised in retained earnings without effect on income. The credit risk-specific changes in the fair value of liabilities were primarily calculated as changes in fair values less value changes resulting from market conditions.

The fair value option was also used for financial instruments if they are managed in line with our risk and liquidity management and their performance is measured on a fair value basis. This applied chiefly to repurchase agreements, money market transactions and cash collateral paid and received.

The following balance sheet items were affected:

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| Deposits | 16,103 | 16,645 | – 3.3 |
| Debt securities issued | – | – | . |
| **Total** | **16,103** | **16,645** | **– 3.3** |

### (29) Financial assets – Mandatorily fair value P&L

This item includes financial instruments that are allocated to the residual business model and not reported in "Financial assets – Held for trading". In addition, transactions allocated to the "hold to collect" and "hold to collect and sell" business model are included here if they are not SPPI-compliant. Examples of such transactions include investment fund units, profit-sharing certificates, silent participations and assets managed on a fair value basis.

Equity instruments are exclusively contracts providing a residual interest in the assets of a company after deducting all associated debts, such as shares or interests in other joint-stock companies.

Equity instruments are not SPPI-compliant because the investor has no claim to interest and principal repayments. As a result, these instruments are usually measured at fair value through profit or loss. An exception to this rule exists for equity instruments for which the Group has chosen the option to measure them at fair value in other comprehensive income without recycling (see Note 27).

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| Loans and advances | 23,812 | 23,779 | 0.1 |
| Central banks | 9,023 | 3,902 | . |
| Banks | 5,009 | 5,953 | – 15.9 |
| Corporate clients | 866 | 927 | – 6.6 |
| Private customers | 86 | 119 | – 28.1 |
| Other financial corporations | 8,829 | 12,878 | – 31.4 |
| General governments | 0 | 1 | – 94.6 |
| Debt securities | 3,658 | 4,192 | – 12.7 |
| Banks | 290 | 160 | 81.3 |
| Corporate clients | 95 | 124 | – 23.6 |
| Other financial corporations | 1,160 | 1,138 | 1.9 |
| General governments | 2,114 | 2,770 | – 23.7 |
| Equity instruments | 962 | 705 | 36.5 |
| Banks | 9 | 9 | – |
| Corporate clients | 791 | 542 | 45.8 |
| Other financial corporations | 161 | 153 | 5.6 |
| **Total** | **28,432** | **28,677** | **– 0.9** |

## Financial assets and liabilities – Held for trading

### (30) Financial assets – Held for trading

This category includes interest- and equity-related securities, promissory note loans and other claims as well as other trading portfolios allocated to the residual business model and held for trading. These financial instruments are used to realise profits from short-term fluctuations in prices or traders' margins. Derivative financial instruments that do not qualify for hedge accounting are also reported here.

Irrespective of the type of product, these financial assets are measured at fair value through profit or loss. The fair value changes of the respective transactions are therefore reported through profit or loss in the income statement. If the fair value cannot be established on an active market, items are measured by means of comparable prices, indicative prices of pricing service providers or other banks (lead managers), or internal valuation models (net present value or option pricing models).

Interest income and expenses and gains or losses on measurement and disposal from these financial instruments are recorded in the income statement under net income from financial assets and liabilities measured at fair value through profit or loss.

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| Loans and advances | 1,736 | 2,263 | – 23.3 |
| Banks | 553 | 942 | – 41.3 |
| Corporate clients | 322 | 445 | – 27.6 |
| Private clients | – | – | . |
| Other financial corporations | 816 | 826 | – 1.2 |
| General governments | 45 | 50 | – 10.9 |
| Debt securities | 2,176 | 1,806 | 20.5 |
| Banks | 99 | 184 | – 46.1 |
| Corporate clients | 579 | 459 | 26.4 |
| Other financial corporations | 744 | 448 | 66.0 |
| General governments | 754 | 716 | 5.3 |
| Equity instruments | 1,576 | 1,059 | 48.8 |
| Banks | 70 | 1 | . |
| Corporate clients | 1,420 | 1,058 | 34.2 |
| Other financial corporations | 86 | 0 | . |
| Positive fair values of derivative financial instruments | 34,760 | 45,524 | – 23.6 |
| Interest-rate-related derivative transactions | 25,527 | 33,005 | – 22.7 |
| Currency-related derivative transactions | 6,549 | 9,865 | – 33.6 |
| Equity derivatives | 1,218 | 1,069 | 13.9 |
| Credit derivatives | 245 | 269 | – 8.9 |
| Other derivative transactions | 1,221 | 1,315 | – 7.2 |
| Other trading positions | 3,541 | 1,524 | . |
| **Total** | **43,790** | **52,176** | **– 16.1** |

### (31) Financial liabilities – Held for trading

This item comprises derivative financial instruments (derivatives that do not qualify for hedge accounting), own issues in the trading book and delivery commitments arising from short sales of securities.

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| Certificates and other issued bonds | 468 | 3 | . |
| Delivery commitments arising from short sales of securities | 914 | 412 | . |
| Negative fair values of derivative financial instruments | 31,575 | 42,429 | – 25.6 |
| Interest-rate-related derivative transactions | 22,023 | 32,650 | – 32.5 |
| Currency-related derivative transactions | 6,580 | 8,340 | – 21.1 |
| Equity derivatives | 425 | 414 | 2.7 |
| Credit derivatives | 353 | 430 | – 17.7 |
| Other derivative transactions | 2,193 | 596 | . |
| **Total** | **32,957** | **42,843** | **– 23.1** |

### (32) Credit risks and credit losses

#### Principles and measurements

IFRS 9 stipulates that impairments for credit risks from loans and securities that are not measured at fair value through profit or loss must be recognised using a 3-stage model based on expected credit losses. In the Commerzbank Group, the following financial instruments are included in the scope of this impairment model:

- financial assets in the form of loans and advances as well as debt securities measured at amortised cost;
- financial assets in the form of loans and advances as well as debt securities measured at fair value through other comprehensive income (FVOCI);
- lease receivables;
- irrevocable lending commitments which under IFRS 9 are not measured at fair value through profit or loss;
- financial guarantees within the scope of IFRS 9 that are not measured at fair value through profit or loss.

The Group determines the impairment using a 3-stage model based on the following requirements:

In stage 1, as a rule all financial instruments are recognised if their risk of a loan loss (hereinafter default risk) has not risen significantly since their initial recognition. In addition, stage 1 includes all transactions with limited default risk on the reporting date (option under IFRS 9). A limited default risk exists for all financial instruments with an investment-grade internal credit rating on the financial reporting date (corresponds to a Commerzbank rating of 2.8 or better). An impairment must be recognised for financial instruments in stage 1 in the amount of the expected credit loss over the next 12 months (12-month ECL).

Stage 2 includes those financial instruments with default risk that has risen significantly since their initial recognition and which, as at the financial reporting date, cannot be classified as transactions with limited default risk. In addition to a transaction-specific change in the PD, Commerzbank defines further qualitative 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).

Financial instruments that are classified as impaired as at the reporting date are allocated to stage 3. As the criterion for this, Commerzbank uses the 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. This approach is consistent because the expected credit loss (ECL) calculation also uses statistical risk parameters derived from the Basel IRB approach, which are modified to meet the requirements of IFRS 9. The following events can be indicative of a customer default:

- over 90 days past due;
- unlikely to pay;

- financial rescue/distressed restructuring with concessions;
- the Bank has demanded immediate repayment of its claims;
- the customer is in insolvency.

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. The scenarios and probabilities are based on assessments by recovery and resolution specialists. For each scenario – without regard to whether it is a continuation or sale scenario – the timing and amount of the expected future cash flows are estimated. Both the customer-specific and the macroeconomic situation are taken into account (for example currency restrictions, currency value fluctuations, commodity price developments), as well as the sector environment, with a view to the future. The estimate is also based on external information. Sources include indices (e.g. World Corruption Index), forecasts (e.g. by the IMF), information from global associations of financial service providers (e.g. the Institute of International Finance) and publications from rating agencies and auditing firms. 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.

Financial instruments which when initially recognised are already considered impaired as per the aforementioned definition ("purchased or originated credit-impaired", or "POCI", financial instruments) are handled outside the 3-stage impairment model and are therefore not allocated to any of the three stages. The initial recognition is based on fair value without recording an impairment, using an effective interest rate that is adjusted for creditworthiness. The impairment recognised in subsequent periods equals the cumulative change in the LECL since the initial recognition in the balance sheet. The LECL remains the basis for the measurement, even if the value of the financial instrument has risen.

Receivables are written off in the balance sheet as soon as they become uncollectible. Uncollectibility may arise in the settlement process for various objective reasons, such as the demise of the borrower without realisable assets in the estate or completion of insolvency proceedings without further prospect of payments. Moreover, loans are generally regarded as (partially) uncollectible at the latest by 720 days after their due date and are (partially) written down to the recoverable amount within the framework of existing loan loss provisions. Such a (partial) write-down has no direct impact on ongoing debt collection measures.

**Assessment of a significant increase in default risk**

Commerzbank's rating systems combine into the customer-specific probability of default (PD) all available quantitative and qualitative information relevant for forecasting the default risk. This metric is based primarily on a statistical selection and weighting of all available indicators. In addition, the PD adjusted in accordance with IFRS 9 requirements takes into account not only historical information and the current economic environment, but also, in particular, forward-looking information such as the forecast for the development of macroeconomic conditions.

As a consequence, Commerzbank essentially uses the PD as a frame of reference for assessing whether the default risk of a financial instrument has risen significantly since the date of its initial recognition. By anchoring the review of the relative transfer criterion in the robust processes and procedures of the Bank's Group-wide credit risk management framework (in particular, early identification of credit risk, controlling of overdrafts and the re-rating process), the Bank ensures that a significant increase in the default risk is identified in a reliable and timely manner based on objective criteria. Commerzbank also applies additional qualitative criteria for allocation to stage 2 (such as when instruments are over 30 days past due and support by the Intensive Care unit is primarily tied to specific rating levels). If these criteria are met, a significant increase in default risk is assumed irrespective of the PD.

For further information on Commerzbank's processes and procedures as well as governance in credit risk management, please refer to the explanatory information in the Group management report (page 101 ff.).

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. In accordance with IFRS requirements, in some subportfolios, 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.

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 compared with the average development of the PD. In order to ensure an economically sound assignment of the stage, transaction-specific factors are taken into account, including the extent of the PD at the initial recognition date, the term to date and the remaining term of the transaction. Allocation to stage 2 is almost exclusively based on the rating thresholds. Only around 1 % of the stage 2 portfolio was transferred to stage 2 solely on the basis of the backstop indicators. For around 80 % of the stage 2 portfolio, the transfer from stage 1 to stage 2 was based on thresholds in the rating range of 2.0–3.8. In addition, around 15 % of the transfers from stage 1 to stage 2 relate to thresholds in the rating range of 4.0–5.8 as well as around 4 % to thresholds in the rating range of 2.0 or better.

Commerzbank generally refrains from checking whether there is a significant increase in the default risk as at the reporting date compared to the time of initial recognition of the relevant financial instrument for those transactions for which there is a low default risk as at the reporting date (IFRS 9 option). A limited default risk exists for all financial instruments with an investment-grade internal credit rating as at the financial reporting date (corresponds to a Commerzbank rating of 2.8 or better).

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**

Commerzbank 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, i.e. the maximum contractual term (including any renewal options) during which Commerzbank is exposed to credit risk. 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 ECL for stage 1 and stage 2 as well as for insignificant financial instruments in stage 3 is determined on an individual transaction basis taking into account statistical risk parameters. These parameters have been derived from the Basel IRB approach and modified to meet the requirements of IFRS 9. The significant main parameters used in this determination include the:

- customer-specific probability of default (PD);
- loss given default (LGD); and the
- exposure at default (EaD).

All risk parameters used from the Bank’s internal models have been adjusted to meet the specific requirements of IFRS 9, and the forecast horizon has been extended accordingly to cover the entire term of the financial instruments. For example, the forecast for the development of the exposure over the entire term of the financial instrument therefore also includes, in particular, contractual and statutory termination rights.

In the case of loan products that consist of a utilised loan amount and an open credit line and for which in customary commercial practice the credit risk is not limited to the contractual notice period (in Commerzbank this relates primarily to revolving products without a contractually agreed repayment structure, such as overdrafts and credit card facilities), the LECL must be determined using a behavioural maturity, which typically exceeds the maximum contractual period. In order to ensure that the LECL for these products is determined in an empirically sound manner in compliance with IFRS 9 requirements, Commerzbank calculates the LECL directly for these products based on realised historical losses.

As a rule, the Group estimates the risk parameters specific to IFRS 9 based not only on historical default information but also, in particular, on the current economic environment (point-in-time perspective) and forward-looking information. This assessment primarily involves reviewing the effects which the Bank’s macroeconomic forecasts will have regarding the amount of the ECL, and including these effects in the determination of the ECL.

A baseline scenario is used for this purpose which relies on the respective applicable consensus (forecasts of different banks on significant macroeconomic factors, such as GDP growth and the unemployment rate). This baseline scenario is then supplemented with additional macroeconomic parameters that are relevant for the model.

For mBank, the Poland-specific scenario on which the local loan loss provision calculation is based was checked for consistency accordingly. The baseline scenario reflects the continuing uncertainties caused by the coronavirus pandemic. The onset of a fourth wave in the fourth quarter of 2021 as well as the appearance of new mutations and the resulting measures and restrictions (e.g. access to shops and many kinds of social contact only permitted for vaccinated/recovered persons; travel restrictions) will have a negative impact on the economic recovery in 2022. In addition to the direct or primary effects of the pandemic on the economy, the recovery is being jeopardised by indirect or secondary effects. Among other things, this includes the interruption of production chains due to the coronavirus-related closure of key international ports, for example. At the same time, the global scarcity of raw materials and supplier products (e.g. semiconductor crisis in the automotive industry) is reducing production and thus causing a shortage of supply. The previously mentioned pandemic-driven scarcity of raw materials is pushing prices up in various sectors (e.g. for paper, wood, metal, oil and rare earths). They can only be passed on to end consumers to a limited extent, which means that they are weighing on company profits. Rising energy prices worldwide are hitting energy-intensive sectors, transport companies and private households. In addition, the continued rising inflation in the eurozone is making consumers cautious.

The baseline scenario includes the following key assumptions:

| Baseline scenario | 2021 | 2022 |
|---|---|---|
| **GDP growth** | | |
| Germany | 3.0 % | 3.5 % |
| Eurozone | 3.9 % | 3.0 % |
| Poland | 0.2 % | 3.0 % |
| **Rate of unemployment** | | |
| Germany | 6.7 % | 5.7 % |
| Eurozone | 10.1 % | 8.1 % |
| Poland | 6.6 % | 3.2 % |

The ECB's macroeconomic forecasts published on 16 December 2021 are slightly more positive than Commerzbank's baseline scenario. Due to the uncertainties described below, the underlying baseline scenario is considered reasonable.

The transformation of the macroeconomic baseline scenario into effects on the risk parameters is based on statistically derived models. Giving ongoing consideration to the current situation and the uncertainties arising from the pandemic, we have ensured that the relevant experts are sufficiently involved within the framework of the existing policies. Potential effects from non-linear correlations between different macroeconomic scenarios and the ECL are corrected using a separately determined adjustment factor. The factor was reviewed on an event-driven basis in the fourth quarter of 2021 and increased slightly. The optimistic and pessimistic scenarios described later were used to determine the factor. The weightings for the individual scenarios are also always determined by relevant experts and are regulated in a policy. The current uncertainty caused by the coronavirus pandemic was factored into the weighting and both the baseline scenario and the pessimistic scenario were each weighted significantly more strongly, namely 40 % each, than the optimistic scenario, which was weighted at 20 %.

When calculating the expected credit loss, additional effects may also have to be taken into account resulting from scenarios or events that are not reflected in the IFRS 9 ECL parameter set presented as part of the modelling (these may relate to singular events such as natural disasters, substantial political decisions or military conflicts); for these additional effects, a separately determined adjustment to the result from the IFRS 9 ECL model is made. The examination as to whether such top-level adjustments (TLA) with the involvement of senior management are necessary, as well as their possible implementation, are regulated in a policy.

Such an adjustment to the results of the IFRS 9 ECL model was deemed still necessary in the 2021 financial year due to the consequences of the coronavirus pandemic. The methodology used for determining the need for adjustments to the ECL model result has remained essentially unchanged since 2020. The assumptions incorporated into this were assessed during the year at the reporting dates and in the course of preparing the Group financial statements as at 31 December 2021 with regard to the current development of the pandemic as well as the economic effects, and the TLA was re-calculated as at 31 December 2021.

The parameters used in the standard model did not yet reflect the economic impact arising from the direct effects of the pandemic or the indirect and secondary effects that have since emerged. The massive support and aid measures taken by countries and institutions are concealing or delaying the actual expected negative effects on companies' earnings and liquidity. There is also uncertainty regarding the effects of the fourth wave and new far-reaching measures to combat new mutations (e.g. Omicron).

As at 31 December 2021, it was particularly relevant that the uncertainty with regard to economic trends had increased again as a result of the fourth wave and new mutations, and that further trends will therefore be largely determined by the future course of the coronavirus pandemic. Particular attention was paid to the analysis of the impacts of the primary and secondary effects described above (see comments on the baseline scenario). In the Commerzbank portfolio, tourism/hotels and retail continue to be hit particularly hard by the primary effects of the pandemic. In 2021, the automotive industry in particular was more heavily impacted by the secondary effects described above. For the Small-Business Customers subportfolio, the effects of the crisis in the course of 2021 were not yet reflected to any greater degree in the change in ratings or in defaults/insolvencies. Until the end of the fourth quarter, the liquidity of many customers was still being supported by government aid measures. Several factors prompted the Bank to update its assumptions for this Small-Business Customers subportfolio. These factors included the measures taken during the fourth wave (including partial lockdowns for the unvaccinated), uncertainty regarding mutations and repayments of government loans for a large proportion of this portfolio that began in January. In the fourth quarter, the assumed add-ons to the model-based probability of default for customers in the rating range >4.0 were retained for the TLA calculation and a new lower add-on for the rating range >3.0 was taken into account. For banks, with the exception of systemically important banks and depending on their country of domicile, small add-ons to the probability of default were still assumed, as here the ratings partly lagged behind the latest developments.

The effects of the adjustments on the stage allocation were taken into account in the calculation of the TLA. This booking was portfolio-based. It is shown in the presentation of the change in loan loss provisions in the line "Changes of parameters and models". No across-the-board stage transfers of individual transactions were made. For more information on ECL and TLA, see the risk report (see page 101 ff.).

In determining total Group loan loss provisions, it is necessary to make assumptions that are subject to high estimation uncertainty, particularly in a dynamic environment. On the reporting date, the expected credit loss (stages 1/2), calculated on the basis of the baseline scenario described above and giving consideration to the ECB publication, was €1.3bn.

In a stress scenario, it was assumed that mutations would cause more massive waves of infection to occur worldwide and that strict lockdowns, contact restrictions and quarantine-related employee absences would negatively affect production chains until the second half of 2022. Economic growth in Germany and the EU declines substantially, while unemployment increases significantly. It is not until the fourth quarter that the number of infections decreases significantly and contact restrictions and travel restrictions are relaxed; these developments then lead to a recovery in the economic outlook. In addition to more credit defaults, the estimated expected credit loss (stages 1/2) would increase by €0.9bn.

In an optimistic scenario, it was assumed that global vaccination efforts would result in greater immunisation protection throughout the population and that infection rates would remain under control. Global bottlenecks in supply and production chains disappear, since there are hardly any restrictions in production and global shipping traffic. Economic growth in Germany is better than expected in the baseline scenario, and the other European countries are also posting significant growth rates. Overall, the German economy benefits from a renewed increase in exports, while private consumption picks up at the same time due to the discontinuation of protective measures. In this optimistic scenario, the estimated expected credit loss (stages 1/2) would decrease by €0.5bn.

The table below provides an overview of the main underlying macroeconomic parameters in the optimistic and in the pessimistic scenario:

| 2022 | optimistic scenario | Baseline scenario | pessimistic scenario |
|---|---|---|---|
| **GDP growth** | | | |
| Germany | 5.5 % | 3.5 % | –2.9 % |
| Eurozone | 5.5 % | 3.0 % | –4.0 % |
| Poland | 5.7 % | 3.0 % | –3.1 % |
| **Rate of unemployment** | | | |
| Germany | 5.0 % | 5.7 % | 6.8 % |
| Eurozone | 7.5 % | 8.1 % | 9.2 % |
| Poland | 2.8 % | 3.2 % | 5.6 % |

Overall, the valuation allowances for risks arising from financial assets and the provisions for off-balance-sheet items changed as follows:

| €m | As at 1.1.2021 | Net allocations/ Reversals | Reversals | Change in the group of consolidated companies | Exchange rate changes/ Reclassification/ Unwinding | As at 31.12.2021 |
|---|---|---|---|---|---|---|
| Valuation allowances for risks of financial assets | 3,111 | 515 | 738 | – | – 2 | 2,886 |
| Financial assets – Amortised cost | 3,093 | 520 | 738 | – | – 2 | 2,872 |
| Loans and advances | 3,043 | 527 | 738 | – | – 3 | 2,829 |
| Debt securities | 50 | – 7 | – | – | 1 | 44 |
| Financial assets – Fair value OCI | 19 | – 5 | – | – | – 0 | 13 |
| Loans and advances | 10 | – 9 | – | – | – 0 | 1 |
| Debt securities | 8 | 4 | – | – | – 0 | 13 |
| Provisions for financial guarantees | 11 | – 2 | – | – | 4 | 13 |
| Provisions for lending commitments | 305 | 32 | – | – | – 2 | 334 |
| Provisions for indemnity agreements | 183 | 26 | – | – | 2 | 211 |
| **Total** | **3,611** | **570** | **738** | **–** | **1** | **3,443** |

| €m | As at 1.1.2020 | Net allocations/ Reversals | Reversals | Change in the group of consolidated companies | Exchange rate changes/ Reclassification/ Unwinding | As at 31.12.2020 |
|---|---|---|---|---|---|---|
| Valuation allowances for risks of financial assets | 2,175 | 1,565 | 569 | – | –59 | 3,111 |
| Financial assets – Amortised cost | 2,167 | 1,550 | 567 | – | –58 | 3,093 |
| Loans and advances | 2,111 | 1,556 | 567 | – | –57 | 3,043 |
| Debt securities | 56 | –5 | – | – | –1 | 50 |
| Financial assets – Fair value OCI | 8 | 14 | 3 | – | –0 | 19 |
| Loans and advances | 1 | 9 | – | – | –0 | 10 |
| Debt securities | 6 | 5 | 3 | – | –0 | 8 |
| Provisions for financial guarantees | 9 | 2 | – | – | –0 | 11 |
| Provisions for lending commitments | 129 | 178 | – | – | –2 | 305 |
| Provisions for indemnity agreements | 182 | 4 | – | – | –3 | 183 |
| **Total** | **2,496** | **1,748** | **569** | **–** | **– 64** | **3,611** |

The net position from allocations and reversals includes write-ups from recoveries on written-down claims.

The breakdown into stages for the change in valuation allowances is as follows:

| **Value adjustment for risks from loans, advances and provisions** €m | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | **Total** |
|---|---|---|---|---|---|
| **Value adjustments as at 1.1.2021** | **253** | **686** | **2,039** | **75** | **3,053** |
| New business | 98 | 39 | 61 | 5 | 202 |
| Changes in positions from stage transfers | | | | | |
| from stage 1 | – 79 | 352 | 96 | – | 369 |
| from stage 2 | 146 | – 415 | 224 | – | – 45 |
| from stage 3 | 5 | 13 | – 23 | – | – 5 |
| Disposals | 77 | 121 | 446 | 37 | 681 |
| Changes of parameters and models | – 78 | 177 | 605 | 72 | 776 |
| Utilisation | – | – | 823 | 15 | 838 |
| Exchange rate changes / reclassifications | 3 | 7 | 4 | – 17 | – 3 |
| **Value adjustments as at 31.12.2021** | **272** | **739** | **1,736** | **83** | **2,829** |
| Provisions for financial guarantees | 2 | 3 | 4 | 3 | 13 |
| Provisions for lending commitments | 104 | 158 | 37 | 36 | 334 |
| Provisions for indemnity agreements | 1 | 55 | 96 | 59 | 211 |
| **Provisions as at 31.12.2021** | **107** | **216** | **137** | **98** | **558** |

| **Value adjustment for risks from debt securities** €m | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | **Total** |
|---|---|---|---|---|---|
| **Value adjustments as at 1.1.2021** | **38** | **21** | **–** | **–** | **58** |
| New business | 4 | 3 | – | – | 6 |
| Changes in positions from stage transfers | | | | | |
| from stage 1 | – 1 | 5 | – | – | 4 |
| from stage 2 | 0 | – 1 | – | – | – 0 |
| from stage 3 | – | – | – | – | – |
| Disposals | 7 | 2 | – | – | 9 |
| Changes of parameters and models | 2 | – 5 | – | – | – 4 |
| Utilisation | – | – | – | – | – |
| Exchange rate changes / reclassifications | 1 | 0 | – | – | 1 |
| **Value adjustments as at 31.12.2021** | **36** | **20** | **–** | **–** | **56** |

| Value adjustment for risks from loans, advances and provisions €m | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| **Value adjustments as at 1.1.2020** | **239** | **277** | **1,521** | **76** | **2,113** |
| New business | 104 | 49 | 86 | 18 | 257 |
| Changes in positions from stage transfers | – | – | – | – | – |
| from stage 1 | – 101 | 352 | 140 | – | 391 |
| from stage 2 | 130 | – 390 | 285 | – | 25 |
| from stage 3 | 7 | 18 | – 27 | – | – 2 |
| Disposals | 91 | 102 | 281 | 34 | 507 |
| Changes of parameters and models | – 30 | 490 | 886 | 49 | 1,395 |
| Utilisation | – | – | 512 | 49 | 561 |
| Exchange rate changes / reclassifications | – 7 | – 7 | – 59 | 15 | – 57 |
| **Value adjustments as at 31.12.2020** | **253** | **686** | **2,039** | **75** | **3,053** |
| Provisions for financial guarantees | 2 | 2 | 4 | 4 | 11 |
| Provisions for lending commitments | 105 | 150 | 22 | 29 | 305 |
| Provisions for indemnity agreements | 2 | 80 | 71 | 31 | 183 |
| **Provisions as at 31.12.2020** | **108** | **232** | **96** | **63** | **499** |

| Value adjustment for risks from debt securities €m | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| **Value adjustments as at 1.1.2020** | **34** | **28** | **0** | **–** | **62** |
| New business | 5 | 0 | 0 | – | 5 |
| Changes in positions from stage transfers | | | | | |
| from stage 1 | – 0 | 5 | – | – | 5 |
| from stage 2 | 0 | – 9 | – 0 | – | – 9 |
| from stage 3 | – | 0 | – | – | 0 |
| Disposals | 2 | 1 | – | – | 3 |
| Changes of parameters and models | 2 | – 3 | 0 | 0 | – 1 |
| Utilisation | – | – | – | – | – |
| Exchange rate changes / reclassifications | – 1 | – 0 | – 0 | – 0 | – 1 |
| **Value adjustments as at 31.12.2020** | **38** | **21** | **0** | **–** | **58** |

In this depiction, a financial instrument is defined as new business if the relevant date for assessing a significant increase in default risk lies within the reporting period. This population may therefore differ from other new business surveys, for example those for sales management.

The changes in positions resulting from stage transfers show the allocations and reversals resulting from a change in assignment to stages during the reporting period. During the transfer, the position in the previous stage is completely reversed and the whole target position is added in the new stage. Disposals include reversals of loss provisions for transactions that were derecognised from the balance sheet during the reporting period. The line "Changes in parameters and models" contains changes in positions attributable to changes in risk provisioning parameters. This includes changes in utilisation (e.g. as a result of repayments) as well as changes in collateral securities and changes in probability of default that did not lead to a change in stage. What is more, adjustment effects from regular parameter reviews and from changed macroeconomic expectations as well as the TLA booked in the reporting period are shown here. The utilisation reflects the extent to which the risk provision was reduced by write-downs not recognised in the income statement. The line "Exchange rate changes/reclassifications" shows the currency effects and, where applicable, transfers from reclassifications.

The presentation is based on postings for individual transactions. At customer level, it may therefore happen that several items in the schedule are addressed. For example, both new business and disposals may be included. No offsetting is carried out.

€0m of the total amount of the provisions is attributable to off-balance-sheet items that are not financial guarantees as defined in IFRS 9 (certain guarantees, letters of credit), but which under the impairment model need to be provisioned for using the lifetime expected credit loss (see Note 60).

Claims totalling €361m were (partially) written down in the reporting period. Collection activities continue to be performed regarding these claims.

The gross carrying amounts of the financial assets for which value adjustments have been made changed as follows in the period under review:

| **Loans and advances** \| €m | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | **Total** |
|---|---|---|---|---|---|
| **As at 1.1.2021** | **244,954** | **12,793** | **3,874** | **388** | **262,009** |
| Additions (new business and increase in utilisation) | 135,583 | 3,183 | 516 | 242 | **139,523** |
| Changes in positions from stage transfers | | | | | |
| from stage 1 | –9,040 | 8,676 | 364 | – | – |
| from stage 2 | 4,916 | –5,546 | 630 | – | – |
| from stage 3 | 175 | 30 | –205 | – | – |
| Disposals (repayment and decrease in utilisation) | –125,255 | –5,274 | –2,057 | –174 | **–132,759** |
| Other changes[1] | –527 | –7 | –11 | – | **–546** |
| **As at 31.12.2021** | **250,806** | **13,854** | **3,110** | **456** | **268,227** |

[1] Adjustments in connection with loan agreements in CHF with index clauses (see notes 17 and 58).

| **Debt securities** \| €m | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | **Total** |
|---|---|---|---|---|---|
| **As at 1.1.2021** | **75,570** | **518** | **–** | **–** | **76,088** |
| Additions (new business and increase in utilisation) | 21,664 | 16 | – | – | **21,680** |
| Changes in positions from stage transfers | | | | | |
| from stage 1 | – 301 | 301 | – | – | **–** |
| from stage 2 | 121 | – 121 | – | – | **–** |
| from stage 3 | – | – | – | – | **–** |
| Disposals (repayment and decrease in utilisation) | – 23,682 | – 144 | – | – | **– 23,826** |
| **As at 31.12.2021** | **73,373** | **570** | **–** | **–** | **73,942** |

| **Financial guarantees, lending commitments, indemnity agreements** \| €m | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | **Total** |
|---|---|---|---|---|---|
| **As at 1.1.2021** | **149,243** | **38,055** | **454** | **173** | **187,925** |
| Additions (new business and increase in utilisation) | 78,067 | 23,340 | 185 | 257 | **101,848** |
| Changes in positions from stage transfers | | | | | |
| from stage 1 | – 4,267 | 4,193 | 74 | – | **–** |
| from stage 2 | 1,493 | – 1,605 | 112 | – | **–** |
| from stage 3 | 22 | 4 | – 25 | – | **–** |
| Disposals (repayment and decrease in utilisation) | – 83,705 | – 22,723 | – 381 | – 113 | **– 106,923** |
| **As at 31.12.2021** | **140,853** | **41,263** | **418** | **317** | **182,850** |

| **Loans and advances** \| €m | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | **Total** |
|---|---|---|---|---|---|
| **As at 1.1.2020** | **250,029** | **9,848** | **2,799** | **585** | **263,262** |
| Additions (new business and increase in utilisation) | 167,148 | 3,985 | 956 | 310 | **172,399** |
| Changes in positions from stage transfers | | | | | |
| from stage 1 | –8,726 | 7,661 | 1,065 | – | – |
| from stage 2 | 3,315 | –4,011 | 696 | – | – |
| from stage 3 | 21 | 38 | –59 | – | – |
| Disposals (repayment and decrease in utilisation)[1] | –166,579 | –4,709 | –1,580 | –507 | **–173,375** |
| Other changes[2] | –254 | –19 | –3 | – | **–277** |
| **As at 31.12.2020[1]** | **244,954** | **12,793** | **3,874** | **388** | **262,009** |

[1] Adjusted values.
[2] Prior-year figures adjusted due to restatements (see Note 4).

| **Debt securities** \| €m | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | **Total** |
|---|---|---|---|---|---|
| **As at 1.1.2020** | **62,537** | **928** | **–** | **10** | **63,475** |
| Additions (new business and increase in utilisation) | 31,307 | 10 | – | – | **31,317** |
| Changes in positions from stage transfers | | | | | |
| from stage 1 | – 93 | 93 | – | – | **–** |
| from stage 2 | 287 | – 299 | 11 | – | **–** |
| from stage 3 | – | – | – | – | **–** |
| Disposals (repayment and decrease in utilisation) | – 18,468 | – 215 | – 11 | – 10 | **– 18,704** |
| **As at 31.12.2020** | **75,570** | **518** | **–** | **–** | **76,088** |

| **Financial guarantees, lending commitments, indemnity agreements** \| €m | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | **Total** |
|---|---|---|---|---|---|
| **As at 1.1.2020** | **145,230** | **34,307** | **355** | **126** | **180,018** |
| Additions (new business and increase in utilisation) | 76,789 | 19,069 | 125 | 264 | **96,246** |
| Changes in positions from stage transfers | | | | | |
| from stage 1 | – 5,181 | 5,136 | 45 | – | **–** |
| from stage 2 | 1,029 | – 1,195 | 166 | – | **–** |
| from stage 3 | 3 | 4 | – 7 | – | **–** |
| Disposals (repayment and decrease in utilisation) | – 68,627 | – 19,265 | – 230 | – 217 | **– 88,340** |
| **As at 31.12.2020** | **149,243** | **38,055** | **454** | **173** | **187,925** |

The carrying amounts of the financial assets for which value adjustments have been made are allocated to the rating classes as follows:

| 31.12.2021 | Loans and advances | | | | Debt securities | | | |
|---|---|---|---|---|---|---|---|---|
| **Rating grades[1] \| €m** | **12m ECL** | **Lifetime ECL** | **POCI** | **Total** | **12m ECL** | **Lifetime ECL** | **POCI** | **Total** |
| 1.0 – 1.8 | 84,358 | – | 12 | 84,371 | 41,259 | – | – | 41,259 |
| 2.0 – 2.8 | 127,183 | – | 53 | 127,236 | 30,759 | – 22 | – | 30,737 |
| 3.0 – 3.8 | 30,706 | 8,498 | 23 | 39,227 | 855 | 573 | – | 1,428 |
| 4.0 – 4.8 | 6,718 | 2,945 | 13 | 9,676 | 499 | 14 | – | 514 |
| 5.0 – 5.8 | 1,841 | 2,411 | 13 | 4,265 | – | 5 | – | 5 |
| 6.1 – 6.5 | – | 3,110 | 342 | 3,452 | – | – | – | – |
| **Total** | **250,806** | **16,965** | **456** | **268,227** | **73,373** | **570** | **–** | **73,942** |

[1] The increased probabilities of default assumed for the TLA were estimated on a portfolio basis and are not reflected in the individual case-based rating distribution.

| 31.12.2021 | Financial guarantees, lending commitments, indemnity agreements | | | |
|---|---|---|---|---|
| **Rating grades \| €m** | **12m ECL** | **Lifetime ECL** | **POCI** | **Total** |
| 1.0 – 1.8 | 33,012 | 5,902 | 2,107 | 41,021 |
| 2.0 – 2.8 | 91,361 | 23,274 | 14 | 114,648 |
| 3.0 – 3.8 | 12,698 | 5,605 | 5 | 18,309 |
| 4.0 – 4.8 | 2,432 | 2,839 | 4 | 5,275 |
| 5.0 – 5.8 | 688 | 2,303 | 0 | 2,991 |
| 6.1 – 6.5 | – | 405 | 201 | 606 |
| **Total** | **140,192** | **40,327** | **2,331** | **182,850** |

| 31.12.2020 | Loans and advances[1] | | | | Debt securities | | | |
|---|---|---|---|---|---|---|---|---|
| **Rating grades \| €m** | **12m ECL** | **Lifetime ECL** | **POCI** | **Total** | **12m ECL** | **ECL Lifetime** | **POCI** | **Total** |
| 1.0 – 1.8 | 85,070 | – | 10 | 85,081 | 43,536 | – | – | 43,536 |
| 2.0 – 2.8 | 120,254 | – | 46 | 120,300 | 31,285 | – | – | 31,285 |
| 3.0 – 3.8 | 32,342 | 6,861 | 12 | 39,215 | 727 | 510 | – | 1,237 |
| 4.0 – 4.8 | 5,826 | 3,509 | 13 | 9,348 | – | 24 | – | 24 |
| 5.0 – 5.8 | 1,353 | 2,597 | 6 | 3,956 | – | 6 | – | 6 |
| 6.1 – 6.5 | – | 3,672 | 437 | 4,109 | – | – | – | – |
| **Total** | **244,845** | **16,639** | **525** | **262,009** | **75,548** | **540** | **–** | **76,088** |

[1] Prior-year figures adjusted due to restatements (see Note 4).

| 31.12.2020 | Financial guarantees, lending commitments, indemnity agreements | | | |
|---|---|---|---|---|
| **Rating grades \| €m** | **12m ECL** | **Lifetime ECL** | **POCI** | **Total** |
| 1.0 – 1.8 | 32,666 | 4,015 | 750 | 37,430 |
| 2.0 – 2.8 | 98,362 | 21,323 | 12 | 119,697 |
| 3.0 – 3.8 | 15,355 | 6,786 | 19 | 22,160 |
| 4.0 – 4.8 | 1,919 | 2,672 | 4 | 4,595 |
| 5.0 – 5.8 | 658 | 1,461 | 1 | 2,120 |
| 6.1 – 6.5 | – | 310 | 1,612 | 1,922 |
| **Total** | **148,961** | **36,567** | **2,397** | **187,925** |

### (33) Concentration of credit risk

Concentrations of credit risk may arise through business relations with individual borrowers or groups of borrowers which share a number of features and whose ability to service debt is influenced to the same extent by changes in certain overall economic conditions. Besides obtaining collateral and applying a uniform lending policy, the Bank has entered into a number of master netting agreements to minimise credit risks. These give the Bank the right to net claims on and liabilities against a customer in the event of the default or insolvency of that customer. The gross carrying amounts of credit risks relating to loans and advances, lending commitments, financial guarantees and other indemnity agreements were as follows:

| | Loans and advances | |
|---|---|---|
| €m | 31.12.2021 | 31.12.2020[1] |
| **Banks and customers in Germany** | **187,598** | **175,970** |
| Banks | 6,604 | 6,584 |
| Corporate clients | 56,939 | 52,949 |
| Manufacturing | 18,638 | 17,538 |
| Construction | 824 | 861 |
| Trade | 9,319 | 7,461 |
| Services and others | 28,158 | 27,089 |
| Private customers | 111,940 | 104,177 |
| Other financial corporations | 2,273 | 2,211 |
| General governments | 9,842 | 10,048 |
| **Banks and customers outside Germany** | **106,177** | **112,081** |
| Banks | 27,050 | 27,174 |
| Corporate clients | 38,875 | 39,123 |
| Private customers | 15,732 | 14,424 |
| Other financial corporations | 18,565 | 24,581 |
| General governments | 5,955 | 6,780 |
| **Subtotal** | **293,775** | **288,051** |
| Less valuation allowances on loans and advances amortised cost | – 2,829 | – 3,043 |
| **Total** | **290,946** | **285,008** |

[1] Prior-year figures adjusted due to restatements (see Note 4).

| | Lending commitments, financial guarantees and other indemnity agreements | |
|---|---|---|
| €m | 31.12.2021 | 31.12.2020 |
| Banks and customers in Germany | 57,305 | 58,115 |
| Banks and customers outside Germany | 68,349 | 69,527 |
| **Subtotal** | **125,654** | **127,642** |
| Less valuation allowances | – 493 | – 435 |
| **Total** | **125,161** | **127,207** |

The carrying amounts of credit risk concentrations in loans and advances, lending commitments, financial guarantees and other indemnity agreements shown in the tables above are not part of internal credit risk management, as credit risk management also takes account of collateral, probabilities of default and other economic factors. To this extent these amounts are therefore not representative of the Bank's assessment of its actual credit risk.

### (34) Maximum credit risk

The maximum credit risk exposure – excluding collateral and other credit enhancements – is equal to the carrying amounts of the relevant assets in each class, or the nominal values of irrevocable lending commitments and financial guarantees.

The table below shows the carrying amounts or nominal values of financial instruments with a potential default risk:

| €m | 31.12.2021 | 31.12.2020[1] | Change in % |
|---|---|---|---|
| Financial assets – Amortised cost | 299,181 | 292,142 | 2.4 |
| Loans and advances | 265,006 | 258,178 | 2.6 |
| Debt securities | 34,175 | 33,964 | 0.6 |
| Financial assets – Fair value OCI | 40,115 | 42,862 | – 6.4 |
| Loans and advances | 392 | 787 | – 50.2 |
| Debt securities | 39,723 | 42,074 | – 5.6 |
| Financial assets – Mandatorily fair value P&L | 27,471 | 27,972 | – 1.8 |
| Loans and advances | 23,812 | 23,779 | 0.1 |
| Debt securities | 3,658 | 4,192 | – 12.7 |
| Financial assets – Held for trading | 42,214 | 51,116 | – 17.4 |
| Loans and advances | 1,736 | 2,263 | – 23.3 |
| Debt securities | 2,176 | 1,806 | 20.5 |
| Derivates | 34,760 | 45,524 | – 23.6 |
| Other trading positions | 3,541 | 1,524 | . |
| Positive fair values of derivative hedging instruments | 846 | 1,878 | – 55.0 |
| Irrevocable lending commitments | 80,905 | 85,717 | – 5.6 |
| Financial guarantees | 2,203 | 2,107 | 4.5 |

[1] Prior-year figures adjusted due to restatements (see Note 4).

The maximum credit risk exposures listed above are not part of internal credit risk management, as credit risk management also takes account of collateral, probabilities of default and other economic factors (see the section on default risks in the Group Management Report). These amounts are therefore not representative of the Bank's assessment of its actual credit risk.

### (35) Securitisation of loans

The use of credit derivatives (such as credit default swaps, total return swaps and credit-linked notes) can reduce the risk weighting of a loan portfolio. The hedging effect of a credit derivative may relate both to individual loans or securities and to entire portfolios of loans or securities. As a rule, security is furnished by means of a synthetic securitisation by credit default swaps (CDS) and/or by credit-linked notes (CLNs). This enables three important goals to be achieved:

- risk diversification (reduction of credit risks in the portfolio, especially concentration risks);
- easing the burden on equity capital (the transfer of credit risks to investors leads to a reduction in the regulatory capital requirements);
- funding (use of securitisation as an alternative funding instrument to unsecured bearer bonds).

As at the end of the 2021 financial year, Commerzbank Aktiengesellschaft had launched four securitisation programmes as the buyer of protection.

The legal maturity date is 5–10 years. Overall, a total volume of €12.6bn (previous year: €13.2bn) of loans to customers had been hedged by end of December 2021. This reduced the Bank's risk-weighted assets by €3.3bn (previous year: €3.9bn).

| Name of transaction | Buyer of protection | Year transacted | Contract period of transactions in years | Type of claim | Total lending | Reduction of risk-weighted assets €m |
|---|---|---|---|---|---|---|
| CoCo Finance II-3 | Commerzbank Aktiengesellschaft | 2020 | 10 | Corporate clients | 7,077 | 2,112 |
| CoCo Finance III-2 | Commerzbank Aktiengesellschaft | 2019 | 10 | Corporate clients | 1,103 | 117 |
| CoCo Finance III-3 | Commerzbank Aktiengesellschaft | 2019 | 5 | Corporate clients | 2,022 | 484 |
| CoSMO Finance III-4 | Commerzbank Aktiengesellschaft | 2020 | 10 | Corporate clients | 2,360 | 552 |
| **Total** | | | | | **12,562** | **3,265** |

## (36) IFRS 13 fair value hierarchies and disclosure requirements

### Fair value hierarchy

Under IFRS 13, financial instruments are assigned to the three levels of the fair value hierarchy as follows:

- Level 1: Financial instruments where the fair value is based on quoted prices for identical financial instruments in an active market.
- Level 2: Financial instruments where no quoted prices are available for identical instruments in an active market and the fair value is established using valuation techniques which rely on observable market parameters.
- Level 3: Financial instruments where valuation techniques are used that incorporate at least one material input for which there is insufficient observable market data and where at least this input has a more than insignificant impact on the fair value.

With respect to the methods of model based measurements (level 2 and level 3) relevant for banks, IFRS 13 recognises the market approach and the income approach. The market approach relies on measurement methods that draw on information about identical or comparable assets and liabilities.

The income approach reflects current expectations about future cash flows, expenses and income. The income approach may also include option price models. These valuations are subject to a higher degree to judgements by management. Market data or third-party inputs are relied on to the greatest possible extent, and company specific inputs to a limited degree.

Valuation models must be consistent with accepted economic methodologies for pricing financial instruments and must incorporate all factors that market participants would consider appropriate in setting a price.

The fair values that can be realised at a later date may fundamentally deviate from the estimated fair values.

All fair values are subject to the Commerzbank Group's internal controls and procedures, which set out the standards for independently verifying or validating fair values. These controls and procedures are carried out and coordinated by the Independent Price Verification (IPV) Group within the risk function. The models, inputs and resulting fair values are reviewed regularly by senior management and the risk function.

### Disclosure obligations

Below, a distinction is made between:

a) financial instruments measured at fair value (fair value OCI, fair value option, mandatorily fair value P&L and held for trading);
b) financial instruments measured at amortised cost.

The respective disclosure requirements regarding these financial instruments are set out in IFRS 7 and IFRS 13. For example, they require explanatory statements on the valuation techniques applied and the inputs used for levels 2 and 3, as well as quantitative disclosures on unobservable inputs (level 3). The reporting entity must also provide the date of, reasons for and information about reclassifications between fair value hierarchy levels, reconciliations between the opening and closing balances for level 3 portfolios as at the respective reporting dates, and unrealised gains and losses. In addition, sensitivities for the unobservable inputs (level 3) are to be presented, and information on the day one profit or loss is to be provided.

### a) Financial instruments measured at fair value

According to IFRS 13, the fair value of an asset is the amount for which it could be sold between knowledgeable, willing parties in an arm's length transaction. The fair value therefore represents an exit price. The fair value of a liability is defined as the price at which the debt could be transferred to a third party as part of an orderly transaction.

The measurement of liabilities must also take account of the Bank's own credit spread. If third parties provide security for our liabilities (e.g. guarantees), this security is not taken into account in the valuation of the liability, as the Bank's repayment obligation remains the same.

When measuring derivative transactions, the Group uses the possibility of establishing net risk positions for financial assets and liabilities. The measurement takes into account not only counterparty credit risk but also the Bank's own default risk. The Group determines credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) by simulating the future fair values of its portfolios of derivatives with the respective counterparty based on observable market data (e.g. CDS spreads). In the case of funding valuation adjustments (FVAs), the funding costs or income 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. Like CVAs and DVAs, FVAs are also determined from the expected value of the future positive or negative portfolio fair values using observable market data (e.g. CDS spreads). The funding curve used to calculate the FVAs is approximated by the Commerzbank funding curve.

IFRS 9 requires that all financial instruments be measured at fair value upon initial recognition. This is usually the transaction price. If a portion relates to something other than the financial instrument being measured, fair value is estimated using a valuation method.

The following tables show the financial instruments reported in the balance sheet at fair value by IFRS 9 fair value category and by class.

| **Financial assets** \| €bn | **31.12.2021** | | | | **31.12.2020** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial assets – Fair value OCI | | | | | | | | |
| Loans and advances | – | 0.4 | – | 0.4 | – | 0.8 | – | 0.8 |
| Debt securities | 24.4 | 14.5 | 0.8 | 39.7 | 30.9 | 10.8 | 0.4 | 42.1 |
| Equity instruments | – | – | – | – | – | – | – | – |
| Financial assets – Mandatorily fair value P&L | | | | | | | | |
| Loans and advances | – | 22.8 | 1.0 | 23.8 | – | 22.6 | 1.2 | 23.8 |
| Debt securities | 0.5 | 2.2 | 1.0 | 3.7 | 1.0 | 2.3 | 0.9 | 4.2 |
| Equity instruments | 0.0 | 0.0 | 0.9 | 1.0 | 0.0 | 0.0 | 0.6 | 0.7 |
| Financial assets – Held for trading | | | | | | | | |
| Loans and advances | 0.8 | 0.7 | 0.2 | 1.7 | 1.0 | 0.9 | 0.4 | 2.3 |
| Debt securities | 1.3 | 0.7 | 0.2 | 2.2 | 1.1 | 0.7 | – | 1.8 |
| Equity instruments | 1.6 | 0.0 | 0.0 | 1.6 | 1.1 | – | 0.0 | 1.1 |
| Derivatives | 0.2 | 33.7 | 0.8 | 34.8 | – | 44.4 | 1.2 | 45.5 |
| Others | 3.5 | – | – | 3.5 | 1.5 | – | – | 1.5 |
| Positive fair values of derivative financial instruments | | | | | | | | |
| Hedge accounting | – | 0.8 | – | 0.8 | – | 1.9 | – | 1.9 |
| Non-current assets held for sale and disposal groups | | | | | | | | |
| Loans and advances | – | – | – | – | – | 0.0 | – | 0.0 |
| Debt securities | 0.2 | 0.0 | – | 0.2 | 0.0 | 0.0 | – | 0.0 |
| Equity instruments | – | – | 0.0 | 0.0 | 0.0 | – | 0.0 | 0.0 |
| Derivatives | – | – | 0.1 | 0.1 | – | 1.9 | 0.2 | 2.1 |
| **Total** | **32.6** | **75.8** | **5.1** | **113.4** | **36.6** | **86.2** | **4.8** | **127.7** |

| Financial liabilities \| €bn | 31.12.2021 | | | | 31.12.2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities – Fair value option | | | | | | | | |
| Deposits | – | 17.2 | – | 17.2 | – | 18.0 | 0.0 | 18.0 |
| Debt securities issued | 2.6 | – | – | 2.6 | 2.1 | – | – | 2.1 |
| Financial liabilities – Held for trading | | | | | | | | |
| Derivatives | 0.1 | 31.0 | 0.5 | 31.6 | – | 41.8 | 0.7 | 42.4 |
| Certificates and other notes issued | 0.5 | – | – | 0.5 | 0.0 | – | 0.0 | 0.0 |
| Delivery commitments arising from short sales of securities | 0.6 | 0.3 | 0.0 | 0.9 | 0.4 | 0.0 | – | 0.4 |
| Negative fair values of derivative hedging instruments | | | | | | | | |
| Hedge accounting | – | 6.8 | – | 6.8 | – | 5.9 | – | 5.9 |
| Liabilities of disposal groups | | | | | | | | |
| Deposits | – | – | – | – | – | 0.0 | – | 0.0 |
| Debt securities issued | – | – | – | – | – | – | – | – |
| Derivatives | – | 0.0 | 0.1 | 0.1 | – | 1.9 | 0.1 | 2.0 |
| Certificates and other notes issued | – | – | – | – | 0.0 | – | – | 0.0 |
| Delivery commitments arising from short sales of securities | – | – | – | – | 0.0 | – | – | 0.0 |
| **Total** | **3.7** | **55.4** | **0.5** | **59.6** | **2.5** | **67.6** | **0.8** | **70.9** |

A reclassification to a different level occurs where a financial instrument is reclassified from one level of the 3-level valuation hierarchy to another. This may be caused, for example, by market changes that impact the input factors used to value the financial instrument.

Commerzbank reclassifies items as at the end of the reporting period.

In the 2021 financial year, €5.6bn of debt securities in the FVOCI category, €0.2bn of debt securities in the mFVPL category and €0.5bn of debt securities in the HFT category were reclassified from level 1 to level 2, as no quoted market prices were available. By contrast, €1.9bn of debt securities in the FVOCI category, €0.6bn of debt securities in the HFT category, €0.4bn of debt securities in the mFVPL category and €0.1bn of delivery commitments arising from short sales of securities in the HFT category were reclassified from level 2 to level 1, as quoted market prices were again available. We did not make any other significant reclassifications between level 1 and level 2.

In the 2020 financial year, €0.1bn of debt securities in the HFT category and €0.1bn of debt securities in non-current assets held for sale and disposal groups were reclassified from level 2 to level 1, as quoted market prices were available again. In contrast, €0.1bn of debt securities in non-current assets held for sale and disposal groups were reclassified from level 1 to level 2, as no quoted market prices were available. We did not make any other significant reclassifications between level 1 and level 2.

The changes in financial instruments in the level 3 category were as follows:

| Financial assets \| €m | Financial assets – Fair value OCI | Financial assets – Mandatorily fair value P&L | Financial assets – Held for trading | Non-current assets held for sale and disposal groups | Total |
|---|---|---|---|---|---|
| **Fair value as at 1.1.2021** | **386** | **2,746** | **1,519** | **157** | **4,808** |
| Changes in the group of consolidated companies | – | – | – | – | – |
| Gains or losses recognised in income statement during the period | 37 | 216 | – 64 | 31 | 221 |
| of which: unrealised gains or losses | 37 | 216 | – 64 | 31 | 221 |
| Gains or losses recognised in revaluation reserve | – | – | – | – | – |
| Purchases | 351 | 648 | 89 | – | 1,087 |
| Sales | – | – 719 | – 449 | – | – 1,168 |
| Issues | – | – | – | – | – |
| Redemptions | – | – | – 120 | – 86 | – 207 |
| Reclassifications to level 3 | – | 92 | 305 | 11 | 408 |
| Reclassifications from level 3 | – | – 35 | – 9 | – 47 | – 90 |
| IFRS 9 reclassifications | – | – | – | – | – |
| Reclassifications from/to non-current assets held for sale and disposal groups | – | – | – | – | – |
| **Fair value as at 31.12.2021** | **774** | **2,948** | **1,271** | **66** | **5,059** |

| Financial assets \| €m | Financial assets – Fair value OCI | Financial assets – Mandatorily fair value P&L | Financial assets – Held for trading | Non-current assets held for sale and disposal groups | Total |
|---|---|---|---|---|---|
| **Fair value as at 1.1.2020** | **29** | **3,931** | **1,625** | **237** | **5,822** |
| Changes in the group of consolidated companies | – | – | – | – | – |
| Gains or losses recognised in income statement during the period | 68 | – 51 | 120 | – 9 | 128 |
| of which: unrealised gains or losses | 68 | – 51 | 105 | 19 | 141 |
| Gains or losses recognised in revaluation reserve | – | – | – | – | – |
| Purchases | 549 | 454 | 240 | – | 1,243 |
| Sales | – 28 | – 1,184 | – 205 | – | – 1,417 |
| Issues | – | – | – | – | – |
| Redemptions | – | – | – 1,417 | – 43 | – 1,460 |
| Reclassifications to level 3 | 4,615 | 74 | 1,296 | 68 | 6,053 |
| Reclassifications from level 3 | – 4,847 | – 478 | – 140 | – 96 | – 5,561 |
| IFRS 9 reclassifications | – | – | – | – | – |
| Reclassifications from/to non-current assets held for sale and disposal groups | – | – | – | – | – |
| **Fair value as at 31.12.2020** | **386** | **2,746** | **1,519** | **157** | **4,808** |

Unrealised gains or losses on financial instruments held for trading (securities and derivatives) and on claims and securities measured at fair value through profit or loss are a component of the net income from financial assets and liabilities measured at fair value through profit or loss.

In the 2021 financial year, €0.1bn of equity instruments in the mFVPL category were reclassified from level 1 to level 3 because no market parameters were observable. Furthermore, €0.2bn of debt securities in the HFT category and €0.1bn of derivatives in the HFT asset category were reclassified from level 2 to level 3 because no market parameters were observable. There were no other significant reclassifications.

In the first quarter of 2020, €4.8bn of debt securities, AAA-rated collateralised loan obligations, in the FVOCI category were reclassified from level 2 to level 3. Due to the coronavirus pandemic, various market participants withdrew from the secondary market for collateralised loan obligations in March 2020. In addition, almost no primary market issues were made during this period. The Bank classified the transactions, which only took place in isolated instances as non-formalised and accordingly no longer used the prices of these transactions as input parameters for determining fair value. The valuation technique was changed to a mark-to-model approach, in which key input parameters were based on estimates. This portfolio was reclassified back to level 2 in the second quarter of 2020 as observable market parameters were available again.

In addition in the 2020 financial year, reclassifications of €0.1bn were made from level 2 to level 3 for derivatives included in non-current assets held for sale and disposal groups, €0.4bn for loans and advances in the HFT category and €0.8bn for derivatives included in assets of the HFT category as no observable market parameters were available. In contrast €0.1bn of derivatives included in non-current assets held for sale and disposal groups and €0.4bn of loans and advances in the mFVPL category were reclassified from level 3 back to level 2 because market parameters were again observable. There were no other significant reclassifications.

The changes in financial liabilities in the level 3 category during the financial year were as follows:

| Financial liabilities \| €m | Financial liabilities – Fair value option | Financial liabilities – Held for trading | Liabilities of disposal groups | Total |
|---|---|---|---|---|
| **Fair value as at 1.1.2021** | **–** | **654** | **100** | **754** |
| Changes in the group of consolidated companies | – | – | – | – |
| Gains or losses recognised in income statement during the period | – | 14 | –15 | –1 |
| of which: unrealised gains or losses | – | 14 | 8 | 21 |
| Purchases | – | 352 | – | 352 |
| Sales | – | –593 | –0 | –593 |
| Issues | – | – | – | – |
| Redemptions | – | – | –39 | –39 |
| Reclassifications to level 3 | – | 30 | 34 | 65 |
| Reclassifications from level 3 | – | –3 | –5 | –8 |
| Reclassification from/to liabilities of disposal groups | – | – | – | – |
| **Fair value as at 31.12.2021** | **–** | **454** | **75** | **529** |

| Financial liabilities \| €m | Financial liabilities – Fair value option | Financial liabilities – Held for trading | Liabilities of disposal groups | Total |
|---|---|---|---|---|
| **Fair value as at 1.1.2020** | **–** | **1,050** | **336** | **1,385** |
| Changes in the group of consolidated companies | – | – | – | – |
| Gains or losses recognised in income statement during the period | −6 | −94 | 17 | −83 |
| of which: unrealised gains or losses | −6 | −89 | 16 | −79 |
| Purchases | 6 | 327 | – | 333 |
| Sales | – | −190 | −61 | −251 |
| Issues | – | – | – | – |
| Redemptions | – | −660 | −62 | −722 |
| Reclassifications to level 3 | – | 285 | 359 | 644 |
| Reclassifications from level 3 | – | −64 | −489 | −553 |
| Reclassification from/to liabilities of disposal groups | – | – | – | – |
| **Fair value as at 31.12.2020** | **–** | **654** | **100** | **753** |

Unrealised gains or losses on financial liabilities held for trading are a component of the net income from financial assets and liabilities measured at fair value through profit or loss.

There were no significant reclassifications of liabilities out of or into level 3 in the 2021 financial year.

In the 2020 financial year, reclassifications of €0.2bn for derivatives in liabilities of the HFT category, €0.1bn for certificates and other issued bonds included in liabilities of disposal groups and €0.1bn for derivatives included in liabilities from disposal groups were made from level 2 to level 3, as no observable market parameters were available. By contrast, reclassifications of €0.3bn were made from level 3 to level 2 for derivatives included in liabilities of disposal groups, as observable market parameters were available again. There were no other significant reclassifications.

## Sensitivity analysis

Where the value of financial instruments is based on unobservable input parameters (level 3), the precise level of these parameters at the reporting date may be derived from a range of reasonable possible alternatives at the discretion of management. In preparing the Group financial statements, appropriate levels for these unobservable input parameters are chosen which are consistent with existing market evidence and in line with the Group's valuation control approach.

The purpose of this disclosure is to illustrate the potential impact of the relative uncertainty in the fair values of financial instruments with valuations based on unobservable input parameters (level 3). Interdependencies frequently exist between the parameters used to determine level 3 fair values. For example, an anticipated improvement in the overall economic situation may cause share prices to rise, while securities perceived as being lower risk, such as German Government Bonds, may lose value. Such interdependencies are accounted for by means of correlation parameters insofar as they have a significant effect on the fair values in question. If a valuation model uses several parameters, the choice of one parameter may restrict the range of possible values the other parameters may take. So, by definition, this category will contain more illiquid instruments, instruments with longer-term maturities and instruments where sufficient independent observable market data are difficult to obtain. The purpose of this information is to illustrate the main unobservable input parameters for level 3 financial instruments and subsequently present various inputs on which the key input parameters were based.

The main unobservable input parameters for level 3 and the key related factors may be summarised as follows:

- Internal rate of return (IRR):
  The IRR is defined as the discount rate that sets the net present value of all future cash flows from an instrument equal to zero. For bonds, for example, the IRR depends on the current bond price, the nominal value and the duration.
- Credit spread:
  The credit spread is the yield spread (premium or discount) between securities that are identical in all respects except for their respective credit quality. The credit spread represents the excess yield above the benchmark reference instrument that compensates for the difference in creditworthiness between the instrument and the benchmark. Credit spreads are quoted in terms of the number of basis points above (or below) the quoted benchmark. The wider (higher) the credit spread in relation to the benchmark, the lower the instrument's creditworthiness, and vice versa for narrower (lower) credit spreads.
- Interest rate-forex (IR-FX) correlation:
  The IR-FX correlation is relevant for the pricing of exotic interest rate swaps involving the exchange of funding instruments in one currency and an exotic structured leg that is usually based on the development of two government bond yields in different currencies. Consensus market data for longer durations are not observable for certain exotic interest products. For example, CMT yields for US government bonds with a duration of more than ten years are not observable.
- Recovery rates, survival and default probabilities:
  Supply and demand as well as the arbitrage relationship with asset swaps tend to be the dominant factors driving pricing of credit default swaps (CDS). Models for pricing credit default swaps tend to be used more for exotic structures and off-market default swap valuation for which fixed interest payments above or below the market rate are agreed. These models calculate the implied default probability of the reference asset as a means of discounting the cash flows expected in a credit default swap. The model inputs are credit spreads and recovery rates that are used to interpolate ("bootstrap") a time series of survival probabilities of the reference asset. A typical recovery rate assumption in the default swap market for senior unsecured contracts is 40 %. Assumptions about recovery rates are a factor determining the shape of the survival probability curve. Different recovery rate assumptions translate into different survival probability rates. For a given credit spread, a high recovery rate assumption implies a higher probability of default (relative to a low recovery rate assumption) and hence a lower survival probability. There is a relationship over time between default rates and recovery rates of corporate bond issuers. The correlation between the two is an inverse one: an increase in the default rate (defined as the percentage of issuers defaulting) is generally associated with a decline in the average recovery rate.

In practice, market participants use market spreads to determine implied default probabilities. Estimates of default probabilities also depend on the joint loss distributions of the parties involved in a credit derivative transaction. The copula function is used to measure the correlation structure between two or more variables. The copula function creates a joint distribution while keeping the characteristics of the two independent marginal distributions.

- Repo curve:
  The repo curve parameter is an input parameter that is relevant for the pricing of repurchase agreements (repos). Generally, these are short dated maturities ranging from O/N up to 12 months. Beyond 12-month maturities the repo curve

parameter may become unobservable, particularly for emerging market underlyings, due to the lack of available independent observable market data. In some cases, proxy repo curves may be used to estimate the repo curve input parameter. Where this is deemed insufficient, the input parameter will be classified as unobservable. Furthermore, mutual fund related repos may also contain unobservable repo curve exposures.

- Price:
  Certain interest rate and loan instruments are accounted for on the basis of their price. It follows that the price itself is the unobservable parameter of which the sensitivity is estimated as a deviation in the net present value of the positions.
- Investment fund volatility:
  In general, the market for options on investment funds is less liquid than the market for stock options. As a result, the volatility of the underlying investment funds is determined based on the composition of the fund products. There is an indirect method of determining the corresponding volatility surfaces. This method is assigned to level 3 because the market data it uses are not liquid enough to be classified as level 2.

The following ranges for the material unobservable parameters were used in the valuation of our level 3 financial instruments:

| €m | | 31.12.2021 | | | 31.12.2021 | |
|---|---|---|---|---|---|---|
| | Valuation techniques | Assets | Liabilities | Significant unobservable input parameters | Range | |
| **Loans and advances** | | **1,232** | **–** | | – | – |
| Repos | Discounted cash flow model | 597 | – | Repo-curve (bps) | –8 | 139 |
| Ship financing | Discounted cash flow model | – | – | Credit spread (bps) | – | – |
| Other loans | Discounted cash flow model | 635 | – | Credit spread (bps) | 99 | 2,470 |
| **Debt securities** | | **1,996** | **2** | | – | – |
| Interest-rate-related transactions | Spread based model | 1,996 | 2 | Credit spread (bps) | 100 | 500 |
| of which: ABS | Discounted cash flow model | 717 | | Price (%) | 90 % | 110 % |
| **Equity instruments** | | **924** | **–** | | – | – |
| Equity-related transactions | Discounted cash flow model | 924 | – | Price (%) | 90 % | 110 % |
| **Derivatives** | | **906** | **527** | | | |
| Equity-related transactions | Discounted cash flow model | 875 | 251 | IRR (%) | 5 % | 20 % |
| | | – | – | Investment fund volatility | 1 % | 40 % |
| Credit derivatives (incl. PFI and IRS) | Discounted cash flow model | 32 | 276 | Credit spread (bps) | 8 | 2,240 |
| | | – | – | Recovery rate (%) | 0 % | 50 % |
| Interest-rate-related transactions | Option pricing model | – | – | IR-FX correlation (%) | 20 % | 40 % |
| Other transactions | | – | – | | – | – |
| **Total** | | **5,059** | **529** | | | |

| €m | | 31.12.2020 | | | 31.12.2020 | |
|---|---|---|---|---|---|---|
| | **Valuation techniques** | **Assets** | **Liabilities** | **Significant unobservable input parameters** | **Range** | |
| **Loans and advances** | | **1,547** | **–** | | **–** | **–** |
| Repos | Discounted cash flow model | 656 | – | Repo-curve (bps) | 26 | 56 |
| Ship financing | Discounted cash flow model | 20 | – | Credit spread (bps) | 550 | 1,900 |
| Other loans | Discounted cash flow model | 871 | – | Credit spread (bps) | 100 | 3,300 |
| **Debt securities** | | **1,316** | **–** | | **–** | **–** |
| Interest-rate-related transactions | Spread based model | 1,316 | – | Credit spread (bps) | 100 | 500 |
| of which: ABS | Spread based model | 677 | – | Credit spread (bps) | 100 | 500 |
| **Equity instruments** | | **633** | **–** | | **–** | **–** |
| Equity-related transactions | Discounted cash flow model | 633 | – | Price (%) | 90 % | 110 % |
| **Derivatives** | | **1,312** | **753** | | **–** | **–** |
| Equity-related transactions | Discounted cash flow model | 987 | 339 | IRR (%) | 5 % | 20 % |
| | Option pricing model | – | – | Investment fund volatility | 1 % | 40 % |
| Credit derivatives (incl. PFI and IRS) | Discounted cash flow model | 319 | 243 | Credit spread (bps) | 100 | 2,150 |
| | | – | – | Recovery rate (%) | 0 % | 80 % |
| Interest-rate-related transactions | Option pricing model | 6 | 171 | IR-FX correlation (%) | – 30 % | 68 % |
| Other transactions | | – | – | | – | – |
| **Total** | | **4,808** | **753** | | | |

The table below shows the impact on the income statement of reasonable parameter estimates on the edges of these ranges for instruments in level 3 of the fair value hierarchy. The sensitivity analysis for financial instruments in level 3 of the fair value hierarchy is broken down by type of financial instrument:

| | 31.12.2021 | | |
|---|---|---|---|
| | Positive effects on income statement | Negative effects on income statement | Changed parameters |
| **Loans and advances** | **14** | **– 14** | |
| Repos | 6 | – 6 | Repo curve |
| Ship financing | – | – | Credit spread |
| Other loans | 8 | – 8 | Credit spread |
| **Debt securities** | **40** | **– 40** | |
| Interest-rate-related transactions | 40 | – 40 | Price |
| of which: ABS | 19 | – 19 | Price |
| **Equity instruments** | **5** | **– 5** | |
| Equity-related transactions | 5 | – 5 | Price |
| **Derivatives** | **18** | **– 18** | |
| Equity-related transactions | 18 | – 18 | IRR, price based, investment fund volatility |
| Credit derivatives (incl. PFI and IRS) | 0 | – 0 | Credit spread, recovery rate, price |
| Interest-rate-related transactions | – | – | Price, IR-FX correlation |
| Other transactions | – | – | |

| €m | 31.12.2020 | | |
|---|---|---|---|
| | Positive effects on income statement | Negative effects on income statement | Changed parameters |
| **Loans and advances** | **16** | **–16** | |
| Repos | 7 | –7 | Repo curve |
| Ship financing | – | – | Credit spread |
| Other loans | 9 | –9 | Credit spread |
| **Debt securities** | **31** | **–31** | |
| Interest-rate-related transactions | 31 | –31 | Price |
| of which: ABS | 18 | –18 | IRR, recovery rate, credit spread |
| **Equity instruments** | **7** | **–7** | |
| Equity-related transactions | 7 | –7 | Price |
| **Derivatives** | **15** | **–15** | |
| Equity-related transactions | 12 | –11 | IRR, price based, investment fund volatility |
| Credit derivatives (incl. PFI and IRS) | 3 | –4 | Credit spread, recovery rate, price |
| Interest-rate-related transactions | – | – | Price, IR-FX correlation |
| Other transactions | – | – | |

The selected parameters lie at the extremes of their range of reasonable possible alternatives. In practice, however, it is unlikely that all unobservable parameters would simultaneously lie at the extremes of their range of reasonable possible alternatives. Consequently, the estimates provided are likely to exceed the actual uncertainty in the fair values of these instruments. The purpose of these figures is not to estimate or predict future changes in fair value. The unobservable parameters were either shifted by between 1 % and 10 % as deemed appropriate by our independent valuation experts for each type of instrument or a measure of standard deviation was applied.

#### Day one profit or loss

The Commerzbank Group has entered into transactions where the fair value was calculated using a valuation model, where not all material input parameters were observable in the market. The initial carrying value of such transactions is the fair value. The difference between the transaction price and the fair value under the model is termed the "day one profit or loss". The day one profit or loss is not recognised immediately in the income statement but over the term of the transaction. As soon as there is a quoted market price on an active market for such transactions or all material input parameters become observable, the accrued day one profit or loss is immediately recognised in the income statement in the net income from financial assets and liabilities measured at fair value through profit or loss. A cumulated difference between the transaction price and fair value determined by the model is calculated for the level 3 items in all categories. Material impacts result only from financial instruments held for trading.

The amounts changed as follows:

| €m | Day-One Profit or Loss | | |
|---|---|---|---|
| | Financial assets – Held for trading | Financial liabilities – Held for trading | Total |
| **Balance as at 1.1.2020** | **–** | **24** | **24** |
| Allocations not recognised in income statement | – | – | – |
| Reversals recognised in income statement | – | – 10 | – 10 |
| **Balance as at 31.12.2020** | **–** | **14** | **14** |
| Allocations not recognised in income statement | – | 0 | 0 |
| Reversals recognised in income statement | – | – 6 | – 6 |
| **Balance as at 31.12.2021** | **–** | **8** | **8** |

#### b) Financial instruments measured at amortised cost

IFRS 7 additionally requires disclosure of the fair values for financial instruments not recognised in the balance sheet at fair value. The measurement methodology to determine fair value in these cases is explained below.

The standard requires that transaction costs also be taken into account when initially measuring assets that will not be measured at fair value in subsequent measurements. These costs include the additional expenses incurred associated with the acquisition, issue or disposal of a financial asset or a financial liability. The transaction costs do not include premiums and discounts, finance costs, internal operating costs or holding costs.

The nominal value of financial instruments that fall due on a daily basis is taken as their fair value. These instruments include cash on hand and cash on demand, as well as overdrafts and demand deposits. We allocate these to level 2. Market prices are not available for loans, as there are no organised markets for trading these financial instruments. In the case of loans, the Bank therefore applies a discounted cash flow model.

The cash flows are discounted using a risk-free interest rate plus premiums for risk costs, refinancing costs, operating expenses and equity costs. The risk-free interest rate is determined based on swap rates (swap curves) that match the corresponding maturities and currencies. These can usually be derived from external data.

In addition, the Bank applies a premium in the form of a calibration constant that includes a profit margin. The profit margin is reflected in the model valuation of loans such that fair value as at the initial recognition date corresponds to the disbursement amount.

Data on the credit risk costs of major banks and corporate customers are available in the form of credit spreads, making it possible to classify them as level 2. If no observable input parameters are available, it may also be appropriate to classify the fair value of loans as level 3.

In the case of securities accounted for in the amortised cost category of IFRS 9, fair value is determined based on available market prices (level 1), assuming an active market exists. If there is no active market, recognised valuation methods are to be used to determine the fair values. In general, an asset swap pricing model is used for the valuation. The parameters applied comprise yield curves and the asset swap spreads of comparable benchmark instruments. Depending on the input parameters used (observable or not observable), classification is made at level 2 or level 3.

For deposits, a discounted cash flow model is generally used for determining fair value, since market data are usually not available. In addition to the yield curve, own credit spread and a premium for operating expenses are also taken into account. Since credit spreads of the respective counterparties are not used in the measurement of liabilities, they are usually classified as level 2. In the case of non-observable input parameters, classification at level 3 may also be appropriate.

The fair value of debt securities issued is determined on the basis of available market prices. If no prices are available, the discounted cash flow model is used to determine the fair values. A number of different factors, including current market interest rates, own credit spread and capital costs, are taken into account in determining fair value.

If available market prices are applied, they are to be classified as level 1. Otherwise, classification at level 2 normally applies, since valuation models rely to a high degree on observable input parameters.

| 31.12.2021 \| €bn | Fair value | Carrying amount | Difference | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|
| **Assets** | **349.3** | **349.7** | **– 0.4** | **10.7** | **83.8** | **254.8** |
| Cash on hand and cash on demand | 49.5 | 49.5 | – | – | 49.5 | – |
| Financial assets – Amortised cost | 299.3 | 299.2 | 0.1 | 10.7 | 33.8 | 254.8 |
| Loans and advances | 267.2 | 265.0 | 2.2 | – | 18.2 | 249.0 |
| Debt securities | 32.1 | 34.2 | – 2.0 | 10.7 | 15.6 | 5.8 |
| Value adjustment on portfolio fair value hedges | – | 0.5 | – 0.5 | – | – | – |
| Non-current assets held for sale and disposal groups | 0.5 | 0.5 | – | – | 0.5 | – |
| Loans and advances | 0.5 | 0.5 | – | – | 0.5 | – |
| Debt securities | – | – | – | – | – | – |
| **Liabilities** | **377.4** | **374.8** | **2.6** | **31.0** | **343.3** | **3.1** |
| Financial liabilities – Amortised cost | 376.8 | 374.0 | 2.8 | 31.0 | 342.7 | 3.1 |
| Deposits | 335.1 | 334.6 | 0.5 | – | 333.4 | 1.7 |
| Debt securities issued | 41.6 | 39.4 | 2.3 | 31.0 | 9.2 | 1.4 |
| Value adjustment on portfolio fair value hedges | – | 0.2 | – 0.2 | – | – | – |
| Liabilities of disposal groups | 0.6 | 0.6 | – | – | 0.6 | – |
| Deposits | 0.6 | 0.6 | – | – | 0.6 | – |
| Debt securities issued | – | – | – | – | – | – |

| 31.12.2020[1] \| €bn | Fair value | Carrying amount | Difference | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|
| **Assets** | **371.5** | **369.5** | **1.9** | **11.4** | **113.5** | **246.5** |
| Cash on hand and cash on demand | 75.6 | 75.6 | – | – | 75.6 | – |
| Financial assets – Amortised cost | 295.8 | 292.1 | 3.7 | 11.4 | 37.9 | 246.5 |
| Loans and advances[1] | 263.8 | 258.2 | 5.6 | – | 22.3 | 241.5 |
| Debt securities | 32.0 | 34.0 | – 1.9 | 11.4 | 15.6 | 5.1 |
| Value adjustment on portfolio fair value hedges | – | 1.8 | – 1.8 | – | – | – |
| Non-current assets held for sale and disposal groups | 0.0 | 0.0 | – | – | 0.0 | – |
| Loans and advances | 0.0 | 0.0 | – | – | 0.0 | – |
| Debt securities | – | – | – | – | – | – |
| **Liabilities** | **400.3** | **399.2** | **1.1** | **31.1** | **366.5** | **2.6** |
| Financial liabilities – Amortised cost[1] | 400.2 | 397.7 | 2.5 | 31.1 | 366.5 | 2.6 |
| Deposits | 356.0 | 355.7 | 0.2 | 0.0 | 354.9 | 1.1 |
| Debt securities issued | 44.2 | 42.0 | 2.3 | 31.1 | 11.6 | 1.6 |
| Value adjustment on portfolio fair value hedges | – | 1.4 | – 1.4 | – | – | – |
| Liabilities of disposal groups | 0.0 | 0.0 | – | – | 0.0 | – |
| Deposits | 0.0 | 0.0 | – | – | 0.0 | – |
| Debt securities issued | – | – | – | – | – | – |

[1] Prior-year figures adjusted due to restatements (see Note 4).

### (37) Information on netting of financial instruments

Below we present the reconciliation of gross amounts before netting to net amounts after netting, as well as the amounts for existing netting rights that do not meet the accounting criteria for netting – separately for all financial assets and liabilities carried on the balance sheet that

- are already netted in accordance with IAS 32.42 (financial instruments I), and are
- subject to an enforceable, bilateral master netting agreement or a similar agreement but are not netted in the balance sheet (financial instruments II).

For the netting agreements, we conclude master agreements with our counterparties, e.g. 1992 ISDA Master Agreement (Multicurrency – Cross Border) and German Master Agreement for Financial Futures. By means of such netting agreements, the positive and negative fair values of the derivatives contracts included under a master agreement can be offset against one another. This netting process reduces the credit risk to a single net claim on the party to the contract (close-out netting).

We apply netting to receivables and liabilities from genuine repurchase agreements (reverse repos and repos) with central and bilateral counterparties, provided they have the same term. OTC derivatives with customers and cleared own portfolios are likewise netted.

| **Assets** \| €m | **31.12.2021** | | **31.12.2020** | |
|---|---|---|---|---|
| | **Reverse repos** | **Positive fair values of derivative financial instruments** | **Reverse repos** | **Positive fair values of derivative financial instruments** |
| Gross amount of financial instruments | 42,673 | 92,449 | 39,826 | 174,699 |
| Book values not eligible for netting | 13,484 | 2,913 | 10,335 | 4,172 |
| a) Gross amount of financial instruments I and II | 29,188 | 89,537 | 29,491 | 170,527 |
| b) Amount netted in the balance sheet for financial instruments I[1] | 19,288 | 56,781 | 16,379 | 125,221 |
| c) Net amount of financial instruments I and II = a) – b) | 9,900 | 32,756 | 13,113 | 45,306 |
| d) Master agreements not already accounted for in b) | | | | |
| Amount of financial instruments II which do not fulfill or only partially fulfil the criteria under IAS 32.42[2] | 1,307 | 18,586 | 1,544 | 27,131 |
| Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)[3] | | | | |
| Non-cash collateral[4] | 3,574 | 9 | 7,008 | – |
| Cash collateral | 4,074 | 5,287 | 2,481 | 8,241 |
| e) Net amount of financial instruments I and II = c) – d) | 945 | 8,874 | 2,081 | 9,934 |
| f) Fair value of financial collateral of central counterparties relating to financial instruments I | 709 | 76 | 1,827 | 88 |
| g) Net amount of financial instruments I and II = e) – f) | 236 | 8,798 | 254 | 9,846 |

[1] Of which for positive fair values €5,174m (previous year: €5,931m) is attributable to variation margins.
[2] Lesser amount of assets and liabilities.
[3] Excluding rights or obligations to return arising from the transfer of securities.
[4] Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

| **Liabilities** \| €m | **31.12.2021** | | **31.12.2020** | |
|---|---|---|---|---|
| | **Repos** | **Negative fair values of derivative financial instruments** | **Repos** | **Negative fair values of derivative financial instruments** |
| Gross amount of financial instruments | 35,629 | 94,990 | 33,171 | 173,333 |
| Book values not eligible for netting | 9,612 | 1,815 | 6,941 | 1,844 |
| a) Gross amount of financial instruments I and II | 26,016 | 93,175 | 26,230 | 171,489 |
| b) Amount netted in the balance sheet for financial instruments I[1] | 19,288 | 56,491 | 16,379 | 123,039 |
| c) Net amount of financial instruments I and II = a) – b) | 6,728 | 36,684 | 9,852 | 48,450 |
| d) Master agreements not already accounted for in b) | | | | |
| Amount of financial instruments II which do not fulfil or only partially fulfil the criteria under IAS 32.42[2] | 1,307 | 18,586 | 1,544 | 27,131 |
| Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)[3] | | | | |
| Non-cash collateral[4] | – | – | 1,940 | 7 |
| Cash collateral | 2,392 | 8,706 | 3,871 | 10,776 |
| e) Net amount of financial instruments I and II = c) – d) | 3,029 | 9,392 | 2,497 | 10,536 |
| f) Fair value of financial collateral of central counterparties relating to financial instruments I | 2,802 | 47 | 2,493 | 27 |
| g) Net amount of financial instruments I and II = e) – f) | 227 | 9,345 | 4 | 10,509 |

[1] Of which for negative fair values €5,463m (previous year: €8,112m) is attributable to variation margins.
[2] Lesser amount of assets and liabilities.
[3] Excluding rights or obligations to return arising from the transfer of securities.
[4] Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

**(38) Maturities of assets and liabilities (including financial obligations)**

The table below lists all assets and liabilities (except for positive and negative fair values of derivative financial instruments) classified by whether they are short-term or long-term. The residual term or the time of anticipated realisation or fulfilment is defined as short-term if the period between the reporting date and the instrument's maturity date is less than one year. Financial instruments without contractual maturities, cash on hand and cash on demand, assets and liabilities held for sale and current taxes on income are classified as short-term items. By contrast, holdings in companies accounted for using the equity method, intangible assets, fixed assets, investment properties and deferred taxes are generally classified as long-term items. When classifying other assets and other liabilities we make an assessment for the main items. For information on how the maturities of the main types of provisions are classified, please refer to Note 58.

| €m | 31.12.2021 | | 31.12.2020[1] | |
|---|---|---|---|---|
| | Short-term | Long-term | Short-term | Long-term |
| Cash on hand and cash on demand | 49,507 | – | 75,603 | – |
| Financial assets – Amortised cost | 81,670 | 217,511 | 81,583 | 210,559 |
| Financial assets – Fair value OCI | 3,630 | 36,486 | 5,700 | 37,161 |
| Financial assets – Mandatorily fair value P&L | 23,444 | 4,989 | 24,857 | 3,819 |
| Financial assets – Held for trading | 38,656 | 5,134 | 47,752 | 4,423 |
| Holdings in companies accounted for using the equity method | – | 175 | – | 169 |
| Intangible assets | – | 1,243 | – | 1,420 |
| Fixed assets | – | 2,881 | – | 3,208 |
| Investment properties | – | 41 | – | 13 |
| Non-current assets held for sale and disposal groups | 830 | – | 2,040 | – |
| Current tax assets | 222 | – | 130 | – |
| Deferred tax assets | – | 3,130 | – | 2,693 |
| Other assets | 2,572 | 80 | 3,520 | 82 |
| **Total** | **200,530** | **271,668** | **241,186** | **263,548** |
| Financial liabilities – Amortised cost | 270,579 | 103,397 | 291,321 | 106,404 |
| Financial liabilities – Fair value option | 16,213 | 3,522 | 16,831 | 3,273 |
| Financial liabilities – Held for trading | 31,732 | 1,225 | 42,439 | 405 |
| Provisions | 3,497 | 255 | 2,606 | 513 |
| Current tax liabilities | 549 | – | 448 | – |
| Deferred tax liabilities | – | 13 | – | 10 |
| Liabilities of disposal groups | 730 | – | 2,051 | – |
| Other liabilities | 4,436 | 252 | 5,471 | 375 |
| **Total** | **327,738** | **108,663** | **361,166** | **110,980** |

[1] Prior-year figures adjusted due to restatements (see Note 4) and adjusted values.

In the maturity breakdown, we show the residual terms of non-derivative financial obligations that are subject to contractual maturities. The values are presented based on undiscounted cash flows. As a result, a reconciliation with the values in the balance sheet is not possible. Derivative obligations – held for trading are reported in the shortest maturity range. Negative fair values of derivative hedging instruments are reported on the basis of their fair values in the relevant maturity range. The residual term is defined as the period between the reporting date and the contractual maturity date of the financial instruments. We present information on the management of liquidity risks in the Group management report.

| **31.12.2021** | **Residual terms** | | | |
|---|---|---|---|---|
| €m | **up to 3 months** | **3 months up to 1 year** | **1 year up to 5 years** | **over 5 years** |
| Financial liabilities – Amortised cost | 260,013 | 12,059 | 79,083 | 28,918 |
| Financial liabilities – Fair value option | 15,290 | 956 | –78 | 4,186 |
| Financial liabilities – Held for trading | 915 | 465 | 2 | – |
| Derivatives – Held for trading | 31,575 | – | – | – |
| Negative fair values of derivative hedging instruments | 2 | 18 | 471 | 6,325 |
| Financial guarantees | 2,203 | – | – | – |
| Irrevocable lending commitments | 80,905 | – | – | – |
| Leasing liabilities | 90 | 343 | 978 | 671 |
| **Total** | **390,991** | **13,842** | **80,456** | **40,101** |

| **31.12.2020** | **Residual terms** | | | |
|---|---|---|---|---|
| €m | **up to 3 months** | **3 months up to 1 year** | **1 year up to 5 years** | **over 5 years** |
| Financial liabilities – Amortised cost | 280,360 | 12,561 | 72,804 | 34,910 |
| Financial liabilities – Fair value option | 16,257 | 407 | 64 | 3,446 |
| Financial liabilities – Held for trading | 413 | 0 | 2 | – |
| Derivatives – Held for trading | 42,429 | – | – | – |
| Negative fair values of derivative hedging instruments | 20 | 11 | 183 | 5,679 |
| Financial guarantees | 2,107 | – | – | – |
| Irrevocable lending commitments | 85,717 | – | – | – |
| Leasing liabilities | 88 | 346 | 989 | 780 |
| **Total** | **427,390** | **13,325** | **74,041** | **44,815** |

## (39) Transferred financial assets and collateral pledged for own liabilities

Repo transactions combine the spot purchase or sale of securities with their forward sale or repurchase, the counterparty being identical in both cases. The securities sold under repurchase agreements (spot sale) continue to be recognised and measured in the Group balance sheet as part of the securities portfolio in accordance with the category to which they are assigned. The securities are not derecognised as we retain all risks and opportunities connected with the ownership of the security sold under the repurchase agreement. The same risks and opportunities that apply to non-transferred financial assets thus also apply to financial assets that have been transferred but not derecognised.

We conduct securities lending transactions with other banks and customers in order to meet delivery commitments or to enable us to effect securities repurchase agreements. We report these transactions in a similar manner to securities repurchase transactions. Securities lent remain in our securities portfolio and are measured and categorised according to the rules of IFRS 9. Borrowed securities do not appear in the balance sheet, nor are they valued. In securities lending transactions, the counterparty credit risk can be avoided by obtaining collateral, which may be provided in the form of cash, for example. Collateral furnished for a lending transaction is referred to as “cash collateral out” and collateral received as “cash collateral in”. In addition, cash collateral is deposited or received in connection with derivative transactions.

The following assets were pledged as collateral for liabilities:

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| Own assets | 59,660 | 62,511 | – 4.6 |
| Loans and advances | 31,206 | 32,226 | – 3.2 |
| of which: cash securities from OTC transactions | 9,229 | 11,531 | – 20.0 |
| Debt securities | 28,448 | 30,281 | – 6.1 |
| Equity instruments | 5 | 4 | 26.4 |
| Other securities | – | – | . |
| Repledged securities | 35,624 | 34,372 | 3.6 |
| Securities lending transactions | 1,626 | 2,144 | – 24.2 |
| Securities repo-business | 27,987 | 27,182 | 3.0 |
| Certificate business | – | – | . |
| Variation margin | 2,520 | 2,391 | 5.4 |
| Central bank transactions (excluding repo business) - effective utilisation | 3,492 | 2,655 | 31.5 |
| **Total** | **95,284** | **96,883** | **– 1.7** |

No restrictions apply to the equity instruments totalling €5m or the securitised debt securities in the amount of €6,759m.

The assets pledged by the Commerzbank Group are attributable to the following own liabilities:

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| Derivatives/Financial liabilities – Held for trading | 11,888 | 14,152 | – 16.0 |
| Deposits | 74,914 | 71,373 | 5.0 |
| Debt securities issued | – | – | . |
| Return commitments for securities from lending transactions | 3,607 | 3,817 | – 5.5 |
| **Total** | **90,409** | **89,342** | **1.2** |

**(40) Collateral received**

The fair value of collateral received for which the Bank has a right to sell on or pledge even where the provider does not default, mainly consisting of repo transactions and securities lending transactions, was as follows:

| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| Total received securities | 54,892 | 52,137 | 5.3 |
| of which: sold or repledged | 37,168 | 35,249 | 5.4 |

**(41) Financial assets which have been transferred but not derecognised (own holdings)**

The financial assets which have been transferred but not derecognised in the Bank's own holdings consist of reverse repo transactions and securities lending transactions and were as follows:

| 31.12.2021 \| €m | Held for trading | Mandatorily fair value P&L | Fair value OCI | Amortised cost |
|---|---|---|---|---|
| Carrying amount of securities transferred | 802 | – | 3,506 | 873 |
| Carrying amount of associated liabilities | 817 | – | 3,439 | 1,035 |
| Fair value of securities transferred | 802 | – | 3,506 | 1,092 |
| Fair value of associated liabilities | 817 | – | 3,439 | 1,035 |
| **Net position** | **– 15** | **–** | **68** | **– 163** |

| 31.12.2020 \| €m | Held for trading | Mandatorily fair value P&L | Fair value OCI | Amortised cost |
|---|---|---|---|---|
| Carrying amount of securities transferred | 715 | – | 2,069 | 1,037 |
| Carrying amount of associated liabilities | 712 | – | 2,060 | 1,090 |
| Fair value of securities transferred | 715 | – | 2,069 | 1,304 |
| Fair value of associated liabilities | 712 | – | 2,060 | 1,090 |
| **Net position** | **2** | **–** | **9** | **– 53** |

## Derivatives and hedging relationships

### (42) Derivatives

A derivative is a financial instrument with a value determined by an "underlying asset". The underlying asset may, for example, be an interest rate, commodity price, share price, foreign exchange rate or bond price. The financial instrument does not require any initial net investment or an initial investment that is smaller than would be required for other types of instrument expected to have a similar response to changes in market factors. It is settled at a future date.

Most of the derivatives transactions involve OTC derivatives, with a nominal amount, maturity and price which are agreed individually between the Bank and its counterparties. However, the Bank also concludes derivatives contracts on regulated stock exchanges. These are standardised contracts with standardised nominal amounts and settlement dates.

The nominal amount shows the volume traded by the Bank. The positive and negative fair values, however, are the expenses which would be incurred by the Bank or the counterparties to replace the contracts originally concluded with transactions of an equivalent financial value. From the Bank's point of view, a positive fair value thus indicates the maximum potential counterparty-specific default risk present from derivative transactions on the reporting date.

In order to minimise both the economic and regulatory credit risk arising from these instruments, we conclude master agreements (bilateral netting agreements) with our counterparties (such as 1992 ISDA Master Agreement Multi-Currency Cross-Border; German Master Agreement for Financial Futures). By means of such bilateral netting agreements, the positive and negative fair values of the derivatives contracts included under a master agreement can be offset against one another, and the future regulatory risk add-ons for these products can be reduced. This netting process reduces the credit risk to a single net claim on the party to the contract (close-out netting).

For both regulatory reports and the internal measurement and monitoring of our credit commitments, we use such risk-mitigating techniques only where we consider them enforceable in the jurisdiction in question if the counterparty should become insolvent. We obtain legal opinions from various international law firms in order to verify enforceability.

Similar to the master agreements are the collateral agreements (e.g. collateralisation annex for financial futures contracts, Credit Support Annex), which we conclude with our business partners to secure the net claim or liability remaining after netting (receiving or furnishing of collateral). As a rule, this collateral management reduces credit risk by means of prompt – usually daily or weekly – measurement and adjustment of the customer exposure.

The total effect of netting amounted to €61,955m as at 31 December 2021 (previous year: €131,151m). On the assets side, €56,781m of this was attributable to positive fair values (previous year: €125,220m), and to claims for variation margins €5,174m (previous year: €5,931m). Netting on the liabilities side involved negative fair values of €56,492m (previous year: €123,039m) and liabilities for variation margins payable of €5,463m (previous year: €8,112m).

As at the reporting date, the outstanding volume of the Commerzbank Group's transactions as a protection buyer and seller amounted to €13,748m (previous year: €14,048m) and €9,411m (previous year: €8,325m). We employ these products, which are used to transfer credit risk, both for arbitrage purposes in trading and in the banking book for diversifying our loan portfolios.

**(43) Hedging relationships**

IFRS 9 contains changes for hedge accounting. These new rules aim to improve the harmonisation between the accounting treatment of hedging relationships and (economic) risk management. However, with the issue of IFRS 9 the IASB has not yet completed the revision of this regulatory area. The IASB is developing the accounting model for macro hedges in a separate project. IFRS 9 therefore offers the option to continue to apply the previous provisions of IAS 39 on hedge accounting. Commerzbank is exercising its option to apply the hedge accounting rules of IAS 39 described below.

IAS 39 contains extensive hedge accounting regulations which apply if it can be shown that the hedging instruments – especially derivatives – are employed to hedge risks in the underlying non-trading transactions. Three types of hedge accounting are used:

- Fair value hedge accounting:
  IAS 39 prescribes the use of hedge accounting to avoid a distorted impact on earnings for derivatives which serve to hedge the fair value of assets or liabilities against one or more defined risks. The Group's issuing and lending business and the securities holdings for liquidity management are particularly subject to interest rate risk when fixed-income securities are involved. Interest rate swaps are primarily used to hedge these risks. Use is also made of swaptions, inflation swaps, forwards and, to a limited extent, of other structured derivatives.
  The derivative financial instruments used for hedging purposes are recognised at fair value as fair values of derivative hedging instruments. Any changes in the fair value of the hedged asset or hedged liability resulting from an opposite move in the hedged risk are also recognised in the balance sheet. Offsetting changes on remeasurement associated with the hedging instruments and the hedged underlying transactions are recognised in the income statement as net income from hedge accounting. Any portion of the changes in fair value that are not attributable to the hedged risk is accounted for in accordance with the rules of the valuation category to which the hedged asset or liability belongs.
  For interest rate risks fair value hedge accounting can either be a micro fair value hedge or a portfolio fair value hedge.
  - In micro fair value hedge accounting an underlying transaction is linked with one or more hedging transactions in a hedging relationship. The carrying amounts of the hedged transactions are adjusted through profit or loss in the event of changes in fair value attributable to the hedged risk.
  - In a portfolio fair value hedge, interest rate risks are hedged at the portfolio level. It is not individual transactions or groups of transactions with a similar risk structure that are hedged, but, rather, a quantity of underlying transactions in a portfolio grouped by maturity bands in accordance with the expected repayment and interest adjustment dates. Portfolios may contain only assets, only liabilities, or a mixture of both. In this type of hedge accounting, changes in the fair value of the underlying transactions are reported in the balance sheet as a separate asset or liability item.
- Cash flow hedge accounting:
  The use of cash flow hedge accounting also serves to avoid a distorted impact on profit or loss for derivatives which serve to hedge the risk of a change in future cash flows. Interest rate swaps are primarily used to hedge these cash flows. Derivatives used in cash flow hedge accounting are measured at fair value. The effective portion of gains and losses are recognised net of deferred taxes in the cash flow hedge reserve under equity. The ineffective portion, on the other hand, is reported in the income statement in net income from hedge accounting. The general accounting rules set out above for the underlying transactions of the hedged cash flows remain unchanged by this.
- Net investment hedge accounting:
  By applying net investment hedge accounting, effects on profit or loss from foreign currency hedging transactions are avoided to the extent that they serve to hedge a net investment in a foreign currency. Commerzbank applies net investment hedge accounting to avoid currency effects from shipping company investments. The effective portion of the net remeasurement gain or loss is recognised directly in equity in the currency reserve after taking deferred taxes into account.

The application of hedge accounting rules is tied to a number of conditions. These relate above all to the documentation of the hedging relationship and also to its effectiveness.

The hedge must be documented at inception. Documentation must include in particular the identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged and how effectiveness of the hedge is assessed. Besides the documentation, IAS 39 also requires evidence of an effective hedge for the entire period of the hedging relationship in order to apply hedge accounting rules. Effectiveness in this context means the relationship between the change in fair value or cash flow of the hedged item and the offsetting change in fair value or cash flow of the hedging instrument. If these changes offset each other almost fully, a high degree of effectiveness exists. Proof of effectiveness requires, firstly, that a high degree of effectiveness can be expected from a hedge in the future (prospective effectiveness). Secondly, when a hedge exists, it must be demonstrated that it was highly effective during the period under review (retrospective effectiveness). Both the retrospective and prospective effectiveness must be within a range of 0.8 to 1.25.

Commerzbank uses the statistical method of regression analysis to assess effectiveness in micro fair value hedge accounting. The changes in fair value of the hedged transaction and the hedging instrument are determined by means of historical simulations for the prospective effectiveness test, while the actual changes in fair value are used for the retrospective effectiveness test. Regression analysis is also used for the prospective effectiveness test in portfolio fair value hedge accounting, while the dollar-offset method is used for the retrospective effectiveness test.

Commerzbank’s hedge accounting includes hedges against interest rate risk, inflation risk and full fair value risk.

Interest rate risks arise from the fact that asset and liability portfolios consist of variable and fixed cash flows that lead to fluctuating net interest income in the event of interest rate changes. At Commerzbank, this relates to commercial business as well as liquidity, investment and issuing portfolios.

Interest rate risk is managed centrally by the Treasury function of Commerzbank based on an aggregated net interest rate risk position. For this purpose, it is transferred daily to Treasury using an internal interest transfer price. Other components of fair value, such as credit/margin and liquidity components, are not included in the internal interest transfer price. Interest rate risk hedging is carried out using interest rate derivatives, most of which are traded internally, with the aim of keeping the interest rate risk within specified risk limits. Risks arising from internally traded derivatives can be externalised by central swap trading in the Corporate Clients segment, so as to keep their interest rate risk position within the prescribed limits.

For certain holdings in the investment portfolio, inflation risk hedging or full fair value hedging is also carried out.

Commerzbank applies micro fair value hedge accounting (MFVH) when Treasury also hedges the interest rate risk or full fair value risk economically at the micro level. Hedges in the IFRS micro fair value hedging relationships are generally based on economic hedge accounting. Portfolio fair value hedge accounting (PFVH) is used for the remaining interest rate risk position. For this purpose, external derivatives are selected based on their net risk position (NRP), and their changes in fair value are compared with the changes in fair value of the allocated hedged items – likewise based on their NRP.

In hedge accounting for interest rate risk hedges, the benchmark for the risk to be hedged for most currencies is the respective 3-month reference interest rate for the position currency (3M Euribor curve for EUR transactions). Positions in the currencies British pound (GBP), Swiss franc (CHF) and Japanese yen (JPY) were switched to the relevant overnight (OIS) rate as part of the IBOR reform. For micro fair value hedge accounting, a fair value based on interest rate risk is determined, and the future interest and nominal payments are discounted using the defined interest rate risk curve. In portfolio fair value hedge accounting, the future cash flows for the commercial transaction are derived from the internal interest transfer price and also discounted using the defined yield curve.

Commerzbank’s portfolio fair value hedge accounting is closely aligned to economic interest rate risk management. The underlying transactions to be hedged mainly derive from the Bank’s commercial business, and form a dynamic portfolio which changes continuously in the individual maturity bands as a result of new business or the shift of the overall portfolio into shorter maturity bands. The derivative net risk position generates either payer or recipient positions for each maturity band, to which assets or liabilities in the respective maturity bands are allocated. The portfolio hedge relationships are usually designated for a two-week period. They are then closed down and a redesignation is made based on the changed overall portfolio.

Within Commerzbank’s micro and portfolio fair value hedge accounting, the causes of ineffective hedging lie primarily in the risk contained in the measurement of the fair value of the hedging instruments – mainly interest rate swaps – which cannot be used in determining the fair value of the hedged item. As a result, the changes in fair value of the respective hedging instrument are not fully offset by the changes in fair value of the hedged item, even though the hedging relationship is fully hedged economically. The most significant risk in this context is the basis risk, in particular the tenor basis risk.

Commerzbank holds a portfolio of inflation-linked bonds issued by utility companies under the UK private finance initiative (PFI), for which risk management focuses on changes in fair value resulting from fluctuations in GBP interest rates and implicit inflation expectations of the UK Retail Price Index (UK RPI). Risk management is based on the use of a portfolio of simple fixed-for-float GBP interest rate swaps and simple zero coupon inflation swaps, settled in each case generally through the London Clearing House. The primary sensitivity of zero coupon inflation swaps relates to fluctuations in UK RPI swap rates, and they are used to hedge changes in the value of the inflation-linked bonds resulting from fluctuations in inflation expectations. Each inflation swap has only one cash flow at maturity. As inflation expectations move up or down, the expected cash flows at maturity will rise or fall to offset changes in the value of the inflation-linked bonds. The interest rate swaps are used to hedge the sensitivity of the inflation-linked bonds to interest rate risk, with payment dates generally matching those of the inflation-linked bonds during the term.

Commerzbank also applies cash flow hedge accounting to the interest rate risk arising from the volatility of cash flows from a group of similar floating-rate mortgage loans and to the interest rate and foreign-exchange risk arising from the volatility of cash flows from mortgage bonds with cross-currency swaps. The prospective and retrospective effectiveness test is based on linear regression. The fair value changes of the hedged transactions are determined using the “hypothetical derivative” method. Ineffectiveness mainly arises from fair value adjustments (credit and debit valuation adjustments) which are taken into account only in the hedging transaction.

**Positive and negative fair values of derivative hedging instruments**

The fair values of derivatives used to hedge underlying transactions against interest rate risk are shown under this item.

| €m[1] | 31.12.2021 | | | 31.12.2020[1] | | |
|---|---|---|---|---|---|---|
| | Positive fair value | Negative fair value | Nominal value | Positive fair value | Negative fair value | Nominal value |
| Micro fair value hedge accounting | 768 | 5,652 | 95,352 | 835 | 5,431 | 94,907 |
| Interest rate swaps | 3,949 | 4,453 | 87,151 | 5,476 | 6,762 | 87,827 |
| Forwards | 7 | 12 | 1,835 | – | 45 | 1,685 |
| Others | 44 | 4,757 | 6,367 | 68 | 3,806 | 5,395 |
| Netting | – 3,232 | – 3,571 | – | – 4,708 | – 5,182 | – |
| Portfolio fair value hedge accounting | 51 | 1,038 | 41,794 | 889 | 447 | 60,284 |
| Interest rate swaps | 1,722 | 1,378 | 38,936 | 2,363 | 5,473 | 46,162 |
| Others | 6 | 0 | 2,858 | 868 | 146 | 14,123 |
| Netting | – 1,677 | – 340 | – | – 2,343 | – 5,172 | – |
| Cash flow hedge accounting | 26 | 122 | 3,697 | 151 | 15 | 3,207 |
| Interest rate swaps | 26 | 114 | 3,571 | 151 | 0 | 3,069 |
| Others | – | 8 | 127 | – | 15 | 138 |
| Net investment hedge | – | 4 | 79 | 3 | – | 41 |
| Interest rate swaps | – | – | – | – | – | – |
| Others | – | 4 | 79 | 3 | – | 41 |
| **Total** | **848** | **6,816** | **140,923** | **1,878** | **5,893** | **158,440** |

[1] Adjusted table

| Nominal values of hedge instruments \| €bn | 2021 | 2020 | Change in % |
|---|---|---|---|
| Cash flow hedge accounting derivatives | 4 | 3 | 15.3 |
| Up to 3 months | 0 | 0 | . |
| Interest rate swaps | 0 | 0 | . |
| Others | 0 | 0 | 57.6 |
| 3 months up to 1 year | 1 | 0 | . |
| Interest rate swaps | 1 | 0 | . |
| Others | 0 | 0 | 39.9 |
| 1 year up to 5 years | 3 | 3 | 7.7 |
| Interest rate swaps | 3 | 3 | 9.5 |
| Others | 0 | 0 | – 50.6 |
| Over 5 years | 0 | 0 | – 86.6 |
| Interest rate swaps | 0 | 0 | – 86.6 |
| Others | – | – | . |
| Micro fair value hedge accounting derivatives | 95 | 95 | 0.5 |
| Up to 3 months | 1 | 2 | – 48.1 |
| Interest rate swaps | 1 | 1 | – 37.6 |
| Forwards | – | 0 | . |
| Others | 0 | 0 | . |
| 3 months up to 1 year | 4 | 2 | 88.1 |
| Interest rate swaps | 4 | 2 | 80.4 |
| Forwards | 0 | – | . |
| Others | 0 | 0 | – 35.2 |
| 1 year up to 5 years | 44 | 39 | 12.1 |
| Interest rate swaps | 41 | 37 | 11.9 |
| Forwards | 2 | 1 | 10.8 |
| Others | 1 | 0 | 30.8 |
| Over 5 years | 47 | 52 | – 10.2 |
| Interest rate swaps | 41 | 47 | – 13.1 |
| Forwards | – | – | . |
| Others | 6 | 5 | 17.8 |
| Portfolio fair value hedge accounting derivatives | 42 | 60 | – 30.7 |
| Up to 3 months | – | 0 | . |
| 3 months up to 1 year | 4 | 8 | – 43.7 |
| 1 year up to 5 years | 17 | 23 | – 26.5 |
| Over 5 years | 21 | 29 | – 29.6 |
| Net investment hedge | 0 | 0 | 95.0 |
| Up to 3 months | – | – | . |
| 3 months up to 1 year | – | – | . |
| 1 year up to 5 years | 0 | 0 | 95.0 |
| Over 5 years | – | – | . |

**Disclosures on underlying transactions in hedge accounting to hedge interest rate and foreign-exchange risks**

| Carrying amount attributable to hedged items | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| €m | Micro fair value hedge | Portfolio fair value hedge | Value changes as basis for recognising hedge ineffective-ness for the period | Micro fair value hedge | Portfolio fair value hedge | Value changes as basis for recognising hedge ineffective_ ness for the period |
| Assets – carrying amount attributable to hedged items | 46,913 | 19,238 | -2,054 | 51,370 | 17,596 | 2,090 |
| Financial assets – Amortised cost | 25,513 | 19,238 | -1,645 | 28,974 | 17,596 | 1,798 |
| Loans and advances | 5,360 | 19,238 | -1,376 | 5,744 | 17,596 | 1,131 |
| Debt securities | 20,152 | – | -269 | 23,229 | – | 667 |
| Financial assets – Fair value OCI | 21,401 | – | -409 | 22,397 | – | 292 |
| Loans and advances | 224 | – | -5 | 284 | – | 2 |
| Debt securities | 21,177 | – | -405 | 22,113 | – | 290 |
| Liabilities – carrying amount attributable to hedged items at amortised cost | 42,086 | 38,789 | -1,780 | 44,636 | 51,301 | 1,307 |
| Deposits and other financial liabilities | 11,440 | 38,789 | -703 | 12,849 | 51,301 | 547 |
| Debt securities issued | 30,646 | – | -1,077 | 31,786 | – | 760 |

| Carrying amount adjustments \| €m | 2021 | | 2020 | |
|---|---|---|---|---|
| | Micro fair value hedge | Portfolio fair value hedge | Micro fair value hedge | Portfolio fair value hedge |
| Assets - Carrying amount value adjustments | 5,681 | 508 | 7,451 | 1,752 |
| Active hedge accounting | 5,407 | 508 | 7,184 | 1,752 |
| Financial assets – Amortised cost | 5,497 | n/a | 6,793 | n/a |
| Loans and advances | 917 | n/a | 1,258 | n/a |
| Debt securities | 4,579 | n/a | 5,535 | n/a |
| Financial assets – Fair value OCI | – 89 | n/a | 391 | n/a |
| Loans and advances | 6 | n/a | 12 | n/a |
| Debt securities | – 95 | n/a | 379 | n/a |
| Inactive hedge accounting | 273 | n/a | 266 | n/a |
| Financial assets – Amortised cost | 276 | n/a | 266 | n/a |
| Loans and advances | 18 | n/a | 24 | n/a |
| Debt securities | 258 | n/a | 242 | n/a |
| Financial assets – Fair value OCI | – 3 | n/a | 0 | n/a |
| Loans and advances | – | n/a | – | n/a |
| Debt securities | – 3 | n/a | 0 | n/a |
| Liabilities - Carrying amount adjustments | – 2,341 | – 209 | – 2,759 | – 1,412 |
| Active hedge accounting | – 2,252 | – 209 | – 2,645 | – 1,412 |
| Deposits and other financial liabilities | – 1,928 | n/a | – 1,636 | n/a |
| Debt securities issued | – 324 | n/a | – 1,008 | n/a |
| Inactive hedge accounting | – 89 | n/a | – 114 | n/a |
| Deposits and other financial liabilities | – 71 | n/a | – 93 | n/a |
| Debt securities issued | – 18 | n/a | – 22 | n/a |

The changes in value of underlying transactions hedged against interest rate risks by means of cash flow hedges amounted to €148m (previous year: €155m).

The changes in value of underlying transactions hedged against interest rate or interest rate / foreign-exchange risks by means of cross-currency swaps amounted to €34m for asset-side (previous year: €16m) and €28m (previous year: €13m) for liability-side underlying transactions.

**Value adjustment on portfolio fair value hedges**

This item contains hedged interest-rate-related positive and negative changes in the fair value of hedged transactions for which portfolio fair value hedge accounting is used. A matching item from hedging transactions is shown on the asset or liabilities side of the balance sheet under the fair values of derivative hedging instruments.

# Information on companies accounted for using the equity method

### (44) Holdings in companies accounted for using the equity method

| | Associated companies | | Joint ventures | |
|---|---|---|---|---|
| €m | 2021 | 2020 | 2021 | 2020 |
| **Equity carrying amount as at 1.1.** | **169** | **177** | **1** | **1** |
| Acquisition cost as at 1.1. | 105 | 109 | 17 | 17 |
| Exchange rate changes | 3 | – 4 | – | – |
| Additions | 2 | – | – | – |
| Disposals | – | – | – | – |
| Reclassifications to non-current assets held for sale and disposal groups | – | – | – | – |
| Other reclassifications/changes in the group of consolidated companies | – 1 | – | – | – |
| Acquisition cost as at 31.12. | 109 | 105 | 17 | 17 |
| Write-ups as at 1.1. | 20 | 18 | – | – |
| Additions | 3 | 2 | – | |
| Disposals | – | – | – | |
| Write-ups as at 31.12. | 23 | 20 | – | |
| Cumulative write-downs as at 1.1. | 30 | 24 | – | – |
| Exchange rate changes | – | – | – | – |
| Additions | – | 6 | – | – |
| Disposals | – | – | – | – |
| Reclassifications to non-current assets held for sale and disposal groups | – | – | – | – |
| Other reclassifications/changes in the group of consolidated companies | – 1 | – | – | – |
| Cumulative write-downs as at 31.12. | 29 | 30 | – | – |
| Cumulative changes from remeasurement using the equity method | 72 | 74 | – 17 | – 17 |
| **Equity carrying amount as at 31.12.** | **174** | **169** | **1** | **1** |
| of which: holdings in banks | 91 | 89 | – | – |

The investments in companies accounted for using the equity method are non-strategic holdings of the Commerzbank Group, which are active mainly in the financial services sector and in leasing and real estate business.

The disclosures in this Note are made on an aggregated basis, for the associated companies and for the joint ventures. A list of all companies accounted for using the equity method is given in Note 72.

In the 2021 financial year €7m (previous year:€8m) in dividends from associated companies accounted for using the equity method was paid. As in the previous year, no dividends flowed directly or indirectly to Commerzbank Aktiengesellschaft from joint ventures accounted for using the equity method.

Where obligations arise from contingent liabilities of companies accounted for using the equity method or discontinued operations at companies accounted for using the equity method, the Commerzbank Group is liable to the extent of its respective ownership interest.

The Commerzbank Group does not have any associated companies or joint ventures that are material for the Group.

# Intangible assets

## (45) Goodwill

### a) Impairment test methodology for goodwill and other intangible assets

All goodwill is allocated to the cash generating units (CGUs) at the time of acquisition. Commerzbank has defined the segments as CGUs in accordance with IFRS 8. Further details on the segments are provided in Note 39. In accordance with IAS 36, these assets are tested for impairment at the level of the CGUs at least annually and if a trigger event occurs. In testing for impairment, the carrying amount of the capital employed in a segment as a CGU (including the attributed goodwill) is compared with the recoverable amount of these assets. The carrying amount of the capital employed is determined by allocating the Group's capital to the CGUs.

First, all directly allocable components are allocated to the segments and then the remaining capital is allocated to the segments in proportion to the total risk-weighted assets. Solely for the purposes of the goodwill impairment test, the Group equity allocated to Others and Consolidation is allocated completely to the other segments based on the ratio of risk-weighted assets to total risk-weighted assets. The recoverable amount is the higher of value in use and fair value less costs of disposal. The value in use is based on the expected results of the unit and the effects on capital according to the multi-year plans of the individual segments approved by the Board of Managing Directors. Also, solely for the purposes of the impairment test, the main expenses in Others and Consolidation are distributed to the segments based on a precise key.

Any non-controlling interests are included in the calculation of the carrying amount and the recoverable amount of the CGU and thus in the excess cover presented below.

### b) Assumptions of the impairment test for goodwill and other intangible assets

There is no longer any goodwill in the 2021 financial year. In the past, the process was as follows.

Commerzbank uses the Capital Asset Pricing Model (CAPM), with inputs mainly from parameters observable on the market, to determine the recoverable amount. The risk-adjusted interest rates deriving from the model are used to discount the expected cash flows of the cash-generating units (CGUs). This gives the recoverable amount, which can be higher or lower than the carrying amount. If the recoverable amount is lower than the carrying amount, Commerzbank initially recognises an impairment on the goodwill of the CGU, if there is any. This is reported under impairments of goodwill and other intangible assets in the income statement. If there is a further shortfall beyond the full impairment of goodwill, other assets of the CGU are tested for additional impairment. If this does not result in any additional impairment requirement for these assets on the basis of the accounting and measurement processes applicable within the Commerzbank Group, the additionally identified shortfall does not result in any impairment loss in the income statement. The expected results of CGU are based on the segments' multi-year planning. In 2020, the delayed strategy process resulted in the usual planning cycle being shifted up to spring 2021. However, the multi-year planning used as the basis for the goodwill impairment test already included measures from the "Commerzbank 2024" strategy announced in February 2021. The multi-year planning covers four detailed planning years, with projection to a further planning year. For the purpose of measuring goodwill, the multi-year planning did not include any effects from planned restructuring measures for which no provision was yet recognised in the 2020 financial year. Financial years beyond this were adjusted to a sustainable level of results, and a constant growth rate based on forecasts for GDP growth and inflation was applied for the calculation of the perpetuity. This factor was 1.6 % in the Private and Small-Business Customers segment. Since the Bank had already prepared an additional planning year beyond the four-year planning period as part of the planning process, this was included in the perpetuity as the starting point for the growth factor. In addition to profitability projections, the multi-year planning also relied on forecasts for risk-weighted assets and capital employed, subject to the regulatory minimum capital ratios. The main value drivers were receivables volumes, net interest income after loan loss provisions and net commission income. Risk-weighted assets were a further sensitive planning parameter. The planning was based on forecasts by Economic Research with regard to key assumptions, taking into account the coronavirus pandemic. Planning was based both on management's past experience and an assessment of risks and opportunities in line with the forecasts, particularly with regard to interest income. In addition, effects of the revised framework of the Basel Committee concerning the existing Basel III regulations – often referred to as "Basel IV" due to the far-reaching changes – were examined in the multi-year planning. The reform package for the standardised calculation of risk-weighted assets and capital floors is to enter into force uniformly on 1 January 2022. Regarding the "output floor", however, a transitional period with gradual phasing in through to 2027 is planned. At Group level, no significant effect is expected from the introduction of Basel IV.

The main management assumptions on which the cash flow forecasts for each CGU were based and the management approach chosen were as follows for the Business Segment Private and Small-Business Customers:

| Segment | Main assumptions | Management approach |
|---|---|---|
| **Private and Small-Business Customers** | Through the new Commerzbank 2024 strategy, the Bank is building on "Commerzbank 5.0" and pushing forward with its digital and personal business model. The integration of comdirect bank Aktiengesellschaft will be used to further develop the digital and personel business model.<br>• Establishment of the most efficient digital bank in the German market with a leading and fully comprehensive mobile offering as a basis for all customers. Scaling up of the digital (product) processes of comdirect bank Aktiengesellschaft to cover the entire customer base.<br>• Positioning of Commerzbank as the preferred no. 1 partner for premium customers by means of greater penetration of the Private Banking, Wealth Management and premium Small-Business Customer segments. Creation of special customer relationship management models for premium customers for focused use of advisory resources.<br>• Analysis of data and use of customer intelligence as an enabler to address customers across all channels in a more targeted and successful way.<br>• Advisory centre as an efficient and effective remote sales channel providing direct customer care and supporting customers with self-service.<br>• Streamlining of the branch network to a target size of around 450 branches, of which around 220 will be premium branches with comprehensive advisory services for premium customers. Increased sales efficiency in conjunction with a new nuanced customer relationship management model and the interplay of all four channels.<br>• End-to-end efficiency and reduction of complexity in processes. Lean and efficient process landscape for key products and service provision.<br>• Expansion and strengthening of Commerz Real's market position, primarily through its lead role as a sustainable digital asset manager and integrated investment service provider.<br>• Continuation of organic growth at mBank based on the further acquisition of young customers and dynamic corporates from forward-looking industries<br>• Cost savings that are dependent on the planned restructuring provisions were not taken into account in the impairment test. This applies in particular to the above-mentioned streamlining of the branch network and the associated staff reductions. | • Central assumptions based on internal analyses and external studies of economic development and the market<br>• Institutionalised customer surveys and measurement of customer satisfaction<br>• Initiatives that are part of the strategy to be based on business plans developed by management<br>• Inclusion of independent benchmark analyses |

Due to the assumptions underlying the cash flow forecasts and the uncertainties that are inevitably involved, the following future circumstances were specified as a non-exclusive list of factors with a negative impact on the cash flow forecasts of the CGUs:

- macroeconomic environment worse than expected especially with regard to economic developments under the influence of the coronavirus pandemic;
- interest rate outturn differs from economic forecast or the Bank's expectations;
- uncertainties about the regulatory environment, particularly the implementation of new rules at the European level;
- greater intensity of competition than assumed;
- worse than expected results from planned strategic measures from Commerzbank 2024.

Risk-adjusted interest rates were calculated on the basis of the risk-free interest rate, the market risk premium and the systematic risk (beta factor). We drew on data from external providers for the risk-free interest rate and the market risk premium. The beta factor was calculated on the basis of segment-specific comparator groups reflecting the specific investment risk of the segments.

**c) Change in goodwill**

In the 2020 financial year, the comparison of the recoverable amount (value in use) and the carrying amount resulted in a shortfall, which, with a recoverable amount of €8,759m, resulted in a full impairment of the goodwill allocated to the CGU PUK of €1,521m. This was mainly due to a deterioration in market parameters, among other things because of the interest rate level in the eurozone and in Poland. A shortfall exceeding the goodwill led to an additional review of further assets of the CGU and ultimately also of the Group assets shared by the CGU ("corporate items"). For all of the assets included in this impairment test, the recoverable amount of the respective asset was higher than its carrying amount. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. For software, the recoverable amount is based on the fair value less costs to sell, since the value in use usually cannot be determined. The Bank generally determines the replacement cost of software in order to determine the fair value less costs to sell.

| | Private and Small Business Customers | | Corporate Clients | | Group | |
|---|---|---|---|---|---|---|
| €m | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Carrying amount as at 1.1.** | **–** | **1,522** | **–** | **–** | **–** | **1,522** |
| Cost of acquisition/production as at 1.1. | – | 1,558 | – | – | – | 1,558 |
| Exchange rate changes | – | – | – | – | – | – |
| Additions | – | – | – | – | – | – |
| Disposals | – | 1,558 | – | – | – | 1,558 |
| Other reclassifications/changes in the group of consolidated companies | – | – | – | – | – | – |
| Cost of acquisition/production as at 31.12. | – | – | – | – | – | – |
| Cumulative write-downs as at 1.1. | – | 36 | – | – | – | 36 |
| Exchange rate changes | – | – | – | – | – | – |
| Additions | – | – | – | – | – | – |
| of which: unscheduled | – | – | – | – | – | – |
| Disposals | – | 36 | – | – | – | 36 |
| Other reclassifications/changes in the group of consolidated companies | – | – | – | – | – | – |
| Cumulative write-downs as at 31.12. | – | – | – | – | – | – |
| **Carrying amount as at 31.12.** | **–** | **–** | **–** | **–** | **–** | **–** |

### (46) Other intangible assets

Other intangible assets primarily comprise purchased and self-programmed software and customer relationships. When assessing whether to recognise the development costs of in-house developed software as an intangible asset, the main criteria applied are the ability to reliably determine the manufacturing costs and the probability of the future flow of benefits. Research costs are not recognised as an asset. Intangible assets are reported at amortised cost. Due to their finite useful economic lives, software and customer relationships are amortised over their prospective useful lives.

| | Expected useful life years |
|---|---|
| Software | up tp 10 |
| Customer relationships | up to 15 |

| | Customer relationships | | In-house developed software | | Purchased software and other intangible assets | |
|---|---|---|---|---|---|---|
| €m | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Carrying amount as at 1.1.** | **13** | **91** | **952** | **1,047** | **455** | **393** |
| Cost of acquisition/production as at 1.1. | 981 | 983 | 2,868 | 2,685 | 1,794 | 1,791 |
| Exchange rate changes | 0 | – 0 | – 0 | – 0 | 2 | – 34 |
| Additions | – | 0 | 361 | 247 | 133 | 217 |
| Disposals | – | 2 | 7 | 75 | 154 | 218 |
| Reclassifications to non-current assets held for sale and disposal groups | – | – | – | 4 | – | 30 |
| Other reclassifications/changes in the group of consolidated companies | – 24 | – | – 5 | 6 | 12 | 7 |
| Cost of acquisition/production as at 31.12. | 957 | 981 | 3,216 | 2,868 | 1,786 | 1,794 |
| Write-ups | – | – | – | – | – | – |
| Cumulative write-downs as at 1.1. | 968 | 892 | 1,916 | 1,638 | 1,339 | 1,398 |
| Exchange rate changes | 0 | – 0 | – 0 | – 0 | 3 | – 20 |
| Additions | 2 | 78 | 527 | 345 | 116 | 122 |
| of which: unscheduled | – | 57 | 212 | 9 | 4 | 1 |
| Disposals | – | 2 | 7 | 73 | 130 | 195 |
| Reclassifications to non-current assets held for sale and disposal groups | – | – | – | 2 | – | 26 |
| Other reclassifications/changes in the group of consolidated companies | – 24 | – | – 7 | 4 | 13 | 7 |
| Cumulative write-downs as at 31.12. | 946 | 968 | 2,430 | 1,916 | 1,341 | 1,339 |
| **Carrying amount as at 31.12.** | **11** | **13** | **786** | **952** | **445** | **455** |

In the 2020 financial year, the customer base recognised as an asset as a result of the acquisition of Dresdner Bank was written down in full. In particular, the change in the level of interest rates, model-related declines in portfolios and higher risk costs had a negative impact on value. The expenses of €57m were reported under impairments of goodwill and other intangible assets in the income statement.

The in-house developed software item in the current financial year contains a derecognition of assets as a one-off effect totalling €200m (see Note 18) in the additions to amortisation.

# Tangible assets

### (47) Fixed assets

The land and buildings, office furniture and equipment, and right of use assets are recognised at cost less scheduled depreciation and any unscheduled write-downs. Impairments are made in an amount by which the carrying value exceeds the higher of fair value less costs to sell and the value in use of the asset. Where the reason for recognising an impairment in previous financial years ceases to apply, the impairment is reversed to no more than depreciated cost.In determining the useful life, the likely physical wear and tear, technical obsolescence and legal and contractual restrictions are taken into consideration. All fixed assets are depreciated largely over the following periods, using the straight-line method

| | Expected useful life years |
|---|---|
| Buildings | 25 - 50 |
| Office furniture and equipment | 3 - 25 |
| Leased equipment – at cost | 1 - 25 |
| Right of use assets | 1 - 15 |

In line with the materiality principle, purchases of low-value fixed assets are recognised immediately as operating expenses. Profits realised on the disposal of fixed assets appear under other income, with losses being shown under other expenses.

| | Land and buildings | | Office furniture and equipment | | Leased equipment | | Right of use assets | |
|---|---|---|---|---|---|---|---|---|
| €m | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Carrying amount as at 1.1.** | **304** | **326** | **406** | **425** | **575** | **701** | **1,923** | **2,034** |
| Cost of acquisition/production as at 1.1. | 674 | 687 | 1,876 | 1,928 | 1,138 | 1,263 | 2,614 | 2,391 |
| Exchange rate changes | – 1 | – 6 | 16 | – 36 | 70 | – 78 | 14 | – 21 |
| Additions | 0 | 0 | 144 | 112 | 30 | 38 | 336 | 319 |
| Disposals | 28 | 2 | 233 | 130 | 71 | 85 | 150 | 77 |
| Reclassifications to non-current assets held for sale and disposal groups | – 77 | – | – 10 | – | – | – | – | – |
| Other reclassifications/changes in the group of consolidated companies | – 43 | – 4 | – 5 | 2 | – | – | – 18 | 3 |
| Cost of acquisition/production as at 31.12. | 526 | 674 | 1,788 | 1,876 | 1,166 | 1,138 | 2,795 | 2,614 |
| Write-ups | – | – | – | – | – | – | – | – |
| Cumulative write-downs as at 1.1. | 371 | 361 | 1,470 | 1,503 | 562 | 562 | 691 | 357 |
| Exchange rate changes | – 0 | – 3 | 16 | – 28 | 43 | – 45 | 3 | – 5 |
| Additions | 11 | 10 | 144 | 107 | 67 | 85 | 383 | 345 |
| of which: unscheduled | 1 | 0 | 1 | 0 | 0 | 0 | – 0 | – |
| Disposals | 12 | 1 | 213 | 114 | 39 | 40 | 21 | 8 |
| Reclassifications to non-current assets held for sale and disposal groups | – 35 | – | – 6 | – 1 | – | – | | – |
| Other reclassifications/changes in the group of consolidated companies | – 27 | 4 | – 6 | 3 | – | – | – 8 | 2 |
| Cumulative write-downs as at 31.12. | 307 | 371 | 1,406 | 1,470 | 634 | 562 | 1,048 | 691 |
| **Carrying amount as at 31.12.** | **219** | **304** | **383** | **406** | **533** | **575** | **1,747** | **1,923** |

The total value of fixed assets in the Commerzbank Group was €2,881m (previous year: €3,208m). of which, as in the previous year, none was pledged as collateral. Beyond this there were no restrictions with regard to rights of disposal.

Implementation of the "Strategy 2024" programme involves the closing of further branches in Germany in 2021 and 2022 and of international locations, as well as giving up properties (rights of use), especially at the Frankfurt/Main location. This leads in part to a shorter remaining useful life of the right of use assets and the office furniture and equipment and thus to increased depreciation, which mainly affects the 2021 and 2022 financial years.

This represents a change in the estimate of the useful life of depreciable assets, with an impact of €95m in the current financial year and for the financial year 2022 of around €40m. The increased depreciation from the restructuring measures is reported under restructuring expenses (see Note 21).

### (48) Investment properties

Investment properties are defined as land and buildings held for the purpose of earning rental income or because they are expected to increase in value. Commerzbank Group also reports properties acquired as a result of the realisation of collateral (rescue purchases) and properties owned by the Commerzbank Group that are let under operating leases in this category. These are primarily commercial properties.

Investment properties are measured at cost including directly attributable transaction costs on initial recognition in accordance with IAS 40. If a property is transferred from fixed assets to investment properties due to a change in use, it is measured at fair value on the initial recognition date. In subsequent measurements, investment properties are measured at fair value. Fair value is generally determined on the basis of valuations conducted by external and internal experts and on prices currently obtainable in the market. Properties used for commercial purposes are usually valued based on capitalised income; individual residential buildings are generally valued using the cost or sales comparison approach. The valuation of the properties using the capitalised income approach is based on standard rental values for the locality, with discounts for management, acquisition costs and vacancy rates, and on remaining useful lives and land values. In some cases, contractually agreed rents are also used. The property yield, which is a further input in the valuation process, takes account of the market interest rate level and the specific property and location risk attaching to the property. The main parameters observable on the market are local rent levels and property yields.

Current income and expenses are recognised in other net income. Remeasurement changes arising from changes in fair value are also shown under other net income in the income statement for the period.

The properties held as investments in the amount of €41m (previous year: €13m) were classified at fair value hierarchy level 3 and developed as follows:

| €m | 2021 | 2020 |
|---|---|---|
| **Carrying amount as at 1.1.** | **13** | **13** |
| Cost of acquisition/production as at 1.1. | 23 | 194 |
| Exchange rate changes | – | – |
| Additions | – | – |
| Disposals | – | 172 |
| Changes in the group of consolidated companies | – | – |
| Reclassifications | 28 | – |
| Reclassifications to non-current assets held for sale and disposal groups | – | – |
| Cost of acquisition/production as at 31.12. | 50 | 23 |
| Cumulative changes from remeasurement at fair value | – 10 | – 10 |
| **Carrying amount as at 31.12.** | **41** | **13** |

In the year under review, as in the previous year, no investment properties were acquired in rescue purchases. In the current financial year, one property was transferred from fixed assets to investment properties due to a change in use.

There are no restrictions on resale, nor are there any obligations to purchase properties that need to be reported here.

We use the country-specific rental indices for commercial and office properties published by the Association of German Pfandbrief Banks (vdp) over a period of at least 18 years for the sensitivity analysis of investment properties. We use the medium fluctuation range calculated on this basis to determine the potential changes in value of our properties.

## Non-current assets and liabilities held for sale

### (49) Discontinued business division

In the previous year, the income and expenses of the former Equity Markets & Commodities (EMC) division from the Corporate Clients segment were reported under consolidated profit or loss from discontinued operations. The economic transfer of the business division to Société Générale Group, Paris, France, was completed in the previous year.

The legal transfer of some positions still remaining following their economic transfer took place at later stages in the transaction and was practically completed in 2021. We report the assets and liabilities in question separately in the balance sheet under the balance sheet items non-current assets held for sale and disposal groups as well as liabilities from disposal groups. They are scheduled to be transferred in the first quarter of 2022.

As at 31 December 2021, the initial remaining assets were €0.1bn (previous year: €2.0bn) and the liabilities of the discontinued business division were €0.1bn (previous year: €2.1bn). The assets and liabilities are mostly measured at fair value.

Detailed information on the discontinued business division in the previous year is provided below.

| €m | 1.1.–31.12.2021 | 1.1.–31.12.2020 | Change in % |
|---|---|---|---|
| Income | – | 106 | . |
| Expenses | – | 76 | . |
| Current pre-tax profit or loss | – | 30 | . |
| Taxes on income on current profit or loss | – | – 0 | . |
| **Consolidated profit or loss from discontinued operations** | **–** | **30** | **.** |
| Consolidated profit or loss on discontinued operations attributable to Commerzbank shareholders | – | 30 | . |

The profit attributable to Commerzbank shareholders from continuing operations amounted to €430m (previous year: €–2 900m).

| € | 1.1.–31.12.2021 | 1.1.–31.12.2020 | Change in % |
|---|---|---|---|
| Earnings per share for discontinued operations | – | 0.02 | . |

| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| Cash flow from operating activities | – | 30 | . |
| Cash flow from investing activities | – | – | . |
| Cash flow from financing activities | – | – | . |

**(50) Non-current assets held for sale and disposal groups**

Non-current assets and disposal groups that can be sold in their present condition and whose sale is highly probable are classified as “held for sale”. These assets must be measured at fair value less costs to sell, insofar as this is lower than carrying amount. However, for interest-bearing and non-interest-bearing financial instruments and investment properties the only accounting change is the reclassification to the relevant balance sheet items in accordance with IFRS 5. They continue to be measured in accordance with IFRS 9 or IAS 40.

If impairments are established as a result of measurement in accordance with IFRS 5, these are recognised in the corresponding position in the income statement, depending on the underlying transaction. Any subsequent write-up is limited to the total of impairments previously recognised.

The current net income from non-current assets held for sale and disposal groups is normally recognised under the same item in the income statement as for other assets without the classification of being held for sale. Gains and losses on the disposal of disposal groups are divided up and recognised in the relevant line of the income statement.

We recognised income and expenses from discontinued operations in a separate item in the income statement in the prior year (see Note 49).

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| Financial assets – Amortised cost | 520 | 21 | . |
| Loans and advances | 520 | 21 | . |
| Debt securities | – | – | . |
| Financial assets – Fair value OCI | 187 | – | . |
| Loans and advances | – | – | . |
| Debt securities | 187 | – | . |
| Equity instruments | – | – | . |
| Financial assets – Mandatorily fair value P&L | 0 | 7 | – 99.6 |
| Loans and advances | – | 7 | . |
| Debt securities | – | – | . |
| Equity instruments | 0 | 0 | – 86.5 |
| Financial assets – Held for trading | 66 | 2,088 | – 96.8 |
| Loans and advances | – | – | . |
| Debt securities | – | 11 | . |
| Equity instruments | – | 1 | . |
| Derivates | 66 | 2,076 | – 96.8 |
| Intangible assets | – | – | . |
| Fixed assets | 49 | – | . |
| Other assets | 7 | – 76 | . |
| **Total** | **830** | **2,040** | **– 59.3** |

As at 31 December 2021, the assets of disposal groups were mainly related to the sale of the wholly owned Hungarian subsidiary Commerzbank Zrt., Budapest, to Erste Group. The transaction in Hungary is still subject to approval by the competition authorities and the banking regulator. The completion of the sale and thus the start of the operational implementation of the transaction is planned for the second half of 2022.

In addition, a small amount of remaining assets from the discontinuation of the EMC division in the prior year were reported (see Note 49).

## (51) Liabilities of disposal groups

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| Financial liabilities – Amortised cost | 616 | 20 | . |
| Deposits | 616 | 20 | . |
| Debt securities issued | – | – | . |
| Financial liabilities – Fair value option | – | 50 | . |
| Deposits | – | 50 | . |
| Debt securities issued | – | – | . |
| Financial liabilities – Held for trading | 110 | 1,981 | – 94.5 |
| Certificates and other issued bonds | – | 8 | . |
| Delivery commitments arising from short sales of securities | – | – 0 | . |
| Derivatives | 110 | 1,972 | – 94.4 |
| Other liability items | 4 | 1 | . |
| **Total** | **730** | **2,051** | **– 64.4** |

## Tax assets and tax liabilities

Current tax assets and liabilities are calculated on the basis of the expected payment to or rebate from each fiscal authority given the current tax rates and tax regulations applicable in the relevant country.

Deferred tax assets and liabilities are formed to reflect differences between the IFRS carrying amounts of assets or liabilities and the taxable value, provided that these temporary differences are likely to increase or reduce future taxes on income and there is no rule against recognising them. In addition, deferred taxes are recognised for both tax loss carryforwards as well as for as yet unused tax credits. The valuation of deferred taxes is based on income tax rates already approved as at 31 December 2021 and applicable upon realisation of the temporary differences.

Deferred tax assets on tax-relieving temporary differences, on as yet unused tax losses and on unused tax credits are only recognised to the extent that it is probable that taxable profits will be generated by the same taxable entity and in relation to the same tax authority in the foreseeable future. To assess impairment, detailed 5-year tax profit projections are made on the basis of the multi-year planning approved by the Board of Managing Directors. Furthermore, recognition is justified if it is likely that a sufficient taxable profit will be available even beyond the 5-year time frame.

Deferred tax assets and liabilities are recognised and carried forward either in the income statement under taxes on income, or in equity, depending on the treatment of the underlying transaction.

Income tax expenses or income are reported under taxes on income in the Group income statement.

Deferred tax assets and liabilities are netted if there is a right to net current taxes on income and the deferred tax assets and liabilities relate to taxes on income levied by the same fiscal authority on the same taxable entity.

Taxable temporary differences relating to shares in Commerzbank Group companies for which no significant deferred income tax liabilities were recognised amounted to €464m (previous year: €506m).

The current and deferred tax assets as well as the current and deferred tax liabilities are set out in the balance sheet and detailed in the notes.

### (52) Tax assets

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| **Current tax assets** | **222** | **130** | **70.8** |
| In Germany | 169 | 68 | . |
| Outside Germany | 53 | 62 | – 14.5 |
| **Deferred tax assets** | **3,130** | **2,693** | **16.2** |
| Tax assets recognised in income statement | 2,865 | 2,523 | 13.6 |
| Tax assets not recognised in income statement | 265 | 170 | 55.7 |
| **Total** | **3,352** | **2,823** | **18.7** |

Deferred tax assets represent the potential income tax relief arising from temporary differences between the values assigned to assets and liabilities in the Group balance sheet in accordance with IFRS and their values for tax accounting purposes as reported by the Group companies in accordance with the local tax regulations, as well as future income tax relief arising from tax loss carryforwards and as yet unused tax credits.

For the following tax loss carryforwards no deferred tax assets nor any impairments of existing deferred tax assets were recognised as at 31 December 2021 due to the limited planning horizon and the resulting insufficient probability of their being utilised.

The accounting for the current tax assets took into account the uncertainty arising from potential tax disputes.

| Tax loss carryforwards \| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| **Corporation tax/federal tax** | **8,677** | **9,789** | **– 11.4** |
| Can be carried forward for an unlimited period | 6,463 | 6,970 | – 7.3 |
| Can be carried forward for a limited period[1] | 2,214 | 2,819 | – 21.5 |
| of which: expires in the subsequent reporting period | 12 | 10 | 17.1 |
| **Trade tax/local tax** | **4,817** | **6,243** | **– 22.8** |
| Can be carried forward for an unlimited period | 1,731 | 3,102 | – 44.2 |
| Can be carried forward for a limited period[1] | 3,086 | 3,141 | – 1.7 |
| of which: expires in the subsequent reporting period | 6 | 10 | – 43.7 |

[1] Expires 20 years after the date on which the tax liability arose.

In addition, no deferred tax assets were recognised for deductible temporary differences that can be carried forward indefinitely in the amount of €215m (previous year: €189m).

Deferred tax assets are recognised mainly for domestic Group companies, mBank, London branch and United Kingdom subsidiaries. They were recognised in connection with the following items:

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| Fair values of derivative hedging instruments | 746 | 727 | 2.6 |
| Financial assets and liabilities – Held for trading | 3,263 | 3,396 | – 3.9 |
| Other financial assets | 3,825 | 2,643 | 44.7 |
| Provisions (excluding pension obligations) | 41 | 42 | – 2.5 |
| Other financial liabilities | 222 | 177 | 25.6 |
| Pension obligation | 920 | 1,282 | – 28.2 |
| Other balance sheet items | 4,211 | 3,742 | 12.5 |
| Tax loss carryforwards | 1,835 | 1,293 | 41.9 |
| **Deferred tax assets gross** | **15,063** | **13,302** | **13.2** |
| Offsetting with deferred tax liabilities | – 11,933 | – 10,609 | 12.5 |
| **Total** | **3,130** | **2,693** | **16.2** |

### (53) Tax liabilities

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| **Current tax liabilities** | **549** | **448** | **22.5** |
| Tax liabilities to tax authorities from income tax | 14 | 52 | – 73.1 |
| Provisions for income tax | 535 | 396 | 35.1 |
| **Deferred tax liabilities** | **13** | **10** | **30.0** |
| Tax liabilities recognised in income statement | 13 | 10 | 30.0 |
| Tax liabilities not recognised in income statement | – | – | . |
| **Total** | **562** | **458** | **22.7** |

Provisions for taxes on income are potential tax liabilities which have not yet been formally assessed and potential liabilities for risks associated with tax audits. The liabilities to tax authorities represent payment obligations in respect of current taxes towards German and foreign tax authorities.

Deferred tax liabilities represent the potential income tax charge arising from temporary differences between the values assigned to assets and liabilities in the Group balance sheet in accordance with IFRS and their values for tax accounting purposes as reported by the Group companies in accordance with the local tax regulations. They were recognised in connection with the following items:

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| Financial assets and liabilities – Held for trading | 4,811 | 4,540 | 6.0 |
| Fair values of derivative hedging instruments | 234 | 578 | – 59.4 |
| Other financial assets | 336 | 451 | – 25.5 |
| Other financial liabilities | 3,801 | 1,935 | 96.4 |
| Other balance sheet items | 2,763 | 3,115 | – 11.3 |
| **Deferred tax assets gross** | **11,946** | **10,619** | **12.5** |
| Offsetting with deferred tax liabilities | – 11,933 | – 10,609 | 12.5 |
| **Total** | **13** | **10** | **30.0** |

# Other assets and other liabilities

This line item presents any assets and liabilities which individually are immaterial and which cannot be assigned to other line items.

### (54) Other assets

| €m | 31.12.2021 | 31.12.2020[1] | Change in % |
|---|---|---|---|
| Precious metals | 80 | 82 | – 3.3 |
| Accrued and deferred items | 269 | 275 | – 2.3 |
| Defined benefit assets recognised | 514 | 95 | . |
| Other assets | 1,281 | 1,398 | – 8.4 |
| **Total** | **2,143** | **1,851** | **15.8** |

[1] Prior-year figures adjusted due to restatements (see Note 4).

### (55) Other liabilities

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| Liabilities attributable to film funds | 192 | 320 | – 39.9 |
| Liabilities attributable to non-controlling interests | 59 | 56 | 6.9 |
| Accrued and deferred items | 272 | 273 | – 0.3 |
| Leasing liabilities | 1,933 | 2,054 | – 5.8 |
| Other liabilities | 2,021 | 1,732 | 16.7 |
| **Total** | **4,478** | **4,434** | **1.0** |

### (56) Other commitments

Payment commitments to Group-external entities and non-consolidated entities on shares not fully paid up were, as in the previous year, immaterial in the current financial year.

In accordance with Art. 5 (10) of the statutes of the German banks' Deposit Insurance Fund, we have undertaken to indemnify the Association of German Banks, Berlin, for any losses incurred as a result of support provided for banks in which Commerzbank holds a majority interest.

Securities with a carrying amount of €10,978m (previous year: €12,441m) were furnished as collateral for obligations to futures exchanges and clearing houses

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.

Commerzbank made use of the opportunity to meet part of its obligations with regard to the banking levy of €33m and the Compensation Scheme of German Private Banks (EdB) in the form of irrevocable payment obligations (IPCs) of €43.m Cash collateral was deposited for these amounts (see also Note 19). Cash collateral is reported in Note 54 Other assets.

## Leasing

### (57) Leasing

#### The Group as lessee – rights of use

With the application of IFRS 16, a right-of-use asset and a corresponding lease liability are now recognised for leases. We recognise the right of use under fixed assets (see Note 47) and depreciate it on a straight-line basis over the term of the lease. The depreciation of the right of use is shown in the operating expenses (see Note 18). Extension, termination and purchase options are recognised as soon as their exercise is deemed sufficiently certain. Around half of the leases include such options, mainly extension options. This relates primarily to extension options. The Commerzbank Group does not expect any significant cash outflows in the future which have not been taken into account in measuring the lease liability.

The lease liability is recognised at the net present value of the future lease payments to be made under other liabilities (see Note 55). Interest expense includes the unwinding of the discount of the lease liabilities. Subsequent measurement is performed using the effective interest method. We make use of the option to exclude low-value leases from accounting and recognise them directly as expenses.

In 2021, expenses for short-term leases were €0m (previous year: €0m). Expenses for low-value leases were €2m (previous year: €2m). Variable lease payments (as in the previous year) of €0m were not included in lease liabilities, and income of €15m (previous year: €15m) from sub-lease agreements was recorded in the period under review. Total lease payments amounted to €313m (previous year: €312m ).

#### The Group as lessor

We classify a lease as an operating lease if it does not substantially transfer to the lessee all the risks and rewards incidental to ownership. By contrast, we classify leases where the lessee bears all the substantial risks and rewards as finance leases. Risks and rewards are allocated on the basis of the present value of the cash flow associated with the leases.

If the present value equals at least the amount invested into the leased asset, the lease is classified as a finance lease.

Effects of the coronavirus pandemic on leases are included in the risk result (see Notes 11 and 32).

#### Operating leases

Commerzbank acts as a lessor in operating lease arrangements. The assets where the Group acts as lessor include, in particular, technical equipment and machines, real estate and office furniture and equipment (e.g. vehicles, machinery and equipment). No contingent rents have been agreed in the leases.

The following minimum lease payments stemming from non-cancellable leases will accrue to the Commerzbank Group over the next few years from operating leases granted:

| Maturity \| €m | 31.12.2021 | 31.12.2020 |
|---|---|---|
| up to 1 year | 129 | 114 |
| in 1 year up to 5 years | 278 | 331 |
| in more than 5 years | 60 | 102 |
| **Total** | **467** | **547** |

**Lessor disclosures – finance leases**

Commerzbank acts as a lessor for finance leases. As at the reporting date, these leases primarily comprised technical equipment and machines, office furniture and equipment (e.g. vehicles and office equipment) and to a lesser extent leased real estate. The relationship between gross investments and net present value of the minimum lease payments was as follows:

| €m | 31.12.2021 | 31.12.2020 |
|---|---:|---:|
| Outstanding lease payments | 6,194 | 6,401 |
| + guaranteed residual values | 135 | 106 |
| = minimum lease payments | 6,329 | 6,507 |
| + non-guaranteed residual values | – | – |
| = gross investments | 6,329 | 6,507 |
| of which: from sale and leaseback transactions | – | – |
| – unrealised financial income | 261 | 223 |
| = net investments | **6,068** | 6,284 |
| – net present value of non-guaranteed residual values | – | – |
| = net present value of minimum lease payments | 6,068 | 6,284 |
| of which: from sale and leaseback transactions | – | – |

The minimum lease payments include the total lease instalments to be paid by the lessee under the lease plus the guaranteed residual value. The non-guaranteed residual value is estimated at the beginning of the lease and reviewed at the reporting date on a regular basis. Unrealised financial income is equivalent to the interest implicit in the lease between the reporting date and the end of the contract.

The term of the gross investment and net present values of the minimum lease payments from non-cancellable finance leases broke down as follows:

| Residual terms as at 31.12. | Gross investments | |
|---|---:|---:|
| €m | 2021 | 2020 |
| up to 1 year | 2,253 | 2,209 |
| 1 year up to 5 years | 3,789 | 3,958 |
| more than 5 years | 286 | 340 |
| **Total** | **6,329** | **6,507** |

Financial income on the net investment in the lease of €148m (previous year: €171m) has been recognised in interest income. No income from variable lease payments was recognised in the reporting period. Receivables from leasing contracts are included in risk management within the Group-wide risk management system.

| Residual terms as at 31.12. | Net present value of minimum lease payments | |
|---|---:|---:|
| €m | 2021 | 2020 |
| up to 1 year | 2,138 | 2,116 |
| 1 year up to 5 years | 3,652 | 3,838 |
| more than 5 years | 278 | 330 |
| **Total** | **6,068** | **6,284** |

## Provisions and employee benefits

A provision must be shown if on the reporting date, as the result of an event in the past, a current legal or constructive obligation has arisen, an outflow of resources to meet this obligation is likely and it is possible to make a reliable estimate of the amount of this obligation. Accordingly, we make provisions for liabilities of an uncertain amount to third parties and anticipated losses arising from pending transactions in the amount of the claims expected. The amount recognised as a provision represents the best estimate of the expense required to meet the current obligation as at the reporting date. Risks and uncertainties (including with regard to the actual level of the costs at the date of any utilisation of the provision and potential increases in costs for long-term provisions) are taken into account in the estimate. Provisions are recognised at their net present value if they are long-term.

Allocations to the different types of provisions are made via various items in the income statement. Provisions for lending business are charged to expenses for loan loss provisions and provisions for restructuring are charged to restructuring expenses. Other provisions are generally charged to operating expenses and released through other net income.

Companies within the Commerzbank Group are involved both in Germany and other countries in court and arbitration cases (legal proceedings) and in out-of-court and supervisory proceedings (recourse claims) as defendants and claimants or in other ways. Moreover, legal cases in which Commerzbank and its subsidiaries are not directly involved could have an impact on the Group because of their fundamental importance for the banking sector. The Group recognises appropriate provisions for legal proceedings and recourse claims, with the charge shown in other net income, if a loss is likely and can be determined sufficiently accurately. Provisions of recourse claims relate, for example, to reimbursements of processing fees for consumer loans which have been ruled as invalid and possible claims from customer misselling. In the case of provisions for legal proceedings, the procedure differs depending on whether a company within the Group is the claimant (active proceedings) or defendant (passive proceedings). In active proceedings, provisions are recognised for the legal and court fees and ancillary costs, which may vary based on the specific practices in each country. In passive proceedings provisions are also recognised for the value in dispute on each reporting date based on an estimate of the probability of loss. However, the Group's final liability may differ from the provisions that have been recognised, as a high degree of judgement is involved in assessing the probability of uncertain liabilities in such legal proceedings and quantifying them. These estimates may turn out to be inaccurate at a later stage of the proceedings. Legal risks for which no provisions have been recognised are reported as contingent liabilities (see Note 60).

Restructuring provisions are recognised if the Commerzbank Group has a detailed formal restructuring plan and has already begun implementing this plan or has announced the main details of the restructuring. The detailed plan must contain information on the departments and main locations involved, the approximate number of staff whose jobs are affected by the restructuring, the costs involved and the period during which the restructuring will be carried out. The detailed plan must be communicated in such a way that those affected can expect it to be realised. The restructuring expenses item in the income statement can contain further direct restructuring expenses which are not included in the restructuring provision.

Provisions for pensions and similar commitments are recognised for occupational pension schemes. These comprise pension commitments under both defined benefit and defined contribution pension plans. Defined benefit plans exist for obligations from pension entitlements and current benefits based on a direct pension commitment on the part of Commerzbank, where the level of the pension payment is mainly pre-defined and dependent on factors such as age, salary level and length of service. Provisions are established for these plans. The contributions paid for defined contribution pension plans are recognised directly under personnel expenses.

### (58) Provisions

| €m | 2021 | 2020[1] | Change in % |
|---|---|---|---|
| Provisions for pensions and similar commitments | 255 | 513 | – 50.3 |
| Other provisions | 3,497 | 2,606 | 34.2 |
| **Total** | **3,752** | **3,119** | **20.3** |

[1] Prior-year figures adjusted due to restatements (see Note 4).

#### Provisions for pensions and similar commitments

The provisions for pensions and similar commitments comprise provisions for pension entitlements of active and former employees, pension entitlements of pensioners in the amount of €61m (previous year: €373m), provisions for age-related part-time working schemes of €143m (previous year: €83m) and provisions for early retirement of €52m (previous year: €58m).

The interest and operating expenses for pensions and other employee benefits consist of the following components:

| €m | 2021 | 2020 | Change in % |
|---|---|---|---|
| Expenses for defined benefit plans | 64 | 89 | – 27.7 |
| Expenses for defined contribution plans | 81 | 84 | – 3.2 |
| Other pension benefits (early retirement and part-time scheme for older staff) | 74 | 39 | 90.8 |
| Other pension-related expenses | 12 | 54 | – 78.3 |
| **Expenses for pensions and similar employee benefits** | **231** | **266** | **– 13.2** |

#### a) Defined benefit plans

Pension obligations, pension-related obligations (age-related short-time working schemes, early retirement), obligations for long-service awards and pension expense for defined benefit plans are calculated annually by independent actuaries using the projected unit credit method. The underlying actuarial parameters are based on the norms in the country in which the pension plan was established. Apart from biometric assumptions (the Heubeck mortality tables 2018 G in Germany and country-specific biometric tables in other countries), the actuaries rely in particular on a current discount rate based on the yield on high-quality, long-term corporate bonds, as well as expected future rates of pension increases.

The expected pension adjustments were increased to 2.0 % p.a. in 2021 (previous year: 1.4 %). The rise in the expected adjustments to pensions resulted in a one-off negative effect of around €654m before taxes, which was recognised directly in equity.

The future change in salaries does not have a material influence on the amount of the pension obligation due to the structure of the respective pension plans both in Germany and abroad. As a result, in line with the materiality principle, the parameter and its sensitivities are not disclosed.

For German pension obligations, the discount factor is determined using a proprietary Commerzbank model derived from eurozone swap rates with the same maturity and adjusted by a spread premium for high-quality corporate bonds.

The parameters outside Germany are determined on the basis of weighted averages taking account of the respective relevant pension plans.

| % | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Parameters for pension plans in Germany** | | |
| for determining the pension obligation at year-end | | |
| Discount rate | 1.4 | 0.5 |
| Expected adjustment to pensions | 2.0 | 1.4 |
| for determining the pension expenses in the financial year | | |
| Discount rate | 0.5 | 1.1 |
| Expected adjustment to pensions | 1.4 | 1.4 |
| **(Weighted) parameters for pension plans outside Germany** | | |
| for determining the pension obligation at year-end | | |
| Discount rate | 2.0 | 1.3 |
| Expected adjustment to pensions | 2.7 | 2.8 |
| for determining the pension expenses in the financial year | | |
| Discount rate | 1.3 | 2.1 |
| Expected adjustment to pensions | 2.8 | 2.7 |

For employees entitled to pension benefits who joined Commerzbank Aktiengesellschaft or certain other consolidated companies before 31 December 2004, the pension entitlements are mainly based on the regulations of the Commerzbank modular plan for company pension benefits, known as the CBA. The amount of the benefits under CBA consists of an initial module for the period up to 31 December 2004, plus a benefit module – possibly augmented by a dynamic module – for each contributory year from 2005 onwards; the benefits are structured as a lifelong pension with the option to take a lump sum. In view of the increasing use of the lump-sum option in recent years, a corresponding assumption was factored into the actuarial valuation for the first time in 2020.

Staff joining the Bank after 1 January 2005 have pension rights under the Commerzbank capital plan for company pension benefits, known as the CKA. The CKA guarantees a minimum benefit on the modular basis, but also offers additional opportunities for higher pension benefits through investing assets in investment funds.

Since 1 January 2010 the direct pension arrangements for staff formerly employed by Dresdner Bank Aktiengesellschaft have also been based on the company pension modules (CBA).

Furthermore, some foreign subsidiaries and branches, primarily in the United Kingdom and the USA, also have defined benefit plans.

In addition to the occupational pension plans, there is an internally-financed healthcare plan in the United Kingdom which entitles members in retirement to reimbursement of medical costs. The resulting obligations are accounted for according to the rules for defined benefit pension plans as specified by IAS 19.

In order to meet the direct pension liabilities in Germany, cover assets were transferred to a legally independent trustee, Commerzbank Pension Trust e. V. (CPT), under a Contractual Trust Arrangement (CTA). The assets held by CPT and the cover assets for pension obligations in our foreign units qualify as plan assets within the definition of IAS 19.8. The trust agreements signed by Commerzbank Aktiengesellschaft and other Group companies in Germany with the CPT also provide insolvency insurance for the direct occupational pension commitments funded by plan assets. The insolvency insurance covers all vested benefits of active and former employees and all current benefits being paid to pensioners. It covers the portion of vested or current benefits that are not covered by Pensions-Sicherungs-Verein (PSV), the German pensions insurance fund. The trust agreements do not require the trustor companies to pay in contributions. However, the plan assets must cover the liabilities not covered by PSV at all times. The companies that are party to the agreements may only request rebates from the plan assets for pension benefits that have been paid up to this limit.

The investment guidelines for the German plan assets are laid down jointly by the Board of Managing Directors of Commerzbank Aktiengesellschaft and the CPT. There are no legal requirements for the investment guidelines. The investment management is carried out by the Executive Pension Committee (EPC), which follows a liability-driven investment (LDI) approach as part of its Asset Liability Management. It also sets the framework for determining the actuarial assumptions. The main aim of the investment strategy is to replicate the future cash flows for the pension liabilities using derivatives for interest rates, inflation and credit spreads, with the aim of reducing the risks directly attributable to the future development of the pension liabilities. Apart from the usual pension risks such as inflation and biometric risks there are no other unusual risks at Commerzbank. The portfolio of the plan assets is well-diversified and mainly comprises fixed-income securities, equities and alternative investments.

The pension plans outside Germany have their own trust structures independent from the CPT. Overall, they currently represent around 4 % of the Group's total pension liabilities. The EPC also acts as the steering committee for the plan assets of the foreign pension plans. Different national regulations also apply in each of the foreign countries. However, these plans also generally use an LDI approach. The biggest plan sponsors outside Germany are the Group units in London (around 51 %), New York and Amsterdam, which altogether account for around 84 % of the non-German pension liabilities. Most of the foreign pension schemes are funded defined benefit plans. In some cases, there are also pension liabilities on a small scale outside Germany that are not covered by plan assets.

The net liability or net asset resulting from the present value of the defined benefit obligations less the fair value of the plan assets, subject, if applicable, to the asset ceiling, is recognised in the balance sheet.

The pension expenses for defined benefit plans, which are reported under personnel expenses and in net interest income, consist of the service cost and the net interest cost or income. Service cost comprises current service cost, which represents the entitlements earned by members during the financial year as well as the past service cost or income. In the financial year, this effect is based on a curtailment in the existing pension obligations in Germany, which was caused by headcount reduction measures carried out as part of the social plan. Net interest expense/income is calculated as the difference in interest rate between the present value of the obligation and the fair value of the plan assets. When calculating the pension obligation with respect to the net liability and plan assets under defined benefit plans, the discount rate is applied.

The difference between the remeasurement of the pension obligation on the reporting date as compared with the value projected at the beginning of the year is the actuarial gain or loss. Actuarial gains and losses are, like the return on plan assets (with the exception of amounts contained in net interest expense/income), recognised directly in retained earnings within equity and are reported in the statement of comprehensive income.

In the first quarter of 2019, binding agreements were concluded with an insurance company for a UK pension plan to cover a major portion of the claims from defined benefit pension obligations by concluding insurance contracts, whereby the legal obligation initially remained with the subsidiary of Commerzbank ("buy-in"). In the fourth quarter of 2021, these agreements were then converted into individual insurance contracts between the insurance company and the persons entitled to pensions ("buy-out"). As a result, the legal obligation no longer lies with the subsidiary of Commerzbank, which means that this constitutes a settlement within the meaning of IAS 19. While the effects on earnings resulting from the settlement were already recognised as part of the buy-in in 2019, settlement payments of €992m were recorded in the financial year.

The net defined benefit liability changed as follows:

| | Pension obligation | | Plan assets | | Net liability | |
|---|---|---|---|---|---|---|
| €m | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **As at 1.1. current year** | **11,129** | **10,259** | **– 10,851** | **– 9,734** | **278** | **525** |
| Service cost | 86 | 84 | – | – | 86 | 84 |
| Past service cost | – 23 | 2 | – | – | – 23 | 2 |
| Curtailments/settlements | – | – 0 | – | – | – | – 0 |
| Interest expense/income | 65 | 123 | – 64 | – 118 | 1 | 5 |
| Remeasurement | – 903 | 1,047 | – 64 | – 1,090 | – 967 | – 43 |
| Gain or loss on plan assets excluding amounts already recognised in net interest expense/income | – | – | – 64 | – 1,090 | – 64 | – 1,090 |
| Experience adjustments | – 10 | – 14 | – | – | – 10 | – 14 |
| Adjustments in financial assumptions | – 897 | 1,170 | – | – | – 897 | 1,170 |
| Adjustments in demographic assumptions | 3 | – 109 | – | – | 3 | – 109 |
| Pension payments | – 332 | – 327 | 310 | 50 | – 22 | – 277 |
| Settlement payments | – 992 | – 0 | 992 | – | – | – 0 |
| Change in the group of consolidated companies | – | – | – | – | – | – |
| Exchange rate changes | 87 | – 65 | – 93 | 69 | – 6 | 4 |
| Employer contributions | – | – | 200 | – 27 | 200 | – 27 |
| Employee contributions | 2 | 2 | – 2 | – 2 | 0 | 0 |
| Reclassifications/other changes | – 0 | 4 | – 0 | 0 | – 0 | 4 |
| **As at 31.12. current year** | **9,119** | **11,129** | **– 9,572** | **– 10,851** | **– 454** | **278** |
| of which. provision for pension | – | – | – | – | 61 | 373 |
| of which: recognition of defined benefit assets | – | – | – | – | – 514 | – 95 |

Employer contributions of €22m to plan assets and pension payments of €283m are expected for defined benefit pension plans in the 2022 financial year.

The asset ceiling had no effects within Commerzbank, and the net liability may therefore be equated with the funded status.

The geographical breakdown of the pension obligations was as follows:

| €m | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Germany | 8,768 | 9,808 |
| United Kingdom | 178 | 1,136 |
| Americas | 85 | 85 |
| Others | 87 | 99 |
| **Total** | **9,119** | **11,129** |

The sensitivity analysis shown here reflects the changes in the assumption; the other assumptions remain unchanged from the original calculation, i.e. potential correlation effects between the individual assumptions are not accounted for. The effects of the assumption changes on the present value of the pension liabilities were determined using the same methods – in particular, the projected unit credit method – as used for the measurement of pension obligations as at the year-end. A change in the corresponding assumptions as at 31 December 2021 would have the following effects on the obligation:

| €m | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Interest rate sensitivity | | |
| Discount rate +50bps | – 722 | – 952 |
| Discount rate –50bps | 830 | 1,097 |
| Pension adjustment sensitivity | | |
| Adjustment to pensions +50bps | 499 | 644 |
| Adjustment to pensions –50bps | – 457 | – 580 |
| Mortality rate (life expectancy) change sensitivity | | |
| Reduction in mortality by 10 %[1] | 351 | 447 |

[1] The reduction in mortality by 10 % for all ages results in an average increase in life expectancy of around one year at age 65.

The breakdown of the plan assets was as follows:

| % | 2021 | | 2020 | |
|---|---|---|---|---|
| | Active market | Inactive market | Active market | Inactive market |
| Fixed-income securities/bond funds | 42.7 | 21.2 | 36.8 | 19.3 |
| Shares/equity funds | 9.0 | 1.7 | 6.5 | 1.3 |
| Other investment fund units | 0.7 | 0.1 | 0.3 | 0.1 |
| Liquid assets | 2.9 | – | 2.7 | – |
| Asset-backed securities | 0.8 | 4.3 | 2.6 | 1.7 |
| Derivatives | 13.8 | 1.5 | 17.3 | 1.5 |
| Others | 0.5 | 0.8 | 0.3 | 9.8 |

As at 31 December 2021, the plan assets did not include material amounts of securities issued by the Group or other claims upon it. Nor did they include any mortgage securities used by the Group.

The weighted average duration of the pension obligations was 17.2 years (previous year: 18.4 years). The anticipated maturities of undiscounted pension obligations are as follows:

| €m | 2022 | 2023 | 2024 | 2025 | 2026 | 2027–2031 |
|---|---|---|---|---|---|---|
| Expected pension payments | 296 | 296 | 312 | 312 | 313 | 1,665 |

**b) Defined contribution plans**

Together with other financial institutions in Germany, Commerzbank is a member of BVV Versicherungsverein des Bankgewerbes a.G. (BVV), the occupational pension fund which provides retirement benefits to eligible employees in Germany. The contributions to the BVV are paid regularly by both the employer and the employee. The contributions paid by Commerzbank are recognised in personnel expenses. The BVV tariffs provide for fixed pension payments with profit participation. However, these plans are accounted for as defined contribution plans, as we do not have enough information on our share of the overall defined benefit obligation of each BVV plan and on the share of the relevant plan assets attributable to us. In the BVV scheme the employer bears subsidiary liability for the company pension scheme towards its own employees. There is also an obligation to make adjustments to compensate for inflation in favour of the beneficiaries, which could result in an increase in pension benefits. In addition, the BVV is entitled to demand further contributions from the member companies in case the economic situation of the BVV makes this necessary.

However, no provisions for the BVV pension commitment were recognised either in the current or previous financial years, as recourse to this statutory liability is regarded as unlikely.

Furthermore, some foreign subsidiaries and branches, primarily in the United Kingdom and the USA, also have defined contribution plans. The expenses for defined contribution plans included €69m (previous year: €72m) in payments to the BVV. Contributions in 2022 are expected to be around the same amount.

**Other provisions**

**a) Provisions for off-balance-sheet lending exposures and financial guarantees**

For information on the principles we observe when establishing provisions for off-balance-sheet lending exposures and financial guarantees, please refer to the explanations in Notes 32 to 35 on credit risks and credit losses.

**b) Other provisions**

Other provisions changed as follows in the financial year:

| €m | As at 1.1.2021[1] | Allocations | Utilisation | Reversals | Unwinding of discount | Reclassifications/ change in the group of consolidated companies/ other | As at 31.12.2021 |
|---|---|---|---|---|---|---|---|
| Personnel provisions | 488 | 342 | 200 | 18 | – 0 | 1 | 612 |
| Restructuring measures | 1,021 | 1,008 | 315 | 3 | 0 | – 293 | 1,419 |
| Legal proceedings and recourse claims | 196 | 334 | 53 | 12 | 0 | – 17 | 449 |
| Others | 402 | 236 | 154 | 30 | 0 | 5 | 459 |
| **Total** | **2,107** | **1,920** | **722** | **62** | **0** | **– 303** | **2,940** |

[1] Prior-year figures adjusted due to restatements (see Note 4).

| €m | As at 1.1.2020 | Allocations | Utilisation | Reversals | Unwinding of discount | Reclassifications/ change in the group of consolidated companies/ other | As at 31.12.2020 |
|---|---|---|---|---|---|---|---|
| Personnel provisions | 548 | 248 | 277 | 24 | 0 | – 7 | 488 |
| Restructuring measures | 401 | 788 | 184 | 1 | 1 | 17 | 1,021 |
| Legal proceedings and recourse claims | 175 | 81 | 18 | 39 | 0 | – 3 | 196 |
| Others | 427 | 160 | 145 | 34 | – 0 | – 7 | 402 |
| **Total** | **1,551** | **1,277** | **624** | **99** | **1** | **– 1** | **2,107** |

[1] Prior-year figures adjusted due to restatements (see Note 4).

The personnel provisions are predominantly short-term in nature, but also include provisions for long service awards, which are by their nature long-term and are utilised successively in following reporting periods. They also contain provisions for the long-term cash component of the Commerzbank Incentive Plan (CIP) which are utilised after the expiry of the three-year deferral period. The provisions listed under Other mostly have a residual term of under one year.

The restructuring provisions relate primarily to personnel and, to a lesser extent, to real estate. The additions in the 2021 reporting year were made in connection with the Strategy 2024 programme, which envisages, among other things, job cuts in Germany and abroad by 2024, a reduction in the domestic branch network and the closure of locations, as well as the relocation of activities abroad.

The additions mainly relate to personnel provisions, particularly in connection with an early voluntary programme including the planned reduction of around 1,700 full-time positions at Commerzbank AG in Germany, as well as to the framework reconciliation of interests and framework social plan concluded with the employee representative committees in May 2021 for the implementation of the Strategy 2024 programme to ensure that the job cuts in Germany will be as socially responsible as possible. Some of the provisions for the job cuts planned until 2024 were already made in previous years.

**Legal disputes**

In case of legal proceedings or possible third-party recourse claims for which provisions need to be recognised, and which are contained in "Other provisions" under legal proceedings and recourse claims, neither the duration of the proceedings nor the level of utilisation of the provision can be predicted with certainty at the date the provision is recognised. The provisions cover the costs expected according to our judgement as at the reporting date. We have not set out the provision amounts and sensitivities individually to avoid influencing the outcome of the various proceedings.

- Commerzbank and its subsidiaries operate in a large number of jurisdictions subject to different legal and regulatory requirements. In isolated cases in the past, infringements of legal and regulatory provisions have come to light and have been prosecuted by government agencies and institutions. Some companies within the Commerzbank Group are currently still involved in a number of such cases.
- Commerzbank and its subsidiaries are especially active in the area of investment advisory within the Private and Small-Business Customers segment. The legal requirements for investor- and investment-oriented advisory services have been made more rigorous, especially in recent years. Commerzbank and its subsidiaries have consequently been involved in a number of legal disputes, some of which are still pending, with investors who claim to have received poor or inadequate investment advice and who demand compensation for damages or the reversal of investment transactions where information regarding commission fees was lacking (e.g. for closed-end funds).
- Commerzbank is exposed to claims from customers owing to "cancellation joker" ("Widerrufsjoker") issues. Following a change in the law, according to which any right to cancel loan agreements concluded between 2002 and 2010 could lapse no later than on 21 June 2016,many borrowers cancelled their agreements and asserted that the information given to them about cancellation when they concluded the agreement had been deficient. Some of them took legal action against the Bank when it refused to accept their cancellation, intending to immediately pay back the loan prior to the expiry of the fixed interest term without having to compensate the Bank for the loss incurred as a consequence of the early repayment. For agreements concluded after 2010, an attempt is also being made to use the cancellation joker to withdraw from the agreements prematurely. The Bank is contesting these actions.

  In its judgement of 26 March 2020, the European Court of Justice decided that a reference to other legal provisions contained in the (statutory) boilerplate information on cancellation for customer loan agreements was unclear to the consumer and regarded this as a breach of the requirements of the European Consumer Credit Directive. In its consumer loan agreements the Bank has used the legal model which the German Federal Court of Justice has already deemed to be in order in several decisions. The Federal Court of Justice has convincingly justified this by arguing that the German courts cannot disregard a national standard which is clear in its wording and meaning. The Federal Court of Justice most recently confirmed its stance in a decision on 31 March 2020. For this reason the Bank does not consider itself to be exposed to any increased risks as a result of the ECJ ruling for the current portfolio of consumer loans.
- A subsidiary of Commerzbank was involved in a South American bank which in the meantime has gone into liquidation. A number of investors and creditors of this bank have launched various legal actions in Uruguay and Argentina against the subsidiary, and, in some cases, Commerzbank as well, alleging liability as shareholders of the bankrupt companies as well as breaches of duty by the persons nominated by the subsidiary for the banks' supervisory boards. In addition, the subsidiary was involved in two funds which raised money from investors and were managed by third parties. The liquidators of these funds have launched court proceedings in the USA demanding the repayment of amounts received by the subsidiary from the funds.
- A subsidiary of Commerzbank was sued by a customer in May 2014 for compensation due to alleged fraudulent misselling of derivative transactions. The subsidiary has defended itself against the claim.
- In May 2017, a Polish court admitted a class action lawsuit against a subsidiary of Commerzbank alleging the ineffectiveness of index clauses in loan agreements denominated in Swiss francs (CHF). A total of 1,731 plaintiffs have joined the class action. The court of appeal partially overturned and referred back the judgement of the court of first instance, which had previously dismissed the class action in its entirety; the court of first instance has meanwhile dismissed the claim, an appeal is still possible.

  Independently of this, numerous borrowers have also filed individual lawsuits for the same reasons. In addition to the class action, 13,036 other individual proceedings were pending as at 31 December 2021 (previous year: 6,870). The subsidiary is defending itself against all of the claims. In some cases, the subsidiary has filed counterclaims for remuneration for the provision of capital.

  The case law of the Polish courts on loans with indexation clauses has so far been inconsistent overall. As at 31 December 2021, there were 473 final rulings in individual proceedings against the subsidiary, of which 82 were decided in favour of the subsidiary and 391 were decided against the subsidiary. A total of 227 proceedings before courts of second instance are suspended because of legal issues that are being considered by the Polish Supreme Court and the European Court of Justice (ECJ).

In a non-public session on 7 May 2021, the Polish Supreme Court (via a panel of seven judges) ruled on referral questions from an ombudsman of the Polish banking regulator relating to the nature of the parties' mutual claims and to limitation. In the Bank's view, the judgement does not change the current risk assessment.

The session of the Civil Chamber of the Polish Supreme Court examining loan agreements in Swiss francs with index clauses was held on 2 September 2021. The questions referred by the President of the Supreme Court were not answered; instead, questions on the legality of the process for appointing new judges were referred to the ECJ. The further course of the proceedings and the outcome remain to be seen.

On 29 April 2021, the European Court of Justice (ECJ) delivered a judgement (C-19/20) on five questions referred for a preliminary ruling by a Polish court in proceedings against another bank. In the Bank's view, the judgement does not change the current risk assessment. Other preliminary ruling proceedings on loans with indexation clauses are pending before the European Court of Justice, two of which concern proceedings against the subsidiary. Decisions are not expected until the second half of 2022.

In December 2020, a proposal by the local supervisory authority to convert foreign currency loans into local currency loans was announced.

In December 2021, the subsidiary made settlement offers to a representative group of 1,278 customers with active contracts. The maximum hypothetical cost would be €645.5m if all customers with active loans accepted the offer. The subsidiary will evaluate the results of the pilot project and analyse further options for action.

Against the background of the inconsistent case law to date, the small number of rulings in the last instance and outstanding decisions in principle from the Supreme Court and the ECJ, the amount of the provision on the balance sheet for this set of issues issubject to a high degree of judgement. Until 31 December 2020, legal risks in connection with Swiss franc loan agreements with indexation clauses were accounted for in their entirety in accordance with IAS 37. CHF loans that have not been fully repaid are now primarily shown in accordance with IFRS 9. The accounting policy was not adjusted for loans that have already been fully repaid and legal costs; these are still accounted for in accordance with IAS 37. 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. Recognition in accordance with IFRS 9 is standard market practice in the subsidiary's domestic market and thus increases comparability with the financial statements of other market participants and comparability for the Polish regulator. Applying IFRS 9 rather than IAS 37 therefore provides more relevant information. The measurement method used to estimate the impact on the cash flows expected to arise from the loans remained largely unchanged compared with the previous measurement method. All expenses in connection with Swiss franc loan agreements with indexation clauses continue to be reported in full in the income statement under other operating expenses.

As at 31 December 2021, the portfolio of loans denominated in CHF that have not been fully repaid had a carrying amount of 9.1bn Polish zlotys; the portfolio that had already been repaid amounted to 7.3bn Polish zlotys when it was disbursed. Overall, the Group recognised a provision of €899m for the risks arising from the matter, including potential settlement payments and the class action lawsuit. The provision for individual lawsuits amounted to €312.9m in the previous year. In addition, costs for active claims totalling €18.7m were recorded in the financial year.

The methodology used to calculate the provision and remeasurement effect is based on parameters that are varied, subject to judgement and in some cases associated with considerable uncertainty. Key parameters are the estimated total number of plaintiffs, the probability of losing a lawsuit in the last instance, the amount of the loss and the development of the exchange rate. Fluctuations in the parameters and the interdependencies between them may mean that the amount of the provision has to be adjusted significantly in the future.

Another component in determining the provision is the expectation regarding the development of the settlement discussions. As at the reporting date, the subsidiary had accounted for risks in connection with future settlement payments in the amount of €219.7m. This amount corresponds to 34 % of the maximum cost of the settlements based on the calculation method used in the pilot project. To determine the provision for the settlement programme, the subsidiary assumes that the maximum acceptance rate will not exceed 34 % of active contracts. If the acceptance rate changes by +/– 1 percentage point and all other relevant assumptions remain unchanged, the provision for the settlement programme will change by +/– €6.5m.

As at the reporting date, the subsidiary estimated the risk of defeat on the basis of expert assessments, which are supported by legal opinions on future case law trends.

Assuming otherwise unchanged parameters, the following sensitivities result for the main parameters underlying the recognition of provisions or remeasurement effects for the individual lawsuits:

– The number of future claimants increases by 1 % of borrowers: change of €+15m
– The probability of a ruling by the court of last instance that is unfavourable to the subsidiary changes by +/– 1 percentage point: change of €+/–12m.
– The assumed weighted average loss changes by +/–1 percentage point: change of €+/–8m.

- A Commerzbank subsidiary, together with another bank, was sued for damages in May 2018 due to alleged unfair price collusion in connection with the levying of settlement fees. The subsidiary is defending itself against the action.
- A subsidiary of Commerzbank was sued by a customer for compensation due to alleged unlawful selling of collateral. The subsidiary has defended itself against the claim.
- In July 2020, Commerzbank was found guilty by a court in India in connection with payments under reimbursement authorisations related to letter of credit transactions. The claimant withdrew the complaint at the start of 2021.
- In proceedings relating to a specific retail mortgage loan agreement, a court overturned the finding of the lower court and ruled that the contractual clause concerning the calculation of prepayment penalty fees was insufficient and the prepayment penalty fee received by the Bank has to be refunded. The judgement is final. The Bank has recognised a corresponding provision for the possibility that a refund must be made in similar cases.
- 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 analysed 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. The Bank has set up a central unit to deal with the issues arising from the judgement on a consolidated basis. As a result, clear and understandable information for affected customers was ensured and a customer interface was created for the reimbursement of unjustly charged fees. The necessary new agreement of the general terms and conditions in existing customer business is also being coordinated. The Bank has created a provision for customer claims.
- 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.
- The Bank terminated an outsourcing project prematurely by exercising a special right of termination granted in the outsourcing agreement. Discussions are currently taking place between the parties regarding the financial obligations that arise on the part of Commerzbank as a result of the termination.

## (59) Share-based remuneration plans

### Significant share-based remuneration plans

#### a) Commerzbank Incentive Plan (CIP)

The Commerzbank Incentive Plan (CIP), which was first launched in 2011, sets out the detailed rules for variable remuneration and applies to the entire Commerzbank Group. The CIP is an equity-settled plan with a settlement option in cash for the employer, which falls within the scope of IFRS 2. In some locations different or supplementary CIP rules apply reflecting local legal or employment law requirements.

Under the CIP, employees designated as risk takers can receive parts of their individual variable remuneration as a cash component and a stock component, linked to the performance of the Commerzbank share. The variable remuneration consists of a short-term incentive (STI) and, in the case of risk takers whose variable remuneration exceeds the risk taker limit, a long-term incentive (LTI).

A risk taker is an employee whose role has a material impact on Commerzbank's overall risk profile. The criteria on the basis of which the risk takers are identified are divided into the categories of management responsibility, risk responsibility and remuneration level. Depending on the employee's hierarchical level and the risk relevance of their role, the Bank designates what kind of risk taker the employee is: "risk taker I" or "risk taker II". Risk taker I status applies to employees whose role entails a higher risk relevance.

The risk taker limit is the amount up to which the payment of a risk taker's entire variable remuneration for a financial year takes the form of a cash STI payment. For risk takers whose variable remuneration does not exceed the risk taker limit, and for employees without risk taker status (non-risk takers), variable remuneration is paid entirely as a cash STI. Only if the risk taker limit is exceeded is the variable remuneration divided up into STI and LTI components subject to the CIP rules applying to these components.

The following rules apply once the risk taker limit has been exceeded:

- For the risk taker I category, the STI component is 40 % and the LTI component is 60 % of the potential variable remuneration. 50 % of both the STI and LTI are paid in shares.
- For the risk taker II category, the STI component is generally 60 % and the LTI component 40 % of the potential variable remuneration. Once an internally defined threshold for variable remuneration has been reached, the division into STI and LTI is in line with the system for the risk taker I category. Half of both STI and LTI is share-based remuneration.

An individual's variable remuneration is determined on the basis of the results of their annual target attainment meeting (performance appraisal I), which is held in the first three months of the following financial year. The number of Commerzbank shares granted is set at the same time as the variable remuneration for both the STI and the LTI. If risk takers receive share-based remuneration components, the number of Commerzbank shares is calculated by dividing 50 % of the euro amounts in the STI and the LTI by the subscription price. If there are any fractional amounts, the number of shares is rounded up. The subscription price for the variable remuneration set until the 2018 financial year is the simple arithmetic average of the Xetra closing prices of the Commerzbank share on all trading days during the reference period (December of the previous year and January and February of the next year). For the variable remuneration that has been set from the 2019 financial year onwards, the reference period for the subscription price is the month of January of the year following the financial year.

Under the rules of the share-based remuneration components Commerzbank has the right to make a payment in cash rather than in shares. Use is made of this option as a rule. In the STI, the shares, or the optional cash settlement, were subject to a six-month lockup ("retention period") for the variable remuneration set until the 2018 financial year. From the 2019 financial year, the retention period will be at least 12 months. This means that the STI share component of the financial year (n) will in future generally be paid out in April of the financial year after next (n+2).

In the LTI, variable remuneration set for the financial years up to and including 2018 may be acquired at the earliest after the expiry of a three-year deferral period, provided there are no other grounds under performance appraisal II to block the allocation. Starting from the 2019 financial year, risk takers I can acquire it at the earliest after five years and risk takers II at the earliest after three years, this period will be extended to four years for future financial years following the entry into force of the latest amendment to the German Remuneration Regulation for Institutions (InstitutsVergV), which transposes the European requirements into German law. Performance appraisal II is held after the end of the deferral period and consists of a review of the underlying performance appraisal I and fulfilment of individual and Group-specific qualitative targets during the deferral period. In the LTI, if a claim arises, the shares or the optional cash settlement are also subject to a retention period, as in the STI. Until now the LTI has been paid out in October of the fourth year after the underlying financial year. The payment of variable remuneration which was set from the 2019 financial year onwards will be made after completion of the performance appraisal II for risk takers I, for LTI Cash in November of the sixth year (n+6), and for LTI Equity in October of the seventh year (n+7). For risk takers II, LTI cash will be paid in November of the fourth year (n+4) and LTI equity in October of the fifth year (n+5).

In the event of a cash settlement of the share component the cash amount is calculated on the basis of the simple arithmetic average of Xetra closing prices of the Commerzbank share on all trading days during the reference period. The reference period for entitlement to variable remuneration set until the 2018 financial year is the month of September preceding the due date of the respective share-based remuneration components. The reference period for entitlement from the 2019 financial year onwards is the last full calendar month preceding the end of the retention period of the respective share-based remuneration components.

If Commerzbank has paid dividends or carried out capital actions during the term of the CIP, then, for equity components with variable remuneration set until the 2018 financial year, an additional cash amount equal to the dividend per share, or a cash settlement for the capital action, will be paid out when the STI and LTI components mature. From the 2019 financial year onwards, no entitlement to compensation for dividends or subscription rights paid or granted to shareholders arises in the deferral period, unlike the retention period.

The various remuneration components are estimated in the underlying financial year on the basis of budget forecasts, and provisions are recognised proportionally over the lifetime of the plans. Moreover, regular reviews, revaluations based on movements in the share price and/or adjustments of the amounts are carried out throughout the lifetime of the CIP.

**b) Share-based payment plans of mBank S.A.**

In 2012 a share-based programme was launched in which members of the Management Board could participate up until 2017. Until 2013 this programme comprised both a short-term component (cash payment) and a long-term component which entitled the participants to make regular subscriptions to mBank shares over a period of three years. The programme was modified in 2014 and now consists of cash payments and the subscription of mBank shares in both components over three years. A given quantity of these shares were issued each year and made available to those entitled for purchase at a pre-determined price. In addition, a significant number of risk takers were added to this programme in 2015. In all of these programmes, participation is linked to a minimum return on equity by the mBank sub-group. The long-term component of the programme from 2012 (modified in 2014) is also linked to the participants' performance assessment.

In 2018, the programme was technically adapted and the long-term component for board members was extended from three to five years (pro rata).

Both plans, which entitle the participants to subscribe to mBank shares (2012,modified in 2014 and with the technical adjustment made in 2018), are classified as share-based payments settled in the form of equity instruments.

**c) Remuneration of the Board of Managing Directors**

Please refer to the separate Remuneration Report in the Group Management Report for a detailed account of the remuneration of members of the Board of Managing Directors.

**Accounting and valuation of share-based payment and bonus plans**

The staff compensation plans are accounted for under the rules of IFRS 2 – Share-based Payment and IAS 19 – Employee Benefits. A distinction is made between share-based remuneration payments settled in the form of equity instruments and those settled in cash. For both types of remuneration, however, the granting of share-based remuneration has to be recognised at fair value in the Group financial statements.

**Accounting**

- Equity-settled share-based remuneration transactions: The fair value of share-based remuneration payments settled in the form of equity instruments is recognised as personnel expenses and reflected within equity in retained earnings. The fair value is determined on the date on which the rights are granted. If rights cannot be exercised because the conditions for exercise are not met due to market conditions, no change is made to the amounts already recognised in equity. However, if rights cannot be exercised because other conditions for exercise are not met (service and non-market conditions), the amounts already recognised in equity are adjusted through profit or loss.

- Cash-settled share-based remuneration transactions: The portion of the fair value of share-based remuneration payments settled in cash that relates to services performed up to the date of measurement is recognised as personnel expenses while at the same time being recorded as a provision. The fair value is recalculated on each reporting date up to and including the settlement date. Any change in the fair value of the obligation must be recognised through profit or loss. On the date of settlement, therefore, the provision must correspond as closely as possible to the amount payable to the eligible employees. The provisions fluctuate on each subsequent reporting date in parallel with the performance of the Commerzbank Aktiengesellschaft share price. This affects the portion of the share-based variable remuneration that was determined using an average price for the Commerzbank share. The price itself is determined as the average Xetra closing price of the months of January and February plus December of the previous year.

**Measurement**

The provision for the Commerzbank Incentive Plan is determined by multiplying the number of shares earned by participants by the closing price of the Commerzbank share on 31 December of the reporting year. The expense for the allocations to the provisions can also be recognised over the vesting period of four or six years, depending on the remuneration plan.

Due to services already rendered by employees (including the Board of Managing Directors), expenses for non-share-based remuneration of €214m were incurred in the 2021 financial year (previous year: €102m), as well as expenses relating to share-based payments. Expense for share-based payments was as follows:

| €m | 2021 | 2020 |
|---|---|---|
| Cash-settled plans (Commerzbank Incentive Plan) | 8 | 5 |
| Equity-settled plans | 2 | 2 |
| **Total** | **10** | **7** |

The provisions for share-based payment plans and the reserves in equity for share-based payment settled with equity instruments were as follows:

| €m | 2021 | 2020 |
|---|---|---|
| Provisions Commerzbank Incentive Plan | 45 | 53 |
| Equity reserves | 6 | 6 |

**Commerzbank Incentive Plan.**

The number of shares changed as follows in the current financial year:

| Number of awards<br>Units | Commerzbank Incentive Plan |
|---|---|
| **Balance as at 1.1.2020** | **1,984,778** |
| Granted during the year | 1,064,923 |
| Forfeited during the year | – |
| Exercised during the year | 902,033 |
| Expired during the year | – |
| **Balance as at 31.12.2020** | **2,147,668** |
| Granted during the year[1] | 349,718 |
| Forfeited during the year | – |
| Exercised during the year | 1,220,159 |
| Expired during the year | – |
| **Balance as at 31.12.2021** | **1,277,227** |

[1] The allocation rate for the financial year is €5.63.

**(60) Contingent liabilities and lending commitments**

This item mainly shows contingent liabilities arising from guarantees and indemnity agreements as well as irrevocable lending commitments at their nominal value.

Situations where the reporting company acts as guarantor to the creditor of a third party for the fulfilment of a liability of that third party must be shown as guarantees. Indemnity agreements include contractual obligations that involve taking responsibility for a particular outcome or performance. These are normally guarantees issued at a customer's request, which give us a right of recourse to the customer in the event that the guarantee is called upon. All obligations that could incur a credit risk must be shown here as irrevocable lending commitments. These include obligations to grant loans (e.g. credit lines that have been granted to customers), to buy securities or provide guarantees or acceptances. In contrast, loan commitments allocated to the trading portfolio are recognised under Financial assets – Held for trading or Financial liabilities – Held for trading.

Provisions for risks in respect of contingent liabilities and lending commitments are included in provisions for off-balance-sheet lending.

Income from guarantees is reported in net commission income; the level of this income is determined by the application of agreed rates to the nominal amount of the guarantees.

Legal risks where the occurrence of a loss cannot be ruled out but for which no provisions have been recognised because a claim is highly improbable, are also reported under contingent liabilities. We take a wide variety of factors into account in determining the probability of a loss, including the type of claims and judgements on similar issues.

The Commerzbank Group extends credit facilities to its customers, granting them rapid access to funds to meet their short-term and long-term financing needs. The credit facilities can be provided in different forms, as shown in the following examples:

- guarantees, where the Group guarantees the repayment of a loan borrowed by a customer from another party;
- standby letters of credit, which enhance a customer's credit standing and enable the customer to obtain trade finance at a lower cost;
- documentary credits for trade finance payments, which are made on behalf of a customer and where the Group is reimbursed at a later date;
- standby facilities for short-term debt instruments and debt paper issued on a revolving basis, which enable customers to issue money market paper or medium-term debt instruments when needed without having to go through the normal issue procedure every time.

Existing collateral may serve to cover the total liabilities of customers from loans and guarantees. Also, third parties may have sub-participations in irrevocable lending commitments and acceptances.

The contingent liabilities also include the irrevocable payment obligation provided by the Single Resolution Board (SRB) after approval of the Bank's request for security for payment of part of the banking levy.

The figures listed in the table below do not take account of any collateral and would only have to be written off if all customers utilised their credit facilities completely and then defaulted (and there was no collateral). In practice, the majority of these facilities expire without ever being utilised. Consequently, these amounts are unrepresentative in terms of assessing risk, the actual future loan exposure or resulting liquidity requirements. The Group Management Report contains further information on credit risk and liquidity risk and how they are monitored and managed. Loan loss provisions for off balance-sheet commitments have been deducted from the respective items in these tables.

| €m | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| **Contingent liabilities** | **44,526** | **41,731** | **6.7** |
| Banks | 7,569 | 6,425 | 17.8 |
| Corporate clients | 33,617 | 32,081 | 4.8 |
| Private customers | 184 | 185 | – 0.6 |
| Other financial corporations | 3,011 | 2,968 | 1.5 |
| General governments | 145 | 71 | . |
| **Lending commitments** | **80,635** | **85,476** | **– 5.7** |
| Banks | 1,164 | 1,339 | – 13.0 |
| Corporate clients | 61,748 | 65,853 | – 6.2 |
| Private customers | 12,214 | 12,291 | – 0.6 |
| Other financial corporations | 4,957 | 5,367 | – 7.6 |
| General governments | 551 | 625 | – 11.8 |
| **Total** | **125,161** | **127,207** | **– 1.6** |

In addition to the credit facilities listed above, the Commerzbank Group may also sustain losses from legal and tax risks the occurrence of which is not very probable and for which reason no provisions have been recognised. However, since there is some probability of their occurrence, they are presented under contingent liabilities. It is impossible to reliably estimate the date on which such risk may materialise or any potential reimbursements. Depending on the outcome of the legal and fiscal proceedings, the estimate of our risk of loss may prove to be either too low or too high. However, in a large majority of cases the contingent liabilities for legal risks do not ever materialise and, therefore, the amounts are not representative of the actual future losses. As at 31 December 2021, contingent liabilities for legal risks amounted to €379m (previous year: €398m) and related to the following material issues:

- Several actions have been taken against a subsidiary of Commerzbank by customers of a former, now bankrupt, corporate customer which held its bank accounts with the subsidiary. The aim of the action is to obtain claims for damages from the subsidiary for allegedly assisting the management of the bankrupt corporate customer in its fraudulent dealings in relation to the management of its accounts. The claims of various customers were subsequently acquired by a company, which is now asserting a collective claim. These claims for damages were dismissed in January 2021; the plaintiff has lodged an appeal.
- The former Dresdner Bank had an equity holding in a US company that was sold by way of a leveraged buyout. During the insolvency proceedings of this company a number of lawsuits were brought in the USA against several banks, including Commerzbank as the legal successor of Dresdner Bank, for repayment of the proceeds it received from the sale of its stake. The action brought by the insolvency administrator was dismissed in the first instance; an application to review the decision is currently pending at the relevant court of appeal. The actions brought by the company's pensioners and bondholders were dismissed by the court of appeal in favour of the Bank, among others; the plaintiffs have appealed the verdict.
- A customer sued Commerzbank for recovery of monies in April 2016. The claimant is demanding the repayment of interest which in its view was wrongly paid to Commerzbank and is also demanding the release of collateral which is being held as security for a claim by Commerzbank against the claimant. Commerzbank and the claimant are in dispute about the legal validity of Commerzbank's secured claim. Commerzbank is defending itself against the action.
- In a lawsuit filed in May 2019, a Commerzbank customer sought a ruling that the Bank must compensate the claimant for material damages caused by alleged false advice in connection with derivatives in the form of swap contracts. Commerzbank considers the lawsuit to be unfounded and has defended itself against the claim.
- A Commerzbank subsidiary together with another bank was sued for damages in February 2020 due to alleged unfair price collusion in connection with the levying of settlement fees. The subsidiary is defending itself against the action.

The contingent liabilities for tax risks relate to the following material issues:

With respect to cum-cum securities lending transactions, Commerzbank is exposed to compensation claims from third parties for crediting entitlements that have been denied. Based on the analyses performed, Commerzbank considers it unlikely that such claims could be enforced. However, it cannot be ruled out. Under these circumstances, Commerzbank estimates the potential financial impact in the upper double-digit million range, plus interest on arrears. The possibility that this conclusion could alter as developments unfold, for example in connection with assessments made by the tax authorities and fiscal/civil courts, cannot be completely 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 give rise to a burden or the amount thereof.

### (61) Segment reporting

Segment reporting reflects the results of the operating segments within the Commerzbank Group. The following segment information is based on IFRS 8 Operating Segments, which applies the management approach. The segment information is prepared on the basis of internal management reporting, which the chief operating decision maker draws on in assessing the performance of the operating segments and determining the allocation of resources to the operating segments. Within the Commerzbank Group, the function of chief operating decision maker is exercised by the Board of Managing Directors.

Our segment reporting addresses the segment structure, comprising Private and Small-Business Customers, Corporate Clients and the Others and Consolidation segment. This reflects the Commerzbank Group's organisational structure and forms the basis for internal management reporting. The business segments are defined by differences in their products, services and/or customer target groups. The income and expenses of the Corporate Clients segment and of the Group are presented without the business division that was discontinued in the 2020 financial year (see Note 49).

The segmentation of Commerzbank's equipmentm leasing business was refined in the third quarter of 2020, resulting in shifts between the Private and Small-Business Customers and Corporate Clients segments. The Credit Solutions division was transferred from the Corporate Clients segment to the Others and Consolidation segment in the second quarter of 2021. The prior-year figures have been restated accordingly.

Further information on the segments is provided in the Group Management Report section of this Annual Report. The operating segments' capital requirement for risk-weighted assets is 12 %.

The performance of each segment is measured in terms of operating profit or loss and pre-tax profit or loss, as well as operating return on equity and the cost/income ratio. Operating profit or loss is defined as the sum of net interest income, dividend income, risk result, net commission income, net income from financial assets and liabilities measured at fair value through profit or loss, net income from hedge accounting, other net income from financial instruments, current net income from companies accounted for using the equity method and other net income less operating expenses and compulsory contributions. The operating profit does not include any impairments on goodwill or other intangible assets or restructuring expenses. As we report pre-tax profits, non-controlling interests are included in the figures for both profit and loss and average capital employed. All the revenue for which a segment is responsible is thus reflected in the pre-tax profit. When showing the elimination of intragroup profits from intragroup transactions in segment reporting, the transferring segment is treated as if the transaction had taken place outside the Group. Intragroup profits and losses are therefore eliminated in Others and Consolidation.

The operating return on equity is calculated as the ratio of operating profit to average capital employed. It shows the return on the capital employed in a given segment. The cost/income ratio in operating business reflects the cost efficiency of the various segments. It is calculated from the ratio of the sum of operating expenses and compulsory contributions to income before the risk result. We also report a cost/income ratio in operating business that excludes compulsory contributions, to take account of the fact that this item cannot be influenced in terms of either amount or periodicity.

Income and expenses are reported within the segments by originating unit and at market prices, with the market interest rate method being used for interest operations. The actual funding costs for the business-specific equity holdings of the segments are shown in net interest income. The Group's return on capital employed is allocated to the net interest income of the various segments in proportion to the average capital employed in the segment. The interest rate used is the long-term risk-free rate on the capital market. Net interest income also contains liquidity costs. These costs include both externally paid funding costs as well as the complete allocation of liquidity costs to the businesses and segments based on our transfer price system for liquidity costs. This system is used to allocate the interest expenses resulting from the Bank's external funding to the individual transactions and portfolios of the segments. This allocation is based on a central liquidity price curve in accordance with cost causation. The average capital employed in the segments is calculated based on the average segmented risk-weighted assets. For the Corporate Clients segment, the average capital employed in the segment is calculated without the discontinued business division. At Group level, Common Equity Tier 1 (CET1) capital is shown, which is used to calculate the operating return on equity. The reconciliation of average capital employed in the segments to the Group's CET1 capital is carried out in Others and Consolidation. We also report the assets and liabilities for the individual segments and the carrying amounts of companies accounted for using the equity method. Due to our business model, the segment balance sheet only balances out at Group level.

The operating expenses reported under operating profit or loss contain personnel expenses, administrative expenses (excluding compulsory contributions) as well as amortisation, depreciation and write-downs on fixed assets and other intangible assets. Restructuring expenses and impairments of both goodwill and other intangible assets are reported below the operating profit line in pre-tax profit or loss. Operating expenses and compulsory contributions are attributed to the individual segments on the basis of cost causation. The indirect expenses arising in connection with internal services are charged to the user of the service and credited to the segment performing the service. The provision of intragroup services is charged at full cost or at market prices.

| 2021<br>€m | Private and Small Business Customers | Corporate Clients | Others and Consolidation | Group |
|---|---|---|---|---|
| Net interest income | 2,596 | 1,689 | 564 | 4,849 |
| Dividend income | 10 | 5 | 6 | 22 |
| Risk result | – 319 | – 149 | – 101 | – 570 |
| Net commission income | 2,422 | 1,248 | – 55 | 3,616 |
| Net income from financial assets and liabilities measured at fair value through profit or loss | 367 | 257 | 355 | 980 |
| Net income from hedge accounting | – 2 | – 4 | – 90 | – 96 |
| Other net income from financial instruments | 20 | – 7 | 14 | 27 |
| Current net income from companies accounted for using the equity method | 1 | 6 | – 0 | 6 |
| Other net income | – 720 | – 26 | – 199 | – 944 |
| *Income before risk result* | *4,694* | *3,168* | *597* | *8,459* |
| *Income after risk result* | *4,375* | *3,019* | *495* | *7,889* |
| Operating expenses | 3,482 | 2,267 | 490 | 6,239 |
| Compulsory contributions | 318 | 96 | 53 | 467 |
| **Operating profit or loss** | **575** | **656** | **– 48** | **1,183** |
| Impairments on goodwill and other intangible assets | – | – | – | – |
| Restructuring expenses | – | – | 1,078 | 1,078 |
| **Pre-tax profit or loss from continuing operations** | **575** | **656** | **– 1,125** | **105** |
| | | | | |
| **Assets** | **165,929** | **146,748** | **160,367** | **473,044** |
| of which: discontinued assets | – | 62 | – | 62 |
| **Liabilities** | **200,730** | **136,715** | **135,600** | **473,044** |
| of which: discontinued liabilities | – | 108 | – | 108 |
| | | | | |
| **Carrying amount of companies accounted for using the equity method** | **29** | **145** | **1** | **175** |
| | | | | |
| **Average capital employed[1]** | **6,175** | **9,891** | **7,718** | **23,785** |
| **Operating return on equity (%)** | **9.3** | **6.6** | **–** | **5.0** |
| **Cost/income ratio in operating business (excl. compulsory contributions) (%)** | **74.2** | **71.6** | **–** | **73.8** |
| **Cost/income ratio in operating business (incl. compulsory contributions) (%)** | **81.0** | **74.6** | **–** | **79.3** |

[1] Average CET1 capital. Reconciliation carried out in Others and Consolidation.

| 2020<br>€m[1] | Private and Small Business Customers | Corporate Clients | Others and Consolidation | Group |
|---|---|---|---|---|
| Net interest income | 2,578 | 1,724 | 673 | 4,975 |
| Dividend income | 26 | 5 | 7 | 37 |
| Risk result | – 562 | – 1,081 | – 106 | – 1,748 |
| Net commission income | 2,151 | 1,207 | – 41 | 3,317 |
| Net income from financial assets and liabilities measured at fair value through profit or loss | 232 | 154 | – 319 | 66 |
| Net income from hedge accounting | 0 | 12 | 195 | 207 |
| Other net income from financial instruments | 30 | – 39 | – 56 | – 65 |
| Current net income from companies accounted for using the equity method | – 1 | 8 | – 0 | 6 |
| Other net income | – 237 | – 14 | – 107 | – 357 |
| *Income before risk result* | *4,778* | *3,056* | *353* | *8,186* |
| *Income after risk result* | *4,216* | *1,975* | *247* | *6,438* |
| Operating expenses | 3,515 | 2,327 | 317 | 6,160 |
| Compulsory contributions | 331 | 113 | 68 | 512 |
| **Operating profit or loss** | **370** | **– 465** | **– 139** | **– 233** |
| Impairments on goodwill and other intangible assets | 1,578 | – | – | 1,578 |
| Restructuring expenses | – | – | 814 | 814 |
| **Pre-tax profit or loss from continuing operations** | **– 1,209** | **– 465** | **– 953** | **– 2,626** |
| | | | | |
| **Assets** | **153,547** | **159,001** | **194,064** | **506,613** |
| of which: discontinued assets | – | 2,040 | – | 2,040 |
| **Liabilities** | **198,372** | **171,086** | **137,155** | **506,613** |
| of which: discontinued liabilities | – | 2,051 | – | 2,051 |
| | | | | |
| **Carrying amount of companies accounted for using the equity method** | **28** | **140** | **1** | **169** |
| | | | | |
| **Average capital employed[2]** | **5,680** | **11,280** | **7,539** | **24,499** |
| **Operating return on equity (%)** | **6.5** | **– 4.1** | **–** | **-1.0** |
| **Cost/income ratio in operating business (excl. compulsory contributions) (%)** | **73.6** | **76.2** | **–** | **75.2** |
| **Cost/income ratio in operating business (incl. compulsory contributions) (%)** | **80.5** | **79.8** | **–** | **81.5** |

[1] Prior-year figures adjusted due to restatements (see Note 4). Adjustments due to IFRS 8.29.
[2] Average CET1 capital. Reconciliation carried out in Others and Consolidation

| €m | 2021 | | |
|---|---|---|---|
| | Others | Consolidation | Others and Consolidation |
| Net interest income | 564 | 0 | 564 |
| Dividend income | 6 | – | 6 |
| Risk result | – 101 | – | – 101 |
| Net commission income | – 45 | – 10 | – 55 |
| Net income from financial assets and liabilities measured at fair value through profit or loss | 374 | – 18 | 355 |
| Net income from hedge accounting | – 90 | – | – 90 |
| Other net income from financial instruments | 10 | 3 | 14 |
| Current net income from companies accounted for using the equity method | – | – 0 | – 0 |
| Other net income | – 185 | – 14 | – 199 |
| *Income before risk result* | 635 | – 38 | 597 |
| *Income after risk result* | 533 | – 38 | 495 |
| Operating expenses | 510 | – 20 | 490 |
| Compulsory contributions | 53 | 0 | 53 |
| **Operating profit or loss** | **– 29** | **– 18** | **– 48** |
| Restructuring expenses | 1,078 | – | 1,078 |
| **Pre-tax profit or loss from continuing operations** | **– 1,107** | **– 18** | **– 1,125** |
| | | | |
| **Assets** | **160,245** | **122** | **160,367** |
| **Liabilities** | **135,509** | **90** | **135,600** |

| €m[1] | 2020 | | |
|---|---|---|---|
| | Others | Consolidation | Others and Consolidation |
| Net interest income | **678** | **– 5** | **673** |
| Dividend income | 7 | 0 | 7 |
| Risk result | – 106 | – | – 106 |
| Net commission income | – 33 | – 8 | – 41 |
| Net income from financial assets and liabilities measured at fair value through profit or loss | – 332 | 13 | – 319 |
| Net income from hedge accounting | 195 | – | 195 |
| Other net income from financial instruments | – 43 | – 14 | – 56 |
| Current net income from companies accounted for using the equity method | – | – 0 | – 0 |
| Other net income | – 101 | – 6 | – 107 |
| *Income before risk result* | 371 | – 19 | 353 |
| *Income after risk result* | 265 | – 19 | 247 |
| Operating expenses | 330 | – 13 | 317 |
| Compulsory contributions | 68 | 0 | 68 |
| **Operating profit or loss** | **– 132** | **– 6** | **– 139** |
| Restructuring expenses | 814 | – | 814 |
| **Pre-tax profit or loss from continuing operations** | **– 947** | **– 6** | **– 953** |
| | | | |
| **Assets** | **193,917** | **147** | **194,064** |
| **Liabilities** | **136,952** | **203** | **137,155** |

[1] Adjustments due to IFRS 8.29.

Under “Consolidation” we report consolidation and reconciliation items from the results of the segments and “Others” affecting the Group financial statements. This relates primarily to the following items:

- Elimination of the net measurement gains or losses on own bonds incurred in the segments;
- Effects from the consolidation of intragroup-transactions between segments;
- Effects from the consolidation of expenses and income; and
- Income and operating expenses of staff and management functions, which are charged to the segments and Others.

The breakdown within segment reporting by geographical region, which is essentially based on the location of the branch or group entity, was as follows:

| 2021<br>€m | Germany | Europe without Germany | America | Asia | Others | Total |
|---|---|---|---|---|---|---|
| Income before risk result | 6,565 | 1,589 | 85 | 220 | – | 8,459 |
| Credit-risk-weighted assets | 90,481 | 46,469 | 5,363 | 2,896 | – | 145,209 |

| 2020<br>€m | Germany | Europe without Germany | America | Asia | Others | Total |
|---|---|---|---|---|---|---|
| Income before risk result | 6,016 | 1,862 | 108 | 201 | 0 | 8,186 |
| Credit-risk-weighted assets | 90,352 | 48,062 | 5,250 | 4,296 | – | 147,960 |

Of the income before loan loss provisions in Europe (not including Germany), around 26 % was from our units in the United Kingdom (previous year: 18 %), 47 % from our units in Poland (previous year: 58 % and 11 % from our units in Luxembourg (previous year: 11 %). Credit-risk-weighted assets are shown for the geographical segments rather than non-current assets.

In accordance with IFRS 8.32 Commerzbank has decided not to provide a breakdown of the Commerzbank Group’s total income by products and services. We decided not to collect this data for efficiency reasons, as it is used neither for internal management activities nor for management reporting.

# Other notes

## Reported equity and regulatory capital

### (62) Equity structure in accordance with IFRS

#### Subscribed capital

The subscribed capital (share capital) of Commerzbank Aktiengesellschaft consists of no-par-value shares, each with an accounting par value of €1.00. The shares are issued in bearer form. Purchases and disposals of treasury shares are added to or deducted from subscribed capital at an accounting par value of €1.00. The subscribed capital stood at €1,252m as at 31 December 2021, as no treasury shares were held. There are no preferential rights or restrictions on the payment of dividends at Commerzbank Aktiengesellschaft. All shares in issue are fully paid up.

#### Conditional capital

Conditional capital is intended to be used for the issue of convertible bonds or bonds with warrants and profit-sharing certificates with conversion or option rights. Conditional capital developed as follows:

| | | | | | | thereof: | |
|---|---|---|---|---|---|---|---|
| €m | Conditional capital 1.1.2021 | Additions | Expirations / utilisations | Authorisation expired | Conditional capital 31.12.2020 | Used conditional capital | Conditional capital still available |
| Convertible bonds/bonds with warrants/profit-sharing certificates | – | – | – | – | – | – | – |
| **Total** | – | – | – | – | – | – | – |

The authorisation of the Board of Managing Directors adopted by resolution of the Annual General Meeting on 30 April 2015 to issue convertible bonds or bonds with warrants, profit-sharing certificates and other hybrid debt instruments (the profit-sharing certificates and hybrid debt instruments with or without conversion or option rights or obligations) was revoked by resolution of the Annual General Meeting on 22 May 2019.

#### Authorised capital

| Date of AGM resolution | Original amount €m | Used in previous years for capital increases €m | Used in 2020 for capital increases €m | Authorisation expired €m | Residual amount €m | Date of expiry |
|---|---|---|---|---|---|---|
| 22.5.2019 | – | – | – | – | – | 21.5.2024 |
| **Total** | – | – | – | – | – | |

The conditions for capital increases from authorised capital as at 31 December 2020 are stipulated in the Articles of Association of Commerzbank Aktiengesellschaft dated 17 September 2020.

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

- 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 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 Stock Corporation Act with 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 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.

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

- 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 Art. 18 (1) of the 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 subject to 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 own shares that are sold during the period of validity of Authorised Capital 2019/II, while excluding shareholders' subscription rights in accordance with Art. 71 (1) no. 8 sentence 5 and Art. 186 (3) sentence 4 of the German Stock Corporation Act. The upper limit is further reduced by the proportional amount of share capital corresponding to those shares that must be issued to service options and convertible bonds with option or conversion rights or with option or conversion obligations, provided such bonds are issued during the period of validity of Authorised Capital 2019/II, while excluding subscription rights subject to appropriate application of Art. 186 (3) sentence 4 of the German Stock Corporation Act.

The proportional amount of the share capital attributable to those shares issued in exchange for cash or contributions in kind with exclusion of the shareholders' subscription right must not, in aggregate, exceed 10 % of the share capital of the Company existing at the time when the 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 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.

The resolution of the Annual General Meeting of 30 April 2015 (Conditional Capital 2015) has been revoked.

The Supervisory Board is authorised to amend the wording of Art. 4 of the Articles of Association in accordance with the utilisation of Authorised Capital 2019 or to amend it after the expiry of the authorisation period.

### (63) Selected key regulatory figures

The following chart shows the composition of the Commerzbank Group's own funds and risk-weighted assets together with its own funds ratios in accordance with the Capital Requirements Regulation (CRR), including the transitional provisions applied.

| | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| Common Equity Tier 1[1] (€m) | 23,765 | 23,611 | 0.7 |
| Tier 1 capital (€m) | 27,215 | 26,790 | 1.6 |
| Equity[1] (€m) | 32,182 | 31,603 | 1.8 |
| Risk-weighted assets (€m) | 175,188 | 178,581 | –1.9 |
| of which credit risk | 145,209 | 147,960 | –1.9 |
| of which market risk[2] | 10,180 | 12,333 | –17.5 |
| of which operational risk | 19,799 | 18,287 | 8.3 |
| Common Equity Tier 1 ratio (%) | 13.6 | 13.2 | 2.8 |
| Equity Tier 1 ratio (%) | 15.5 | 15.0 | 3.6 |
| Total capital ratio (%) | 18.4 | 17.7 | 3.8 |

[1] This information includes the consolidated profit attributable to Commerzbank shareholders for regulatory purposes.
[2] Includes credit valuation adjustment risk.

The leverage ratio shows the ratio of Tier 1 capital to leverage exposure, consisting of the non-risk-weighted assets plus off-balance-sheet positions, in accordance with CRR, including the transitional provisions applied.

| | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| Leverage Ratio Exposure (€m) | 520,528 | 541,412 | –3.9 |
| Leverage ratio (%) | 5.2 | 4.9 | 6.1 |

The NPE ratio is the ratio of non–performing exposures to total exposures according to the EBA Risk Dashboard.

| | 31.12.2021 | 31.12.2020 | Change in % |
|---|---|---|---|
| NPE ratio (%) | 0.9 | 1.0 | –13.0 |

## Other details

### (64) Average number of staff employed by the Bank during the financial year

These figures include both full-time and part-time personnel. Not included in the figures is the average number of employees undergoing training within the Group.

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Total | male | female | Total | male | female |
| **Group** | **45,387** | **21,332** | **24,055** | **46,724** | **21,861** | **24,863** |
| In Germany | 31,423 | 14,857 | 16,565 | 32,756 | 15,567 | 17,189 |
| Outside Germany | 13,964 | 6,475 | 7,490 | 13,968 | 6,294 | 7,674 |

### (65) Related party transactions

As part of its normal business, Commerzbank Aktiengesellschaft and/or its consolidated companies engage in transactions with related entities and persons. These include subsidiaries that are controlled but not consolidated for reasons of materiality, joint ventures, associated companies, equity holdings, external providers of occupational pensions for employees of Commerzbank Aktiengesellschaft, key management personnel and members of their families as well as companies controlled by these persons. Banking transactions with related parties are carried out at normal market terms and conditions

Key management personnel refers exclusively to members of Commerzbank Aktiengesellschaft's Board of Managing Directors and Supervisory Board who were active during the financial year.

Besides the stake held by the German federal government, other factors (including membership of the Supervisory Board) that could potentially allow a significant influence to be exerted on Commerzbank Aktiengesellschaft also need to be taken into account. Accordingly, the German federal government and entities controlled by it are classified as related entities and persons in accordance with IAS 24.

**Transactions with non-consolidated subsidiaries**

The assets relating to non-consolidated subsidiaries in the amount of €191m (previous year: €274m) as at 31 December 2021 included primarily loans and advances. Liabilities in the amount of €176m (previous year: €202m) comprised mostly deposits. The income of €54m (previous year: €31m) comprised primarily interest and commission income as well as the net gain or loss from trading and remeasurement. The expenses in the amount of €55m (previous year: €74m) resulted largely from goods and services. In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €84m (previous year: €79m).

**Transactions with joint ventures**

No transactions took place with joint ventures during the reporting year. In the previous year we also reported €0m in income with joint ventures.

**Transactions with associated companies**

The assets relating to associated companies in the amount of €4m (previous year: €15m) as at 31 December 2021 included primarily financial assets. Liabilities in the amount of €24m (previous year: €29m) comprised mostly deposits. The income of €10m (previous year: €10m) resulted primarily from interest income. Expenses in the financial year amounted to €0m (previous year: €5m). In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €4m (previous year: €12m).

**Transactions with other related entities/persons**
The assets pertaining to other related entities/persons amounted to €0m (previous year: €0m). Liabilities in the amount of €322m (previous year: €208m) comprised mostly deposits. The deposits were mostly attributable to external providers of occupational pensions. The income of €2m (previous year: €0m) resulted primarily from interest income. The expenses of €9m (previous year: €9m) resulted primarily from interest expenses. Guarantees and collateral in the amount of €34m were granted in the course of the Bank's ordinary banking activities (previous year: €0m).

**Transactions with entities controlled by the German federal government**
Commerzbank has transactions with private-law subsidiaries of the German federal government as well as Deutsche Bundesbank. The assets relating to entities controlled by the German federal government as at 31 December 2021 in the amount of €31,570m (previous year: €56,576m) comprised primarily deposits with Deutsche Bundesbank totalling €27,705m (previous year: €53,546m). Of the liabilities relating to entities controlled by the German federal government in the amount of €13,693m (previous year: €13,755m), €13,671m were deposits (previous year: €13,748m). As at 31 December 2021, the Bank had granted guarantees and collateral totalling €213m (previous year: €255m) to entities controlled by the German federal government. The income of €36m (previous year: €48m) resulted primarily from interest income. The expenses of €75m (previous year: €37m) resulted primarily from trading and remeasurement.

**Transactions with key management personnel**
The assets relating to key management personnel in the amount of €7m (previous year: €4m) as at 31 December 2021 comprised loans and advances. These were mainly mortgage loans. In addition, an irrevocable loan commitment was made to key management personnel. The liabilities of €4m (previous year: €6m) included deposits from key management personnel. The expenses represent personnel expenses in the amount of €23m (previous year: €24m) and include remuneration for key management personnel, salaries of the employee representatives on the Supervisory Board who are employed by the Commerzbank Group.

Claims on key management personnel were as follows:

| | Board of Managing Directors | | Supervisory Board | |
|---|---|---|---|---|
| | 31.12.2021 | 31.12.2020 | 31.12.2021 | 31.12.2020 |
| Claims (€ 1,000)[1] | 7,165 | 2,116 | 284 | 1,719 |
| Last due date[2] | 2058 | 2048 | 2,042 | 2,042 |
| Range of interest rates used (%)[3] | 0,88 - 2,8 | 0,68 - 2,8 | 1,56 - 2,28 | 1,04 - 2,28 |

[1] Members of the Board of Managing Directors repaid €79 thousand (previous year: €24 thousand) and members of the Supervisory Board repaid €38 thousand (previous year: €37 thousand).
[2] Besides loans with fixed repayment dates, loans without a specified maturity were granted.
[3] In individual cases, up to 9.7 % (previous year: 9.4 %) was charged for overdrafts of the Board of Managing Directors and up to 12.4 % (previous year: 12.4 %) for overdrafts of the Supervisory Board.

Where necessary, loans to members of the Board of Managing Directors and the Supervisory Board were secured by land charges or liens.

With the exception of rental guarantees, the companies of the Commerzbank Group did not have any contingent liabilities relating to members of the Board of Managing Directors or the Supervisory Board in the year under review.

**Board of Managing Directors**
The table below shows a breakdown of the total remuneration of the Board of Managing Directors in accordance with both IAS 24.17 and Art. 314 (1) no. 6 (a) sentence 1 of the German Commercial Code (HGB). The expense under the IAS 24 classification is based on the regulations of the underlying standards (IAS 19 and IFRS 2). The short-term employee benefits include, for example, standard non-monetary benefits.

| € 1,000 | 2021 | 2020 |
|---|---|---|
| Short-term employee benefits | 8,258 | 8,984 |
| Post-employment benefits (service costs) | 3,829 | 3,341 |
| Other long term benefits | 1,149 | – |
| Termination benefits[1] | 1,980 | 7,616 |
| Share-based remuneration[2] | 2,652 | – 688 |
| **Total remuneration in accordance with IAS 24.17** | 17,868 | **19,253** |
| Less or plus | | |
| Post-employment benefits | – 3,827 | – 3,341 |
| Termination benefits | – 1,980 | – 7,616 |
| Other differences between IFRS and Art. 314 (1) no. 6 letter a sentence 1 HGB[3] | – 688 | 762 |
| **Total remuneration in accordance with Art. 314. (1) no. 6 letter a sentence. 1 HGB** | 11,371 | **9,058** |

[1] The termination benefits in the 2021 financial year concern Jörg Hessenmüller. They concerned Martin Zielke, Roland Boekhout and Michael Mandel in the previous year.
[2] The remuneration system also gives rise to pro-rata recognition of share-based remuneration in respect of future financial years. This has the effect of increasing expenses for new members of the Board of Managing Directors in particular, since no pro-rata remuneration was recorded for them in previous years. In the 2020 financial year, corrections had to be made related to expenses recognised in previous years due to the unscheduled terminations.
[3] Under the current remuneration system, the grant does not take place until the entitlements have arisen, which in 2021 led to a year-on-year increase in total remuneration under Art. 314 (1) no. 6 (a) sentence 1 of the German Commercial Code, in particular as the latter contains the long-term remuneration components for the 2015 and 2016 financial years.

The total remuneration in accordance with Art. 314 (1) no. 6 (a) sentence 1 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 2021 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 2015 and 2016 financial years, since these were granted with legally binding effect in the year under review. Total remuneration also includes 256,554 (previous year: 13,530) virtual shares with a total value of €1,897 thousand (previous year: €74 thousand), which will not be paid out until spring or the end of 2023 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 dividends in the 2015 and 2018 financial years.

The net present value of the pension entitlements of the members of the Board of Managing Directors who were active in the financial year was €7,687 thousand as at 31 December 2021 (previous year: €21,099 thousand). After deduction of plan assets transferred, provisions for pension obligations in respect of members of the Board of Managing Directors active in the financial year were €877 thousand as at 31 December 2021 (previous year: €1,784 thousand). Provisions of €7,400 thousand were recognised for variable components of remuneration of active members of the Board of Managing Directors as at 31 December 2021 (previous year: €6,600 thousand).

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. Payments to former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft and their surviving dependants in the financial year came to €12,724 thousand (previous year: €8,223 thousand). The pension obligations for these persons amounted to €136,300 thousand (previous year: €129,802 thousand).

**Supervisory Board**

Remuneration for the members of the Supervisory Board is regulated in Art. 15 of the Articles of Association of Commerzbank Aktiengesellschaft. Members of the Supervisory Board received total net remuneration of €3,283 thousand for the 2021 financial year (previous year: €3,465 thousand), as short-term employee benefits in accordance with IAS 24.17.

**(66) Date of release for publication**

The Board of Managing Directors approved these Group financial statements on 1 March 2022 for submission to the Supervisory Board. The Supervisory Board is responsible for reviewing and formally approving the Group financial statements. Preliminary figures for the 2021 results were released by the Board of Managing Directors on 14 February 2022 for publication.

**(67) Corporate Governance Code**

We have issued our annual declaration of compliance with the German Corporate Governance Code pursuant to Art. 161 of the German Stock Corporation Act and made it permanently available to shareholders on the internet (www.commerzbank.com).

**(68) Country-specific reporting**

The following information pursuant to Art. 26a of the German Banking Act relates to the companies of Commerzbank Group consolidated under IFRS. Return on capital for the Group was 7.5 % as at 31 December 2021. For the statement of business purpose please refer to our ownership interests (Note 72) in the online version of the Annual Report "Commerzbank > Investor Relations" (www.commerzbank.com). Turnover is reported on the basis of the company's separate financial statements in accordance with International Financial Reporting Standards (IFRS) and includes income before risk result. The pre-tax profit or loss and taxes on income are also taken from each company's separate financial statements under IFRS. The average number of employees includes both full-time personnel and part-time personnel converted into full-time equivalents.

| 31.12.2021 | Turnover<br>€m | Pre-tax profit or loss<br>€m | Taxes on income[1]<br>€m | Employees<br>number |
|---|---|---|---|---|
| Germany | 7,854 | 1,161 | – 377 | 28,191 |
| China including Hong Kong and Shanghai | 82 | 19 | 10 | 226 |
| France | 38 | 5 | – 3 | 84 |
| United Kingdom | 427 | 135 | – 37 | 754 |
| Luxembourg | 172 | 103 | 1 | 168 |
| Netherlands | 15 | 5 | 2 | 34 |
| Poland | 750 | – 106 | 130 | 7,930 |
| Russia | 33 | 15 | 3 | 136 |
| Singapore | 64 | – 4 | – 1 | 379 |
| USA | 173 | 66 | 3 | 316 |
| Others | 183 | 5 | 19 | 1,201 |

[1] The difference between the tax ratios and nominal tax rates in the different countries largely derives from effects relating to the retrospective recognition or impairment of deferred taxes and from taxes for prior years (e.g. recognition and release of tax provisions).

| 31.12.2020 | Turnover<br>€m | Pre-tax profit or loss<br>€m | Taxes on income[1]<br>€m | Employees<br>number |
|---|---|---|---|---|
| Germany | 4,382 | –2,942 | 110 | 29,424 |
| China including Hong Kong and Shanghai | 54 | –43 | –5 | 269 |
| France | 52 | 22 | 4 | 86 |
| United Kingdom | 325 | 38 | –5 | 851 |
| Luxembourg | 197 | 11 | 11 | 183 |
| Netherlands | 20 | –5 | 16 | 35 |
| Poland | 1,087 | 152 | 114 | 7,892 |
| Russia | 26 | 10 | 2 | 141 |
| Singapore | 69 | 11 | 1 | 410 |
| USA | 158 | 36 | 7 | 340 |
| Others | 240 | 43 | 28 | 1,034 |

[1] The difference between the tax ratios and nominal tax rates in the different countries largely derives from effects relating to the retrospective recognition or impairment of deferred taxes and from taxes for prior years (e.g. recognition and release of tax provisions).

### (69) Information on unconsolidated structured entities

The unconsolidated structured entities of the Commerzbank Group comprise the transaction types (clusters) set out below.

- Asset-backed securities (ABSs)
  Asset-backed securities are collateralised securities designed to convert particular assets, usually loans, into interest-bearing tradeable securities through securitisation. The underlying assets may include, for example, consumer loans (auto loans, credit card assets), mortgage loans and high-grade corporate loans. The companies are financed through the issue of various tranches of asset-backed securities. Investors in these securities are subject to the default risk of the underlying asset. Commerzbank only invests in investment grade ABS tranches.
- Own securitisations and securitisation platform
  Commerzbank's own securitisations are true-sale and synthetic securitisations used for the purpose of steering the liquidity, capital and risk-weighted assets of the Bank. The companies that acquire the assets are financed through the issue of various tranches of securities that are placed on the capital market. Furthermore, Commerzbank also sponsors a securitisation platform (Silver Tower). With this conduit programme, Commerzbank structures, arranges and securitises the receivables of third parties who are customers of the Corporate Clients segment. The securitisation companies refinance themselves through credit lines or registered bonds issued by Luxembourg-based Silver Tower S.A. In addition to existing overcollateralisation, the risk of bad debts is covered by external credit insurance.
- Hedge funds
  These are investments in hedge fund units made in the interest of the customer. The performance and risk of the units are passed on to the customer by means of total return swaps or certificates. Commerzbank thus secures itself financially and does not invest for its own account.
- Leasing property companies
  These companies design need-based leasing and financing concepts for large plant such as real estate, aircraft, ships and regenerative energy systems. Normally, for every transaction, an autonomous special-purpose company is established in which the Commerz Real Group is a majority or minority stakeholder. As a financial services company, the Commerz Real Group does not provide loans to these companies. Loans are instead provided by lending institutions within and outside the Group. The core business of the Commerz Real Group does, however, include administration related to the structured entities.
- Private Finance Initiative & Structured Credit Legacy (PFI and SCL)
  This cluster comprises positions from the former segment Asset & Capital Recovery (ACR), which was responsible for managing down assets related to the proprietary trading and investment activities that were discontinued in 2009. The positions managed by this segment initially included asset-backed securities (ABSs) without a state guarantee, other structured credit products, proprietary trading positions in corporate and bank bonds and exotic credit derivatives. The companies are largely financed through the issue of various types of asset-backed securities and bonds. The investors in these securities are therefore subject to the default risk of the underlying or the issuer. In December 2021, the assets contained in this cluster were migrated to the existing asset-backed securities (ABS) cluster.
- Other
  These are structured entities that are not included in the above categories. This category mainly includes capital market transactions by Asset Finance (AF) and structured transactions in connection with credit derivatives transactions. AF carries out transactions for customers with limited access to the capital markets and brings them together with alternative providers of capital. The focus in Structured Asset Finance is on structuring and distributing financing and investment solutions for corporate customers and financial institutions. Structured Asset Finance concentrates on the financing of tangible assets and other assets using leasing or structured financing. This also includes the involvement of alternative providers of capital from outside the banking sector. These activities are supplemented with the structuring of investment solutions, and the underwriting and placement of suitable financings for that purpose.

The carrying amounts of the assets and liabilities and income and expenses of the Commerzbank Group relating to unconsolidated structured entities are set out in the tables below: The size of the unconsolidated structured entities and the Commerzbank Group's maximum exposure to loss are also shown.

The maximum exposure to loss for the Commerzbank Group with regard to unconsolidated structured entities results from recognised assets and from lending commitments and guarantees provided to unconsolidated structured entities that had not yet been utilised as at the reporting dates. The maximum risk of loss on assets with regard to unconsolidated structured entities is equivalent to the current carrying values of these items after the risk result. For loan commitments and guarantees we treat the nominal value of the commitment as the maximum risk of loss.

The maximum risk of loss is shown gross, i.e. without regard to collateral or hedging activities serving the purpose of risk mitigation.

| €m | ABS | Own securitisations and securitisation platform | Hedge funds | Leasing structured entities | PFI and SCL | Others |
|---|---|---|---|---|---|---|
| **Assets as at 31.12.2021** | **11,529** | **2,647** | **–** | **300** | **–** | **399** |
| Financial assets – Amortised cost | 5,729 | 2,646 | – | 293 | – | 347 |
| Financial assets – Fair value OCI | 5,052 | – | – | – | – | 41 |
| Financial assets – Mandatorily fair value P&L | 743 | – | – | 7 | – | – |
| Financial assets – Held for trading | 5 | 0 | – | – | – | 11 |
| Other assets | – | – | – | – | – | – |
| **Liabilities as at 31.12.2021** | **–** | **1,068** | **–** | **31** | **–** | **25** |
| Financial liabilities – Amortised cost | – | 1,067 | – | 31 | – | 6 |
| Financial liabilities – Fair value option | – | – | – | – | – | 0 |
| Other liabilities | – | 1 | – | – | – | 19 |
| **Income and expenses from 1.1.–31.12.2021** | | | | | | |
| Net interest income after risk result | 107 | – 53 | – | 16 | – | 7 |
| Net commission income | 0 | 1 | – | 6 | – | 2 |
| Net income from financial assets and liabilities at fair value through profit or loss and other net income from financial instruments | 18 | – 1 | – | 6 | – | 0 |
| Other net income | 1 | – | – | – 0 | – | – |
| **Maximum exposure to loss as at 31.12.2021** | | | | | | |
| Assets | 11,529 | 2,647 | – | 300 | – | 399 |
| Lending commitments | – | 1,049 | – | – | – | 158 |
| Guarantees | – | – | – | – | – | – |
| | | | | | | |
| **Extent[1]** | **13,169** | **7,239** | **–** | **2,256** | **–** | **262,891** |

[1] The size of the structured entities generally reflects the total assets of the companies. The nominal value in euros of all ABS instruments held in the Group is reported for the ABS cluster and the stakes held by Commerzbank are shown for the hedge funds, PFI and SCL clusters.

| €m | ABS | Own securitisations and securitisation platform | Hedge funds | Leasing structured entities | PFI and SCL | Others |
|---|---|---|---|---|---|---|
| **Assets as at 31.12.2020** | **14,223** | **2,765** | **8** | **337** | **867** | **391** |
| Financial assets – Amortised cost | 8,182 | 2,764 | 0 | 334 | – | 333 |
| Financial assets – Fair value OCI | 5,937 | – | – | – | 0 | 40 |
| Financial assets – Mandatorily fair value P&L | – | – | – | 3 | 762 | – |
| Financial assets – Held for trading | 104 | 0 | 8 | – | 105 | 17 |
| Other assets | – | – | – | – | – | – |
| **Liabilities as at 31.12.2020** | **–** | **1,316** | **0** | **37** | **–** | **27** |
| Financial liabilities – Amortised cost | – | 1,316 | 0 | 37 | – | 4 |
| Financial liabilities – Fair value option | – | – | – | – | – | 0 |
| Other liabilities | – | 0 | – | – | – | 23 |
| **Income and expenses from 1.1.–31.12.2020** | | | | | | |
| Net interest income after risk result | 114 | – 53 | – | 16 | 13 | 9 |
| Net commission income | – 0 | 0 | – | 3 | 0 | 0 |
| Net income from financial assets and liabilities at fair value through profit or loss and other net income from financial instruments | – 2 | – 0 | 0 | – 0 | 19 | – 10 |
| Other net income | – 0 | – | – | – 1 | 2 | – |
| **Maximum exposure to loss as at 31.12.2020** | | | | | | |
| Assets | 14,223 | 2,765 | 8 | 337 | 867 | 391 |
| Lending commitments | – | 522 | – | – | – | 129 |
| Guarantees | – | – | – | – | – | – |
| | – | – | – | – | – | – |
| **Extent[1]** | **12,622** | **4,567** | **8** | **2,496** | **867** | **183,051** |

[1] The size of the structured entities generally reflects the total assets of the companies. The nominal value in euros of all ABS instruments (adjusted method to determine the volume and value) held in the Group is reported for the ABS cluster and the stakes held by Commerzbank are shown for the hedge funds, PFI and SCL clusters.

Commerzbank also acts as sponsor of structured entities in which it does not have an equity holding. An entity is regarded as sponsored if:

- it was launched and/or structured by Commerzbank;
- it has received or bought assets from the Commerzbank Group;
- it is guaranteed by the Commerzbank Group or was marketed intensively by the Commerzbank Group.

As at 31 December 2021, the gross income of the Commerzbank Group from sponsored unconsolidated structured entities was €–33m (previous year: €–47m). The carrying amounts of the assets of the Commerzbank Group relating to sponsored unconsolidated structured entities totalled €1,684m (previous year: €2,897m).

### (70) Information on significant non-controlling interests

Significant non-controlling interests in the Private and Small-Business Customers segment were as shown below. We took our subsidiary mBank S.A. into account.

| | mBank S.A., Warsaw, Poland | |
|---|---|---|
| | 31.12.2021 | 31.12.2020[2] |
| Attributable to non-controlling interests: | | |
| | | |
| Capital (%) | 31 | 31 |
| Voting rights (%) | 31 | 31 |
| | | |
| Consolidated profit or loss (€m) | –90 | 4 |
| Equity (€m) | 799 | 1,013 |
| Dividend paid on shares (in €m) | – | – |
| | | |
| Assets (€m)[1] | 12,780 | 11,519 |
| Liabilities (€m)[1] | 11,895 | 10,420 |
| Profit or loss (€m)[1] | –89 | 5 |
| Other comprehensive income (€m)[1] | –218 | –37 |
| Total comprehensive income (€m)[1] | –306 | –31 |
| Cash flows (€m)[1] | 540 | –305 |

[1] Before elimination of intragroup-transactions.
[2] Prior-year figures adjusted due to restatements (see Note 4).

### (71) Letters of comfort

In respect of the subsidiaries listed below and included in the Group financial statements, we undertake to ensure that, except in the case of political risks, they are able to meet their contractual liabilities.

| Name | Registered office |
|---|---|
| Commerzbank (Eurasija) AO | Moscow |
| Commerzbank Brasil S.A. – Banco Múltiplo | São Paulo |
| Commerzbank Inlandsbanken Holding GmbH | Frankfurt/Main |
| Commerzbank Finance & Covered Bond S.A. | Luxembourg |
| CommerzTrust GmbH | Frankfurt/Main |
| Commerz Markets LLC | New York |
| LSF Loan Solutions Frankfurt GmbH | Eschborn |

### (72) Holdings in affiliated and other companies

We provide the following information pursuant to Art. 313 (2) of the German Commercial Code (HGB) and IFRS 12.10 and IFRS 12.21 on the Group financial statements. The data on the equity and net profit or loss of the companies is taken from their financial statements under national accounting regulations. Footnotes, information on business purpose and further comments on the tables below appear at the end of this note.

#### 1. Affiliated companies

#### a) Affiliated companies included to the Group financial statements

| Name | Registered-office | Business-purpose | Share of capital held % | Voting rights (where different) % | Currency | Equity* 1,000 | Net profit or loss* 1,000 | |
|---|---|---|---|---|---|---|---|---|
| ALWIGA Netzbeteiligungen GmbH | Düsseldorf, Germany | SOFDL | 100.0 | – | EUR | 96.0 | – | a) |
| Asekum Sp. z o.o. | Warsaw, Poland | SOUNT | 100.0 | – | PLN | 32,005.0 | – | |
| Atlas Vermögensverwaltungs-gesellschaft mbH | Frankfurt/Main, Germany | SOFDL | 100.0 | – | EUR | 126.0 | – | a) b) |
| Bridge Re Limited | Hamilton, Bermuda | SOFDL | 100.0 | – | USD | 620.0 | 241.0 | |
| CBG Commerz Beteiligungs-gesellschaft Holding mbH | Frankfurt/Main, Germany | SOFDL | 100.0 | – | EUR | 2,137.0 | – | a) b) |
| CBG Commerz Beteiligungs-gesellschaft mbH & Co. KG | Frankfurt/Main, Germany | SOFDL | 100.0 | – | EUR | 24,656.0 | – | |
| CBG Commerz Beteiligungskapital GmbH & Co. KG | Frankfurt/Main, Germany | SOFDL | 100.0 | – | EUR | 16,735.0 | 2,315.0 | |
| CERI International Sp. z o.o. | Lódz, Poland | SOUNT | 100.0 | – | PLN | 78,198.0 | 12,574.0 | |
| Coba Vermögensverwaltungs-gesellschaft mbH | Düsseldorf, Germany | SOUNT | 100.0 | – | EUR | 26.0 | – | a) |
| Commerz (East Asia) Limited | Hong Kong, Hong Kong | SOFDL | 100.0 | – | EUR | 4,063.0 | –197.0 | |
| Commerz Business Consulting GmbH | Frankfurt/Main, Germany | SOUNT | 100.0 | – | EUR | 199.0 | – | a) b) |
| Commerz Direktservice GmbH | Duisburg, Germany | SOUNT | 100.0 | – | EUR | 1,534.0 | – | a) |
| Commerz Grundbesitz Beteiligungs-gesellschaft mbH & Co. KG | Frankfurt/Main, Germany | SOFDL | 90.0 | – | EUR | 17,202.0 | – | |
| Commerz Markets LLC | Wilmington, Delaware, USA | SOFDL | 100.0 | – | USD | 206,990.0 | 36,152.0 | |
| Commerz Real AG | Wiesbaden, Germany | SOFDL | 100.0 | – | EUR | 408,394.0 | – | a) |
| Commerz Real Fonds Beteiligungs-gesellschaft mbH | Düsseldorf, Germany | SOUNT | 100.0 | – | EUR | 151.0 | – | a) |
| Commerz Real Fund Management S.à r.l. | Luxembourg, Luxembourg | BETGE | 100.0 | – | EUR | 2,863.0 | –5,216.0 | |
| Commerz Real Investmentgesellschaft mbH | Wiesbaden, Germany | BETGE | 100.0 | – | EUR | 21,968.0 | – | a) |

| Name | Registered-office | Business-purpose | Share of capital held % | Voting rights (where different) % | Currency | Equity* 1,000 | Net profit or loss* 1,000 | |
|---|---|---|---|---|---|---|---|---|
| Commerz Real Kapitalverwaltungs-gesellschaft mbH | Düsseldorf, Germany | BETGE | 100.0 | – | EUR | 5,000.0 | – | a) |
| Commerz Real Mobilienleasing GmbH | Düsseldorf, Germany | SOFDL | 100.0 | – | EUR | 41,000.0 | – | a) |
| Commerz Real Verwaltung und Treuhand GmbH | Düsseldorf, Germany | SOFDL | 100.0 | – | EUR | 26.0 | – | a) |
| Commerz Service-Center Intensive GmbH | Düsseldorf, Germany | SOUNT | 100.0 | – | EUR | 1,664.0 | – | a) b) |
| Commerz Services Holding GmbH | Frankfurt/Main, Germany | SOFDL | 100.0 | – | EUR | 15,979.0 | – | a) b) |
| Commerzbank (Eurasija) AO | Moscow, Russia | KREDI | 100.0 | – | RUB | 11,439,412.0 | 812,662.0 | |
| Commerzbank Brasil S.A. Banco Múltiplo | São Paulo, Brazil | KREDI | 100.0 | – | BRL | 137,529.0 | –32,217.0 | |
| Commerzbank Finance & Covered Bond S.A. | Luxembourg, Luxembourg | KREDI | 100.0 | – | EUR | 1,176,590.0 | –34,918.0 | |
| Commerzbank Finance 3 S.à r.l. | Luxembourg, Luxembourg | SOUNT | 100.0 | – | EUR | 641.0 | –24.0 | |
| Commerzbank Finance BV | Amsterdam, Netherlands | SOFDL | 100.0 | – | EUR | 1,142.0 | –35.0 | |
| Commerzbank Finance Limited | London, United Kingdom | SOFDL | 100.0 | – | GBP | 155,171.0 | 80,042.0 | |
| Commerzbank Holdings (UK) Limited | London, United Kingdom | SOFDL | 100.0 | – | GBP | 12,970.0 | 1,872.0 | |
| Commerzbank Holdings France | Paris, France | SOFDL | 100.0 | – | EUR | 17,022.0 | –439.0 | |
| Commerzbank Immobilien- und Vermögensverwaltungsgesellschaft mbH | Frankfurt/Main, Germany | SOFDL | 100.0 | – | EUR | 462,597.0 | – | a) b) |
| Commerzbank Inlandsbanken Holding GmbH | Frankfurt/Main, Germany | SOFDL | 100.0 | – | EUR | 279,468.0 | – | a) b) |
| Commerzbank Leasing 6 S.à r.l. | Luxembourg, Luxembourg | SOFDL | 100.0 | – | GBP | 98.0 | –2.0 | |
| Commerzbank Leasing December (3) Limited | London, United Kingdom | SOFDL | 100.0 | – | GBP | 31.0 | 125.0 | |
| Commerzbank Leasing Limited | London, United Kingdom | SOFDL | 100.0 | – | GBP | 61.0 | – | |
| Commerzbank Leasing September (5) Limited | London, United Kingdom | SOFDL | 100.0 | – | GBP | –12.0 | 30.0 | |
| Commerzbank U.S. Finance, Inc. | Wilmington, Delaware, USA | SOFDL | 100.0 | – | USD | 363.0 | 4.0 | |
| Commerzbank Zrt. | Budapest, Hungary | KREDI | 100.0 | – | HUF | 30,396,000.0 | 230,000.0 | |
| CommerzFactoring GmbH | Mainz, Germany | SOFDL | 50.1 | – | EUR | 1,099.0 | – | a) |
| CommerzVentures Beteiligungs GmbH & Co. KG | Frankfurt/Main, Germany | SOFDL | 99.5 | – | EUR | –12,319.0 | 60,388.0 | b) |
| CommerzVentures GmbH | Frankfurt/Main, Germany | SOFDL | 100.0 | – | EUR | 75,299.0 | – | a) b) |
| CommerzVentures II Beteiligungs GmbH & Co. KG | Frankfurt/Main, Germany | SOFDL | 33.3 | 99.2 | EUR | 30,313.0 | –3,039.0 | b) |
| ComTS Finance GmbH | Halle (Saale), Germany | SOUNT | 100.0 | – | EUR | 1,550.0 | – | a) b) |
| ComTS Logistics GmbH | Magdeburg, Germany | SOUNT | 100.0 | – | EUR | 1,550.0 | – | a) b) |
| ComTS Mitte GmbH | Erfurt, Germany | SOUNT | 100.0 | – | EUR | 2,714.0 | – | a) b) |
| ComTS Nord GmbH | Magdeburg, Germany | SOUNT | 100.0 | – | EUR | 1,492.0 | – | a) b) |

| Name | Registered-office | Business-purpose | Share of capital held % | Voting rights (where different) % | Currency | Equity* 1,000 | Net profit or loss* 1,000 | |
|---|---|---|---|---|---|---|---|---|
| ComTS Ost GmbH | Halle (Saale), Germany | SOUNT | 100.0 | – | EUR | 1,550.0 | – | a) b) |
| ComTS Rhein-Ruhr GmbH | Duisburg, Germany | SOUNT | 100.0 | – | EUR | 1,050.0 | – | a) b) |
| ComTS West GmbH | Hamm, Germany | SOUNT | 100.0 | – | EUR | 1,256.0 | – | a) b) |
| Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Objekt Erfurt KG | Düsseldorf, Germany | SOUNT | 0.1 | 0.3 | EUR | 157.0 | 1,153.0 | c) |
| Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Objekt Halle Am Markt KG | Düsseldorf, Germany | SOUNT | 6.0 | 7.0 | EUR | – | 158.0 | c) |
| Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schwabing KG | Düsseldorf, Germany | SOUNT | 100.0 | – | EUR | – | 2.0 | |
| Dresdner Capital LLC I | Wilmington, Delaware, USA | SOFDL | 100.0 | – | USD | 1,950.0 | 42.0 | |
| Dresdner Capital LLC IV | Wilmington, Delaware, USA | SOFDL | 100.0 | – | JPY | 17,880.0 | 2.0 | |
| Dresdner Kleinwort Luminary Inc. | Wilmington, Delaware, USA | SOFDL | 100.0 | – | USD | 25,342.0 | 2,197.0 | |
| Dresdner Lateinamerika Aktiengesellschaft | Hamburg, Germany | SOFDL | 100.0 | – | EUR | 39,567.0 | – | a) b) |
| DSB Vermögensverwaltungs-gesellschaft mbH | Frankfurt/Main, Germany | SOFDL | 100.0 | – | EUR | 25.0 | – | a) b) |
| FABA Vermietungsgesellschaft mbH | Frankfurt/Main, Germany | SOUNT | 100.0 | – | EUR | 2,026.0 | – | a) b) |
| Frega Vermögensverwaltungs-gesellschaft mbH | Frankfurt/Main, Germany | SOFDL | 100.0 | – | EUR | 366.0 | –63.0 | |
| Future Tech Fundusz Inwestycyjny Zamkniety | Warsaw, Poland | SOFDL | 99.0 | – | PLN | 192,266.0 | 7,065.0 | c) |
| G-Invest Sp. z o.o. | Warsaw, Poland | SOUNT | 100.0 | – | PLN | 6,603.0 | –91.0 | 1) |
| Gesellschaft für Kreditsicherung mbH | Berlin, Germany | SOFDL | 63.3 | – | EUR | 5,240.0 | 153.0 | |
| Greene Elm Trading VII LLC | Wilmington, Delaware, USA | SOFDL | 100.0 | – | USD | 1,809.0 | 23.0 | |
| KENSTONE GmbH | Eschborn, Germany | SOUNT | 100.0 | – | EUR | 1,195.0 | – | a) b) |
| Kira Vermögensverwaltungs-gesellschaft mbH | Munich, Germany | SOFDL | 100.0 | – | EUR | 74,830.0 | – | a) |
| Kommanditgesellschaft MS "CPO ALICANTE" Offen Reederei GmbH & Co. | Hamburg, Germany | SOUNT | 90.0 | – | EUR | 29,835.0 | 6,779.0 | b) |
| Kommanditgesellschaft MS "CPO ANCONA" Offen Reederei GmbH & Co. | Hamburg, Germany | SOUNT | 77.2 | – | EUR | 45,967.0 | 11,232.0 | b) |
| Kommanditgesellschaft MS "CPO BILBAO" Offen Reederei GmbH & Co. | Hamburg, Germany | SOUNT | 90.0 | – | EUR | 28,728.0 | 6,906.0 | b) |

| Name | Registered-office | Business-purpose | Share of capital held % | Voting rights (where different) % | Currency | Equity* 1,000 | Net profit or loss* 1,000 | |
|---|---|---|---|---|---|---|---|---|
| Kommanditgesellschaft MS "CPO MARSEILLE" Offen Reederei GmbH & Co. | Hamburg, Germany | SOUNT | 77.2 | 77.3 | EUR | 38,063.0 | 8,875.0 | b) |
| Kommanditgesellschaft MS "CPO PALERMO" Offen Reederei GmbH & Co. | Hamburg, Germany | SOUNT | 73.9 | – | EUR | 57,695.0 | 8,295.0 | b) |
| Kommanditgesellschaft MS "CPO TOULON" Offen Reederei GmbH & Co. | Hamburg, Germany | SOUNT | 90.0 | – | EUR | 40,958.0 | 8,159.0 | b) |
| Kommanditgesellschaft MS "CPO VALENCIA" Offen Reederei GmbH & Co. | Hamburg, Germany | SOUNT | 90.0 | – | EUR | 28,924.0 | 6,878.0 | b) |
| LeaseLink Sp. z o.o. | Warsaw, Poland | SOFDL | 100.0 | – | PLN | 9,073.0 | 3,413.0 | |
| LSF Loan Solutions Frankfurt GmbH | Eschborn, Germany | SOUNT | 100.0 | – | EUR | 163,995.0 | – | a) b) |
| Main Incubator GmbH | Frankfurt/Main, Germany | SOFDL | 100.0 | – | EUR | 22,809.0 | – | a) b) |
| mBank Hipoteczny S.A. | Warsaw, Poland | KREDI | 100.0 | – | PLN | 1,285,362.0 | 4,878.0 | |
| mBank S.A. | Warsaw, Poland | KREDI | 69.3 | – | PLN | 16,153,305.0 | 511,548.0 | |
| mElements S.A. | Warsaw, Poland | SOFDL | 100.0 | – | PLN | 14,437.0 | 3.0 | |
| mFaktoring S.A. | Warsaw, Poland | SOFDL | 100.0 | – | PLN | 105,564.0 | 22,244.0 | |
| mFinanse S.A. | Lódz, Poland | SOUNT | 100.0 | – | PLN | 156,006.0 | 25,049.0 | |
| mLeasing Sp. z o.o. | Warsaw, Poland | SOFDL | 100.0 | – | PLN | 480,489.0 | 2,129.0 | |
| MOLARIS Verwaltungs- und Vermietungsgesellschaft mbH | Düsseldorf, Germany | SOFDL | 75.0 | – | EUR | 6,986.0 | –1,762.0 | |
| NAVIPOS Schiffsbeteiligungs-gesellschaft mbH | Hamburg, Germany | SOFDL | 100.0 | – | EUR | 107,752.0 | – | a) b) |
| NOVELLA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | SOFDL | 100.0 | – | EUR | 11,176.0 | – | a) |
| onvista media GmbH | Cologne, Germany | SOUNT | 100.0 | – | EUR | 1,662.0 | 1,330.0 | |
| REFUGIUM Beteiligungs-gesellschaft mbH | Grünwald, Germany | SOFDL | 100.0 | – | EUR | 330.0 | – | a) |
| SECUNDO Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | SOUNT | 100.0 | – | EUR | 5,811.0 | – | a) |
| TOMO Vermögensverwaltungs-gesellschaft mbH | Frankfurt/Main, Germany | SOFDL | 100.0 | – | EUR | 22,779.0 | – | a) b) |
| Zelos Luxembourg S.C.S. | Luxembourg, Luxembourg | SOFDL | 100.0 | – | EUR | –32,567.0 | 34,453.0 | |

**b) Affiliated companies not included in the Group financial statement due to their minor significance**

| Name | Registered office | Share of capital held % | Voting rights (where different) % | |
|---|---|---|---|---|
| 1. CR Fonds-Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| 10. CR Fonds-Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| 11. CR Fonds-Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| 12. CR Fonds-Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| 13. CR Fonds-Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| 14. CR Fonds-Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| 14. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Berlin Lindencorso KG i.L. | Düsseldorf, Germany | 81.4 | – | |
| 2. CR Fonds-Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| 2. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Balingen KG | Düsseldorf, Germany | 75.8 | 75.9 | |
| 2. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Heilbronn KG | Düsseldorf, Germany | 78.1 | 78.3 | |
| 4. CR Fonds-Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| 5. CR Fonds-Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| 6. CR Fonds-Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| 7. CR Fonds-Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| 8. CR Fonds-Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| 9. CR Fonds-Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ABALINGA Verwaltung und Treuhand GmbH | Düsseldorf, Germany | 100.0 | – | |
| ABANTITIM Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ABANTUM Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ABELASSA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ABODA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ABORONUM Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ABORONUM Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin KG | Düsseldorf, Germany | – | 85.0 | |
| ACARINA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ACCESSA Grundstücks-Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| ACILIA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ACINA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ACONITA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ACRONA Photovoltaik-Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| Actium Leasobjekt Gesellschaft mbH | Wiesbaden, Germany | 100.0 | – | a) |
| ACTOSA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ADAMANTA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ADAMANTA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Elbphilharmonie KG | Düsseldorf, Germany | 100.0 | – | |
| ADELIA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ADENARA Flugzeug-Leasinggesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ADMEO Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ADMERA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ADRUGA Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ADURAMA Verwaltung und Treuhand GmbH | Düsseldorf, Germany | 100.0 | – | |
| AFORTUNA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| AGASILA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| AGUSTO Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |

| Name | Registered office | Share of capital held % | Voting rights (where different) % |
|---|---|---|---|
| AJOLA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| AKERA Verwaltung und Treuhand GmbH | Düsseldorf, Germany | 100.0 | – |
| ALACRITAS Verwaltungs- und Treuhand GmbH | Düsseldorf, Germany | 100.0 | – |
| ALBELLA Verwaltung und Treuhand GmbH | Düsseldorf, Germany | 100.0 | – |
| ALBOLA Verwaltung und Treuhand GmbH | Düsseldorf, Germany | 100.0 | – |
| ALDINGA Verwaltung und Treuhand GmbH | Düsseldorf, Germany | 100.0 | – |
| ALDULA Verwaltung und Treuhand GmbH | Düsseldorf, Germany | 100.0 | – |
| ALEMONA Verwaltung und Treuhand GmbH | Düsseldorf, Germany | 100.0 | – |
| ALFUTURA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ALICANTE NOVA Shipping Limited | Monrovia, Liberia | 100.0 | – |
| ALIVERA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ALLATA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 94.0 | – |
| ALLORUM Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | .– |
| ALMURUS Grundstücks-Vermietungsgesellschaft mbH i.L. | Düsseldorf, Germany | 100.0 | – |
| ALSENNA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ALUBRA Verwaltung und Treuhand GmbH | Düsseldorf, Germany | 100.0 | – |
| ALVARA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ALVENTA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| AMALIA Verwaltung und Treuhand GmbH | Düsseldorf, Germany | 100.0 | – |
| AMATA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| AMENA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| AMERA Verwaltung und Treuhand GmbH | Düsseldorf, Germany | 100.0 | – |
| AMONEUS Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ANBANA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ANCAVA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ANCONA NOVA Shipping Limited | Monrovia, Liberia | 100.0 | – |
| ANDINO Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – a) |
| ANDINO Dritte Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – a) |
| ANDINO Fünfte Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ANDINO Vierte Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ANDINO Zweite Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – a) |
| ANET Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| APTEMUS Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ARAFINA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ARAUNA Verwaltung und Treuhand GmbH | Düsseldorf, Germany | 100.0 | – |
| ARBITRIA Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| AREBA Verwaltung und Treuhand GmbH | Düsseldorf, Germany | 100.0 | – |
| ARIBELLA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ARINGO Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ARKAMA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ARMILLA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| Arvilla Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| Arvillux S.à r.l. | Luxembourg, Luxembourg | 100.0 | – |
| ARVINA Verwaltung und Treuhand GmbH | Düsseldorf, Germany | 100.0 | – |
| ASCETO Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ASERTUNA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |

| Name | Registered office | Share of capital held % | Voting rights (where different) % |
|---|---|---|---|
| ASKIBA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ASSANDRA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ASSENTO Photovoltaik-Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ASSERTA Flugzeug-Leasinggesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| ASTRADA Grundstücks-Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – |
| ASTUTIA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – [a] |
| ATUNO Verwaltung und Treuhand GmbH | Düsseldorf, Germany | 100.0 | – |
| AVANCIA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| Avantlux S.à r.l. | Luxembourg, Luxembourg | 100.0 | – |
| AVENTIMOLA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| Avestlux S.à r.l. | Luxembourg, Luxembourg | 100.0 | – |
| AVIO Verwaltung und Treuhand GmbH | Düsseldorf, Germany | 100.0 | – |
| AVOLO Flugzeugleasinggesellschaft mbH | Karlsruhe, Germany | 100.0 | – |
| AWINTO Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| BENE Verwaltung und Treuhand GmbH | Düsseldorf, Germany | 100.0 | – |
| BERGA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG i.L. | Grünwald, Germany | 100.0 | 19.0 |
| BILBAO NOVA Shipping Limited | Monrovia, Liberia | 100.0 | – |
| Blue Amber Fund Management S.A. | Luxembourg, Luxembourg | 100.0 | – |
| BONITAS Mobilien-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| BONITAS Mobilien-Vermietungsgesellschaft mbH & Co. Objekt Friedrichshafen KG | Grünwald, Germany | 100.0 | – |
| Bot4Business Sp. z o.o. | Lódz, Poland | – | – [c] |
| BRE Property Partner Sp. z o.o. | Warsaw, Poland | 100.0 | – |
| CARBONARIA Beteiligungsgesellschaft mbH | Grünwald, Germany | 100.0 | – |
| CBG Commerz Beteiligungskapital Verwaltungs GmbH | Frankfurt/Main, Germany | 100.0 | – |
| CG Japan GmbH | Wiesbaden, Germany | 100.0 | – |
| CGI Stadtgalerie Schweinfurt Verwaltungs- GmbH | Wiesbaden, Germany | 100.0 | – |
| CGI Victoria Square Limited | London, United Kingdom | 100.0 | – |
| CGI Victoria Square Nominees Limited | London, United Kingdom | 100.0 | – |
| CIMONUSA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| COLLEGIUM GLASHÜTTEN Zentrum für Kommunikation GmbH | Glashütten, Germany | 100.0 | – [a] |
| comdirect Versicherungsmakler AG | Quickborn, Germany | 100.0 | – |
| Commerz Asset Management Asia Pacific Pte Ltd | Singapore, Singapore | 100.0 | – |
| Commerz Building and Management GmbH | Essen, Germany | 100.0 | – [a] |
| Commerz Equipment Leasing Limited | London, United Kingdom | 100.0 | – |
| Commerz GOA Realty Associates LLC | New York, USA | 100.0 | – |
| Commerz Keyes Avenue Properties (Proprietary) Ltd. | Johannesburg, South Africa | 100.0 | – |
| Commerz Nederland N.V. | Amsterdam, Netherlands | 100.0 | – |
| Commerz Nominees Limited | London, United Kingdom | 100.0 | – |
| COMMERZ REAL AMERICAS, LLC | Wilmington/Delaware, USA | 100.0 | – |
| Commerz Real Asia Pacific Limited | Hong Kong, Hong Kong | 100.0 | – |
| Commerz Real Asset Verwaltungsgesellschaft mbH | Grünwald, Germany | 100.0 | – [a] |
| Commerz Real Baumanagement GmbH | Düsseldorf, Germany | 100.0 | – [a] |
| Commerz Real Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| Commerz Real Digitale Vertriebs- und Service GmbH | Wiesbaden, Germany | 100.0 | – [a] |
| Commerz Real Finanzierungsleasing GmbH i.L. | Düsseldorf, Germany | 100.0 | – [a] |
| Commerz Real France & South EURL | Paris, France | 100.0 | – |

| Name | Registered office | Share of capital held % | Voting rights (where different) % |
| --- | --- | --- | --- |
| Commerz Real Institutional Infrastructure Multi-Asset Fund II SCA SICAV-RAIF | Luxembourg, Luxembourg | 100.0 | – |
| Commerz Real North Ltd. | London, United Kingdom | 100.0 | – |
| Commerz Real Southern Europe GmbH i.L. | Wiesbaden, Germany | 100.0 | – |
| Commerz Real West BV | Amsterdam, Netherlands | 100.0 | – |
| Commerz Realty Associates GP V, LLC | Wilmington, Delaware, USA | 100.0 | – |
| Commerz Trade Services Sdn. Bhd. | Kuala Lumpur, Malaysia | 100.0 | – |
| Commerzbank Auslandsbanken Holding GmbH | Frankfurt/Main, Germany | 100.0 | – [a] |
| Commerzbank Capital Investment Company Limited | London, United Kingdom | 100.0 | – |
| Commerzbank Investments (UK) Limited | London, United Kingdom | 100.0 | – |
| Commerzbank Leasing December (1) Limited | London, United Kingdom | 100.0 | – |
| Commerzbank Leasing December (12) Limited | London, United Kingdom | 100.0 | – |
| Commerzbank Leasing December (13) Limited | London, United Kingdom | 100.0 | – |
| Commerzbank Leasing December (26) Limited | London, United Kingdom | 100.0 | – |
| Commerzbank Leasing December (6) Limited | London, United Kingdom | 100.0 | – |
| Commerzbank Leasing Holdings Limited | London, United Kingdom | 100.0 | – |
| Commerzbank Leasing March (3) Limited | London, United Kingdom | 100.0 | – |
| Commerzbank Pension Trustees Limited | London, United Kingdom | 100.0 | – |
| Commerzbank Representative Office Nigeria Limited | Lagos, Nigeria | 100.0 | – |
| Commerzbank Representative Office Panama, S.A. | City of Panama, Panama | 100.0 | – |
| Commerzbank Securities Ltd | London, United Kingdom | 100.0 | – |
| Commerzbank Securities Nominees Limited | London, United Kingdom | 100.0 | – |
| CommerzKommunalbau GmbH i.L. | Düsseldorf, Germany | 100.0 | – |
| CommerzLeasing Anlagen-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| CommerzLeasing GmbH | Düsseldorf, Germany | 100.0 | – |
| CommerzStiftungsTreuhand GmbH | Frankfurt/Main, Germany | 100.0 | – |
| CommerzTrust GmbH | Frankfurt/Main, Germany | 100.0 | – |
| CommerzVentures Beteiligungsverwaltungs GmbH | Frankfurt/Main, Germany | 100.0 | – |
| CommerzVentures II Digital Assets Holding GmbH | Frankfurt/Main, Germany | 100.0 | – |
| COMUNITHY Immobilien GmbH i.L. | Düsseldorf, Germany | 51.0 | – |
| Copernicus Germany GmbH | Frankfurt/Main, Germany | 100.0 | – [a] |
| CR Infrastructure Asset S.à r.l. | Luxembourg, Luxembourg | 100.0 | – |
| CRI Erste Beteiligungsgesellschaft mbH | Wiesbaden, Germany | 100.0 | – |
| CRI Wohnen GmbH | Wiesbaden, Germany | 100.0 | – |
| CyberRescue Sp. z o.o. | Warsaw, Poland | – | – [c] |
| DAUNUS Vermietungsgesellschaft mbH | Grünwald, Germany | – | – [a] [c] |
| Delphi I Eurohypo LLC | Wilmington, Delaware, USA | 100.0 | – |
| Digital Fingerprints S.A. | Katowice, Poland | – | – [c] |
| Digital Teammates S.A. | Lódz, Poland | – | – [c] |
| Digital Teammates Sp. z o.o. | Warsaw, Poland | – | – [c] |
| Dr. Gubelt Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| Dr. Gubelt Immobilien Vermietungs-Gesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| DRABELA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| DREBOSTA Grundstücks-Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – |
| DREBOSTA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schwerin KG | Grünwald, Germany | 100.0 | – |
| DREDOLA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |

| Name | Registered office | Share of capital held % | Voting rights (where different) % | |
|---|---|---|---|---|
| DREDOLA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin KG | Düsseldorf, Germany | 100.0 | – | |
| DRELARA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| DRELOSINA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| DRENITA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| DRESANA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| Dresdner Kleinwort Derivative Investments Limited | London, United Kingdom | 100.0 | – | |
| Dresdner Kleinwort do Brasil Limitada | Rio de Janeiro, Brazil | 100.0 | – | |
| Dresdner Kleinwort Services (Guernsey) Limited | St. Peter Port, Guernsey | 100.0 | – | |
| DRETERUM Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| EHY Real Estate Fund I, LLC | Wilmington, Delaware, USA | 100.0 | – | |
| Elfte Umbra Vermögensverwaltungsgesellschaft mbH | Frankfurt/Main, Germany | 100.0 | – | a) |
| EuREAM GmbH | Wiesbaden, Germany | 100.0 | – | |
| Fernwärmenetz Leipzig GmbH | Leipzig, Germany | 100.0 | – | |
| FLOR Vermietungsgesellschaft mbH | Grünwald, Germany | – | – | a) c) |
| FORNAX Kraftwerk-Beteiligungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| FRAST Beteiligungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| FRAST Beteiligungsgesellschaft mbH & Co. Objekt Kokerei KG | Grünwald, Germany | 100.0 | 75.0 | |
| Galbraith Investments Limited | London, United Kingdom | 100.0 | – | |
| General Leasing (No.16) Limited | London, United Kingdom | 100.0 | – | |
| GIE Dresdner Kleinwort France | Paris, France | 100.0 | – | |
| GRADARA Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| GRADARA Vermietungsgesellschaft mbH & Co. Objekt Neu-Ulm KG | Grünwald, Germany | 100.0 | – | |
| GRAFINO Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| GRAFINO Vermietungsgesellschaft mbH & Co. Objekt Sendlinger Alm KG | Grünwald, Germany | 100.0 | – | |
| GRALANA Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| GRALIDA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Kaiser-Karree KG | Grünwald, Germany | 100.0 | – | |
| GRALIDA Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| GRAMINA Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| GRAMOLDISCUS Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| GRAMOLINDA Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| GRAMOLINDA Vermietungsgesellschaft mbH & Co. Objekt Frankfurt KG i.L. | Grünwald, Germany | 100.0 | – | |
| GRASSANO Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| GRATNOMA Grundstücks-Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| GRAURESTA Grundstücks-Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | 2) |
| GRECORA Aviation GmbH | Grünwald, Germany | 100.0 | – | |
| GRECORA Aviation GmbH & Co. geschlossene Investment KG | Grünwald, Germany | 100.0 | – | |
| GRENADO Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| GRESELA Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| Gresham Leasing March (1) Limited | London, United Kingdom | 100.0 | – | |
| Gresham Leasing March (2) Limited | London, United Kingdom | 100.0 | – | |
| Gresham Leasing March (3) Limited | London, United Kingdom | 100.0 | – | |
| GRETANA Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| GRILISA Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| GRINA Beteiligungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| GRONDOLA Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| GROSINA Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |

| Name | Registered office | Share of capital held % | Voting rights (where different) % |
|---|---|---|---|
| GROSINA Vermietungsgesellschaft mbH & Co. Objekt Berlin Marzahn KG i.L. | Grünwald, Germany | 100.0 | – |
| GROSINA Vermietungsgesellschaft mbH & Co. Objekt Berlin Weißensee KG i.L. | Grünwald, Germany | 100.0 | – |
| GROSINA Vermietungsgesellschaft mbH & Co. Objekt Chemnitz KG i.L. | Grünwald, Germany | 100.0 | – |
| GROSINA Vermietungsgesellschaft mbH & Co. Objekt Darmstadt KG i.L. | Grünwald, Germany | 100.0 | – |
| GROSINA Vermietungsgesellschaft mbH & Co. Objekt Dreieich KG i.L. | Grünwald, Germany | 100.0 | – |
| GROSINA Vermietungsgesellschaft mbH & Co. Objekt Dresden KG i.L. | Grünwald, Germany | 100.0 | – |
| GROSINA Vermietungsgesellschaft mbH & Co. Objekt Essen KG i.L. | Grünwald, Germany | 100.0 | – |
| GROSINA Vermietungsgesellschaft mbH & Co. Objekt Hannover EXPOPark KG i.L. | Grünwald, Germany | 100.0 | – |
| GROSINA Vermietungsgesellschaft mbH & Co. Objekt Hannover Hauptbetrieb KG i.L. | Grünwald, Germany | 100.0 | – |
| GROSINA Vermietungsgesellschaft mbH & Co. Objekt Leipzig KG i.L. | Grünwald, Germany | 100.0 | – |
| GROSINA Vermietungsgesellschaft mbH & Co. Objekt Saarbrücken KG i.L. | Grünwald, Germany | 100.0 | – |
| GROSINA Vermietungsgesellschaft mbH & Co. Objekt Saarlouis KG i.L. | Grünwald, Germany | 100.0 | – |
| GROSINA Vermietungsgesellschaft mbH & Co. Objekt Stuttgart KG i.L. | Grünwald, Germany | 100.0 | – |
| GROTEGA Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – |
| GRUMENTO Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – |
| GRUMOSA Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – |
| GRUNATA Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – |
| HAJOBANTA GmbH | Düsseldorf, Germany | 100.0 | – |
| HAJOBURGA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| HAJOGA-US Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| HAJOLENA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| HAJOLUCA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| HAJOMA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| HAJOMINA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| HAJORALDIA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| HAJOSINTA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| HAJOSOLA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| HAJOTARA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| Haus am Kai 2 O.O.O. | Moscow, Russia | 100.0 | – |
| HDW Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| Herradura Ltd | London, United Kingdom | 100.0 | – |
| HERUT Sp. z o.o. | Warsaw, Poland | 100.0 | – |
| HIMUS Grundstücks-Vermietungsgesellschaft mbH | Grünwald, Germany | – | – a) c) |
| Immobiliengesellschaft Ost Hägle, spol. s.r.o | Prague, Czech Republic | 100.0 | – |
| IMMOFIDUCIA Sp. z o.o. | Warsaw, Poland | 100.0 | – |
| IWP International West Pictures GmbH & Co. Erste Produktions KG | Cologne, Germany | 95.1 | – |
| IWP International West Pictures Verwaltungs GmbH | Cologne, Germany | 100.0 | – |
| LIVIDA MOLARIS Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| LUGO Photovoltaik Beteiligungsgesellschaft mbH i.L. | Düsseldorf, Germany | 100.0 | – |
| MARBARDA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MARBINO Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MARBREVA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MARBREVA Vermietungsgesellschaft mbH & Co. Objekt AOK Bayern KG | Düsseldorf, Germany | 100.0 | – |
| MARIUS Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MARLINTA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |

| Name | Registered office | Share of capital held % | Voting rights (where different) % | |
|---|---|---|---|---|
| MAROLA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| Marseille Shipping Limited | Monrovia, Liberia | 100.0 | – | |
| Marylebone Commercial Finance (2) | London, United Kingdom | 100.0 | – | |
| mBOX Sp. z o.o. | Warsaw, Poland | 100.0 | – | |
| Mercury Financial S.A. | Warsaw, Poland | – | – | c) |
| mFinanse CZ s.r.o. | Prague, Czech Republic | 100.0 | – | |
| mFinanse SK s.r.o. | Bratislava, Slovakia | 100.0 | – | |
| mInvestment Banking S.A. | Warsaw, Poland | 100.0 | – | |
| MOLANA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLANCONA Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| MOLANDA Vermietungsgesellschaft mbH | Munich, Germany | 100.0 | – | |
| MOLANGA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLANKA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLANZIO Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLARELLA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLAREZZO Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLARGA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLARINA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLARIS Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLARIS Geschäftsführungs GmbH | Düsseldorf, Germany | 100.0 | – | |
| MOLARIS Grundstücksverwaltung GmbH | Düsseldorf, Germany | 100.0 | – | |
| MOLARIS Immobilienverwaltung GmbH | Düsseldorf, Germany | 100.0 | – | |
| MOLARIS Managementgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLARIS Objektverwaltung GmbH | Düsseldorf, Germany | 100.0 | – | |
| MOLARISSA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLARISSA Vermietungsgesellschaft mbH & Co. Objekt Detmold KG | Düsseldorf, Germany | 1.0 | 87.0 | |
| MOLARONA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLAROSA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLASSA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLATHINA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLBAKKA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLBAMBA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLBARVA Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| MOLBERA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLBERNO Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| MOLBOLLA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLBONA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLBRIENZA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLBURGA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLCAMPO Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLCENTO Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLCOCO Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLCORA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLDARA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLDICMA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLDORA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |

| Name | Registered office | Share of capital held<br>% | Voting rights (where different)<br>% |
|---|---|---|---|
| MOLEMPA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLENDRA Vermietungsgesellschaft mbH i.L. | Düsseldorf, Germany | 100.0 | – |
| MOLETUM Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLFENNA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLFOKKA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLFRIEDA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLGABA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLGEDI Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLGEKA Vermietungsgesellschaft mbH | Meerbusch, Germany | 100.0 | – |
| MOLGERBA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLGERO Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLHABIS Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLIGELA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLIGO Vermietungsgesellschaft mbH | Rostock, Germany | 100.0 | – |
| MOLISTA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLITA Vermietungsgesellschaft mbH | Hannover, Germany | 100.0 | – |
| MOLKANDIS Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLKANDIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Kaltenkichen KG | Düsseldorf, Germany | 100.0 | – |
| MOLKIRA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLKRIMA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLMELFI Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLMIRA Vermietungsgesellschcft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLOTA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLPERA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLPETTO Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLPIKA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLPIREAS Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLPURA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLRATUS Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLRAWIA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLRESTIA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLRESTIA Vermietungsgesellschaft mbH & Co. Objekt TKA Varel KG | Düsseldorf, Germany | 100.0 | – |
| MOLRISTA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLRITA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLROLA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLRONDA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLROSSI Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLSANTA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLSCHORA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLSIWA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLSOLA Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – |
| MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Geminus KG | Grünwald, Germany | 100.0 | – |
| MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Halle Markt 11 KG | Grünwald, Germany | 100.0 | – |
| MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Halle Riegel KG | Grünwald, Germany | 100.0 | – |
| MOLSTEFFA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |
| MOLSTINA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – |

| Name | Registered office | Share of capital held<br>% | Voting rights (where different)<br>% | |
|---|---|---|---|---|
| MOLSURA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLTANDO Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLTERAMO Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLTIVOLA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLTUNA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLTUNIS Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLUGA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLVANI Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLVERA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLVINA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLWALLA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLWALLA Vermietungsgesellschaft mbH & Co. Objekt Schweinfurt KG | Düsseldorf, Germany | 1.0 | 87.0 | |
| MOLWANKUM Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLWORUM Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MOLWORUM Vermietungsgesellschaft mbH & Co. Objekt Ottensen KG | Düsseldorf, Germany | 1.0 | 87.0 | |
| MONEA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| MORANO Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| mServices Sp. z o.o. | Warsaw, Poland | 100.0 | – | |
| mTowarzystwo Funduszy Inwestycyjnych S.A. (mTFI S.A.) | Warsaw, Poland | 100.0 | – | 3) |
| NACOLO Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NACONA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NACONGA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAFARI Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAFIRINA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NASIRO Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NASTO Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAUCULA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAULUMO Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAURANTO Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAURATA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAUSOLA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAUTARO Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAUTESSA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAUTIS Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAUTLUS Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAUTO Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAUTORIA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAUTUGO Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAVALIS Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAVALIS Schiffsbetriebsgesellschaft mbH & Co. MS "NEDLLOYD JULIANA" KG i.L. | Hamburg, Germany | 93.6 | 93.7 | |
| NAVIBOLA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAVIBOTO Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAVIFIORI Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAVIGATO Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAVIGOLO Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAVILO Vermietungsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |

| Name | Registered office | Share of capital held % | Voting rights (where different) % | |
|---|---|---|---|---|
| NAVINA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAVIRENA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAVIROSSA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAVITA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAVITARIA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAVITONI Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAVITOSA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAVITURA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NAVO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin KG | Düsseldorf, Germany | 100.0 | – | |
| NEPTANA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NEPTILA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NEPTORA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NEPTUGA Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NEPTUNO Schiffsbetriebsgesellschaft mbH | Hamburg, Germany | 100.0 | – | |
| NERVUS Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| NESTOR Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| NEUGELB STUDIOS GmbH | Berlin, Germany | 100.0 | – | a) |
| NOLICA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| NORA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte Plön und Preetz KG | Düsseldorf, Germany | 100.0 | – | |
| NOTITIA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| NOVITAS Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| Number X Real Estate GmbH i.L. | Eschborn, Germany | 100.0 | – | |
| NURUS Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | a) |
| Octopus Investment Sp. z o.o. | Warsaw, Poland | 100.0 | – | |
| OLEANDRA Grundstücks-Vermietungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Haar KG | Grünwald, Germany | 100.0 | – | |
| OPTIONA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| OSKAR Medienbeteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| PALERMO Shipping Limited | Monrovia, Liberia | 100.0 | – | |
| PAREO Kraftwerk-Beteiligungsgesellschaft mbH | Leipzig, Germany | 100.0 | – | |
| PATELLA Vermietungsgesellschaft mbH | Berlin, Germany | 100.0 | – | |
| Pisces Nominees Limited | London, United Kingdom | 100.0 | – | |
| Property Partner Sp. z o.o. | Warsaw, Poland | 100.0 | – | |
| PRUNA Betreiber GmbH | Grünwald, Germany | 51,0 | – | |
| quatron Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| RALTO Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| RAMONIA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| RANA Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| RAPIDA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| RAVENNA Kraków Sp. z o.o. | Warsaw, Poland | 100.0 | – | |
| RAYMO Vierte Portfolio GmbH | Frankfurt/Main, Germany | 100.0 | – | |
| RECURSA Grundstücks-Vermietungsgesellschaft mbH | Frankfurt/Main, Germany | 100.0 | – | |
| RESIDO Flugzeug-Leasinggesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| RIPA Medien-Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| Rood Nominees Limited | London, United Kingdom | 100.0 | – | |

| Name | Registered office | Share of capital held<br>% | Voting rights (where different)<br>% | |
|---|---|---|---|---|
| ROSARIA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ROSATA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ROSEA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Ettlingen KG i.L. | Düsseldorf, Germany | 100.0 | – | |
| ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Oelkinghausen KG | Düsseldorf, Germany | 100.0 | – | |
| ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte TANK & RAST KG | Düsseldorf, Germany | – | 85,0 | |
| ROSINTA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ROSOLA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| ROSOLA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Wetzlar KG | Düsseldorf, Germany | 100.0 | – | |
| SENATORSKA Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| SILVA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| Smart Living Immobiliengesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| SOLTRX Transaction Services GmbH | Düsseldorf, Germany | 100.0 | – | a) |
| TALORA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| TIGNARIS Beteiligungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Burscheid KG | Düsseldorf, Germany | 100.0 | – | |
| TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Heidelberg KG | Düsseldorf, Germany | 100.0 | – | |
| TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Ostfildern KG i.L. | Düsseldorf, Germany | 100.0 | – | |
| TIGNARIS Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |
| TOULON NOVA Shipping Limited | Monrovia, Liberia | 100.0 | – | |
| T-Rex Verwaltungs GmbH | Wiesbaden, Germany | 100.0 | – | |
| Unitop Sp. z o.o. | Lódz, Poland | 100.0 | – | |
| Urban Invest Holding GmbH i.L. | Eschborn, Germany | 100.0 | – | |
| VALENCIA NOVA Shipping Limited | Monrovia, Liberia | 100.0 | – | |
| Watling Leasing March (1) | London, United Kingdom | 100.0 | – | |
| WebTek Software Private Limited | Bangalore, Indien | 100.0 | – | |
| Windpark Duben Süd Verwaltungs GmbH | Grünwald, Germany | 100.0 | – | |
| Windpark Fläming 1 Verwaltungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| Windpark Karche 2 Verwaltungs GmbH | Grünwald, Germany | 100.0 | – | |
| Windpark Klosterkumbd Verwaltungs GmbH | Düsseldorf, Germany | 100.0 | – | |
| Windpark Ottweiler-Bexbach Verwaltungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| Windpark Parchim Fünf Verwaltungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| Windpark Rayerschied Verwaltungs GmbH | Düsseldorf, Germany | 100.0 | – | |
| Windpark Schenkendöbern Eins Verwaltungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| Windpark Schöneseiffen Verwaltungs GmbH | Düsseldorf, Germany | 100.0 | – | |
| Windpark Sien Verwaltungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| Windpark Spechenwald Verwaltungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| Windpark Wustermark Eins Verwaltungsgesellschaft mbH | Grünwald, Germany | 100.0 | – | |
| Windsor Asset Management GP Ltd. | Toronto, Kanada | 100.0 | – | |
| Windsor Canada Verwaltungsgesellschaft mbH | Düsseldorf, Germany | 100.0 | – | |

## 2. Associated companies

### a) Associated companies in the Group financial statements accounted for using the equity method

| Name | Registered office | Share of caital held % | Voting rights (where different) % | Currency | Equity* 1,000 | Net profit or loss* 1,000 |
|---|---|---|---|---|---|---|
| AKA Ausfuhrkredit-Gesellschaft mbH | Frankfurt/Main, Germany | 31,6 | – | EUR | 253,193 | 8,372 |
| Coubag Unternehmens-beteiligungsgesellschaft mbH | Frankfurt/Main, Germany | 40,0 | – | EUR | 78,283 | 8,827 |
| CR Hotel Target Pty Ltd | Sydney, Australia | 50,0 | – | AUD | 20,327 | – 7,569 |
| DTE Energy Center, LLC | Wilmington, Delaware, USA | 50,0 | – | USD | 58,768 | 8,831 |
| ILV Immobilien-Leasing Verwaltungs-gesellschaft Düsseldorf mbH | Düsseldorf, Germany | 50,0 | – | EUR | 36,956 | 9,342 |

### b) Associated companies in the Group financial statements accounted for using the equity method due to their minor significance

| Name | Registered office | Share of caital held % | Voting rights (where different) % |
|---|---|---|---|
| 360X AG | Frankfurt/Main, Germany | 20.0 | – |
| AGASILA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Düsseldorf KG i.L. | Düsseldorf, Germany | 24.3 | 29.8 |
| ALIVERA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Düsseldorf-Lichtenbroich KG | Düsseldorf, Germany | 5.2 | 25.0 |
| ATISHA Verwaltungsgesellschaft mbH & Co. Objekt Paris KG | Düsseldorf, Germany | 50.0 | – |
| EVA Société par Actions Simplifiée | Paris, France | 50.0 | – |
| Film & Entertainment VIP MEDIENFONDS 3 GmbH & Co. KG i.L. | Grünwald, Germany | 45.3 | – |
| GOPA Gesellschaft für Organisation, Planung und Ausbildung mbH | Bad Homburg v. d. Höhe, Germany | 28.8 | – |
| HAJOBANTA GmbH & Co. Asia Opportunity I KG | Düsseldorf, Germany | 20.8 | 20.9 |
| Immobilien-Vermietungsgesellschaft Dr. Rühl GmbH & Co. Objekt Stutensee KG | Düsseldorf, Germany | 3.5 | 25.0 |
| Immobilien-Vermietungsgesellschaft Reeder & Co. Objekt Plauen-Park KG | Düsseldorf, Germany | 21.4 | – |
| MIDAS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Langenhagen KG i.L. | Düsseldorf, Germany | 5.0 | 50.0 |
| MS "Meta" Stefan Patjens GmbH & Co. KG i. L. | Drochtersen, Germany | 30.6 | – |
| NESTOR Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Villingen-Schwenningen i.L. | Düsseldorf, Germany | – | 50.0 |
| Pinova GmbH & Co. Erste Beteiligungs KG | Munich, Germany | 40.0 | – |
| Projekt CH Lodz Sp. z o.o. | Warsaw, Poland | 97.0 | – |
| ShareYourSpace GmbH | Munich, Germany | 20.9 | – |

### 3. Joint Ventures

#### a) Joint Ventures in the Group financial stetements accounted for using the equity method

| Name | Registered office | Share of capital held % | Voting rights (where different) % | Currency | Equity* 1,000 | Net profit or loss* 1,000 |
|---|---|---|---|---|---|---|
| FV Holding S.A. | Brussels, Belgium | 60.0 | – | EUR | 1,153 | –24 |

#### b) Joint Ventures in the Group financial stetements accounted for using the equity method due to their minor significance

| Name | Registered office | Share of capital held % | Voting rights (where different) % |
|---|---|---|---|
| ASTIRA Grundstücks-Vermietungsgesellschaft mbH | Düsseldorf, Germany | 50.0 | – |
| Bonitos Verwaltungs GmbH i.L. | Frankfurt/Main, Germany | 50.0 | – |
| i Live Commerz Real Campus zwei GmbH | Aalen, Germany | 50.0 | – |
| NULUX NUKEM LUXEMBURG GmbH | Luxembourg, Luxembourg | 49.5 | – |
| Project Gloria S.a.r.l. | Luxembourg, Luxembourg | 50.0 | – |

### 4. Structured entities

#### a) Structured entities included in the Group financial stetemets pursuant to IFRS 10/IFRS 11 due to their minor significance

| Name | Registered office | Segment | Share of capital held % | Voting rights (where different) % | Currency | Equity* 1,000 |
|---|---|---|---|---|---|---|
| Bosphorus Capital DAC | Dublin, Irland | FK | – | – | EUR | 117.0 |
| Bosphorus Investments DAC | Dublin, Irland | FK | – | – | EUR | 10.0 |
| CoCo Finance II-3 DAC | Dublin, Irland | FK | – | – | EUR | 2.0 |

#### b) Structured entities not included in the Group financial stetemets pursuant to IFRS 10/IFRS 11 due to their minor significance

| Name | Registered office | Segment |
|---|---|---|
| CB MezzCAP Limited Partnership | St. Helier, Jersey | PUK |
| Plymouth Capital Limited | St. Helier, Jersey | FK |

## 5. Investment funds

### a) Investment funds included in the Group financial stetemets pursuant to IFRS 10/IFRS 11 due to their minor significance

| Name | Registered office | Segment | Share of investor to fund % | Currency | Fondvolume 1,000 |
|---|---|---|---|---|---|
| Olympic Investment Fund II | Grevenmacher, Luxembourg | FK | 95.4 | EUR | 2,532,810 |
| Premium Management Immobilien-Anlagen | Frankfurt/Main, Germany | PUK | 98.5 | EUR | 23,290 |
| VFM Mutual Fund AG & Co. KG | Gamprin-Bendern, Liechtenstein | FK | 59.4 | CHF | 262,084 |

## 6. Investments in large corporation where the investment exceeds 5% of the voting rights

| Name | Registered office | Share of capital held % | Voting Rights % |
|---|---|---|---|
| Deutsche Börse Commodities GmbH | Frankfurt/Main, Germany | 16.2 | 14.5 |
| EURO Kartensysteme GmbH | Frankfurt/Main, Germany | 15.4 | – |
| SCHUFA Holding AG | Wiesbaden, Germany | 18.6 | – |

| Footnotes | |
|---|---|
| 1) | Renamed: from Garbary Sp. z o.o. to G-Invest Sp. z o.o. |
| 2) | Renamed: from AURESTA Grundstücks-Vermietungsgesellschaft mbH to GRAURESTA Grundstücks-Vermietungsgesellschaft mbH |
| 3) | Renamed: from mTFI S.A. to mTowarzystwo Funduszy Inwestycyjnych S.A. (mTFI S.A.) |

| Comments and Explanations | |
|---|---|
| a) | Control or profit transfer agreement |
| b) | No disclousures persuant to Art. 264 (3) and Art. 264 of the German Commercial Code (HGB) |
| c) | Agent-relationships |
| * | Financial figures as of last year´s annual report |

| Abbreviation | Abbreviation |
|---|---|
| BETGE | Investment Companies |
| KREDI | Banks |
| SOFDL | Other Financial Institutions |
| SOUNT | Other Companies |
| FK | Corporate Clients |
| PUK | Private and Small Business Customers |
| SuK | Others and Consolidation |

| Foreign exchange rates for €1 as at 31 December 2021 | | |
|---|---|---|
| Australia | AUD | 1.5615 |
| Brazil | BRL | 6.3101 |
| United Kingdom | GBP | 0.8403 |
| Japan | JPY | 130.3800 |
| Poland | PLN | 4.5969 |
| Russia | RUB | 85.3004 |
| Switzerland | CHF | 1.0331 |
| Hungary | HUF | 369.1900 |
| USA | USD | 1.1326 |

# Report on events after the reporting period

The war in Ukraine has ramifications for our business with both Ukraine and Russia. We assume that sanctions relating to individual business partners (e.g. the exclusion of large Russian financial institutions from bank’s communication network SWIFT of, US dollar clearing with major Russian banks) and entire industries (e.g. the energy and commodities sectors) will affect Commerzbank too. In addition, we expect that Russian counter-sanctions may also have an impact on Commerzbank’s portfolios. We are closely monitoring further developments and continuously adjusting our risk assessment and business policy. Impacts are to be expected, in particular with respect to risk provisions. A reliable estimate of the quantitative effects on Commerzbank’s future Group financial statements is not possible at the present time, since they will depend greatly on the exact form of the sanctions and countermeasures and on their duration.

# Boards of Commerzbank Aktiengesellschaft

## Supervisory Board

**Helmut Gottschalk**
Chairman
(since 14.4.2021)

**Hans-Jörg Vetter**
Chairman
(until 16.3.2021)

**Uwe Tschäge**[1]
Deputy Chairman
Banking professional
Commerzbank Aktiengesellschaft

**Heike Anscheit**[1]
Banking professional
Commerzbank Aktiengesellschaft

**Alexander Boursanoff**[1]
Banking professional
Commerzbank Aktiengesellschaft

**Gunnar de Buhr**[1]
Banking professional
Commerzbank Aktiengesellschaft

**Stefan Burghardt**[1]
Branch Manager
Mittelstandsbank Bremen
Commerzbank Aktiengesellschaft

**Dr. Frank Czichowski**
Former Senior Vice President / Treasurer
KfW Banking Group

**Sabine U. Dietrich**
Former Member of the Management Board
BP Europa SE

**Dr. Jutta A. Dönges**
Manager
Bundesrepublik Deutschland - Finanzagentur GmbH

**Monika Fink**[1]
Banking professional
Commerzbank Aktiengesellschaft

**Dr. Tobias Guldimann**
(until 18.5.2021)
Independent consultant in the financial sector

**Dr. Rainer Hillebrand**
(until 18.5.2021)
Former Deputy Chairman of the Management Board
Otto Group

**Christian Höhn**[1]
(until 31.12.2021)
Banking professional
Commerzbank Aktiengesellschaft

**Stefan Jennes**[1]
(since 1.1.2022)
Banking professional
Commerzbank Aktiengesellschaft

**Kerstin Jerchel**[1]
Divisional Head Mitbestimmung
ver.di Bundesverwaltung

**Burkhard Keese**
(since 18.5.2021)
Chief Operating Officer and Chief Financial Officer Lloyd´s of London

**Alexandra Krieger**[1]
Divisional Head Controlling
Industrial Union Mining, Chemical and Energy (IG BCE)

**Daniela Mattheus**
(since 18.5.2021)
Lawyer and corporate advisor,
Co-managing partner
European Center for Board Efficiency

**Dr. Victoria Ossadnik**
(until 18.5.2021)
Member of the Management Board
E.ON SE

**Andreas Schmitz**
(from 1.1.2021 until 24.3.2021)
Former speaker of the Board
HSBC Trinkaus & Burkhardt AG

**Caroline Seifert**
(since 18.5.2021)
Corporate advisor for transformation

**Robin J. Stalker**
Former Member of the Management Board
adidas AG

**Dr. Gertrude Tumpel-Gugerell**
Former Member of the Executive Board
European Central Bank

**Frank Westhoff**
(since 18.5.2021)
Former Member of the Management Board
DZ Bank AG

**Stefan Wittmann**[1]
Trade Union Secretary
ver.di National Administration

**Klaus-Peter Müller**
Honorary Chairman

[1] Elected by the Bank's employees.

## Board of Managing Directors

**Dr. Manfred Knof**
Chairman
(since 1.1.2021)

**Dr. Bettina Orlopp**
Deputy Chairwoman

**Dr. Marcus Chromik**

**Jörg Hessenmüller**
(until 30.9.2021)

**Michael Kotzbauer**
(since 14.1.2021)

**Dr. Jörg Oliveri del Castillo-Schulz**
(since 20.1.2022)

**Thomas Schaufler**
(since 1.12.2021)

**Sabine Schmittroth**

# Responsibility statement by the Board of Managing Directors

To the best of our knowledge, and in accordance with the applicable reporting principles, the Group financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the management report of the Group provides a true and fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, 1 March 2022
The Board of Managing Directors

Manfred Knof

Bettina Orlopp

Marcus Chromik

Michael Kotzbauer

Jörg Oliveri del Castillo-Schulz

Thomas Schaufler

Sabine Schmittroth

# „Translation from the German language of Independent auditor's report

## To COMMERZBANK Aktiengesellschaft, Frankfurt am Main

### Report on the audit of the consolidated financial statements and of the group management report

**Opinions**

We have audited the consolidated financial statements of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, and its subsidiaries (the Group), which comprise the statement of comprehensive income for the financial year from 1 January to 31 December 2021, and the balance sheet as at 31 December 2021, statement of changes in equity and cash flow statement for the financial year from 1 January to 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of COMMERZBANK Aktiengesellschaft for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the declaration on corporate governance pursuant to Sec. 315d HGB included in the "Details pursuant to Art. 315d of the German Commercial Code (HGB)" section of the group management report, the combined separate non-financial report pursuant to Sec. 315b (3) HGB included in the "Details pursuant to Art. 340i (5) in conjunction with Art. 315b (3) of the German Commercial Code (HGB)" section of the group management report or the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the German Corporate Governance Code included in the "Details pursuant to Art. 315d of the German Commercial Code (HGB)" section. Furthermore, we have not audited the content of the disclosures extraneous to management reports contained in the "Remuneration report" section of the group management report. Disclosures extraneous to management reports are such disclosures that are not required pursuant to Secs. 315, 315a HGB or Secs. 315b to 315d HGB or GAS 20.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the abovementioned declaration on corporate governance included in the "Details pursuant to Art. 315d in conjunction with Art. 289f of the German Commercial Code (HGB)" section of the group management report, the content of the combined separate non-financial report included in the "Details pursuant to Art. 340i (5) in conjunction with Art. 315b (3) of the German Commercial Code (HGB)" section of the group management report, or the abovementioned declaration pursuant to Sec. 161 AktG on the German Corporate Governance Code included in the "Details pursuant to Art. 315d of the German Commercial Code (HGB)" section of the group management report.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

**Basis for the opinions**

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 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). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities 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 Art. 10 (2) f) of the

EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

**Key audit matters in the audit of the consolidated financial statements**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

**1. Measurement of deferred tax assets**

**Reasons why the matter was determined to be a key audit matter**

The measurement of deferred tax assets is subject to judgement and requires estimates regarding the future tax income situation and the usability of tax losses

The measurement of deferred tax assets is based on the tax forecast for a period of five years which is derived from the Group's multi-year plan. Estimates and assumptions regarding the future business development of the Group including the strategic activities from the "Strategy 2024" programme are factored into this plan.

The parameters used in the multi-year plan are subject to judgement and have a significant influence on the measurement of deferred tax assets. In this context, the measurement of deferred tax assets was a key audit matter.

**Auditor's response**

During our audit procedures, we walked through the process for preparing the Group's multi-year plan and assessed its compliance with internal requirements. Furthermore, we analysed the significant assumptions and value drivers with a special focus on the strategic activities and with regard to significant changes in the planning assumptions compared with the previous year. We assessed the consistency of the significant assumptions used in the multi-year plan and compared them with external market expectations. In this context, we examined whether the assumptions on the economic development over the planning period were within a range of externally available forecasts.

Based on the Group's multi-year plan, we identified the tax groups that have significant levels of deferred tax assets before impairment losses and netting with deferred tax liabilities. For these tax groups, we compared the significant assumptions of the business plan with the previous financial year's plan and with the actual results achieved in the financial year and analysed the causes of any deviations from the planned results. We consulted internal specialists who have particular expertise in the area of business valuation for this purpose.

We assessed the reconciliation of the IFRS forecasts to the tax forecasts in terms of the compatibility of the method used to determine deferred taxes with IAS 12 and the arithmetical accuracy of the calculation of deferred tax assets. We consulted internal specialists who have particular expertise in the area of tax for this purpose. Our procedures did not lead to any reservations relating to the measurement of deferred tax assets.

**Reference to related disclosures**

Information on the measurement of deferred tax assets is provided in Notes 22 and 52 of the notes to the consolidated financial statements.

**2. Recognition and measurement of the restructuring provisions set up in financial year 2021**

**Reasons why the matter was determined to be a key audit matter**

On 3 February 2021, the Board of Managing Directors adopted the "Strategy 2024" programme, whose aims include a headcount reduction in Germany and abroad by 2024 as well as the reduction of the number of branches in Germany and closure of foreign locations. In March 2021, the Board of Managing Directors decided to bring forward the voluntary programme 2021 as part of the socially responsible headcount reduction by around 1,700 full-time positions at Commerzbank AG in Germany, with a standard employment termination date of 31 December 2021, and concluded a corresponding works agreement with the Central Works Council. Furthermore, in May 2021, the Board of Managing Directors concluded a central works agreement with the employee representative committees on a framework reconciliation of interests for the implementation of the "Strategy 2024" programme for Commerzbank AG in Germany and a framework social plan. Against this backdrop, the Board of Managing Directors recognised restructuring provisions in financial year 2021.

In light of the scope of the restructuring programmes, the recognition requirements to be met and the judgement exercised for the measurement, the recognition and measurement of the restructuring provisions set up in financial year 2021 was a key audit matter.

**Auditor's response**

As part of our audit procedures, we assessed whether the requirements for the recognition of restructuring provisions in accordance with IAS 37 were met.

On the basis of the restructuring plans available, we assessed whether the measures included therein were specifically defined and, among others, the affected units and locations as well as the number of affected employees were determined. To assess whether the measures were specifically defined in the restructuring plan, we inspected, among other things, the decision documents and minutes of the Board of Managing Directors meetings in which the restructuring measures were discussed and adopted. Additionally, we assessed the minutes of the committees with regard to the implementation status of the restructuring measures.

To assess the impact on employees and the expectation that the restructuring measures will be implemented, we examined the works agreements concluded with the Central Works Council on the design of the headcount reduction models as well as the communication to the employees. Furthermore, we obtained an overview of the agreements signed in connection with the voluntary programme 2021 brought forward and completed as of the reporting date and compared the significant information contained therein with the information from the signed agreements on a sample basis. We also reconciled the total amount of contractual payments with the total amount of reclassifications to other liabilities.

We also assessed the measurement of the restructuring provisions in relation to the requirements of IAS 37. For this purpose, we analysed the assumptions used in the measurement such as the planned utilisation and expected costs for each headcount reduction model and compared them with the Bank's experience from previous restructuring programmes. We also reperformed the calculations for determining the restructuring provisions set up in financial year 2021 based on the underlying assumptions.

Our procedures did not lead to any reservations relating to the recognition and measurement of the restructuring provisions set up in financial year 2021.

#### Reference to related disclosures

Information on the recognition and measurement of the restructuring provisions set up is provided in the "Other provisions" section of Note 58 of the notes to the consolidated financial statements.

### 3. Identification and calculation of allowances for defaulted loan exposures in the corporate loans business in portfolios exhibiting pandemic-related risk characteristics

#### Reasons why the matter was determined to be a key audit matter

Identification of defaulted loan exposures in the corporate loans business in portfolios exhibiting pandemic-related risk characteristics constitutes a significant area of management judgement. As a result of the coronavirus pandemic, this applies in particular to the loan exposures in Commerzbank's tourism, retail and automotive portfolios. Further, the procedure for calculating allowances for defaulted loan exposures involves various assumptions and estimation inputs, particularly with regard to the financial situation of the companies, expectations of future cash flows, observable market prices and expected proceeds from the realization of collateral. These uncertainties increased in the financial year owing to the ongoing impact of the global coronavirus pandemic and the related economic problems for numerous borrowers.

Even minimal changes in the assumptions and estimation inputs can lead to an incomplete identification, significantly different measurements and thus to a change in allowances. In light of the significance for the assets, liabilities and financial performance, we considered the identification and calculation of allowances for defaulted loan exposures in the corporate loans business in portfolios exhibiting pandemic-related risk characteristics to be a key audit matter.

#### Auditor's response

As part of our audit, we examined the processes for identifying and monitoring borrowers exhibiting pandemic-related risk characteristics. To this end, we assessed in particular the monitoring processes for the occurrence of early warning indicators, the application of default criteria and the correct allocation to the relevant risk status.

We also examined the process for calculating allowances, which included testing the operating effectiveness of the controls implemented for the calculation of allowances.

As part of our credit file review, we selected a risk-based sample and analysed the allowance requirements determined for exposures exhibiting pandemic-related risk characteristics in particular.

We performed substantive audit procedures, assessing whether the significant assumptions concerning the estimated future cash flows from the loan exposures including the carrying amount of the collateral held were consistent with the financial situation of the borrower and the publicly available market and industry forecasts. We also checked the arithmetical accuracy of the allowances calculated for default risks.

Our audit procedures did not give rise to any reservations with respect to the identification and calculation of allowances for defaulted loan exposures in the corporate loans business in portfolios exhibiting pandemic-related risk characteristics.

**Reference to related disclosures**

The Institution's disclosures on the valuation of the loan portfolio are included in Note 32 of the notes to the financial statements and in the "Default risk" section of the management report accompanying the consolidated financial statements.

**4. Calculation of allowances for performing loan exposures**

**Reasons why the matter was determined to be a key audit matter**

The estimate of the credit risk parameters underlying the calculation of allowances for performing loan exposures under the Bank's IFRS 9 ECL model is based on historical information, obligor characteristics, current economic developments and forward-looking macroeconomic assumptions. Some of these parameters can only be observed with a time lag and are subject to estimation uncertainty.

In light of the economic upheavals continuing in the financial year, especially as a result of the coronavirus pandemic and related increased estimation uncertainties for determining credit risk parameters, management applied a top-level adjustment (TLA) as in the previous year. The TLA led to a significant increase in stage I and stage II allowances, in particular for the tourism, retail and automotive portfolios. The determination of the TLA was based on assumptions related to changes in borrowers' probabilities of default, which were derived from estimated general industry-specific deteriorations of borrower ratings within the existing rating system based on the impact on the relevant industries.

Given the judgement involved in the determination of the TLA, we consider the calculation of allowances for performing loan exposures to be a key audit matter.

**Auditor's response**

We assessed the design and operating effectiveness of the internal control system with regard to the calculation of allowances for performing loan exposures.

We examined the calculation of the TLA by assessing the underlying assumptions regarding the impact of the coronavirus pandemic and the related economic upheavals and their impact on the tourism, retail and automotive portfolios. We evaluated in particular the determination of the affected industries and the estimates related to general industry-specific deteriorations of borrower ratings using external sources of information. In addition, we checked the arithmetical accuracy of the Bank's TLA calculation. Based on a data excerpt from the relevant portfolios, we also evaluated the currentness of the credit risk parameters and the changes already observed in the financial year using substantive analytical procedures related to the TLA.

As part of the audit, we consulted internal specialists who have particular expertise in the area of credit risk management.

Our procedures did not lead to any reservations relating to the calculation of allowances for performing loan exposures.

**Reference to related disclosures**

Disclosures concerning the calculation of the allowance for financial instruments are included in Note 32 of the notes to the consolidated financial statements and in the "Default risk" section of the management report accompanying the consolidated financial statements.

**Other information**

The Supervisory Board is responsible for its annual report. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG on the German Corporate Governance Code included in the declaration on corporate governance and for the remuneration report pursuant to Sec. 162 AktG. In all other respects, the executive directors are responsible for the other information. The other information comprises the abovementioned combined separate non-financial report, the abovementioned declarations on corporate governance and on the German Corporate Governance Code and the abovementioned information extraneous to management reports included in the "Remuneration report" section of the group management report. In addition, the other information comprises other parts of the annual report, of which we obtained a version prior to issuing this auditor's report, in particular:

- the "U2-U4" section consisting of "Key figures", "Significant subsidiaries and Commerzbank worldwide" and "Financial calendar, contact addresses" and the "Remuneration report" in the "Corporate Responsibility" section as well as the "To our Shareholders" section consisting of "Letter from the Chairman of the Board of Managing Directors", "The Board of Managing Directors", "Committees and the Supervisory Board" and "Our share". It also comprises the "Further Information" section consisting of "Seats on other boards", "Information on the encumbrance of assets", "Quarterly results by segment" and "Five-year overview" as well as the "Responsibility statement by the Board of Managing Directors" section
- but not the consolidated financial statements, not the group management report disclosures whose content is audited and not our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group 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 consolidated financial statements, with the group management report 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 executive directors and the Supervisory Board for the consolidated financial statements and the group management report**

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group'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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group 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 group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

**Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated 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 consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 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) and supplementary compliance with the ISAs 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 consolidated financial statements and this group 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 consolidated financial statements and of the group 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group 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 executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive 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 Group'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 consolidated financial statements and in the group 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 Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive 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 related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 consolidated financial statements and the group management report prepared for publication purposes in accordance with Sec. 317 (3a) HGB**

**Opinion**

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file "Commerzbank_AG_KA+KLB_ESEF-2021-12-31.zip" with the documents subject to assurance (SHA-256 checksum: 5612e5696d034498f30eaa063474677fc074b573dffec50ca21345d0 c1e7468e) and prepared for publication purposes complies in all material respects with the requirements of Sec. 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 consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

**Basis for the opinion**

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (11.2021). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

**Responsibilities of the executive rectors and the Supervisory Board for the ESEF documents**

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Institution are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

**Group auditor's responsibilities for the assurance work on the ESEF documents**

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 Sec. 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 Sec. 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 containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.•
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

**Further information pursuant to Art. 10 of the EU Audit Regulation**

We were elected as group auditor by the Annual General Meeting on 18 May 2021. We were engaged by the Supervisory Board on 1 June 2021. We have been the auditor of COMMERZBANK Aktiengesellschaft without interruption since financial year 2018.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 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 consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Bundesanzeiger [German Federal Gazette] – are merely electronic renderings of the audited consolidated financial statements and the audited group 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 assured ESEF documents made available in electronic form.

## German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Claus-Peter Wagner."

Eschborn/Frankfurt am Main, 2 March 2022
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Claus-Peter Wagner | Marcus Binder |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| (German Public Auditor) | (German Public Auditor) |

# Further information

› We inform you here about the seats on mandatory supervisory boards and similar bodies held by members of the Board of Managing Directors, members of the Supervisory Board and employees of Commerzbank. We also inform you here about the result of the review of the combined separate non-financial report as well as about the quarterly results by segment.

# 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 German Commercial Code (HGB)

a) Seats on other mandatory supervisory boards (in Germany)
b) Seats in similar national and international bodies

**Dr. Manfred Knof**
(since 1 January 2021)

a) Commerz Real AG[1]
Chairman
(since 14 April 2021)

b) Commerz Real Investmentgesellschaft mbH[1]
Chairman
(since 14 April 2021)

**Dr. Bettina Orlopp**

b) CommerzVentures GmbH[1]
Chairwoman

EIS Einlagensicherungsbank GmbH
Chairwoman

EUREX Deutschland AöR
(since 10 November 2021)

Frankfurter Wertpapierbörse AöR
(since 10 November 2021)

mBank S.A.[1]
Deputy Chairwoman

**Dr. Marcus Chromik**

a) Commerz Real AG[1]
Deputy Chairman
(since 1 January 2021)

b) Commerz Real Investmentgesellschaft mbH[1]
Deputy Chairman
(since 1 January 2021)

mBank S.A.[1]

Verlagsbeteiligungs- und Verwaltungsgesellschaft mit beschränkter Haftung
(since 21 January 2021)

**Jörg Hessenmüller**
(until 30 September 2021)

b) Commerz Services Holding GmbH[1]
Chairman
(until 30 September 2021)

CommerzVentures GmbH[1]
Chairman
(until 30 September 2021)

EPI Interim Company
(until 30 September 2021)

EUREX Deutschland AöR
(until 30 September 2021)

Frankfurter Wertpapierbörse AöR
(until 30 September 2021)

Main Incubator GmbH[1]
Chairman
(until 30 September 2021)

mBank S.A.[1]
Deputy Chairman
(until 30 September 2021)

**Michael Kotzbauer**
(since 14 January 2021)

b) Collegium Glashütten Zentrum für Kommunikation GmbH[1]
(until 31 March 2021)

CommerzVentures GmbH[1]
Deputy Chairman
(since 1 January 2021)

**Dr. Jörg Oliveri del Castillo-Schulz**
(since 20 January 2022)

b) Commerz Services Holding GmbH[1]
Chairman
(since 1 October 2021)

CommerzVentures GmbH[1]
(since 1 October 2021)

EPI Interim Company
(since 1 October 2021)

Main Incubator GmbH[1]
Chairman
(since 1 October 2021)

**Thomas Schaufler**
(since 1 December 2021)

a) Commerz Real AG[1]
(from 31 March 2022)

b) Commerz Real Investmentgesellschaft mbH[1]
(from 31 March 2022)

**Sabine Schmittroth**

a) Commerz Real AG[1]

b) Commerz Real Investmentgesellschaft mbH[1]

mBank S.A.[1]
(until 24 March 2021)

[1] Group mandate.

# Members of the Supervisory Board of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285 no. 10 of the German Commercial Code (HGB)

a) Seats on other mandatory supervisory boards (in Germany)
b) Seats in similar national and international bodies

**Helmut Gottschalk**
(since 14 April 2021)

a) IBB – Internationales Bankhaus Bodensee AG, Friedrichshafen
Chairman
(until 8 December 2021)

**Hans-Jörg Vetter**
(until 16 March 2021)

a) Herrenknecht AG, Schwanau
Chairman

**Uwe Tschäge**
– –

**Heike Anscheit**
– –

**Alexander Boursanoff**
– –

**Gunnar de Buhr**

a) BVV Pensionsfonds des Bankgewerbes AG, Berlin

BVV Versicherungsverein des Bankgewerbes a.G., Berlin

b) BVV Versorgungskasse des Bankgewerbes e.V., Berlin

**Stefan Burghardt**
– –

**Dr. Frank Czichowski**
– –

**Sabine U. Dietrich**
a) H&R GmbH und Co. KGaA, Salzbergen

MVV Energie AG, Mannheim

**Dr. Jutta A. Dönges**

a) Deutsche Pfandbriefbank AG, Garching
(until 24 March 2021)

TUI AG, Hanover
(since 25 March 2021)

b) FMS Wertmanagement AöR, Munich
Deputy Chairwoman of the Board of Directors

**Monika Fink**
– –

**Dr. Tobias Guldimann**
(until 18 May 2021)

b) Edmond de Rothschild (Suisse) S.A., Geneva (Switzerland)

Fedafin AG, Widnau (Switzerland)
Chairman

**Dr. Rainer Hillebrand**
(until 18 May 2021)

b) Vorwerk & Co. KG, Wuppertal

Otto Group (Otto GmbH & Co. KG), Hamburg

**Christian Höhn**
(until 31 December 2021)
– –

**Stefan Jennes**
(since 1 January 2022)
– –

**Kerstin Jerchel**
a) Allianz Deutschland AG, Munich

**Burkhard Keese**
(since 18 May 2021)
– –

**Alexandra Krieger**

a) AbbVie Komplementär GmbH, Wiesbaden

Evonik Operations GmbH, Essen

**Daniela Mattheus**
(since 18 May 2021)

a) Die Autobahn GmbH des Bundes, Berlin

**Dr. Victoria Ossadnik**
(until 18 May 2021)

b) Linde plc, Guildford (UK)

**Andreas Schmitz**
(from 1 January 2021 until 24 March 2021)

a) E.ON SE, Essen

b) Scheidt & Bachmann GmbH, Mönchengladbach
Chairman

**Caroline Seifert**
(since 18 May 2021)
– –

**Robin J. Stalker**

a) Schaeffler AG, Herzogenaurach

Schmitz Cargobull AG, Horstmar
Deputy Chairman

Hugo Boss AG, Metzingen

**Dr. Gertrude Tumpel-Gugerell**

b) OMV Aktiengesellschaft, Vienna (Austria)

Vienna Insurance Group AG, Vienna (Austria)

AT & S AG, Leoben (Austria)

**Frank Westhoff**
(since 18 May 2021)
– –

**Stefan Wittmann**
– –

[1] Group mandate.

# Employees of Commerzbank Aktiengesellschaft

Information pursuant to Art. 340a (4) no. 1 of the German Commercial Code (HGB)
As at the reporting date: 31 December 2021

**Volker Ergler**
Stadtwerke Viernheim GmbH

**Gerold Fahr**
Stadtwerke Ratingen GmbH
Chairman

**Klaus Greger**
Commerz Real AG[1]

**Christoph Heins**
Commerz Real AG[1]

**Dr. Alena Kretzberg**
Commerz Direktservice GmbH[1]
Chairman

EUWAX Aktiengesellschaft

**Stefan Nodewald**
SCHWÄLBCHEN MOLKEREI Jakob Berz Aktiengesellschaft
Chairman

**Mario Peric**
Commerz Direktservice GmbH[1]

**Andreas Schimmele**
Commerz Direktservice GmbH[1]

**Arno Walter**
Commerz Direktservice GmbH[1]
Deputy Chairman

[1] Group mandate.

# Translation from the German language of Independent auditor's report on a limited assurance engagement

## To Commerzbank AG, Frankfurt/Main

We have performed a limited assurance engagement on the financial report of Commerzbank AG, Frankfurt am Main, (hereinafter the "Company"), which is combined with non-financial report of the Commerzbank Group, as well as the "Structure and organisation" section of the group management report incorporated by reference, for the period from 1 January 2021 to 31 December 2021 (hereinafter the "non-financial report").

Not subject to our assurance engagement are other references to disclosures made outside the non-financial report.

### Responsibilities of the executive directors

The executive directors of the Company are responsible for the preparation of the non-financial report in accordance with Sec. 340a (1a) in conjunction with Secs. 289c to 289e HGB and Sec. 340i (5) in conjunction with Sec. 315c HGB ["Handelsgesetzbuch": German Commercial Code] and Art. 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder as well as in accordance with their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as set out in section "Incorporating the EU taxonomy in a reasonable way" of the non-financial report.

These responsibilities of the Company's executive directors include the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures that are reasonable in the circumstances.

Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a non-financial report that is free from material misstatement, whether due to fraud (manipulation of the non-financial report) or error.

The EU Taxonomy Regulation and the Delegated Acts adopted thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "Incorporating the EU taxonomy in a reasonable way" of the non-financial report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

### Independence and quality assurance of the auditor's firm

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements - in particular the BS WP/vBP ["Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer": Professional Charter for German Public Accountants/German Sworn Auditors] in the exercise of their Profession and the IDW Standard on Quality Management issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Audit Firm (IDW QS 1) and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

## Responsibilities of the auditor

Our responsibility is to express a conclusion with limited assurance on the non-financial report based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's non-financial report is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors disclosed in section „Incorporating the EU taxonomy in a reasonable way" of the non-financial report. Not subject to our assurance engagement are other references to disclosures made outside the non-financial report.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the auditor.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the sustainability organization and stakeholder engagement,
- Inquiries of the employees regarding the selection of topics for the non-financial report, the risk assessment and the policies of the Company and the Group for the topics identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial report, to evaluate the reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the disclosures in the non-financial report,
- Identification of likely risks of material misstatement in the non-financial report,
- Inspection of relevant documentation of systems and processes to a collect, aggregate and validate the data from the relevant areas in the reporting period,
- Analytical procedures on selected disclosures in the non-financial report at the level of the Company and the Group,
- Evaluation of the process to collect the disclosures according to the EU Taxonomy Regulation in the non-financial report,
- Evaluation of the presentation of the non-financial report.

In determining the disclosures in accordance with Art. 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

## Assurance conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial report of the Company for the period from 1 January 2021 to 31 December 2021 is not prepared, in all material respects, in accordance Sec. 340a (1a) in conjunction with Secs. 289c to 289e HGB and Sec. 340i (5) in conjunction with Sec. 315c HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors as disclosed in section „Incorporating the EU taxonomy in a reasonable way" of the non-financial report.

We do not express an assurance conclusion on the other references to disclosures made outside the non-financial report.

## Restriction of use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. As a result, it may not be suitable for another purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company alone. We do not accept any responsibility to third parties. Our assurance conclusion is not modified in this respect.

## General Engagement Terms and Liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We accept no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the report to reflect events or circumstances arising after it was issued, unless required to do so by law. It is the sole responsibility of anyone taking note of the summarized result of our work contained in this report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Eschborn, Frankfurt/Main, 2 March 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Claus-Peter Wagner | Yvonne Meyer |
| Wirtschaftsprüfer | Wirtschaftsprüferin |
| (German Public Auditor) | (German Public Auditor) |

# Quarterly results by segment

| 1st quarter 2021<br>€m | Private and Small Business Customers | Corporate clients | Others and Consolidation | Group |
|---|---|---|---|---|
| Net interest income | 615 | 428 | 211 | 1,254 |
| Dividend income | 1 | 0 | – 0 | 1 |
| Risk result | – 64 | – 52 | – 32 | – 149 |
| Net commission income | 653 | 312 | – 13 | 951 |
| Net income from financial assets and liabilities measured at fair value through profit or loss | 58 | 104 | 197 | 360 |
| Net income from hedge accounting | – 2 | – 5 | – 42 | – 48 |
| Other net income from financial instruments | 19 | – 6 | 5 | 19 |
| Current net income from companies acounted for using the equity method | 0 | – 0 | – 0 | 0 |
| Other net income | – 17 | – 5 | – 23 | – 45 |
| *Income before risk result* | ***1,329*** | ***828*** | ***335*** | ***2,492*** |
| *Income after risk result* | ***1,265*** | ***776*** | ***303*** | ***2,343*** |
| Operating expenses | 851 | 562 | 56 | 1,469 |
| Compulsory contributions | 163 | 114 | 59 | 336 |
| **Operating profit or loss** | **250** | **100** | **188** | **538** |
| Impairments on goodwill and other intangible assets | – | – | – | – |
| Restructuring expenses | – | – | 465 | 465 |
| **Pre-tax profit or loss from continuing operations** | **250** | **100** | **– 277** | **73** |

| 2nd quarter 2021<br>€m | Private and Small Business Customers | Corporate clients | Others and Consolidation | Group |
|---|---|---|---|---|
| Net interest income | 614 | 412 | 147 | 1,173 |
| Dividend income | 4 | 3 | – 0 | 6 |
| Risk result | – 62 | 13 | – 37 | – 87 |
| Net commission income | 575 | 289 | – 12 | 852 |
| Net income from financial assets and liabilities measured at fair value through profit or loss | 69 | 73 | – 18 | 125 |
| Net income from hedge accounting | 0 | 0 | – 5 | – 4 |
| Other net income from financial instruments | 0 | 1 | – 3 | – 2 |
| Current net income from companies acounted for using the equity method | – 0 | 2 | – 0 | 2 |
| Other net income | – 133 | – 10 | – 147 | – 290 |
| *Income before risk result* | ***1,130*** | ***769*** | ***– 37*** | ***1,862*** |
| *Income after risk result* | ***1,067*** | ***782*** | ***– 75*** | ***1,775*** |
| Operating expenses | 866 | 559 | 279 | 1,704 |
| Compulsory contributions | 63 | – 19 | – 6 | 39 |
| **Operating profit or loss** | **138** | **242** | **– 348** | **32** |
| Impairments on goodwill and other intangible assets | – | – | – | – |
| Restructuring expenses | – | – 0 | 511 | 511 |
| **Pre-tax profit or loss from continuing operations** | **138** | **242** | **– 859** | **– 478** |

| 3rd quarter 2021<br>€m | Private and Small Business Customers | Corporate clients | Others and Consolidation | Group |
|---|---|---|---|---|
| Net interest income | 657 | 402 | 63 | 1,122 |
| Dividend income | 3 | – 1 | 1 | 3 |
| Risk result | 1 | – 29 | 6 | – 22 |
| Net commission income | 583 | 325 | – 18 | 889 |
| Net income from financial assets and liabilities measured at fair value through profit or loss | 55 | 40 | 65 | 160 |
| Net income from hedge accounting | – 2 | 1 | – 31 | – 32 |
| Other net income from financial instruments | 0 | – 2 | 6 | 5 |
| Current net income from companies acounted for using the equity method | – 0 | 2 | 0 | 2 |
| Other net income | – 119 | 9 | – 33 | – 143 |
| *Income before risk result* | ***1,177*** | ***776*** | ***53*** | ***2,006*** |
| *Income after risk result* | ***1,178*** | ***747*** | ***59*** | ***1,984*** |
| Operating expenses | 850 | 531 | 104 | 1,485 |
| Compulsory contributions | 27 | – 0 | 0 | 27 |
| **Operating profit or loss** | **300** | **216** | **– 45** | **472** |
| Impairments on goodwill and other intangible assets | – | – | – | – |
| Restructuring expenses | – | – | 76 | 76 |
| **Pre-tax profit or loss from continuing operations** | **300** | **216** | **– 121** | **396** |

| 4th quarter 2021<br>€m | Private and Small Business Customers | Corporate clients | Others and Consolidation | Group |
|---|---|---|---|---|
| Net interest income | 709 | 447 | 143 | 1,300 |
| Dividend income | 2 | 3 | 6 | 11 |
| Risk result | – 194 | – 81 | – 38 | – 313 |
| Net commission income | 612 | 323 | – 11 | 924 |
| Net income from financial assets and liabilities measured at fair value through profit or loss | 184 | 39 | 111 | 334 |
| Net income from hedge accounting | 1 | – 0 | – 13 | – 12 |
| Other net income from financial instruments | 1 | – 0 | 5 | 6 |
| Current net income from companies acounted for using the equity method | 1 | 1 | – 0 | 2 |
| Other net income | – 451 | – 19 | 4 | – 466 |
| *Income before risk result* | ***1,059*** | ***795*** | ***246*** | ***2,099*** |
| *Income after risk result* | ***865*** | ***714*** | ***208*** | ***1,787*** |
| Operating expenses | 914 | 615 | 51 | 1,581 |
| Compulsory contributions | 64 | 1 | – 0 | 65 |
| **Operating profit or loss** | **– 113** | **97** | **157** | **141** |
| Impairments on goodwill and other intangible assets | – | – | – | – |
| Restructuring expenses | – | – | 26 | 26 |
| **Pre-tax profit or loss from continuing operations** | **– 113** | **97** | **131** | **115** |

# Five-year overview

| Income statement I €m | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Net interest income | 4,849 | 4,975 | 5,070 | 4,748 | 4,295 |
| Dividend income | 22 | 37 | 35 | 36 | 106 |
| Risk result | – 570 | – 1,748 | – 620 | – 446 | n/a |
| Loan loss provisions | n/a | n/a | n/a | n/a | – 781 |
| Other realised profit or loss and net remeasurement gain or loss | n/a | n/a | n/a | n/a | –76 |
| Net comission income | 3,616 | 3,317 | 3,056 | 3,089 | 3,192 |
| Net income from financial assets and liabilities at fair value through profit or loss | 980 | 66 | 244 | 366 | 598 |
| Net income from hedge accounting | – 96 | 207 | 105 | 48 | – 85 |
| Other realised profit or loss from financial instruments | 27 | – 65 | 27 | 26 | 244 |
| Current net income from companies accounted for using the equity method | 6 | 6 | 10 | 12 | 23 |
| Other net income | – 944 | – 357 | 93 | 245 | 466 |
| Operating expenses | 6,239 | 6,160 | 6,313 | 6,459 | 6,834 |
| Compulsory contributions | 467 | 512 | 453 | 423 | n/a |
| Operating profit | 1,183 | – 233 | 1,253 | 1,242 | 1,149 |
| Impairment of goodwill and other intangible assets | – | 1,578 | 28 | – | – |
| Restructuring expenses | 1,078 | 814 | 101 | 0 | 808 |
| Pre-tax profit or loss from continuing operations | 105 | – 2,626 | 1,124 | 1,242 | 341 |
| Taxes on income | – 248 | 264 | 421 | 268 | 215 |
| Consolidated profit or loss from continuing operations | 354 | – 2,890 | 703 | 975 | 126 |
| Consolidated profit or loss from discontinued operations | – | 30 | –18 | –10 | 96 |
| Consolidated profit or loss | 354 | – 2,861 | 685 | 964 | 222 |
| Consolidated profit or loss attributable to non-controlling interests | –77 | 9 | 100 | 102 | 94 |
| **Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components** | **430** | **– 2,870** | **585** | **862** | **128** |

| Balance sheet I €bn | 2021 | 2020[1] | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Total assets | 473.0 | 506.6 | 463.5 | 462.4 | 452.5 |
| Equity as shown in balance sheet | 29.8 | 28.6 | 30.5 | 29.4 | 30.0 |

| Capital rations I % | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Tier 1 capital ratio | 15.5 | 15.0 | 14.3 | 13.4 | 15.2 |
| Total capital ratio | 18.4 | 17.7 | 16.8 | 16.3 | 18.3 |

| Ratings[2] | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Moody's Investors Service, New York | A1/A1/P-1 | A1/ A1/ P-1 | A1/ A1/ P-1 | A1/ A1/ P-1 | A2/Baa1/P-1 |
| S&P Global, New York | A-/BBB+/A-2 | A-/ BBB+/ A-2 | A/ A-/ A-2 | A/ A-/ A-2 | A-/ A-/ A-2 |

[1] Prior-year figures restated.
[2] Deposit rating/issuer credit rating/short-term liabilities (further information can be found online at www.commerzbank.com).

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www.commerzbank.com

This Annual Report is also available in German. Both versions are available online.

**Photographs**
Pavel Becker (p. 2)
Alexandra Lechner (p. 6)

**Production**
Produced in-house using firesys
(Exception: Group financial statements)

**Disclaimer**

**Reservation regarding forward-looking statements**

This Annual Report contains forward-looking statements on Commerzbank's business and earnings performance, which are based upon our current plans, estimates, forecasts and expectations. The statements entail risks and uncertainties, as there are a variety of factors that influence our business and to a great extent lie beyond our sphere of influence. Above all, these include the economic situation, the state of the financial markets worldwide and possible loan losses. Actual results and developments may, therefore, diverge considerably from our current assumptions, which, for this reason, are valid only at the time of publication. We undertake no obligation to revise our forward-looking statements in the light of either new information or unexpected events.

The German version of this Annual Report is the authoritative version and only the German versions of the Group management report and the Group financial statements were audited by the auditors.

For ease of reading only the masculine form is used to refer to people. This always refers to people of any gender identity.

Publication of the Annual Report:
28 March 2022

# Significant Group companies

| Germany |
| --- |
| Commerz Real AG, Wiesbaden |

| Abroad |
| --- |
| Commerzbank Brasil S.A. – Banco Múltiplo, São Paulo |
| Commerzbank (Eurasija) AO, Moscow |
| Commerzbank Finance & Covered Bond S.A., Luxembourg |
| Commerzbank Zrt., Budapest |
| Commerz Markets LLC, New York |
| mBank S.A., Warsaw |

**Operative foreign branches**
Amsterdam, Bratislava, Beijing, Brno (office), Brussels, Dubai, Hong Kong, London, Luxembourg, Madrid, Milan, New York, Paris, Prague, Shanghai, Singapore, Tokyo, Vienna, Zurich

**Representative Offices and Financial Institutions Desks**
Abidjan, Addis Abeba, Almaty, Aschgabat, Bangkok, Beijing (FI Desk), Beirut, Brussels (Liaison Office to the European Union), Buenos Aires, Cairo, Caracas, Dhaka, Dubai (FI Desk), Ho Chi Minh City, Istanbul, Johannesburg, Kiev, Lagos, Luanda, Melbourne, Milan (FI Desk), Minsk, Moscow (FI Desk), Mumbai, New York (FI Desk), Panama City, São Paulo (FI Desk), Seoul, Shanghai (FI Desk), Singapore (FI Desk), Taipei, Tashkent, Tblisi, Tokyo (FI Desk), Zagreb

# Commerzbank worldwide

| | |
| --- | --- |
| Operative foreign branches | **19** |
| Representative offices | **26** |
| Significant Group companies abroad | **6** |
| Domestic branches in private customer business | **~550** |
| Foreign branches | **428** |
| Worldwide staff | **46,218** |
| International staff | **14,279** |
| Domestic staff | **31,939** |

COMMERZBANK

| 2022 Financial calendar | |
|---|---|
| 11 May 2022 | Annual General Meeting |
| 12 May 2022 | Interim financial information as at 31 March 2022 |
| 3 August 2022 | Interim Report as at 30 June 2022 |
| 9 November 2022 | Interim financial information as at 30 September 2022 |


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