

**Disclosure Report as at 31 December**

**2021**

in accordance with the Capital Requirements Regulation (CRR)



**The bank at your side**

# Contents

<b>3</b>	<b>Introduction</b>
<b>5</b>	<b>Equity capital, capital requirement and RWA</b>
5	Key metrics
7	Capital structure
13	Connection between balance-sheet and regulatory positions
19	Capital requirements and RWA
<b>24</b>	<b>Leverage Ratio</b>
<b>30</b>	<b>Risk-oriented overall bank management</b>
30	Risk statement
32	Risk management organisation
33	Risk strategy and risk management
36	Risk-bearing capacity and stress testing
<b>38</b>	<b>A. Credit risk</b>
38	Risk management
41	Credit risk model
54	Credit risk mitigation
55	Credit risk and credit risk mitigation in the SACR
58	Credit risk and credit risk mitigation in the IRBA
67	Loan loss provisions for default risks
<b>82</b>	<b>B. Counterparty credit risk</b>
82	Risk management
84	Information on regulatory methods
86	Information by regulatory risk-weighting approach
89	Further information on counterparty credit risk
<b>90</b>	<b>C. Securitisations</b>
91	Risk management
92	Valuation methods and quantitative information
<b>99</b>	<b>D. Market risk</b>
99	Risk management
101	Market risk model
103	Quantitative information on market risks
106	Interest rate risk in the banking book
<b>108</b>	<b>E. Liquidity risk</b>
108	Risk management
108	Information on the encumbrance of assets
112	Liquidity risk model
114	Liquidity Coverage Ratio
<b>120</b>	<b>F. Operational risks</b>
120	Risk management
121	OpRisk capital requirements
<b>123</b>	<b>G. Other risks</b>
<b>130</b>	<b>List of Annexes</b>

# Introduction

## Commerzbank

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 centers, such as London, New York, Tokyo and Singapore. However, the focus of the Bank's international activities is on Europe.

Further information on the management of the Commerzbank Group and its management bodies can be found in Annex 3 and on the Commerzbank website under Commerzbank, Investor Relations, Corporate Governance.

## Objective of the Disclosure Report

This report is intended to give the reader a detailed insight into Commerzbank's current risk profile and risk management. In particular, it contains information on:

- the Commerzbank Group's structure from both a regulatory and accounting perspective,
- the Group's capital structure,
- the Commerzbank Group's general risk management system and
- the risk management in respect of specific types of risk.

The report may also be seen as complementary to the Annual Report pursuant to the German Commercial Code (Handelsgesetzbuch – HGB), since in contrast to the Annual Report it focuses primarily on the supervisory perspective.

In this report Commerzbank Aktiengesellschaft as the ultimate parent company of the regulated banking group is complying with the disclosure requirements of Articles 431 – 455 of regulation (EU) 2019/876 (CRR II) of the European parliament and of the Council of 20 May 2019 amending the Regulation (EU) No. (CRR I)– as of June 30, 2021. The regulation is supplemented by the final draft implementing technical standards EBA EBA/ITS/2020/04 from 24 June 2020, which specify the tables integrated in the report. The names of the predefined tables are indicated by the table names provided with the prefix EU.

The EBA has published the final 'Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis' (EBA/GL/2020/07) on 2 June 2020. The disclosure of the tables required therein is to be made every six months during the reference period 30 June 2020 to 31 December 2021. According to a new publication of the EBA of 17 January 2022, the requirement will be extended until further notice. The tables included in the report are identified by the given table names with the prefix COV.

## Scope

This Disclosure Report is based on the group of companies consolidated for regulatory purposes. The companies consolidated for regulatory purposes only include those carrying out banking and other financial business. The consolidated group consists of a domestic parent company and its affiliated companies. The aim of regulatory consolidation is to prevent multiple use of capital that in fact exists only once by subsidiary companies in the financial sector. The companies consolidated under IFRS, by contrast, comprise all the companies controlled by the ultimate parent company.

In the context of the disclosure requirements (Article 431 (3) CRR), besides the Disclosure Report itself, all policies and processes have to be documented as a main component to fulfil the Pillar 3 requirements of the Basel framework. The appropriateness and

practicality of the Bank's disclosure practice has to be reviewed on a regular basis. For this purpose, Commerzbank has defined guidelines for the Disclosure Report which regulate the overarching, strategic part of the instructions. The operative targets and responsibilities are additionally defined in separate documents.

The Group's Disclosure Report complies with applicable legal and regulatory requirements and is prepared in accordance with the Group's internal policies, procedures, systems and internal controls.

The Group's Board of Managing Directors has approved this report for publication and confirmed that Commerzbank complies with the requirements of Article 431 (3) CRR.

Commerzbank is a large institution in accordance with Article 4 (1) No. 146 CRR, thus implementing the frequency requirements of Article 433a CRR.

#### **Waiver rule pursuant to Article 7 CRR**

According to Article 7 CRR in conjunction with section 2a (1) KWG, parent companies within the group of companies consolidated for regulatory purposes are also entitled to this exemption. The opportunity this offers for Commerzbank Aktiengesellschaft as the ultimate parent company of the Commerzbank Group to be exempted from the requirements at single entity level has been utilised since 2007.

Utilisation of the waiver rule was reported at the outset to BaFin and the Bundesbank with evidence of compliance with the requirements and is subsequently monitored and documented on occasion.

Subordinate companies of the institute group do not currently make use of the waiver rule.

# Equity capital, capital requirement and RWA

## Key metrics

---

In order to facilitate market participants' access to the most important equity and liquidity ratios of the institutions, Table KM1 with key parameters will be introduced from June 2021.

The table shows the information required by Articles 447 a) to g) and 438 b) CRR. In particular, these include the available own funds, risk-weighted exposure amounts, capital ratios, combined capital buffers, leverage ratio and liquidity ratios, as well as some additional own funds requirements in order to obtain an overall overview of Commerzbank.

The increase in Common Equity Tier 1 (CET1) capital (€+99m) compared to 30 September 2021 was mainly due to the balance sheet profit generated in fourth quarter of 2021, which was offset by lower Other Comprehensive Income (OCI) as well as higher regulatory deductions. The CET1-ratio increased by 6 basis points compared to 30 September 2021 due to the increase in CET1, risk-weighted assets (€-29m) remained nearly unchanged.

The leverage ratio shows the ratio of Tier 1 capital to leverage ratio exposure, consisting of the non risk-weighted assets plus off-balance sheet positions.

The way in which exposure to derivatives, securities financing transactions and off-balance sheet positions is calculated is laid

down by regulators. As a non risk-sensitive figure the leverage ratio is intended to supplement risk-based measures of capital adequacy.

The leverage ratio (with transitional provisions and fully loaded) was 5.2% as of 31 December 2021. The increase is mainly due to significantly lower leverage ratio exposure, which was caused by a significant decline in the cash reserve and a reduction in the balance sheet volume due to securities financing transactions (SFT).

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.

The Net Stable Funding Ratio (NSFR) as of 31 December 2021 underlines the solid funding position of Commerzbank Group. It reflects the customer-focused business model with a high contribution to the Available Stable Funding (ASF) from customer deposits. The main share of the Required Stable Funding (RSF) results from the loan business, and the main share of the ASF results from customer deposits.

In the fourth quarter of 2021, the NSFR decreased from 134.9% to 128.8%, mainly due to a reduced ASF. This is caused by the reduction of the liabilities on demand as well as the receivables on demand between September 2021 and December 2021 due to the balance sheet management at the end of the year.

## EU KM1 : Key metrics

Line	€m   %	a	b	c
		31.12.2021	30.09.2021	30.06.2021
<b>Available own funds (amounts)</b>				
1	Common Equity Tier 1 (CET1) capital	23,765	23,666	23,709
2	Tier 1 capital	27,215	27,141	27,187
3	Total capital	32,182	32,174	31,806
<b>Risk-weighted exposure amounts</b>				
4	Total risk-weighted exposure amount	175,188	175,217	177,588
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>				
5	Common Equity Tier 1 ratio (%)	13.57	13.51	13.35
6	Tier 1 ratio (%)	15.54	15.49	15.31
7	Total capital ratio (%)	18.37	18.36	17.91
<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>				
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.00	2.00	2.00
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.13	1.13	1.13
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.50	1.50	1.50
EU 7d	Total SREP own funds requirements (%)	10.00	10.00	10.00
<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>				
8	Capital conservation buffer (%)	2.50	2.50	2.50
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.02	0.02	0.02
EU 9a	Systemic risk buffer (%)	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	1.25	1.25	1.25
11	Combined buffer requirement (%)	3.77	3.77	3.77
EU 11a	Overall capital requirements (%)	13.77	13.77	13.77
12	CET1 available after meeting the total SREP own funds requirements (%)	7.94	7.88	7.73
<b>Leverage ratio</b>				
13	Total exposure measure	520,528	589,100	589,160
14	Leverage Ratio fully loaded (%)	5.19	4.57	4.58
14	Leverage ratio with transitional provisions (%)	5.23	4.61	4.61
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)				
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00	0.00	0.00
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00	0.00	0.00
EU 14c	Total SREP leverage ratio requirements (%)	3.00	3.00	3.00
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>				
EU 14d	Leverage ratio buffer requirement (%)	0.00	0.00	0.00
EU 14e	Overall leverage ratio requirements (%)	3.00	3.00	3.00
<b>Liquidity Coverage Ratio</b>				
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	108,997	112,055	108,733
EU 16a	Cash outflows - Total weighted value	97,086	97,317	97,655
EU 16b	Cash inflows - Total weighted value	22,354	21,368	21,384
16	Total net cash outflows (adjusted value)	74,732	75,949	76,229
17	Liquidity Coverage Ratio (%)	145.1	147.6	142.8

Line	€m   %	a	b	c
		31.12.2021	30.09.2021	30.06.2021
<b>Net Stable Funding Ratio</b>				
18	Total available stable funding	331,377	343,367	348,133
19	Total required stable funding	257,361	254,470	257,133
20	NSFR ratio (%)	128.8	134.9	135.0

## Capital structure

The main rules governing compliance with minimum regulatory capital ratios for solvency purposes in the EU are contained in the Capital Requirements Directive (CRD) IV, the Capital Requirements Regulation (CRR), a European regulation which, unlike the CRD IV Directive, has direct legal effect for all European banks, together with the SSM Regulation (Council Regulation No. 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions). This legislation is supplemented at national level in Germany by further provisions in the German Banking Act, the German Solvency Regulation and other regulations. In addition, Implementing Technical Standards (ITS) and Regulatory Technical Standards (RTS) provide explanations about particularly complex matters. The introduction of the new regulations in 2014 has strengthened the quality of regulatory capital compared with the previous regime, made capital requirements more stringent and set higher minimum requirements for banks' capital adequacy.

To avoid having all these requirements take effect on a single date, certain parts of the new rules are subject to defined phase-in rules (with transitional provisions). From the CRR Regulation published in 2013 and revised in 2019 and CRR Quick Fix released in 2020 result transitional provisions for capital deductions, the Additional Tier 1 capital and Tier 2 capital, which will reduce the recognition of non-CRR-compliant capital issues until 2022 or June 2025 respectively.

For the Commerzbank Group, the transitional provisions laid down in Article 468 CRR and Article 473a shall not apply. We have received approval from the supervisor for the application of the transitional regime to IFRS 9 in accordance with Article 473a CRR. However, the effects from the application are so marginal that we do not take these into account as of 31 December 2021.

Common Equity Tier 1 (CET1) capital consists largely of subscribed capital plus reserves and non-controlling interests. Adjustments to this figure may be necessitated by any number of causes, for example intangible assets, write-downs of assets (if assets are not valued cautiously enough in the regulator's view), shortfalls due to the comparison of expected losses (EL) with the provisions recognised for them and the correction of tax loss carry-forwards. Adding Additional Tier 1 capital (AT1), which can contain subordinated debt instruments with certain conditions, produces Tier 1 capital. Tier 2 capital consists largely of subordinated debt instruments which are not eligible as Additional Tier 1 capital. The eligibility of these capital components has been reduced, as over the final five years of their life they may now only be amortised on a straight-line basis.

Commerzbank seeks to achieve the following objectives in managing its capital:

- adherence to the statutory minimum capital requirements at Group level and in all companies included in the regulatory Group,
- ensuring that the planned capital ratios are met, including the ECB/EBA requirements,
- provision of sufficient reserves to guarantee the Bank's freedom of action at all times,
- strategic allocation of Tier 1 capital to business segments and divisions in order to exploit growth opportunities.

At Commerzbank, the Common Equity Tier 1 capital is a key management target. The Bank's specifications for the capital ratios far exceed the minimum statutory requirements. The Bank's risk-bearing capacity and market expectations play an important role in determining the internal capital ratio targets. For this reason, Commerzbank has stipulated minimum ratios for regulatory capital.

CET1 capital is allocated via a regular process that takes account of the Bank's strategic direction, profitable new business opportunities in the core business of each business segment as well as aspects of risk-bearing capacity.

Measures relating to the Bank's capital are approved by the full Board of Managing Directors, subject to the authorisation granted by the annual general meeting. During the past year, Commerzbank met the minimum statutory capital requirements as well as the requirements of the ECB and EBA at all times.

The evaluations in the tables below comprehensively illustrate the total own funds available for the entire Commerzbank Group. These own funds are also the basis for the calculation of the equity capital adequacy as reported to the Bundesbank.

Details of the issued capital instruments of Commerzbank Group according to Article 437 (1) b) and c) CRR and using Table EU CCA in Annex VII to the Regulation (EU) 2021/637 can be found in Annex 5 and on the Commerzbank website in the section Debt holder information/Capital instruments. The Commerzbank Group is not obliged to disclose under Article 437a CRR (eligible liabilities).

Table EU CC1 shows the composition of regulatory own funds and the capital ratios as defined in Article 437 a), d), e) and f) CRR and Annex VII of Regulation (EU) 2021/637 as of 31 December 2021:



## EU CC1: Composition of regulatory own funds

Line €m		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
1	Capital instruments and the related share premium accounts	11,327	j+k
1a	of which: subscribed capital	1,252	j
1b	of which: Share premium	10,075	k
2	Retained earnings	13,897	l
3	Accumulated other comprehensive income (and other reserves)	83	n
EU-3a	Funds for general banking risk	0	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	
5	Minority interests (amount allowed in consolidated CET1)	590	q
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	253	m
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	26,151	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
7	Additional value adjustments (negative amount)	-285	
8	Intangible assets (net of related tax liability) (negative amount)	-490	a+d
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-295	c
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	88	o
12	Negative amounts resulting from the calculation of expected loss amounts	0	
13	Any increase in equity that results from securitised assets (negative amount)	0	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	86	
15	Defined-benefit pension fund assets (negative amount)	-480	f+e
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-2	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	

Line €m		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-183	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	0	
EU-20c	of which: securitisation positions (negative amount)	-183	
EU-20d	of which: free deliveries (negative amount)	0	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-536	b
22	Amount exceeding the 17.65% threshold (negative amount)	0	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	
25	of which: deferred tax assets arising from temporary differences	0	
EU-25a	Losses for the current financial year (negative amount)	0	m
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	0	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0	
27a	Other regulatory adjustments	-289	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-2,386	
29	Common Equity Tier 1 (CET1) capital	23,765	
<b>Additional Tier 1 (AT1) capital: instruments</b>			
30	Capital instruments and the related share premium accounts	3,114	p
31	of which: classified as equity under applicable accounting standards	3,114	p
32	of which: classified as liabilities under applicable accounting standards	0	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	226	h
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	0	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	0	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	110	
35	of which: instruments issued by subsidiaries subject to phase out	0	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	3,451	
<b>Additional Tier 1 (AT1) capital; regulatory adjustments</b>			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	

Line €m		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	0	
42a	Other regulatory adjustments to AT1 capital	0	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	
44	Additional Tier 1 (AT1) capital	3,451	
45	Tier 1 capital (T1 = CET1 + AT1)	27,215	
<b>Tier 2 (T2) capital: instruments</b>			
46	Capital instruments and the related share premium accounts	4,566	g+i
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	76	h
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	0	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	44	h
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	286	
49	of which: instruments issued by subsidiaries subject to phase out	0	
50	Credit risk adjustments	25	
51	Tier 2 (T2) capital before regulatory adjustments	4,997	
<b>Tier 2 (T2) capital: regulatory adjustments</b>			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-30	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	0	
EU-56b	Other regulatory adjustments to T2 capital	0	
57	Total regulatory adjustments to Tier 2 (T2) capital	-30	
58	Tier 2 (T2) capital	4,966	
59	Total capital (TC = T1 + T2)	32,182	
60	Total risk exposure amount	175,188	

Line €m		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
<b>Capital ratios and requirements including buffers (%)</b>			
61	Common Equity Tier 1 capital	13.57	
62	Tier 1 capital	15.54	
63	Total capital	18.37	
64	Institution CET1 overall capital requirements	9.39	
65	of which: capital conservation buffer requirement	2.50	
66	of which: countercyclical capital buffer requirement	0.02	
67	of which: systemic risk buffer requirement	-	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	1.25	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.13	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	7.94	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	413	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	409	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	2,430	
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	252	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	25	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	715	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)</b>			
80	Current cap on CET1 instruments subject to phase out arrangements	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	
82	Current cap on AT1 instruments subject to phase out arrangements	226	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-479	h
84	Current cap on T2 instruments subject to phase out arrangements	76	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-403	h

## Connection between balance-sheet and regulatory positions

---

For Commerzbank as a banking group as defined in section 10a KWG and Article 11 CRR the capital relevant to the determination of regulatory capital is based on the consolidated financial statements under FINREP which is prepared based on the Group balance sheet according to IFRS. To reconcile the requirements for regulatory capital with the slightly different amounts reported in the financial statements, capital as determined under IFRS was adjusted with the aid of so-called prudential filters.

There was no under-capitalisation of subsidiaries subject to the deduction method during the period under review. Nor are there any obstacles to the transfer of own funds or the repayment of liabilities in accordance with Article 436 f) CRR between Commerzbank AG and the main subsidiaries in the reporting period.

In the year under review, there were no subsidiaries not included in the consolidation with lower own resources than the required amount.

Regarding the use of the exemption under Article 7 CRR, see section "Waiver rule pursuant to Article 7 CRR" in the chapter

"Introduction". The consolidation at single entity level under Article 9 CRR was not used.

Intra-group business and business with related companies and persons have no material impact on the risk profile of the consolidated group.

With Basel 3, the Basel Committee on Banking Supervision published among other things comprehensive rules on the components of shareholders' equity and ratios as well as the management of liquidity risk. The Capital Requirements Directive and Regulation (CRD IV) package of measures, constituting the European implementation of Basel 3, has been in force since 1 January 2014. Numerous supplementary regulations have since been published e.g. by the European Banking Authority (EBA), and these gradually entered into force; this will continue in subsequent years. Commerzbank has prepared itself for the more stringent capital adequacy requirements by taking a number of steps.

In accordance with Article 437 a) CRR and the Implementing Regulation (EU) 2021/637, Table EU CC2 shows a comparison of the published balance sheet (column a) with the carrying amounts under the regulatory scope of consolidation (column b) and a reference (column c) of the balance sheet items to regulatory own funds shown in Table EU CC1.

## EU CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

€m		a	b	c
		As reported in published financial statements 31.12.2021	Under the regulatory scope of consolidation 31.12.2021	Reference
<b>Assets</b>				
1	Cash on hand and cash on demand	49,507	49,480	
2	Financial assets - Amortised Cost	299,181	296,623	
3	Financial assets - Fair Value OCI	40,115	40,114	
4	Financial assets - Fair Value Option	0	0	
5	Financial Assets - Mandatorily Fair Value P&L	28,432	30,957	
6	Financial Assets - Held for Trading	43,790	43,832	
7	Value adjustment on portfolio fair value hedges	508	508	
8	Positive fair values of derivative hedging instruments	846	846	
9	Holdings in companies accounted for using the equity method	175	175	
10	Intangible assets	1,243	1,240	a
11	Fixed assets	2,881	2,879	
12	Investment properties	41	41	
13	Non-current assets held for sale and disposal groups	830	830	
14	Current tax assets	222	222	
15	Deferred tax assets	3,130	3,150	
16	of which: deferred tax assets arising from temporary differences	2,967	2,966	b
17	of which: deferred tax assets do not arise from temporary differences	295	295	c
18	of which: deferred tax liabilities arising from intangible assets	-124	-124	d
19	of which: deferred tax liabilities arising from defined benefit pension fund assets	-34	-34	e
20	Other assets	2,143	2,147	
21	of which: Asset surplus of pension plan assets	514	514	f
<b>22</b>	<b>Total assets</b>	<b>473,044</b>	<b>473,043</b>	

€m		a	b	c
		As reported in published financial statements 31.12.2021	Under the regulatory scope of consolidation 31.12.2021	Reference
<b>Liabilities</b>				
23	Financial Liabilities - Amortised Cost	373,976	374,015	
24	of which: eligible Tier 2 issuances	4,451	4,451	g
25	of which: eligible AT1 and Tier 2 issuances subject to transitional provisions	945	945	h
26	Financial Liabilities - Fair Value Option	19,735	19,735	
27	of which: eligible Tier 2 issuances	1,499	1,499	i
28	Financial Liabilities - Held for Trading	32,957	32,957	
29	Value adjustment on portfolio fair value hedges	209	209	
30	Negative fair values of derivative hedging instruments	6,816	6,816	
31	Provisions	3,752	3,748	
32	Current tax liabilities	549	549	
33	Deferred tax liabilities	13	11	
34	Liabilities of disposal groups	730	730	
35	Other Liabilities	4,478	4,451	
<b>36</b>	<b>Total liabilities</b>	<b>443,217</b>	<b>443,222</b>	
37	Subscribed capital	1,252	1,252	j
38	Capital reserve	10,075	10,075	k
39	Retained earnings	14,549	14,540	l
40	Distributable profit/loss from current year	430	430	m
41	Accumulated other comprehensive income and other reserves	-569	-560	n
42	thereof Valuation of cash flow hedges	-88	-88	o
43	Additional equity components	3,114	3,114	
44	thereof eligible AT1 issues	3,114	3,114	p
45	Non-controlling interests	975	969	q
<b>46</b>	<b>Total Equity</b>	<b>29,827</b>	<b>29,821</b>	
<b>47</b>	<b>Total liabilities</b>	<b>473,044</b>	<b>473,043</b>	

### Explanation of the differences between risk exposure amounts for accounting and regulatory purposes

In table EU LI1, there is in total a difference of less than €1m between the carrying values according to the group of consolidated companies reported in the balance sheet (column a) and the carrying values according to the regulatory group of consolidated companies (column b). This difference results from the different scopes of consolidation and consolidation methods for accounting and regulatory purposes. The companies where the consolidation methods for accounting and regulatory purposes differ are listed entity by entity in table EU LI3 in Annex 1.

Table EU LI2 shows the main reasons for the differences between the carrying values for financial reporting in the balance sheet and the regulatory risk exposure amounts (exposure in the standard approach and EaD in the IRB approach). The carrying values are reconciled to the regulatory risk exposure amounts. Row 1 of table EU LI2 comprises the carrying values of assets and row 2 the carrying values of liabilities for the regulatory group of companies in accordance with the allocation of table EU LI1. Column a of rows 1 and 2 corresponds to the total of column b in table EU LI1 less the total of column g in table EU LI1. Row 3 is the difference between row 1 and row 2.

The target figures to be reconciled (row 12) are the input values for the RWA calculation. The target figure includes both on-balance-sheet and off-balance-sheet positions after credit risk mitigation methods (CRM) and after application of the credit conversion factors (CCF). The target figure for market risk is at present not clearly defined in functional terms. In the internal model, risk parameters such as VaR, SVaR and IRC and the RWAs calculated from them are relevant. By contrast, exposure values are not considered separately here for the regulatory reporting. For this reason, a reconciliation of the values for market risk to the exposure taken into account for regulatory purposes has been dispensed within table EU LI2. As a result, no total has been calculated for rows 5 to 12 in column a.

Row 4 “Off-balance-sheet amounts” shows the off-balance-sheet amounts before taking into account credit conversion factors (CCFs).

Row 5 „Differences in valuations“ discloses the valuation differences between the carrying amounts in the balance sheet and regulatory exposures attributable to the additional value adjustments (premiums for prudent valuation). The premiums are applied to the categories of market price uncertainty, position close-out costs, model risk, concentrated positions, future administrative costs, early contract termination and operational risk.

Row 6 “Differences resulting from different netting rules, other than those already included in row 2” shows the effects from the different regulatory netting rules compared with those for accounting purposes, taking into account the netting effect in accordance with row 2. In terms of counterparty credit risk, effects result from derivatives and SFTs.

Row 7 “Differences due to the consideration of allowances” shows the value adjustments to the IRBA positions for credit risk and securitisation risk. The carrying values on the balance sheet are net carrying values (after loan loss provisions). Under the IRB approach the risk exposure amount is in general the carrying values in the balance sheet; credit risk adjustments such as valuation allowances are not deducted. Value adjustments deducted from the carrying value of assets when drawing up the financial statements are added back as part of the reconciliation.

Row 8 “Differences caused by the use of credit risk mitigation techniques (CRMs)” reports the collateralisation effects that are included in the calculation of the exposure value after collateralisation.

Row 9 “Differences caused by credit conversation factors” reports the amount by which off-balance sheet exposures are included in the risk exposure amounts considered for regulatory purposes.

Row 10 shows the amount for synthetically securitised credit exposures that continue to be reported in the balance sheet item Financial assets - amortised cost, but are no longer included in the regulatory credit risk exposure due to the transfer of risk.

In row 11 “Others”, the other reconciliation effects not already included in reconciliation rows 5 to 10 are reported.



**EU LI1: Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories**

	a	b	c	d	e	f	g
€m	Carrying values as reported in published financial statements	Carrying values under the regulatory scope of consolidation	Subject to the credit risk framework	Subject to the CCR framework	Carrying values of items		Not subject to capital requirements or subject to deductions from capital
					Subject to the securitisation framework	Subject to the market risk framework	
<b>Assets</b>							
Cash on hand and cash on demand	49,507	49,480	49,480	0	0	11,679	0
Financial assets - Amortised Cost	299,181	296,623	283,029	14,332	6,934	78,131	160
Financial assets - Fair Value OCI	40,115	40,114	37,220	0	2,894	13,660	0
Financial Assets - Mandatorily Fair Value P&L	28,432	30,957	4,402	22,843	3,689	26,925	23
Financial Assets - Held for Trading	43,790	43,832	0	34,760	62	37,725	0
Value adjustment on portfolio fair value hedges	508	508	508	0	0	0	0
Positive fair values of derivative hedging instruments	846	846	0	846	0	251	0
Holdings in companies accounted for using the equity method	175	175	175	0	0	0	0
Intangible assets	1,243	1,240	566	0	0	0	674
Fixed assets	2,881	2,879	2,879	0	0	0	0
Investment properties	41	41	41	0	0	0	0
Non-current assets held for sale and disposal groups <sup>1</sup>	830	830	763	66	0	66	0
Current tax assets	222	222	222	0	0	0	0
Deferred tax assets	3,130	3,150	2,430	0	0	0	720
Other assets	2,143	2,147	1,553	0	0	80	514
<b>Total assets</b>	<b>473,044</b>	<b>473,043</b>	<b>383,269</b>	<b>72,847</b>	<b>13,579</b>	<b>168,517</b>	<b>2,090</b>
<b>Liabilities and equity</b>							
Financial Liabilities - Amortised Cost	373,976	374,015	0	9,366	0	62,159	364,649
Financial Liabilities - Fair Value Option	19,735	19,735	0	14,871	0	16,365	4,864
Financial Liabilities - Held for Trading	32,957	32,957	0	31,572	0	29,885	3
Value adjustment on portfolio fair value hedges	209	209	0	0	0	0	209
Negative fair values of derivative hedging instruments	6,816	6,816	0	6,816	0	1,676	0
Provisions	3,752	3,748	0	0	0	0	3,748
Current tax liabilities	549	549	0	0	0	0	549
Deferred tax liabilities	13	11	0	0	0	0	11
Liabilities of disposal groups	730	730	0	110	0	0	621
Other liabilities	4,478	4,451	0	0	0	0	4,451
Equity	29,827	29,821	0	0	0	0	29,821
<b>Total liabilities and equity</b>	<b>473,044</b>	<b>473,043</b>	<b>0</b>	<b>62,734</b>	<b>0</b>	<b>110,086</b>	<b>408,927</b>

## EU LI2: Main sources of differences between regulatory exposure amounts and carrying values in Group financial statements

	€m	a	b	c		d	e
		Total	Credit risk framework	Items subject to CCR framework	Securitisation framework	Market risk framework	
1	Assets carrying value amount under the regulatory scope of consolidation (as per template LI1)	470,953	383,269	72,847	13,579	168,517	
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	64,116	0	62,734	0	110,086	
3	Total net amount under the regulatory scope of consolidation	406,837	383,269	10,113	13,579	58,431	
4	Off-balance-sheet amounts	181,547	180,546	0	1,001	19,180	
5	Differences in valuations		0	461	0		
6	Differences due to different netting rules, other than those already included in row 2		0	23,547	0		
7	Differences due to the consideration of allowances		3,266	0	0		
8	Differences caused by the use of credit risk mitigation techniques (CRMs)		-331	0	0		
9	Differences caused by credit conversation factors		-6,450	0	0		
10	Differences caused by securitizations with risk transfer		-10,155	0	9,973		
11	Others		1,216	0	155		
12	Exposure amounts considered for regulatory purposes		551,362	34,121	24,707		

Table PV1 gives an overview of the valuation measures according to article 436 e) CRR within the framework of the Prudent Valuation according to EBA/RTS/2020/04 as of 31 December 2021. The

individual valuation adjustments are classified in a granular way according to risk categories as well as their classification in the banking or trading book.

## EU PV1 – Prudent valuation adjustments (PVA):

Line	€m	Risk category					Category level AVA - Valuation uncertainty		Total category level post- diversification		
		Category level AVA	Equity	Interest Rates	Foreign ex- change	Credit	Commo- dities	Unear- ned credit spreads AVA	Invest- ment and funding costs AVA	Of which: Total core ap- proach in the trading book	Of which: Total core ap- proach in the banking book
1	Market price uncertainty	135	96	14	6	0	8	3	131	30	101
3	Close-out cost	1	2	1	1	1	25	19	24	21	3
4	Concentrated positions	22	57	0	1	0	0	0	80	2	79
5	Early termination	0	0	0	0	0	0	0	0	0	0
6	Model risk	8	10	0	0	0	7	2	14	11	3
7	Operational risk	7	7	1	0	0	0	0	16	5	10
10	Future administrative costs	2	17	0	0	0	0	0	19	18	1
12	Total Additional Valuation Adjustments (AVAs)								285	88	197

## Capital requirement and RWA

The capital requirements set out below relate to the Commerzbank Group and the figures are the same with regard to content as in the capital adequacy reports submitted to the Deutsche Bundesbank under Basel 3 Pillar 1.

The countercyclical capital buffer (CCyB) is part of a set of macroprudential instruments, designed to help counteract procyclicality of the financial system. Capital should be accumulated when cyclical systemic risk is considered to be rising, creating buffers that increase the resilience of the banking sector during periods of stress when losses materialize. This will help maintain the credit supply

and dampen the downturn of the financial cycle. The CCyB can also help dampen excessive credit growth during the upswing of the financial cycle.

Table EU CCyB1 shows the geographical distribution of the exposures relevant for the calculation of the countercyclical buffer, as defined in Article 440 a) CRR as of 31 December 2021. The credit risk, market risk and securitisations are highlighted separately.

The countries listed below cover more than 99% of Commerzbank's own funds requirements. The further breakdown of the countries listed under line 035 "Other" is omitted for reasons of materiality.

## EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

Line	Countries €m	a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures	Relevant credit exposures – Market risk	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Own fund requirements	Own fund requirements weights	Own fund requirements weights (in %)	Counter-cyclical buffer rate (%)		
001	DE (Germany)	10,599	223,072	0	1	14,479	248,151	5,215	7	166	5,388	67,349	53.7	-
002	PL (Poland)	4,848	24,339	0	0	0	29,187	1,250	0	0	1,250	15,619	12.4	-
003	GB (United Kingdom of Great Britain and Northern Ireland)	5,291	11,759	0	31	1,005	18,086	895	2	15	912	11,401	9.1	-
004	US (United States of America)	758	11,711	0	99	5,499	18,067	537	2	102	642	8,022	6.4	-
005	FR (France)	8	6,351	0	42	0	6,401	276	3	0	279	3,486	2.8	-
006	NL (Netherlands)	189	4,348	0	25	150	4,712	194	0	1	196	2,446	1.9	-
007	LU (Luxembourg)	496	3,909	0	8	50	4,463	152	0	0	152	1,904	1.5	0.5
008	CH (Switzerland)	12	4,611	0	16	0	4,639	151	0	0	152	1,896	1.5	-
009	CZ (Czechia)	1,528	1,278	0	0	0	2,806	101	0	0	101	1,259	1.0	0.5
010	ES (Spain)	1	2,416	0	7	0	2,425	93	0	0	93	1,165	0.9	-
011	AT (Austria)	15	2,366	0	2	0	2,382	79	0	0	79	988	0.8	-
012	IT (Italy)	1	1,700	0	8	159	1,868	72	0	5	76	952	0.8	-
013	RU (Russian Federation)	70	1,067	0	0	0	1,137	45	17	0	62	771	0.6	-
014	MF (Saint Martin (French part))	0	0	0	0	3,780	3,780	0	0	60	60	756	0.6	-
015	BE (Belgium)	6	1,238	0	72	110	1,427	49	0	1	50	625	0.5	-
016	IE (Ireland)	141	1,063	0	6	0	1,210	48	0	0	48	602	0.5	-
017	CN (China)	15	1,366	0	0	0	1,382	45	1	0	46	574	0.5	-
018	SK (Slovakia)	644	248	0	0	0	892	41	0	0	41	514	0.4	1.0

Line	Countries €m	a		b		c		d		e		f		g		h		i		j		k		l		m	
		General credit exposures	Relevant credit exposures – Market risk	Securitisation exposures – Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Own fund requirements	Own fund requirements weights	Own fund requirements weights (in %)	Counter-cyclical buffer rate (%)															
019	SE (Sweden)	21	982	0	7	0	1,010	36	0	0	37	458	0.4	-													
020	SG (Singapore)	9	962	0	2	0	973	35	0	0	35	440	0.4	-													
021	JP (Japan)	1	1,418	0	0	0	1,420	31	0	0	31	381	0.3	-													
022	HU (Hungary)	3	725	0	0	0	728	30	0	0	30	373	0.3	-													
023	KY (Cayman Islands)	0	462	0	0	0	462	27	0	0	27	332	0.3	-													
024	CA (Canada)	567	1,256	0	2	0	1,826	25	0	0	25	315	0.3	-													
025	DK (Denmark)	0	490	0	2	0	492	23	0	0	23	289	0.2	-													
026	BM (Bermuda)	0	422	0	0	0	422	21	0	0	21	261	0.2	-													
027	HK (Hong Kong)	2	446	0	0	0	448	21	0	0	21	257	0.2	1.0													
028	FI (Finland)	0	500	0	4	0	504	17	0	0	18	219	0.2	-													
029	PT (Portugal)	103	270	0	2	0	375	13	0	0	13	164	0.1	-													
030	BR (Brazil)	38	219	0	0	0	258	13	0	0	13	163	0.1	-													
031	JE (Jersey)	0	171	0	7	0	178	5	7	0	12	146	0.1	-													
032	LR (Liberia)	0	298	0	0	0	298	12	0	0	12	144	0.1	-													
033	VG (Virgin Islands (British))	73	34	0	0	0	107	11	0	0	11	138	0.1	-													
034	AU (Australia)	4	313	0	5	0	322	7	0	0	7	91	0.1	-													
035	Other	34	3,449	0	53	0	3,536	77	1	0	78	975	0.8	1.5													
<b>036</b>	<b>Total</b>	<b>25,479</b>	<b>315,261</b>	<b>0</b>	<b>400</b>	<b>25,233</b>	<b>366,373</b>	<b>9,646</b>	<b>42</b>	<b>351</b>	<b>10,038</b>	<b>125,477</b>	<b>100.0</b>	<b>100.0</b>													

Table EU CCyB2 shows the countercyclical capital buffer according to article 440 b) CRR as of 31 December 2021.

#### EU CCyB2: Amount of institution-specific countercyclical capital buffer

		a
line	€m	31.12.2021
010	Total risk exposure amount	175,188
020	Institution specific countercyclical capital buffer rate	0.0193
030	Institution specific countercyclical capital buffer requirement	33.84

#### Disclosure of indicators of global systemic importance

To identify institutions that might have global systemic importance, the Basel Committee on Banking Supervision (BCBS) collects indicators of size, cross-border activity, interconnectedness, substitutability and complexity once a year from potentially global systemically important banks. According to last year's survey, Commerzbank Group does not belong to the group classified as global systemically important banks (G-SIBs).

Commerzbank was requested by Deutsche Bundesbank in a letter dated 31 January 2022 to participate in this year's survey as a potentially systemically important bank.

The detailed information on the indicators of systemic importance pursuant to Article 441 CRR can be found in Annex 2.

#### Capital requirements by risk type

As required by Article 438 d), Table EU OV1 shows an overview of risk-weighted assets (RWA) and the associated capital requirements by risk type.

Of the overall capital requirement 74.6% relates to credit risk positions (excluding counterparty credit risk). Commerzbank uses the Advanced Internal Ratings Based Approach (advanced IRBA; in the following referred to as IRBA) to determine the regulatory capital required. Article 150 CRR gives the option of partial use. The Standardised Approach to Credit Risk (SACR) may be used for part of the portfolios.

Commerzbank Group and accordingly the group companies included in the disclosure are, as IRBA banks as defined in Article 147 CRR, generally obliged to value investments in accordance with the IRBA rules. The CRR allows items to be permanently exempted from the IRBA. Commerzbank applies Article 150 CRR and values all in-

vestment positions using the permanent partial use according to the SACR, provided that the individual equity position is not measured in the SACR anyway. Investments that are linked to particularly high risks as defined in Article 128 CRR, such as private equity investments or venture capital exposures, are shown in the corresponding SACR exposure class.

Of the overall capital requirement 7.3% relates to counterparty credit risk. Based on the EBA requirements, credit value adjustments (CVAs) are also assigned to this credit risk category.

Securitised positions in the banking book are also shown as a separate credit risk category subject to a capital requirement in the table EU OV1 below (2.5% of total capital requirement). Commerzbank treats these positions in accordance with the recognition hierarchy according to the change in own funds requirements (Regulation (EU) No 2017/2401). Capital deduction items of securitisations directly reduce the liable equity and thus are not included in the capital requirements.

Pursuant to Article 92 (3) b) and c) CRR, adequate capital must be set aside for market risk positions. As of 31 December 2021, capital requirements here are 4.3% of total requirements. Commerzbank uses an internal market risk model to calculate the regulatory capital requirement. This affects both the equity price and interest rate-related risk positions in the trading book as well as the total of currency positions and commodity positions. The standardized approaches are applied for smaller units in Commerzbank Group in accordance with the partial use option.

Since the fourth quarter of 2021 Commerzbank has measured regulatory capital for operational risk using the standardised approach (SA). This risk category accounts for 11.3% of the total capital requirements.

## EU OV1: Overview of RWAs as of 31 December 2021

€m		a		b	c
		Risk weighted assets (RWAs)		Risk weighted assets (RWAs)	Total own funds requirements
		31.12.2021	30.09.2021		31.12.2021
1	Credit risk (excluding CCR)	130,702	130,590		10,456
2	thereof: standard approach	21,004	20,443		1,680
3	thereof: the foundation IRB (FIRB) approach	0	0		0
4	thereof: slotting approach	841	1,391		67
EU 4a	thereof: equities under the simple risk weighted approach	0	0		0
5	thereof: the advanced IRB (AIRB) approach	108,857	108,756		8,709
6	Counterparty credit risk - CCR	12,786	14,501		1,023
7	thereof: standard approach	1,417	1,614		113
8	thereof: internal model method (IMM)	7,657	8,644		613
EU 8a	thereof: exposures to a CCP	261	305		21
EU 8b	thereof: credit valuation adjustment - CVA	2,663	2,891		213
9	thereof: other CCR	788	1,048		63
15	Settlement risk	1	0		0
16	Securitisation exposures in the non-trading book (after the cap)	4,382	4,491		351
17	thereof: SEC-IRBA	1,639	1,677		131
18	thereof SEC-ERBA (incl. IAA)	2,278	2,370		182
19	thereof: SEC-SA	465	443		37
EU 19a	thereof: 1250% / deduction (for information)	2,284	2,401		183
20	Position, foreign exchange and commodities risks (Market risk)	7,517	5,841		601
21	thereof: standard approach	390	365		31
22	thereof: IMA	7,128	5,475		570
EU 22a	Large exposures	0	0		0
23	Operational risk	19,799	19,795		1,584
EU 23a	thereof: basic indicator approach	0	0		0
EU 23b	thereof: standard approach	19,799	0		1,584
EU 23c	thereof: advanced measurement approach	0	19,795		0
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (for information)	7,097	6,528		568
<b>29</b>	<b>Total</b>	<b>175,188</b>	<b>175,217</b>		<b>14,015</b>

Risk-weighted assets were 175.2 €bn as of 31 December 2021 and therefore nearly unchanged compared to the previous quarter. For the individual risk types, there was a decrease in RWA from counterparty default risks mainly because of the expiration of remaining maturities and a reduction of the portfolio. The increase in RWA from market risk mainly came from higher Stressed VaR due to position changes in the Corporate Clients segment and in Treasury.

RWA from operational risks remained nearly unchanged despite the switch of the approach.

The overviews of the development of risk-weighted assets (RWA) by main drivers EU CR8: RWA flow statements of credit risk exposures under the IRB approach, EU CCR7: RWA flow statements of CCR exposures under the IMM as well as EU MR2-B: RWA flow statements of market risk exposures under the IMA are given in the chapters on the respective risk types.

# Leverage ratio

## Leverage ratio

The leverage ratio shows the ratio of Tier 1 capital to leverage ratio exposure, consisting of the non-risk-weighted assets plus off-balance sheet positions. The way in which exposure to derivatives, securities financing transactions and off-balance sheet positions is calculated is laid down by regulators. As a non-risk-sensitive figure the leverage ratio is intended to supplement risk-based measures of capital adequacy.

Avoiding the risk of excessive leverage is an integral part of Commerzbank's management of its balance sheet. Commerzbank has set up a quantitative and qualitative framework to calculate, monitor and manage the leverage ratio.

Group Finance is responsible for quantifying the leverage ratio based on regulatory requirements and provides regulators with quarterly reports.

In June 2021 with CRR II the leverage ratio became effective as a minimum capital requirement and must be fulfilled at all times. In order to ensure the fulfillment, leverage ratio exposure limits have been implemented for each segment incl. Others and Consolidation (containing Treasury as well as the liquidity reserve portfolio). Additionally, the group must report daily averages of securities financing transactions (SFT).

Commerzbank has set an internal target for the leverage ratio which supplements the targets for the risk-based capital ratios.

Developments in the segment-specific leverage ratio exposures relative to guidelines are monitored monthly. Group Finance reports regularly to the Central Asset Liability Committee (ALCO) and the Board of Managing Directors the Group's leverage ratio.

The future development of the leverage ratio exposure and the leverage ratio continues to be forecast in the Bank's internal multi-year planning process. They are also reviewed regularly between the annual review dates in the forecasting for the current year. Furthermore, Group Finance monitors anticipated changes in regulatory requirements and performs impact analyses of such changes on the leverage ratio.

Key decisions on management and monitoring of the leverage ratio are taken by ALCO, subject to confirmation by the Board of Managing Directors.

The leverage ratio with transitional provisions was 5.2% as of 31 December 2021 (as of 30 September 2021: 4.6%). The leverage ratio fully loaded stood at 5.2%, compared with 4.6% as of 30 September 2021.

The leverage ratio fully loaded as well as the leverage ratio with transitional provisions increased because of significantly reduced leverage ratio exposure and slightly increased regulatory Tier 1 capital under transitional rules and fully loaded rules. As at the reporting date, the leverage ratio exposure was €520.5bn; as of 30 September 2021 it was €589.2bn. The leverage ratio exposure decreased by €68.7bn mainly due to reduced cash reserve and SFT balance sheet volume. The change in the main drivers of the leverage ratio in the fourth quarter 2021 resulted from Commerzbank's management of its balance sheet by the end of the year.

Note: Leverage ratio exposure with transitional provisions and leverage ratio exposure fully loaded have been identical since 2018 due to the expiry of the transition period for the leverage ratio exposure relevant capital deductions on 31 December 2017. However, transitional rules still apply to the numerator of the leverage ratio, i.e. the Tier 1 capital, meaning that a ratio with transitional provisions still needs to be declared.

Table EU LR1 shows the summary reconciliation of accounting assets and leverage ratio exposures in accordance with Article 451 (1) b) CRR as of 31 December 2021. Where the value "Total assets as per published financial statements" corresponds to total assets according to Table EU CC2, line 22, column a. After all discretionary margins have been disclosed in the assessment according to the balance sheet or risk view, the leverage ratio total exposure measure is shown in line 13.



## EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

€m		a Applicable amount
<b>1</b>	<b>Total assets as per published financial statements</b>	<b>473,044</b>
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-1
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	0
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a (1) CRR)	0
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-12
7	Adjustment for eligible cash pooling transactions	295
8	Adjustments for derivative financial instruments	-6,587
9	Adjustment for securities financing transactions (SFTs)	3,918
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	54,603
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0
EU-11 a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a (1) CRR)	0
EU-11 b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a (1) CRR)	0
12	Other adjustments	-4,733
<b>13</b>	<b>Total exposure measure</b>	<b>520,528</b>

Table EU LR2 shows the individual components for the calculation the leverage ratio referred to in Article 451 CRR as of 31 December 2021:

## EU LR2 - LRCom: Leverage ratio common disclosure

€m		CRR leverage ratio exposures	
		a 31.12.2021	b 30.06.2021
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	427,483	484,500
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	– 14,153	– 14,131
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	–	–
5	(General credit risk adjustments to on-balance sheet items)	–	–
6	(Asset amounts deducted in determining Tier 1 capital)	– 1,980	– 1,684
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	411,349	468,685
<b>Derivative exposures</b>			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	14,439	15,135
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	–	–
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	17,100	17,507
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	–	–
EU-9b	Exposure determined under Original Exposure Method	–	–
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	– 5,444	– 4,767
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	–	–
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	–	–
11	Adjusted effective notional amount of written credit derivatives	8,870	10,526
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	– 5,879	– 8,178
13	Total derivatives exposures	29,085	30,224
<b>Securities financing transaction (SFT) exposures</b>			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	44,272	58,810
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	– 19,288	– 25,033
16	Counterparty credit risk exposure for SFT assets	3,918	4,434
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e (5) and 222 CRR	–	–
17	Agent transaction exposures	–	–
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	–	–
18	Total securities financing transaction exposures	28,902	38,212
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposures at gross notional amount	180,359	181,579
20	(Adjustments for conversion to credit equivalent amounts)	– 125,756	– 126,524
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	–	–
22	Off-balance sheet exposures	54,603	55,055

		CRR leverage ratio exposures	
€m		a	b
		31.12.2021	30.06.2021
<b>Excluded exposures</b>			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a (1) CRR)	–	–
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off-balance sheet))	–	–
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	–	–
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	–	–
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units)): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	–	–
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	– 3,412	– 3,015
EU-22g	(Excluded excess collateral deposited at triparty agents)	–	–
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a (1) CRR)	–	–
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a (1) CRR)	–	–
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	–	–
EU-22k	(Total exempted exposures)	– 3,412	– 3,015
<b>Capital and total exposure measure</b>			
23	Tier 1 capital fully loaded	26,990	26,961
23	Tier 1 capital with transitional provisions	27,215	27,187
24	Total exposure measure	520,528	589,160
<b>Leverage ratio</b>			
25	Leverage ratio fully loaded (%)	5.19	4.58
25	Leverage ratio with transitional provisions (%)	5.23	4.61
EU-25	Leverage ratio excluding the impact of the exemption of public sector investments and promotional loans) with transitional provisions (%)	5.23	4.61
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) with transitional provisions (%)	5.23	4.61
26	Regulatory minimum leverage ratio requirement (%)	3.00	3.00
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	–	–
EU-26b	of which: to be made up of CET1 capital	–	–
27	Leverage ratio buffer requirement (%)	–	–
EU-27a	Overall leverage ratio requirement (%)	–	–
<b>Choice on transitional arrangements and relevant exposures</b>			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Applying the transitional arrangements and fully loaded	Applying the transitional arrangements and fully loaded

		CRR leverage ratio exposures	
€m		a 31.12.2021	b 30.06.2021
<b>Disclosure of mean values</b>			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	43,109	
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	24,983	
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	538,653	
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	538,653	
31	Leverage ratio with transitional provisions (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.05	
31a	Leverage ratio with transitional provisions (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.05	

Table EU LR3 shows the split up of on-balance exposures in trading and banking book according to Article 451 (1) b) CRR as of 31 December 2021.

**EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)**

		CRR leverage ratio exposures
		a
€m		31.12.2021
<b>EU-1</b>	<b>Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:</b>	<b>426,347</b>
EU-2	Trading book exposures	25,502
EU-3	Banking book exposures, of which:	400,845
EU-4	Covered bonds	6,534
EU-5	Exposures treated as sovereigns	88,922
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	9,050
EU-7	Institutions	16,277
EU-8	Secured by mortgages of immovable properties	77,166
EU-9	Retail exposures	64,775
EU-10	Corporates	79,279
EU-11	Exposures in default	1,555
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	57,287

# 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 nonquantifiable 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, for example, include compliance and reputational risk.

## Risk statement

According to Article 435 (1) e) and f) CRR, the risk statement is a declaration approved by the management body providing assurance that the risk management systems put in place are adequate and giving a description of the institution's general risk profile associated with the business strategy. The approval by the Board of Managing Directors was given together with the approval of the Disclosure Report.

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. 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.

In its business with private and small-business customers the bank aims to offer an attractive combination of highly efficient direct banking and first-class advisory services. 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. 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.

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 optimize our network of

correspondent banks and selected non-banking financial institutions (NBFIs).

The Group Risk Strategy, together with the business strategy, regulates the strategic risk management guidelines for the development of Commerzbank's investment portfolio. With acceptance from its business model arising inherent existential threats the Group Risk Strategy takes into account exogenous factors, such as risks from the macroeconomic environment, as well as new regulatory requirements and endogenous factors, in particular the results of the annual risk inventory. In the risk inventory process, all economically significant quantifiable and unquantifiable risks arising from our business activities are determined in terms of their materiality for risk management. Based on the results of the risk inventory 2020 we classified default risk (credit risk including counterparty credit risk, securitisations and reserve risk), market risk, operational risk, compliance risk, cyber risk, physical asset risk, business risk, reputational risk, liquidity risk and model risk as material types of risk for the Commerzbank Group.

The scope and management of credit risk, counterparty credit risk, securitisations, market risk, liquidity risk and operational risk are presented in the relevant chapters of this report. The chapter "Other risks" provides information on other types of risk classified as material.

Our portfolio is clearly dominated by default risks, which account for 71% of economically required capital. Of the on-balance sheet exposures, more than 50% are attributable to our home market in Germany and more than one third to other European countries. The Group's exposure at default increased from €466bn to €470bn in 2021. The risk density has fallen from 21 basis points to 18 basis points over the same period. Market risk in the trading book declined in 2021. The value at risk (VaR) declined from €12m to €7m over the course of 2021. Operational risks increased year on year. The total charge for OpRisk events increased from €345m to €1,136m compared with the previous year. Risk appetite, determined by Group Risk Strategy, refers to the maximum risk, in terms of both the amount and structure, which the Bank is willing and able to incur in pursuing its business objectives, without exposing itself to existential threats (beyond inherent risks). The guiding principle regarding risk appetite is to ensure that the Commerzbank Group has sufficient economic and regulatory capital and liquidity resources on a sustained basis. It is quantified in terms of risk limits for capital and liquidity management with defined escalation mechanisms, and by means of quantitative and qualitative early warning systems. Those risks assessed as being material are included in the Group Risk Strategy. The sub-risk strategies determine further details, e.g. limits and guidelines are broken down across segments and portfolios and they are specified and implemented via policies, regulations and operating instructions/ guidelines. They form an integral part of ongoing management and monitoring. In addition,

from the perspective of risk concentrations regular portfolio-specific scenario analyses are carried out. The annual update of the risk-bearing capacity concept ensures, that the main types of risk are adequately taken into account in the risk-bearing capacity calculation.

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. 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.

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. 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.

In order to meet the minimum requirements for the regulatory liquidity coverage ratio (LCR), the Bank has established appropriate limits and early warning indicators. 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 twelve months was 145,1%. The net stable funding ratio (NSFR) was transposed into European law by the Basel Committee as part of the Capital Requirements Regulation II (CRR II) and has been binding since June 2021. Commerzbank is calculating LCR as well as NSFR as part of its regulatory reporting processes, communicating them in its internal reporting and reporting them to the supervisory authority. In addition to risk-based measures of capital adequacy, under Basel 3 the leverage ratio is used as a non-risksensitive indicator of leverage. 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. On 31 December 2021, the leverage ratio was 5.2%, both with transitional provisions and fully loaded. Avoiding the risk of excessive leverage is an integral part of Commerzbank's management of its balance sheet.

To ensure an adequate capital backing, compliance with economic risk-bearing capacity requirements and the regulatory capital ratios is reviewed by means of an early warning system in both a forecast scenario and an adverse stress scenario.

The risk-bearing capacity (RBC) ratio of 176% (target: >100%) comfortably meets risk-bearing capacity requirements. The Common Equity Tier 1 ratio was 13,6% at €175.2bn RWA and €23.8bn common equity tier at the end of 2021. 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), also Commerzbank's management calculates a capital buffer that is deemed appropriate to cover potential unexpected stress situations. 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 intends to maintain a Common Equity Tier 1 ratio of more than 13%. This is thus significantly above the ECB's regulatory requirement and provides a capital buffer estimated as sufficient for the additional countercyclical capital buffer to be held in the future. In the UK, this is 1% from December 2022 and in Germany from February 2023 it is 0.75% plus a systemic risk buffer of 2% for residential real estate loans.

This solid capitalisation reflects the high risk-bearing capacity demonstrated during the exceptionally challenging phase of the pandemic. 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 unfavorable 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 closely monitor further developments and continuously adapt our risk assessment and business strategy to the current situation. The Bank fully implements political decisions and sanctions. Moreover, trade disputes between the economic blocs Europe, North America and Asia, triggered by political tensions, remain possible.

Risk result for the Group amounted to €-570m in 2021. For 2022 the Bank expects charges of less than €700m for the risk result. With a non performing exposure ratio (NPE ratio) of only 0.9%, the quality of the credit book was still high at the end of 2021. By focusing more on more efficient use of equity capital (RWA optimization), particularly in the corporate client business, and reinvesting the risk assets released in PUK and mbank, we expect a slight increase in RWA to around € 183 bn by 2024.

Comprehensive, prompt, transparent and methodically adequate risk measurement is vital for ensuring that the Commerzbank Group has sufficient liquidity and capital resources on a permanent basis. Our business and risk strategy is made measurable, transparent, and controllable by the processes used. The risk measurement methods and models that we use comply with the latest common banking industry standards and are regularly reviewed by risk

control, internal audit, our external auditors and the German and European supervisory authorities. The processes ensures that our risk-bearing capacity and our ability to meet financial obligations at all times are maintained on a lasting basis. We consider our risk management methods and processes to be appropriate and effective.

## 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. In 2021, five regular and four extraordinary meetings of the Risk Committee took place.

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.

## Corporate governance information pursuant to Article 435 (2) CRR

---

Corporate governance information pursuant to Article 435 (2) CRR can be found in Annex 3 as well as on the Commerzbank internet pages under Commerzbank, Investor Relations, Corporate Governance.

## Remuneration information pursuant to Article 450 CRR

---

Commerzbank AG, as a significant institution, is required under Art. 16 (1) of the German Remuneration Ordinance for Institutions (InstitutsVergV) in conjunction with Article 450 of Regulation (EU) No. 575/2013 to disclose information on remuneration structures and, pursuant to Art. 27 (1) sentence 3, further information in the Group context. In addition to the remuneration policy in general, the disclosure includes, in particular, explanations of the remuneration systems, remuneration governance, and quantitative information on the total amount of all remuneration, in particular the remuneration for so-called risk takers.

The remuneration regulations for credit and financial institutions are set out at European level in the EU Capital Requirements Directive (CRD) and the EU Capital Requirements Regulation (CRR), among other places.

Remuneration information pursuant to Article 450 CRR is shown in the Remuneration Report in Annex 4. The Remuneration Report for the Board of Managing Directors and the Supervisory Board is published separately on the Commerzbank internet pages under Investor Relations, Publications and events, Financial reports.

## 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 of 31 December 2021 for default and market risks that are materially influenced by climate and environmental risks.

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.

### RBC1: Group's risk-bearing capacity

Risk-bearing capacity Group   €bn	31.12.2021	31.12.2020
<b>Economic risk coverage potential</b>	<b>22</b>	<b>22</b>
<b>Economically required capital<sup>1</sup></b>	<b>12</b>	<b>14</b>
thereof for default risk	9	10
thereof for market risk <sup>2</sup>	3	4
thereof for operational risk	1	1
thereof diversification effects	-2	-2
<b>RBC ratio (%)<sup>3</sup></b>	<b>176</b>	<b>159</b>

<sup>1</sup> 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.

<sup>2</sup> Including deposit model risk.

<sup>3</sup> 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.

# A. Credit risk

Credit risk (default risk from credit risk) is defined as the risk of losses sustained or profits foregone due to the default of a counterparty. It is a quantifiable material risk and includes the sub-risk types of credit default risk, issuer risk, counterparty credit risk, country and transfer risk, dilution risk and reserve risk. The default risk from counterparty risk is shown separately in the section on counterparty credit risk in this report.

## Risk management

### 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.

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 managing 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.

## 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.

## Country risk management

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 based on transfer risk limits defined at country level. Country exposures which are significant for Commerzbank due to their size, are handled by the Credit Risk 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.

## Overview of management instruments and levels

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



## Credit risk model

---

The quantification of default risks takes place through the implementation of a Group-wide credit risk model, which consists of internally developed rating systems and a loan portfolio model. The rating systems calculate the risk parameters of probability of default (PD), exposure at default (EaD<sup>1</sup>) and loss given default (LGD) for every credit risk position. This enables the expected loss and risk-weighted assets to be calculated for each individual position pursuant to the IRB approach.

The loan portfolio model also produces probability statements on losses from credit defaults and rating changes at portfolio level. Unexpected loss (credit value at risk – CVaR) is quantified on a risk horizon of one year. The model measures the extent of potential credit risk losses over and above the expected loss and must be backed by equity capital within the internal capital adequacy assessment process (ICAAP).

Commerzbank's loan portfolio model is an in-house model which, as with the CreditMetrics or Moody's KMV model, is based on the asset value approach. A Monte Carlo simulation simulates potential realisations of borrowers' assets and changes to borrowers' creditworthiness and defaults. Possible future losses at portfolio level are calculated and statistically analysed on this basis.

The loan portfolio model requires transaction and customer data: level of exposure, creditworthiness, expected loss given default, country and sector classification.

Dependencies between possible default events are also modelled through around 60 systematic risk factors. Specific model parameters (correlations) measure the connection of individual borrowers to these system factors and the correlation between system factors. This way they quantify potential diversification effects between different sectors and countries.

Commerzbank's credit risk model thus constitutes the basis for the calculation of risk-weighted assets according to the IRB approach and is also a key part of the internal risk and capital management process of the Group portfolio.

### Rating procedures

A key component of Commerzbank's rating architecture is the use of single point of methodology rating procedures, taking advantage of a central suite of computation kernels. This uniform process architecture not only facilitates risk management and monitoring but also supports consistent rating assignments within the Commerzbank Group. The rating processes are in turn embedded in rating systems. In addition to the conventional methods of assessing creditworthiness and risk, these comprise all the processes for preparing data, calculating ratings and implementing monitoring and management measures.

The use of rating processes is an essential component of risk assessment in the Commerzbank Group, irrespective of regulatory requirements. The resulting ratings are then used in front and back office credit decision-making processes, the determination of loan loss provisions under IFRS and internal measurement of CVaR and risk-bearing capacity, respectively. Rating processes are also further revised and improved. These improvements make risk forecasts more accurate and improve management mechanisms.

The tables below show the rating processes used in the IRBA in the individual asset classes according to the CRR and their main elements as at the reporting date. Further models are in use at mBank. Details are given in section 5.3 of the mBank disclosure report on their English internet page (About mBank → Capital Adequacy Information Policy).

<sup>1</sup> Economic EaD: Exposure at default 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.

**VAL-A: Material IRBA rating procedures by exposure class**

Exposure class	Name of the material rating procedures
Central governments or central banks	RFI-BANK, R-SCR, R-LRG
Institutions	RFI-BANK, R-LRG, R-CORP/COSCO
Corporates - SMEs	R-CORP/COSCO, RS-REN
Corporates - specialised lending	RS-CRE, RS-REN, RS-CFD
Corporates - other	R-CORP/COSCO, NBFI
Retail - secured by mortgages / SMEs	CORES, R-CORP/COSCO
Retail - secured by mortgages / non-SMEs	CORES
Retail - qualifying revolving	CORES
Retail - other / SMEs	CORES, R-CORP/COSCO
Retail - other / non-SMEs	CORES

**VAL-B: Core components of IRBA rating procedures**

Scope	Procedure	Hard facts	Soft facts	Overruling
Banks	RFI-BANK	▪	▪	▪
Countries	R-SCR	▪	▪	▪
Municipalities/federal states	R-LRG	▪		▪
Corporate customers	R-CORP/COSCO	▪	▪	▪
Financial Institutions (NBFI)	NBFI	▪	▪	▪
Private customers	CORES	▪		
Commercial real estate	RS-CRE	▪	▪	▪
Renewable energies	RS-REN	▪	▪	▪
Structured finance	RS-CFD	▪	▪	▪

Hard facts refer to system-based factors which are used in the rating process and allow no scope for interpretation. For instance, these may be data from companies' annual financial statements, the income of a private individual, or the age of the documents being used.

Soft facts refer to structured areas of analysis where the rating analyst needs to make an assessment and where there is therefore scope for discretion on a case-by-case basis. Examples include an assessment of management or the competitive situation of the customer being rated.

Overruling is a downstream area of analysis where there is a further opportunity for the analyst to assess circumstances separately based on his or her personal judgement. The system result can be adjusted upwards or downwards. The relevant reason for the decision is adequately documented. Overruling should particularly be used when there are strongly fluctuating developments (e.g. market changes) such that an adequate assessment of a company's situation based on the analysis of statistical information (e.g. annual financial statements) is not sufficient to give a future-oriented probability of default. Due to the degree of freedom this gives the rating process, overruling is subject to strict standards and regular monitoring, especially in case of upgrades.

The Commerzbank rating method comprises 25 rating classes for customers not in default (1.0 to 5.8) and five 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, credit sub-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 <sup>1</sup>
1.0	0	0	AAA	AAA
1.2	0.01	0 – 0.02	AAA	AAA
1.4	0.02	0.02 – 0.03	AA+	AA
1.6	0.04	0.03 – 0.05	AA, AA-	AA
1.8	0.07	0.05 – 0.08	A+, A	A
2.0	0.11	0.08 – 0.13	A-	A
2.2	0.17	0.13 – 0.21	BBB+	BBB
2.4	0.26	0.21 – 0.31	BBB	BBB
2.6	0.39	0.31 – 0.47	BBB-	BBB
2.8	0.57	0.47 – 0.68	BBB-	BBB
3.0	0.81	0.68 – 0.96	BB+	BBB
3.2	1.14	0.96 – 1.34	BB	BB
3.4	1.56	1.34 – 1.81	BB	BB
3.6	2.10	1.81 – 2.40	BB-	BB
3.8	2.74	2.40 – 3.10	BB-	BB
4.0	3.50	3.10 – 3.90	B+	BB
4.2	4.35	3.90 – 4.86	B+	BB
4.4	5.42	4.86 – 6.04	B	B
4.6	6.74	6.04 – 7.52	B	B
4.8	8.39	7.52 – 9.35	B-	B
5.0	10.43	9.35 – 11.64	B-	B
5.2	12.98	11.64 – 14.48	CCC+	CCC
5.4	16.15	14.48 – 18.01	CCC, CCC-	CCC
5.6	20.09	18.01 – 22.41	CC, C	CC, C
5.8	47.34	22.41 – 99.99	CC, C	CC, C
6.1		> 90 days past due		
6.2		Imminent insolvency		
6.3	100	Restructuring with recapitalisation	D	
6.4		Termination without insolvency		
6.5		Insolvency		

<sup>1</sup> CRR = Capital Requirements Regulation (EU) No 575/2013.

As of 31 December 2021, Commerzbank has an IRBA coverage ratio at Group level of 97.9% for IRBA exposure values and 92.1% for risk-weighted IRBA exposure values, exceeding the IRBA exit threshold of 92% under section 10 of the Solvency Regulation (in the version applicable as of 1 January 2014). For loans and receivables that are not covered by the procedures approved by the supervisory authorities for the IRB approach, the standardised

approach for credit risk (SACR) applies, under which flat risk weightings are to be used or risk weightings are to be based on external assessments of the borrower's creditworthiness.

The following table EU CR6-A shows the scope of the use of IRB and SA approaches pursuant Article 452 b) CRR as of 31 December 2021:

#### EU CR6-A – Scope of the use of IRB and SA approaches

€m	a	b	c	d	e	
	Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposure value subject to a roll-out plan (%)	
1	Central governments or central banks	16,901	98,718	83	17	0
1.1	Of which Regional governments or local authorities		23,817	100	0	0
1.2	Of which Public sector entities		4,858	100	0	0
2	Institutions	37,239	40,491	8	92	0
3	Corporates	209,418	211,217	1	99	0
3.1	Of which Corporates - Specialised lending, excluding slotting approach		0	0	100	0
3.2	Of which Corporates - Specialised lending under slotting approach		0	0	0	0
4	Retail	164,765	184,581	11	89	0
4.1	of which Retail – Secured by real estate SMEs		0	0	100	0
4.2	of which Retail – Secured by real estate non-SMEs		79,404	58	42	0
4.3	of which Retail – Qualifying revolving		0	0	100	0
4.4	of which Retail – Other SMEs		29,754	7	93	0
4.5	of which Retail – Other non-SMEs		0	0	100	0
5	Equity	0	1,480	0	100	0
6	Other non-credit obligation assets	13,951	20,775	33	67	0
<b>7</b>	<b>Total</b>	<b>442,274</b>	<b>557,262</b>	<b>21</b>	<b>79</b>	<b>0</b>

### Risk parameters

In addition to classifying the probability of default (PD) within the scope of the rating process, correctly assessing loss severity is essential for a reliable and holistic risk assessment. The loss severity is determined firstly by the exposure at default (EaD) and secondly by the loss given default (LGD).

In general, modelling the probabilities of default is based on the Bank's internal long-standing empirical default data. Should this data not be sufficient for specific portfolios (low-default portfolios), different approaches are used to model the probabilities of default. Shadow rating procedures are one option. Comparing the Bank's internal risk factors with the ratings of external agencies gives indications of how the Bank's credit rating estimates should be classified in relative terms. The shadow rating procedures are calibrated based on empirical default rates over many years for the rating classes used by external rating agencies. In rating procedures for special funding, the customer's credit rating derives principally from the cash flows generated by the rating object. Typically, the rating procedures are therefore based on cash flow simulations using stochastic processes. The procedures are normally used in low default or low number portfolios for which only very few external benchmarks exist. The models are therefore causally produced and often calibrated using expert knowledge. Wholly expert-based rating procedures are the final option. No external target criterion is available for these procedures and there are no cash flow simulations. Parameterisation of the models and their calibration are based wholly on expert knowledge.

When forecasting EaD unused credit lines and other contingent liabilities are included via credit conversion factors (CCFs). Depending on the transaction and the customer, the CCFs describe the probability of drawdown in the event of a default within the next twelve months.

The LGD is primarily determined by the expected proceeds from collateral and unsecured portions of loans. Proceeds from collateral are modelled via recovery rates representing a discount on the previously defined market value. The recovery rate depends on the characteristics of the collateral. For instance, when modelling for properties, the collateral is differentiated by property type and location. To determine the proceeds on unsecured portions of loans, the focus is primarily on the characteristics of the customer and the transaction.

The CCF and LGD models are based on bank-internal empirical loss data. For this purpose, Commerzbank refers to a database of internal credit defaults since 1997. New defaults are recorded continuously and are made available for statistical analysis once processing is complete. For quality assurance purposes, the data collection process is monitored by a number of controls and automatic checking procedures.

Both the internal and regulatory requirements of the CRR are considered when developing statistical models for estimating EaD and LGD. Discussions with experts from back office and debt

workout departments play an important role when identifying relevant factors and validating the results. In instances where there is only a small number of historical default or collateral utilisation cases, the empirical analyses are supplemented with expert assessments.

It is possible that a positive correlation of the risk parameters PD, LGD and CCF with one or more common macroeconomic risk factors may lead to a heightened systematic credit risk. It is for this reason that CRR Art. 181 (1) b) requires the use of LGD estimates that are appropriate even in an economic downturn (so-called downturn LGDs). Periods of an economic downturn are characterised by systemically high default rates above the long-term average. In downturn analyses, downturn years were determined and/or confirmed to estimate the risk parameters (CCF and LGD components). Statistical models, particularly regression models, are used to examine whether the downturn phases identified have a significant impact on the loss ratios; if applicable, an appropriate discount is determined.

All models are regularly validated and recalibrated based on the new findings, if necessary. Empirically-based PD, LGD and EaD parameters are used in all important internal processes at Commerzbank. The PD, LGD and EaD models employed by Commerzbank are approved for the advanced IRB approach for the asset classes listed in CRR Art. 452 c) i) to iv). The suitability of the models was verified by the Bundesbank, BaFin and the ECB as part of the inspection prior to the granting of authorisation for the advanced IRB approach and ex post reviews.

Finally, combining the above components yields an assessment of the expected loss ( $EL = EaD \cdot PD \cdot LGD$ ) and the risk density as a ratio of EL to EaD (EL to EaD in basis points). The internal master scale is used to clearly allocate borrower PDs (customer ratings) to the Bank's internal rating classes.

### Validation

Pursuant to Article 185 CRR, all risk classification procedures are subject to a regular validation and calibration of parameters. The credit risk control unit is the relevant unit for model development and parameter calibration. The relevant models are validated at least once a year and the results recorded in validation reports. Responsibility for this lies with the independent validation unit. Independence is ensured through different reporting lines to the Board of Managing Directors.

All validation results together with the need for action resulting from them are presented for approval to a validation committee in which senior management is represented. A summary of the validation committee's results as well as any irregularities and necessary changes are presented to the Bank's Strategic Risk Committee; approval is required if there are any red validation traffic lights. Regular monitoring of procedures is an additional system control element. To check the quality of the rating procedures, specialist personnel within Internal Audit regularly review the methods and

processes used and inspect validation and monitoring methods. In the event of changes to the rating systems in accordance with CRR Article 143, an independent formal investigation is carried out to establish whether the relevant quantitative and qualitative criteria were considered during categorisation, together with the resulting categorisation.

Validation concepts are defining which analyses have to be carried out rotationally for the rating systems as well as for EaD and LGD models. The material analysis results are grouped and evaluated using a traffic-light system. If the standards and limits that have been defined in the validation concept are not met, it must be clarified if there is a need for action. In this case, concrete steps must be defined along with a timetable for implementing them. These steps may include, for instance, measures to improve data quality or a revision of the process in question.

Generally, a distinction is to be made between the method validation and the process validation of the models. Data quality aspects and statistical analyses are of specific interest for the method validation. This involves comparing the model forecasts with the reality over the course of the assessment period. The quality of the forecasts is verified using mathematical/statistical methods. Assessing the discriminatory power of rating procedures may involve using Gini coefficients, concordance indices and hit rate analyses, for instance. The calibration of procedures may be checked using various statistical tests, such as the Spiegelhalter or binomial test. Validation and model development do not take into account any regulatory floors for PD. These are only taken into account during the regulatory capital calculation to determine RWA.

Depending on the type of model a different validation procedure to back-test each single model has to be applied, as described in the following:

- **Default/non-default rating procedure:** In default/non-default models, ratio selection, parameter estimates and calibration are mainly based on internal default periods. A check is therefore made during validation to ascertain whether the internally measured default rates tally with the predicted probabilities of default. Discriminatory power is also checked by calculating the AUC value, and the Gini coefficient respectively.
- **Shadow rating procedure:** The classic back-testing methods used for default/non-default models have to be supplemented by external ratings in case of portfolios with very few defaults. Consequently, back-testing of internal probabilities of default in shadow rating procedures relies on comparisons with external ratings. Comparing the Bank's internal ratings with those of external agencies (Standard & Poor's, Moody's and FitchRatings) gives indications of how the Bank's credit rating estimates should be classified in relative terms. For this benchmarking, contingency tables, for example, are produced, deviations analysed and the Spearman correlation coefficient calculated. A benchmarking analysis is naturally only useful or possible if a large number of external ratings are available. If this is not the case, pseudo discriminatory power values, for example, can be calculated using either external or final internal ratings.
- **Hybrid models:** Hybrid models are basically mixtures of default/non-default models and shadow rating procedures. In some low-default portfolios, an internal data history has had time to develop. While this alone, at the time of development, was not sufficient to develop a default/non-default model, the available data history is yet being incorporated for validation or development purposes. In these procedures the validation techniques of default/non-default models are combined with the additional techniques of the shadow rating procedures.
- **Cash flow-based procedures:** In rating procedures for special funding, the customer's credit rating derives principally from the cash flows generated by the rating object. Typically, the rating procedures are therefore based on cash flow simulations using stochastic processes. The procedures are normally used in low default and low number respectively portfolios for which only very few external benchmarks exist. The models are therefore causally produced and often calibrated using expert knowledge. Direct comparisons of the predicted PDs with realised default rates and discriminatory power analyses using the AUC are not normally very meaningful due to the low number of defaults. The statistical testing of EaD and LGD predictions of these models are likewise difficult. Key elements of the validation of these procedures are descriptive analyses of the input data and comparisons of the cash flows and volatilities predicted by the users with actual cash flows.
- **Wholly expert-based PD procedures:** No external target criterion is available for these procedures and there are no cash flow simulations. Calibration is based wholly on expert knowledge. Validation is therefore reliant on expert know-how, besides the aforementioned techniques for default/non-default and shadow rating procedures. For the validation, the results produced by the procedure in particular are compared with the expert opinion, e.g. by evaluating the overruling pattern.
- **EaD and LGD models:** On the basis of additional default and loss data full-sample and out-of-sample tests are carried out through statistical backtests. In this context the validity of existing parameter differentiations and the discriminatory power of the applied risk factors have always to be analysed. Data quality and the representativeness of observations for future loss events are also important subjects of analyses.

The following table VAL1 gives an overview of the quantitative model approaches used for the individual rating procedures. The

scope of application of the rating procedures is presented in the section on rating procedures in tables VAL-A and VAL-B.

**VAL1: Overview on IRBA rating procedures of Commerzbank AG**

Rating procedure	PD validation		EaD / LGD validation	
	Methodology	Data history Years	Methodology	Data history Years
RFI-BANK	Shadowrating, Default/non-default	12	Calibrated empirically	22
R-SCR	Shadowrating	11	Calibrated empirically	22
R-LRG	Shadowrating	14	Expert-based	–
R-CORP/COSCO	Shadowrating, Default/non-default	12	Calibrated empirically	22
NBFI	Expert-based, Shadowrating	12	Expert-based	–
CORES	Default/non-default	12	Calibrated empirically	22
RS-CRE	Default/non-default, Shadowrating	12	Calibrated empirically	14
RS-CFD	Cash flow simulation	10	Cash flow simulation	14
RS-REN	Cash flow simulation	11	Cash flow simulation	14
ABS IAA	IAA-methods <sup>1</sup>	–	<sup>1</sup> AA-methods <sup>1</sup>	–

<sup>1</sup> For internal classification procedure for securities see pages 92 et seq.

Process validation is carried out in collaboration with the risk model users. This includes compliance of the procedures with regulations, overruling analyses and general user acceptance. For EaD and LGD procedures the precise technical implementation of parameters in all using systems has to be verified. Asset Quality Reviews established in credit risk management also guarantee a continuously reliable data quality and the implementation of the model true to the process. Monthly reporting of rating coverage to the Board of Managing Directors ensures that the portfolios are valued using up-to-date and valid rating analyses.

The validations of the productive models performed in 2021 show largely unremarkable findings. The validation results for all separately calibrated IRBA parameters and/or sub-models are summarised in the tables below and broken down by PD, LGD and EaD method. This shows the cases in which the tolerance limits set by

the corresponding validation concepts were exceeded, as a result of which adjustments are recommended. In terms of PD, several conservative results were encountered in the productive models for financial institutions, RS-CFD, and subdomains of CORES, as well as a progressive calibration in an SME-relevant subdomain for R-CORP/COSCO. However, no specific adjustments were recommended: The core processes CORES, R-CORP/COSCO and RFI-BANK and thus the affected areas were completely revised and recalibrated as part of a material IRBA revision. The above-mentioned deviations were made transparent in the relevant bodies. There was a significant need for adjustment from the current validations in the LGD parameters for private clients and a sub-portfolio of corporate clients. The validations of the EaD models revealed a need for adjustments in the Retail segment.

**VAL2: Validation results per calibration segment (validation based on data basis 2021)**

Validation	PD		LGD		EaD	
	Number	EaD in %	Number	EaD in %	Number	EaD in %
Adequate	45	100	293	88	25	89
Too conservative - adjustment recommended	0	0	7	9	6	9
Too progressive - adjustment recommended	0	0	10	3	1	2
<b>Total</b>	<b>45</b>	<b>100</b>	<b>310</b>	<b>100</b>	<b>32</b>	<b>100</b>

An overview of the PD validation results as at 31 December 2020 for the relevant rating systems by IRBA asset class is provided in table EU CR9. The default observation for the current time slice therefore extends over 2021, where the average historical default rate includes a modified default definition which was set to be productive as of 18 November 2019.

The rating procedures productively used until year-end 2021, on the other hand, were still developed on the old default definition. Studies on the new default definitions showed that the effects are minimal compared to the previous one, which justifies a non-consideration of these in the historical default rates in Table EU CR9 before implementation. Nevertheless, the new failure definition was considered in the ongoing IRBA revision of the core processes.

In general, it can be said that the default rates of the Commerzbank Group (excluding mBank) are almost all below the intended PD bands. Extensive research carried out in the framework of the IRBA revision of the core procedures has shown that debtors with short-term contracts under 12 months do not significantly affect the values of default rates, as they are well approximated evenly over the year. The core procedures mentioned above dominate all receivables classes with the exception of the "corporates, thereof specialised lending" category. Supplementary evaluations showed a maximum of one percentage of debtors with short-term contracts in the lower single-digit percentage range at the beginning of the current one-year observation window for all claim classes. This underlines the vanishing influence of these debtors on the observed default rates. The observed failure rates are caused by the sustained positive economic climate in Germany in the 2010er years, with historically low default rates in the high-default-rating methods. However, over the last few years there has been a slight increase in default rates. So far there are no significant effects of the Corona pandemic.

The calibration method for shadow rating procedures and expert-based rating processes has also had an effect. Here the target criterion is the external rating and/or expert assessments, which in some cases substantially exceed the historical default rates in these low-default portfolios. In the case of external ratings, the rating agencies use default rates over many years. Accordingly, in all asset classes with a significant contribution from low-default rating procedures such as those found in table VAL-A, the internal classification is a conservative one.

This relates primarily to the debt classes "central governments or central banks" and "institutions", which are determined by RFI-BANK to a good 75% EAD-weighted; the remaining amounts are determined by R-SCR and R-LRG respectively. To a limited extent, this also applies to the "corporates, thereof others" exposure class, which is covered to a significant extent by R-CORP/COSCO's shadow rating segments. The smaller companies in the "corporates, thereof SMEs" category, on the other hand, are dominated by the default/non-default segments of R-CORP/COSCO. The largest contribution to the remaining corporate exposure class "corporates, thereof specialised lending" is provided by RS-CRE at just under 50%; the remaining part is divided roughly equally between RS-REN and RS-CFD. The additional essential IRBA rating procedures mentioned in Table VAL-A supplement the above. The volume business receivables category is covered almost entirely by CORES, with the exception of the "retail, thereof other/SMEs" exposure class, which is almost half of which is also borne by R-CORP/COSCO.

Around 90% of the Commerzbank Group's total IRBA RWA are accounted for by the rating procedures in table VAL1. The remainder largely result from retail and corporate rating methods run independently by mBank, whose results can be found in section 5.3 of the disclosure report of mBank on the bank's English-language homepage (at About mBank → Capital Adequacy Information Policy).



## EU CR9\_part 1: IRB approach – Backtesting of PD per exposure class

a	b	c	d	e	f	g	h
PD scale		Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Central governments or central banks	0.00 to < 0.15	30	0	–	0.02	0.01	–
	0.00 to <0.10	27	0	–	0.01	0.00	–
	0.10 to <0.15	3	0	–	0.12	0.01	–
	0.15 to < 0.25	5	0	–	0.18	0.01	–
	0.25 to < 0.50	7	0	–	0.31	0.05	–
	0.50 to < 0.75	3	0	–	0.55	0.02	–
	0.75 to < 2.50	11	0	–	1.81	0.15	–
	0.75 to <1.75	6	0	–	0.96	0.13	–
	1.75 to <2.50	5	0	–	2.02	0.15	–
	2.50 to 10.00	20	0	–	6.37	0.26	2.22
	2.5 to <5	6	0	–	3.72	0.24	2.50
	5 to <10	14	0	–	7.44	0.27	1.66
	10.00 to < 100.00	12	0	–	12.88	0.96	2.43
	10 to <20	8	0	–	11.10	0.68	2.09
	20 to <30	1	0	–	23.64	1.37	–
	30 to <100	3	0	–	74.36	1.48	–
	100.00 (default)	3	0	–	100.00	1.97	–
Subtotal	91	0					
Institutions	0.00 to < 0.15	502	0	–	0.08	0.00	–
	0.00 to <0.10	382	0	–	0.06	0.00	–
	0.10 to <0.15	120	0	–	0.12	0.00	–
	0.15 to < 0.25	126	0	–	0.20	0.00	–
	0.25 to < 0.50	282	0	–	0.32	0.00	–
	0.50 to < 0.75	106	0	–	0.59	0.01	0.25
	0.75 to < 2.50	285	0	–	1.37	0.01	0.29
	0.75 to <1.75	204	0	–	1.13	0.01	0.20
	1.75 to <2.50	81	0	–	2.17	0.04	0.52
	2.50 to 10.00	292	1	0.34	3.98	0.08	0.55
	2.5 to <5	198	0	–	3.25	0.07	0.25
	5 to <10	94	1	1.06	6.89	0.11	1.10
	10.00 to < 100.00	66	0	–	49.66	0.69	1.66
	10 to <20	25	0	–	13.34	0.41	1.40
	20 to <30	3	0	–	20.31	0.33	–
	30 to <100	38	0	–	58.43	0.82	2.67
	100.00 (default)	7	0	–	100.00	1.00	–
Subtotal	1,666	1					

## EU CR9\_part 2: IRB approach – Backtesting of PD per exposure class

a	b	c	d	e	f	g	h	
PD scale		Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)	
Corporates, thereof SMEs	0.00 to < 0.15	433	0	–	0.10	0.00	0.07	
	0.00 to <0.10	283	0	–	0.07	0.00	0.06	
	0.10 to <0.15	150	0	–	0.13	0.00	0.08	
	0.15 to < 0.25	440	2	0.45	0.18	0.00	0.19	
	0.25 to < 0.50	575	2	0.35	0.35	0.00	0.31	
	0.50 to < 0.75	275	0	–	0.62	0.01	0.50	
	0.75 to < 2.50	663	14	2.11	1.36	0.02	1.36	
	0.75 to <1.75	521	8	1.54	1.15	0.01	1.10	
	1.75 to <2.50	142	6	4.23	2.08	0.03	2.33	
	2.50 to 10.00	395	27	6.84	4.54	0.06	5.38	
	2.5 to <5	266	8	3.01	3.47	0.04	3.78	
	5 to <10	129	19	14.73	7.07	0.12	8.44	
	10.00 to < 100.00	67	13	19.40	18.24	0.27	21.55	
	10 to <20	41	5	12.20	14.04	0.26	18.81	
	20 to <30	11	5	45.45	23.19	0.38	24.07	
	30 to <100	15	3	20.00	67.85	0.25	32.28	
	100.00 (default)	145	140	96.55	100.00	1.71	–	
	Subtotal	2,993	198					
	Corporates, thereof specialised lending	0.00 to < 0.15	559	0	–	0.04	0.00	0.38
		0.00 to <0.10	505	0	–	0.04	0.00	0.38
0.10 to <0.15		54	0	–	0.11	0.00	0.33	
0.15 to < 0.25		139	0	–	0.21	0.00	0.37	
0.25 to < 0.50		346	1	0.29	0.34	0.00	0.88	
0.50 to < 0.75		205	0	–	0.60	0.00	1.02	
0.75 to < 2.50		242	3	1.24	1.33	0.01	1.80	
0.75 to <1.75		198	3	1.52	1.06	0.01	0.75	
1.75 to <2.50		44	0	–	1.91	0.01	4.76	
2.50 to 10.00		121	2	1.65	5.01	0.05	5.82	
2.5 to <5		84	0	–	3.33	0.05	5.94	
5 to <10		37	2	5.41	7.11	0.10	5.44	
10.00 to < 100.00		116	3	2.59	60.62	0.56	13.79	
10 to <20		8	0	–	14.34	0.05	7.96	
20 to <30		9	0	–	24.85	0.17	13.06	
30 to <100		99	3	3.03	78.42	0.79	19.48	
100.00 (default)		47	6	12.77	100.00	3.00	–	
Subtotal		1,775	15					

## EU CR9\_part 3: IRB approach – Backtesting of PD per exposure class

a	b	c	d	e	f	g	h	
PD scale	Number of obligors at the end of the year of which: number of obligors which defaulted during the year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)		
Corporates, thereof other	0.00 to < 0.15	3,201	1	0.03	0.10	0.00	0.11	
	0.00 to <0.10	1,550	0	–	0.07	0.00	0.09	
	0.10 to <0.15	1,651	1	0.06	0.13	0.00	0.11	
	0.15 to < 0.25	3,136	4	0.13	0.19	0.00	0.16	
	0.25 to < 0.50	3,884	9	0.23	0.35	0.00	0.23	
	0.50 to < 0.75	2,125	7	0.33	0.61	0.00	0.50	
	0.75 to < 2.50	3,484	28	0.80	1.32	0.01	1.14	
	0.75 to <1.75	2,324	13	0.56	1.09	0.01	0.96	
	1.75 to <2.50	1,160	15	1.29	1.89	0.01	1.69	
	2.50 to 10.00	1,014	54	5.33	4.91	0.03	4.62	
	2.5 to <5	661	18	2.72	3.49	0.02	3.92	
	5 to <10	353	36	10.20	7.33	0.05	5.85	
	10.00 to < 100.00	202	15	7.43	17.17	0.21	12.27	
	10 to <20	111	9	8.11	13.76	0.12	10.96	
	20 to <30	24	4	16.67	22.26	0.14	15.96	
	30 to <100	67	2	2.99	48.49	0.29	12.81	
	100.00 (default)	493	127	25.76	100.00	1.05	–	
	Subtotal	17,539	245					
	Retail secured by mortgages / SMEs	0.00 to < 0.15	26,533	29	0.11	0.06	0.00	0.02
		0.00 to <0.10	22,295	24	0.11	0.05	0.00	0.02
0.10 to <0.15		4,238	5	0.12	0.12	0.00	0.01	
0.15 to < 0.25		10,442	20	0.19	0.20	0.00	0.10	
0.25 to < 0.50		13,439	39	0.29	0.36	0.00	0.13	
0.50 to < 0.75		5,109	12	0.23	0.60	0.00	0.38	
0.75 to < 2.50		5,412	56	1.03	1.23	0.01	0.43	
0.75 to <1.75		4,558	38	0.83	1.09	0.01	0.40	
1.75 to <2.50		854	18	2.11	2.07	0.02	0.52	
2.50 to 10.00		1,277	63	4.93	4.93	0.04	3.41	
2.5 to <5		814	32	3.93	3.37	0.03	2.59	
5 to <10		463	31	6.70	7.65	0.06	4.60	
10.00 to < 100.00		465	71	15.27	22.86	0.24	9.96	
10 to <20		260	24	9.23	13.69	0.15	8.19	
20 to <30		130	28	21.54	24.38	0.25	14.89	
30 to <100		75	19	25.33	41.74	0.44	13.14	
100.00 (default)		524	325	62.02	100.00	0.73	–	
Subtotal		63,201	615					

## EU CR9\_part 4: IRB approach – Backtesting of PD per exposure class

a	b	c	d	e	f	g	h
PD scale	Number of obligors at the end of the year of which: number of obligors which defaulted during the year			Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Retail secured by mortgages / non-SMEs	0.00 to < 0.15	222,436	164	0.07	0.06	0.00	0.06
	0.00 to <0.10	189,211	129	0.07	0.05	0.00	0.05
	0.10 to <0.15	33,225	35	0.11	0.12	0.00	0.10
	0.15 to < 0.25	106,744	87	0.08	0.20	0.00	0.11
	0.25 to < 0.50	89,078	125	0.14	0.35	0.00	0.15
	0.50 to < 0.75	22,178	79	0.36	0.60	0.00	0.29
	0.75 to < 2.50	16,550	165	1.00	1.17	0.01	0.73
	0.75 to <1.75	14,211	113	0.80	1.05	0.01	0.61
	1.75 to <2.50	2,339	52	2.22	2.06	0.02	1.37
	2.50 to 10.00	4,910	202	4.11	4.79	0.04	3.17
	2.5 to <5	2,651	89	3.36	3.43	0.03	2.29
	5 to <10	2,259	113	5.00	7.08	0.06	4.29
	10.00 to < 100.00	2,347	282	12.02	22.64	0.14	14.34
	10 to <20	1,408	135	9.59	13.93	0.11	9.35
	20 to <30	595	75	12.61	23.77	0.17	15.49
	30 to <100	344	72	20.93	45.06	0.18	29.47
	100.00 (default)	2,085	1,290	61.87	100.00	0.93	–
	Subtotal	466,328	2,394				
	Retail qualifying revolving	0.00 to < 0.15	1,568,081	621	0.04	0.04	0.00
0.00 to <0.10		1,470,470	494	0.03	0.04	0.00	0.02
0.10 to <0.15		97,611	127	0.13	0.12	0.00	0.10
0.15 to < 0.25		103,643	190	0.18	0.19	0.00	0.15
0.25 to < 0.50		112,406	471	0.42	0.36	0.00	0.28
0.50 to < 0.75		57,041	388	0.68	0.62	0.00	0.45
0.75 to < 2.50		122,170	1,545	1.26	1.37	0.01	0.91
0.75 to <1.75		95,932	1,091	1.14	1.15	0.01	0.78
1.75 to <2.50		26,238	454	1.73	2.07	0.01	1.38
2.50 to 10.00		49,614	2,379	4.80	4.64	0.03	3.60
2.5 to <5		31,383	1,041	3.32	3.46	0.03	2.52
5 to <10		18,231	1,338	7.34	7.13	0.05	5.57
10.00 to < 100.00		18,716	3,136	16.76	23.74	0.17	13.10
10 to <20		10,184	1,135	11.14	13.24	0.10	9.21
20 to <30		6,162	1,197	19.43	24.08	0.36	16.28
30 to <100		2,370	804	33.92	49.61	0.23	32.03
100.00 (default)		8,279	4,759	57.48	100.00	0.50	–
Subtotal		2,039,950	13,489				

## EU CR9\_part 5: IRB approach – Backtesting of PD per exposure class

a	b	c	d	e	f	g	h	
PD scale	Number of obligors at the end of the year of which: number of obligors which defaulted during the year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)		
Retail other / SME	0.00 to < 0.15	107,821	91	0.08	0.07	0.00	0.13	
	0.00 to <0.10	88,055	63	0.07	0.06	0.00	0.14	
	0.10 to <0.15	19,766	28	0.14	0.13	0.00	0.11	
	0.15 to < 0.25	29,274	64	0.22	0.20	0.00	0.16	
	0.25 to < 0.50	39,550	164	0.41	0.35	0.00	0.30	
	0.50 to < 0.75	14,324	81	0.57	0.60	0.00	0.49	
	0.75 to < 2.50	35,367	474	1.34	1.33	0.01	1.14	
	0.75 to <1.75	28,336	328	1.16	1.13	0.01	1.00	
	1.75 to <2.50	7,031	146	2.08	2.07	0.02	1.64	
	2.50 to 10.00	17,592	934	5.31	4.74	0.04	3.43	
	2.5 to <5	8,867	342	3.86	3.45	0.03	2.80	
	5 to <10	8,725	592	6.79	7.02	0.07	4.11	
	10.00 to < 100.00	6,176	1,179	19.09	20.55	0.19	10.35	
	10 to <20	3,430	436	12.71	13.61	0.13	7.79	
	20 to <30	1,792	484	27.01	23.24	0.24	13.69	
	30 to <100	954	259	27.15	44.75	0.31	25.25	
	100.00 (default)	7,421	7,050	95.00	100.00	0.88	–	
	Subtotal	257,525	10,037					
	Retail other / non-SME	0.00 to < 0.15	122,743	117	0.10	0.06	0.00	0.06
		0.00 to <0.10	109,856	88	0.08	0.05	0.00	0.05
0.10 to <0.15		12,887	29	0.23	0.12	0.00	0.13	
0.15 to < 0.25		31,422	56	0.18	0.20	0.00	0.16	
0.25 to < 0.50		43,631	116	0.27	0.36	0.00	0.29	
0.50 to < 0.75		25,904	129	0.50	0.61	0.01	0.48	
0.75 to < 2.50		69,747	651	0.93	1.28	0.01	1.04	
0.75 to <1.75		59,745	480	0.80	1.11	0.01	0.89	
1.75 to <2.50		10,002	171	1.71	2.08	0.02	1.73	
2.50 to 10.00		25,384	1,097	4.32	4.45	0.04	4.22	
2.5 to <5		11,404	396	3.47	3.60	0.03	3.05	
5 to <10		13,980	701	5.01	6.65	0.06	5.47	
10.00 to < 100.00		25,993	3,107	11.95	23.00	0.15	13.30	
10 to <20		14,963	888	5.93	13.57	0.10	7.74	
20 to <30		5,421	811	14.96	24.43	0.21	13.35	
30 to <100		5,609	1,408	25.10	46.75	0.27	26.85	
100.00 (default)		28,138	18,983	67.46	100.00	0.92	–	
Subtotal		372,962	24,256					

Table EU CR9.1 is not presented as Commerzbank does not make any PD estimates under Article 180 (1) f) CRR.

## Credit risk mitigation

At Commerzbank, risks are mitigated via a range of measures including collateral and netting.

The collateral mainly takes the form of mortgages, financial collateral, guarantees, indemnity letters, credit derivatives, life insurances, other registered liens and other real collateral. Within the scope of the IRBA assessments, this collateral was recognised by the regulator as eligible collateral.

In the IRBA, the Bank takes account of credit risk mitigating effects arising from the receipt of eligible guarantees (guarantees/sureties, comparable claims on third parties) by using the risk parameters (PD and LGD) of the guarantor. Under the SACR, the Bank uses the risk weightings laid down by the supervisory authority.

Regulatory setting-off provided, as part of the assessment of their declaration of liability, guarantors are subject to a review of their creditworthiness and rating in accordance with their sector and business. The aim of the creditworthiness check is to establish the guarantor's creditworthiness and maximum solvency.

In accordance with the CRR, the quality of the collateral recognised by the regulator is subject to rigorous review and is continuously monitored. In particular, this includes establishing the legal enforceability of the collateral and ensuring that it is valued regularly. Depending on the collateral type, this takes place at adequate intervals, at least annually or as circumstances require. Positive correlations between the creditworthiness of the borrower and the value of the collateral or guarantee are established in the collateral processing and lending process and collateral instruments affected are not offset. Collateral is processed exclusively separated from the market side.

The Bank carries out collateral concentration analyses for all lending collateral (physical and personal collateral). Various aspects such as collateral category, borrower's rating class and regional allocation of the collateral are examined. With reference to these aspects, the Board of Managing Directors is kept informed on a regular basis of the development of the collateral pool and possible anomalies/concentrations. As of 31 December 2021, far more than three quarters of the calculated collateral of the hedged non-outstanding receivables were attributable to clients with an investment grade rating.

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 valuation and processing of collateral are governed by universally applicable standards and collateral-specific instructions (guidelines, descriptions of processes, IT instructions). Collateral agreements are legally validated; as far as possible, standard contracts and samples are used. The standards established to hedge against or mitigate the risks of loans, which also take account of the regulatory requirements of CRR, include, amongst others:

- Legal and operational standards for documentation and data collection as well as valuation standards.
- The standardisation and updating of collateral valuations are ensured by laying down valuation processes, prescribing standardised valuation methods, parameters and defined discounts for collateral, clearly defining responsibilities for the processing and valuation process, and stipulating requirements for revaluations at regular intervals.
- Other standards for taking account of specific risks, e.g. operational risks, correlation and concentration risks, market price change risks (e.g. due to currency fluctuations), country risks, legal risks or risks of changes in the law, and risks of insufficient insurance cover.

For the vast majority of its default risk positions from counterparty credit risk, Commerzbank Group uses the internal model method (IMM) according to Article 283 CRR. The credit equivalent amounts are determined as expected future exposure through the simulation of various market scenarios, taking netting and collateral into account.

Also for securities repurchase, lending and comparable transactions involving securities or goods, the exposures are determined in accordance with Article 283 in conjunction with Article 273 (2) CRR on the basis of an internal model method. Guarantees and credit derivatives are considered via the substitution approach. The double-default procedure defined under Article 153 (3) CRR is applied.

Details on the use of credit risk mitigation techniques in default risks from counterparty credit risk are set out in the section on counterparty credit risk.

The following table EU CR3 gives an overview of the extent of the use of credit risk mitigation techniques. The items shown in column c are mainly positions secured by mortgages.

The table refers to in Article 453 f) CRR as of 31 December 2021:

#### EU CR3: Credit risk mitigation (CRM) techniques – overview

€m		a	b	c	d	e
		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount			
				Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans and advances	193,416	138,232	126,472	11,760	0
2	Debt securities	75,596	0	0	0	0
<b>3</b>	<b>Total</b>	<b>269,012</b>	<b>138,232</b>	<b>126,472</b>	<b>11,760</b>	<b>0</b>
4	Of which non-performing	2,692	849	614	235	0
5	Of which defaulted	2,692	849			

## Credit risk and credit risk mitigation in the SACR

This chapter presents the effects of the credit risk mitigation on the Commerzbank Group's standardised approach (SACR) portfolio, divided by exposure classes and the risk weight used.

The portfolios currently excluded from the IRBA are measured in accordance with SACR regulations as permitted under partial use provisions. In contrast to the IRBA, the SACR is largely based on a flat risk weighting or external ratings. Commerzbank has nominated the rating agencies Standard & Poor's Rating Services, Moody's Investors Service and FitchRatings for the use of external ratings.

Where an external credit rating is available for a position, that external rating is used to determine the risk weighting. Commerzbank uses the standard mapping of external credit assessments to the relevant credit quality steps published by the EBA in accordance with Article 136 CRR. Where two or more external credit ratings are available for one position, the risk weighting is assigned in accordance with the provisions of Article 138 CRR.

For unrated positions, if the conditions set out in Articles 139 and 140 CRR are met, a risk weighting is calculated on the basis of a derived credit rating. In all other cases, the position is treated as an unrated exposure.

External ratings are used for central governments or central banks, regional and local governments, public-sector entities, multilateral development banks, institutions, companies and covered bonds. They are not used for positions in local currency in order to derive risk weightings for foreign currency exposures.

Under the SACR, guarantees are treated according to the substitution principle. This means that the borrower's risk weighting is replaced by that of the guarantor. Consequently, the guaranteed amount is transferred from the borrower's exposure class to that of the guarantor. This is why the exposure before CRM for assets guaranteed by central governments and central banks, for example, is less than after CRM. However, a transfer only takes place if the risk weighting of the guarantor is lower than that of the borrower. This can be seen in table EU CR4.

This table also shows the impact of the credit risk mitigation techniques used in the SACR portfolio in accordance with Chapter 4 of Title II of Part Three CRR and the conversion factors used in accordance with Article 111 CRR.

Table EU CR4 contains the information in accordance with Articles 444 e) and 453 g), h) and i) CRR as of 31 December 2021.

For the reported SACR exposure value, unlike the IRBA, the valuation allowances based on each of the positions are deducted. Table EU CR5 shows the distribution of exposure values after credit risk mitigation and conversion factors by exposure class and risk weight in accordance with Article 444 e) CRR.

## EU CR4 – Standardised approach – Credit risk exposure and CRM effects

Exposure classes €m	a		b		c		d		e		f
	Exposures				Exposures				RWAs and RWA density		
	before CCF and CRM				post CCF and CRM				RWAs	RWA density	
	On-balance- sheet amount	Off-balance- sheet amount	On-balance- sheet amount	Off-balance- sheet amount	On-balance- sheet amount	Off-balance- sheet amount					
1 Central governments or central banks	55,083	2	58,935	379	768	1.3%					
2 Regional government or local authorities	16,767	566	17,565	36	414	2.4%					
3 Public sector entities	4,127	427	6,335	174	151	2.3%					
4 Multilateral development banks	1,220	0	1,220	0	0	0.0%					
5 International organisations	585	0	585	0	0	–					
6 Institutions	2,059	11	2,092	6	585	27.9%					
7 Corporates	6,356	1,529	5,920	442	4,992	78.5%					
8 Retail	5,433	3,902	5,144	59	3,882	74.6%					
9 Secured by mortgages on immovable property	3,165	19	3,165	9	1,118	35.2%					
10 Exposures in default	178	5	174	0	219	125.5%					
11 Exposures associated with particularly high risk	475	0	475	0	713	150.0%					
12 Covered bonds	0	0	0	0	0	–					
13 Institutions and corporates with a short-term credit assessment	75	0	75	0	15	20.0%					
14 Collective investment undertakings	2,740	0	2,740	0	771	28.1%					
15 Equity	1,005	0	1,005	0	1,627	162.0%					
16 Other items	2,515	0	2,515	0	5,750	228.7%					
<b>17 Total</b>	<b>101,782</b>	<b>6,462</b>	<b>107,945</b>	<b>1,106</b>	<b>21,004</b>	<b>19.3%</b>					



## EU CR5 – Standardised approach

Exposure classes	a	b	c	d	e	f	g	Risk weight								Total	Of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
€m																	
Central governments or central banks	58,871	0	0	0	0	0	169	0	0	0	0	273	0	0	0	59,313	49,593
Regional government or local authorities	16,112	0	0	0	1,099	0	389	0	0	0	0	0	0	0	0	17,601	15,366
Public sector entities	5,826	0	0	0	664	0	2	0	0	17	0	0	0	0	0	6,509	5,846
Multilateral development banks	1,220	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,220	247
International organisations	585	0	0	0	0	0	0	0	0	0	0	0	0	0	0	585	585
Institutions	316	47	0	0	965	0	758	0	0	12	0	0	0	0	0	2,099	1,243
Corporates	285	0	0	0	222	0	1,665	0	0	4,191	0	0	0	0	0	6,362	3,750
Retail	0	0	0	0	0	0	0	0	5,203	0	0	0	0	0	0	5,203	5,201
Secured by mortgages on immovable property	0	0	0	0	0	3,122	53	0	0	0	0	0	0	0	0	3,174	3,174
Exposures in default	0	0	0	0	0	0	0	0	0	85	89	0	0	0	0	174	174
Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	475	0	0	0	0	475	474
Covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions and corporates with a short-term credit assessment	0	0	0	0	75	0	0	0	0	0	0	0	0	0	0	75	0
Collective investment undertakings	1,486	0	0	0	0	0	0	0	0	156	0	0	0	5	1,094	2,740	2,606
Equity	0	0	0	0	0	0	0	0	0	547	64	394	0	0	0	1,005	850
Other items	0	0	0	0	0	0	0	0	0	358	0	2,157	0	0	0	2,515	2,291
<b>Total</b>	<b>84,702</b>	<b>47</b>	<b>0</b>	<b>0</b>	<b>3,024</b>	<b>3,122</b>	<b>3,037</b>	<b>0</b>	<b>5,203</b>	<b>5,365</b>	<b>628</b>	<b>2,824</b>	<b>0</b>	<b>5</b>	<b>1,094</b>	<b>109,051</b>	<b>91,400</b>

In order to mitigate credit risk in the SACR, the Commerzbank Group takes financial collateral and guarantees into consideration. These are dealt with separately in the section on risk mitigation. Furthermore, collateral in the form of property charges also reduces the risk weighting.

Past due positions are shown with a risk weighting of 150%. Depending on the impairments based on these positions in accordance with IFRS 9 or the collateral, a risk weighting of 100% can be applied or they may be shifted to another exposure class.

The amount of the exposures secured by collateral, financial guarantees or credit derivatives and the amount of unsecured exposures by asset class is shown in table EU CR3 in the section on credit risk mitigation. The effectively secured risk position values, i.e. taking into consideration all of the relevant haircuts for the collateral, are allocated to the SACR exposure class. In taking financial collateral into account as a credit risk mitigation technique, Commerzbank generally uses the comprehensive method as defined under Articles 223 to 228 CRR. In doing so, the risk exposure value for the default risk position is reduced by the value of the financial collateral.

## Credit risk and credit risk mitigation in the IRBA

The credit risk of the Commerzbank Group's IRBA portfolio divided into the relevant IRBA asset classes and PD ranges is shown below. The information in table EU CR6 on on-balance-sheet gross receivables refers to the risk exposure values to be determined according to Article 166 CRR. These represent the expected amounts of the IRBA positions that will be exposed to a risk of loss. The off-balance-sheet claims are shown before taking into account credit risk adjustments and conversion factors. Exposure at default (regulatory EaD) shows the exposure values after taking into account credit risk mitigation. The risk parameters CCF, PD and LGD are calculated as EaD-weighted averages. The IRBA default definition is also used for internal purposes.

The companies in the Commerzbank Group use the IRBA approach. They may therefore use internal estimates of credit conversion factors (CCFs) for regulatory purposes, too. CCFs are necessary for off-balance-sheet transactions in order to assess the likely exposure in the event of a possible default on commitments that have not yet been drawn.

Tables EU CR6, EU CR7 and EU CR7-A show only portfolios which fall within the scope of IRBA and are rated with a rating process that has been approved by the supervisory authority. Positions in the risk exposure class other non-loan-related assets are not listed in table EU CR6. These assets amounting to €5.7bn do not have any creditworthiness risks and are therefore not relevant for the management of default risks. Table EU CR6 also does not include mBank S.A. positions of €0.8bn risk weighted assets, which are subject to the IRBA slotting approach in accordance with Article 153 (5) CRR and are shown in table EU CR10. Investment positions with a fixed risk weighting according to Article 155 (2) CRR are not relevant in the Commerzbank Group as of 31 December 2021 and are therefore not part of table EU CR10.

The securitisation exposures in the IRBA are presented separately in the section on securitisations in this report. Counterparty default risks are shown in the section on default risks from counterparty credit risks in this report.

The impact of credit derivatives used as credit risk mitigation techniques on the amount of RWA of credit risk in the IRBA portfolio as of 31 December 2021 comes to about 0.2% (see the next table EU CR7).

The risk exposure values shown in this section generally differ from the EaD values in the Annual Report (economic EaD) due to the following:

- According to the EBA disclosure requirements, credit risk and counterparty credit risk are presented separately in the Disclosure Report.
- Some transactions are not included in risk-weighted assets (RWA) for regulatory purposes but are included in the EaD of the Annual Report and Risk Report respectively.
- The figures shown in this Disclosure Report refer to the regulatory scope of consolidation. By contrast, the figures in the Annual Report refer to the IFRS scope of consolidation.

The amount of the exposures secured by collateral, financial guarantees or credit derivatives and the amount of unsecured exposures by asset class is shown in table EU CR3 in the section on credit risk mitigation. In addition to the collateral in the standardised approach to credit risk (hereinafter referred to as SACR), under the IRBA some physical and other collateral which is only eligible for recognition under the IRBA is also offset.

The calculation of collateral is based on market values weighted with recovery rates. These recovery rates are based on empirical data and form part of the LGD models. By definition, the rates cannot exceed 100%; therefore, the collateral values are normally lower than the market values. By contrast, under the IRBA the substitution approach is used to offset guarantees and credit derivatives. The protection therefore does not take effect in the LGD, as is the case with financial and other IRBA collateral, but via the substitution of the debtor's risk parameters with those of the guarantor. Alternatively, the double-default procedure may be used in the IRBA.

Table EU CR6 contains the information described above in accordance with Article 452 g) CRR as of 31 December 2021 for the AIRB portfolio. As Commerzbank does not have any F-IRB positions, a corresponding table is not required.

## EU CR6\_part 1: IRB approach – Credit risk exposures by exposure class and PD range

	a	b	c	d	e	f	g	h	i	j	k	l	m
A-IRB	PD scale	On-balance sheet exposures €m	Off-balance sheet exposures pre-CCF €m	Exposure weighted average CCF	Exposure post CCF and post CRM €m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors €m	Density of risk weighted exposure amount %	Expected loss amount €m	Value adjustments and provisions €m
Central governments or central banks	0.00 to < 0.15	10,994	469	0.40	11,182	0.02	43	23.00	0.6	428	0.04	0.7	-0.1
	0.00 to <0.10	9,795	457	0.40	9,977	0.01	36	22.74	0.5	262	0.03	0.3	-0.1
	0.10 to <0.15	1,199	12	0.43	1,205	0.12	10	25.19	1.3	166	0.14	0.4	0.0
	0.15 to < 0.25	1,746	7	0.47	1,749	0.18	13	30.52	1.0	359	0.20	0.9	-0.1
	0.25 to < 0.50	214	119	0.36	257	0.31	12	69.65	3.0	211	0.82	0.5	0.0
	0.50 to < 0.75	563	103	0.22	489	0.55	15	53.89	4.7	588	1.20	1.4	-0.5
	0.75 to < 2.50	292	176	0.28	293	1.81	23	42.96	3.2	170	0.58	0.8	-0.2
	0.75 to <1.75	36	50	0.45	59	0.96	19	99.89	1.3	104	1.78	0.6	0.0
	1.75 to <2.50	256	126	0.20	234	2.02	7	28.69	3.7	66	0.28	0.3	-0.2
	2.50 to 10.00	250	288	0.29	174	6.37	58	74.10	1.3	421	2.42	7.4	-0.3
	2.5 to <5	64	84	0.37	50	3.72	28	95.15	1.1	133	2.66	1.7	-0.1
	5 to <10	185	204	0.26	124	7.44	33	65.65	1.3	288	2.32	5.7	-0.2
	10.00 to < 100.00	677	966	0.17	620	12.88	48	15.52	1.0	274	0.44	8.7	-1.3
	10 to <20	677	884	0.17	603	11.10	33	15.27	1.0	255	0.42	6.5	-1.3
	20 to <30	0	0	0.00	0	23.64	1	100.00	0.1	0	5.23	0.0	0.0
30 to <100	1	81	0.20	17	74.36	15	24.13	1.5	19	1.08	2.3	0.0	
100.00 (default)	37	0	0.00	1	100.00	2	20.00	3.4	0	0.00	0.1	-0.6	
Subtotal	14,773	2,128	0.26	14,765	0.72	214	26.41	0.9	2,450	0.17	20.7	-3.0	
Institutions	0.00 to < 0.15	14,959	2,620	0.68	16,699	0.08	485	27.02	3.2	3,351	0.20	3.4	-24.7
	0.00 to <0.10	9,979	2,221	0.71	11,566	0.06	300	25.30	3.2	1,760	0.15	1.5	-0.7
	0.10 to <0.15	4,980	399	0.47	5,134	0.12	185	30.89	3.3	1,592	0.31	1.9	-24.0
	0.15 to < 0.25	2,979	1,033	0.39	3,285	0.20	207	31.84	2.8	1,135	0.35	2.1	-2.7
	0.25 to < 0.50	2,972	1,253	0.44	3,382	0.32	338	27.95	2.5	1,359	0.40	3.1	-4.9
	0.50 to < 0.75	2,091	688	0.46	2,241	0.59	164	41.04	2.9	1,804	0.81	5.2	-3.6
	0.75 to < 2.50	2,441	1,559	0.43	3,031	1.37	640	35.33	1.4	1,770	0.58	11.2	-20.0
	0.75 to <1.75	1,852	1,154	0.42	2,318	1.13	547	35.31	1.6	1,426	0.62	8.1	-16.7
	1.75 to <2.50	589	405	0.46	714	2.17	93	35.40	0.7	344	0.48	3.0	-3.2
	2.50 to 10.00	2,056	2,255	0.45	2,667	3.98	320	30.99	1.0	1,564	0.59	18.6	-22.4
	2.5 to <5	1,739	1,529	0.45	2,133	3.25	218	33.43	1.1	1,303	0.61	13.9	-16.9
	5 to <10	317	726	0.46	535	6.89	102	21.26	0.9	261	0.49	4.7	-5.5
	10.00 to < 100.00	193	134	0.46	178	49.66	54	14.40	1.0	65	0.36	5.5	-3.8
	10 to <20	9	24	0.48	21	13.34	9	27.39	0.7	13	0.63	0.4	-0.9
	20 to <30	93	1	0.45	16	20.31	7	35.88	3.1	16	1.00	0.4	-1.1
30 to <100	91	109	0.46	141	58.43	38	9.98	0.8	35	0.25	4.7	-1.8	
100.00 (default)	6	0	0.00	5	100.00	6	81.03	0.5	0	0.00	4.4	-2.8	
Subtotal	27,697	9,541	0.50	31,489	0.91	2,214	29.70	2.7	11,048	0.35	53.4	-84.9	

## EU CR6\_part 2: IRB approach – Credit risk exposures by exposure class and PD range

	a	b	c	d	e	f	g	h	i	j	k	l	m
A-IRB	PD scale	On-balance sheet exposures €m	Off-balance sheet exposures pre-CCF €m	Exposure weighted average CCF	Exposure post CCF and post CRM €m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors €m	Density of risk weighted exposure amount %	Expected loss amount €m	Value adjustments and provisions €m
Corporates, thereof SMEs	0.00 to < 0.15	716	418	0.48	868	0.10	524	41.41	2.9	184	0.21	0.3	-0.2
	0.00 to <0.10	351	259	0.49	460	0.07	282	43.38	2.8	85	0.18	0.1	-0.1
	0.10 to <0.15	365	158	0.46	408	0.13	242	39.18	3.0	100	0.24	0.2	-0.1
	0.15 to < 0.25	2,101	467	0.46	2,243	0.18	661	34.62	3.3	598	0.27	1.2	-0.6
	0.25 to < 0.50	1,360	629	0.47	1,532	0.35	1,353	38.61	2.5	532	0.35	2.0	-1.1
	0.50 to < 0.75	794	313	0.46	832	0.62	931	37.54	2.2	371	0.45	1.9	-1.2
	0.75 to < 2.50	2,015	977	0.49	2,296	1.36	4,166	35.98	2.1	1,258	0.55	11.0	-6.3
	0.75 to <1.75	1,554	769	0.50	1,776	1.15	3,097	36.56	2.1	951	0.54	7.3	-4.1
	1.75 to <2.50	461	208	0.46	521	2.08	1,069	33.99	2.2	307	0.59	3.7	-2.1
	2.50 to 10.00	1,182	417	0.45	1,263	4.54	1,942	35.66	2.0	957	0.76	20.3	-15.3
	2.5 to <5	812	318	0.45	887	3.47	1,544	35.05	2.0	613	0.69	10.6	-6.5
	5 to <10	369	100	0.43	375	7.07	398	37.11	1.8	344	0.92	9.7	-8.8
	10.00 to < 100.00	276	68	0.31	238	18.24	295	42.31	2.4	344	1.44	17.6	-11.6
	10 to <20	198	34	0.40	203	14.04	122	42.87	2.4	303	1.49	12.0	-6.8
	20 to <30	36	8	0.21	20	23.19	27	38.84	3.1	27	1.36	1.6	-1.9
	30 to <100	42	26	0.22	15	67.85	146	39.41	1.3	14	0.92	3.9	-2.9
100.00 (default)	434	56	0.33	427	100.00	260	64.71	1.2	338	0.79	249.5	-227.8	
Subtotal	8,879	3,346	0.47	9,699	5.93	10,132	38.08	2.5	4,582	0.47	303.8	-264.1	
Corporates, thereof specialised lending	0.00 to < 0.15	7,295	412	0.34	7,435	0.04	1,250	33.91	4.1	1,691	0.23	62.2	-26.3
	0.00 to <0.10	6,474	325	0.36	6,589	0.04	1,023	33.66	4.1	1,450	0.22	61.9	-25.9
	0.10 to <0.15	821	87	0.28	845	0.11	231	35.86	4.3	241	0.28	0.3	-0.3
	0.15 to < 0.25	1,517	267	0.43	1,631	0.21	611	26.95	3.7	433	0.27	1.2	-1.2
	0.25 to < 0.50	3,349	246	0.66	3,511	0.34	2,047	30.96	3.8	1,434	0.41	3.7	-4.7
	0.50 to < 0.75	1,124	371	0.47	1,295	0.60	1,141	36.23	3.7	730	0.56	2.8	-3.9
	0.75 to < 2.50	1,513	504	0.44	1,733	1.33	1,001	40.83	3.7	1,354	0.78	8.4	-13.3
	0.75 to <1.75	990	470	0.40	1,179	1.06	839	45.88	3.3	944	0.80	5.8	-9.2
	1.75 to <2.50	523	34	0.90	554	1.91	162	30.09	4.5	410	0.74	2.6	-4.1
	2.50 to 10.00	472	183	0.41	548	5.01	285	28.14	3.9	431	0.79	6.9	-15.5
	2.5 to <5	265	103	0.38	305	3.33	233	31.47	4.2	223	0.73	3.0	-8.8
	5 to <10	207	80	0.45	243	7.11	52	23.96	3.6	207	0.85	3.9	-6.7
	10.00 to < 100.00	721	840	0.38	1,038	60.62	130	10.26	2.5	500	0.48	36.5	-33.7
	10 to <20	152	99	0.38	190	14.34	26	22.83	2.7	214	1.13	6.4	-5.7
	20 to <30	92	74	0.34	117	24.85	16	18.69	2.1	123	1.05	5.4	-4.0
	30 to <100	477	667	0.38	730	78.42	88	5.63	2.5	163	0.22	24.8	-24.1
100.00 (default)	301	10	0.38	305	100.00	40	86.82	1.9	0	0.00	264.6	-155.2	
Subtotal	16,292	2,832	0.43	17,495	5.78	6,505	32.87	3.8	6,573	0.38	386.4	-254.0	

## EU CR6\_part 2: IRB approach – Credit risk exposures by exposure class and PD range

	a	b	c	d	e	f	g	h	i	j	k	l	m
A-IRB	PD scale	On-balance sheet exposures €m	Off-balance sheet exposures pre-CCF €m	Exposure weighted average CCF %	Exposure post CCF and post CRM €m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors €m	Density of risk weighted exposure amount %	Expected loss amount €m	Value adjustments and provisions €m
Corporates, thereof other	0.00 to < 0.15	11,100	31,397	0.40	22,994	0.10	2,400,182	43.49	2.4	7,487	0.33	11.0	-5.9
	0.00 to <0.10	4,517	14,945	0.38	9,865	0.07	2,150,872	40.96	2.1	1,956	0.20	2.8	-1.8
	0.10 to <0.15	6,584	16,452	0.42	13,130	0.13	251,400	45.38	2.6	5,531	0.42	8.2	-4.1
	0.15 to < 0.25	11,242	27,860	0.41	22,311	0.19	442,254	44.44	2.3	10,403	0.47	20.1	-12.2
	0.25 to < 0.50	14,949	32,168	0.38	26,368	0.35	543,540	40.64	2.0	14,583	0.55	43.5	-22.1
	0.50 to < 0.75	7,381	12,485	0.40	12,026	0.61	242,375	38.71	2.0	8,126	0.68	31.9	-16.3
	0.75 to < 2.50	8,949	8,889	0.40	11,609	1.32	569,141	36.99	1.8	7,740	0.67	55.4	-22.0
	0.75 to <1.75	5,777	7,769	0.40	8,200	1.09	434,610	36.31	2.0	6,124	0.75	41.8	-16.4
	1.75 to <2.50	3,172	1,120	0.40	3,409	1.89	135,047	38.64	1.2	1,615	0.47	13.6	-5.5
	2.50 to 10.00	3,511	3,596	0.35	4,091	4.91	355,353	34.97	2.0	4,700	1.15	99.2	-48.2
	2.5 to <5	1,989	2,605	0.36	2,577	3.49	256,756	35.08	1.8	2,651	1.03	45.5	-19.9
	5 to <10	1,522	991	0.33	1,514	7.33	98,821	34.79	2.2	2,049	1.35	53.7	-28.4
	10.00 to < 100.00	914	375	0.45	539	17.17	100,040	37.30	2.0	949	1.76	154.4	-467.5
	10 to <20	848	278	0.46	469	13.76	59,966	37.08	2.0	787	1.68	42.1	-8.8
	20 to <30	32	28	0.45	23	22.26	19,136	33.65	1.8	58	2.54	10.8	-1.1
30 to <100	34	68	0.39	47	48.49	21,017	41.28	1.6	104	2.20	101.4	-457.6	
100.00 (default)	1,376	551	0.27	1,398	100.00	82,503	67.97	1.1	913	0.65	986.8	-1,142.2	
Subtotal	59,424	117,319	0.39	101,337	2.05	4,735,388	41.61	2.1	54,903	0.54	1,402.2	-1,736.4	
Retail secured by mortgages / SMEs	0.00 to < 0.15	6,230	87	1.00	6,316	0.06	25,593	14.62		120	0.02	0.6	-0.6
	0.00 to <0.10	5,198	66	1.00	5,264	0.05	21,768	14.47		84	0.02	0.4	-0.3
	0.10 to <0.15	1,032	20	1.00	1,052	0.12	3,828	15.39		37	0.03	0.2	-0.3
	0.15 to < 0.25	1,930	35	0.99	1,964	0.20	10,217	15.16		96	0.05	0.6	-0.6
	0.25 to < 0.50	3,089	89	0.98	3,176	0.36	14,771	16.08		257	0.08	1.8	-2.0
	0.50 to < 0.75	1,545	80	1.01	1,625	0.60	7,028	16.90		199	0.12	1.7	-1.7
	0.75 to < 2.50	1,670	85	1.09	1,763	1.23	7,050	18.06		367	0.21	3.9	-5.9
	0.75 to <1.75	1,421	77	1.05	1,502	1.09	6,002	18.07		290	0.19	2.9	-4.0
	1.75 to <2.50	250	9	1.36	261	2.07	1,048	18.00		77	0.29	1.0	-1.9
	2.50 to 10.00	341	9	1.64	356	4.93	1,474	18.71		173	0.49	3.3	-4.8
	2.5 to <5	213	7	1.74	225	3.37	986	18.64		91	0.40	1.4	-2.7
	5 to <10	129	1	1.08	130	7.65	488	18.84		83	0.64	1.9	-2.1
	10.00 to < 100.00	61	0	1.11	62	22.86	466	17.56		48	0.78	2.5	-2.1
	10 to <20	27	0	1.83	27	13.69	235	17.02		19	0.70	0.6	-0.7
	20 to <30	23	0	0.85	23	24.38	144	17.18		19	0.81	1.0	-0.8
30 to <100	11	0	0.85	11	41.74	87	19.67		10	0.88	0.9	-0.7	
100.00 (default)	117	0	0.00	117	100.00	756	38.19		184	1.57	30.8	-22.0	
Subtotal	14,984	384	1.03	15,378	1.30	67,355	15.91		1,444	0.09	45.2	-39.6	

## EU CR6\_part 4: IRB approach – Credit risk exposures by exposure class and PD range

	a	b	c	d	e	f	g	h	i	j	k	l	m
A-IRB	PD scale	On-balance sheet exposures €m	Off-balance sheet exposures pre-CCF €m	Exposure weighted average CCF %	Exposure post CCF and post CRM €m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors €m	ensity of risk weighted exposure amount %	Expected loss amount €m	Value adjustments and provisions €m
Retail secured by mortgages / non-SMEs	0.00 to < 0.15	34,746	751	0.88	35,408	0.06	271,878	17.01		1,010	0.03	3.6	-2.8
	0.00 to <0.10	29,298	617	0.89	29,845	0.05	215,173	16.70		696	0.02	2.4	-1.7
	0.10 to <0.15	5,448	134	0.86	5,563	0.12	56,813	18.68		314	0.06	1.3	-1.1
	0.15 to < 0.25	14,127	237	0.94	14,350	0.20	129,103	16.19		998	0.07	4.7	-3.4
	0.25 to < 0.50	16,537	476	0.98	17,002	0.35	110,237	16.96		1,867	0.11	10.2	-9.7
	0.50 to < 0.75	4,940	259	0.99	5,197	0.60	30,474	18.18		888	0.17	5.6	-6.5
	0.75 to < 2.50	3,236	103	0.99	3,337	1.17	20,912	18.42		894	0.27	7.1	-14.9
	0.75 to <1.75	2,861	97	0.98	2,956	1.05	18,148	18.52		751	0.25	5.8	-11.3
	1.75 to <2.50	375	6	1.01	381	2.06	2,773	17.68		143	0.38	1.4	-3.6
	2.50 to 10.00	777	8	0.97	784	4.79	6,332	18.18		478	0.61	6.9	-12.5
	2.5 to <5	487	5	0.97	492	3.43	3,714	18.16		256	0.52	3.1	-6.9
	5 to <10	290	2	0.96	292	7.08	2,623	18.20		222	0.76	3.8	-5.6
	10.00 to < 100.00	352	1	1.00	354	22.64	3,631	20.06		407	1.15	16.5	-13.0
	10 to <20	190	0	0.95	190	13.93	1,943	19.66		206	1.08	5.2	-5.0
	20 to <30	95	0	0.76	95	23.77	953	19.82		117	1.23	4.5	-3.9
30 to <100	68	1	1.05	69	45.06	739	21.50		84	1.22	6.7	-4.1	
100.00 (default)	334	0	0.43	334	100.00	3,290	46.15		333	1.00	132.9	-111.7	
Subtotal	75,048	1,835	0.94	76,765	0.82	575,857	17.14		6,875	0.09	187.6	-174.6	
Retail qualifying revolving	0.00 to < 0.15	265	11,783	0.75	9,120	0.04	1,717,925	65.72		177	0.02	2.4	-1.4
	0.00 to <0.10	227	11,276	0.75	8,699	0.04	1,607,114	65.74		156	0.02	2.1	-1.1
	0.10 to <0.15	38	507	0.76	421	0.12	112,308	65.13		21	0.05	0.3	-0.3
	0.15 to < 0.25	50	460	0.76	401	0.19	110,545	64.65		28	0.07	0.5	-0.4
	0.25 to < 0.50	88	437	0.76	422	0.36	116,478	64.70		50	0.12	1.0	-1.0
	0.50 to < 0.75	54	173	0.76	184	0.62	53,751	65.03		33	0.18	0.7	-0.8
	0.75 to < 2.50	181	309	0.76	415	1.37	121,154	65.57		138	0.33	3.7	-5.2
	0.75 to <1.75	130	248	0.76	317	1.15	93,644	65.51		93	0.29	2.4	-3.2
	1.75 to <2.50	51	61	0.76	98	2.07	27,529	65.77		45	0.46	1.3	-1.9
	2.50 to 10.00	104	84	0.76	168	4.64	78,595	66.55		134	0.80	5.2	-6.4
	2.5 to <5	67	63	0.76	114	3.46	60,174	66.15		76	0.66	2.6	-3.4
	5 to <10	37	21	0.77	54	7.13	18,439	67.41		58	1.08	2.6	-3.0
	10.00 to < 100.00	30	19	0.73	44	23.74	17,582	67.55		76	1.73	7.0	-4.6
	10 to <20	20	9	0.78	26	13.24	10,780	67.96		41	1.55	2.4	-2.1
	20 to <30	6	2	0.78	7	24.08	2,804	67.77		15	2.01	1.2	-0.7
30 to <100	5	9	0.67	11	49.61	4,002	66.40		21	2.01	3.5	-1.8	
100.00 (default)	19	2	0.73	21	100.00	9,842	73.52		13	0.62	14.5	-12.0	
Subtotal	792	13,267	0.75	10,775	0.49	2,225,872	65.65		650	0.06	35.1	-31.8	

## EU CR6\_part 5: IRB approach – Credit risk exposures by exposure class and PD range

A-IRB	a	b	c	d	e	f	g	h	i	j	k	l	m
PD scale	On-balance sheet exposures €m	Off-balance sheet exposures pre-CCF €m	Exposure weighted average CCF %	Exposure post CCF and post CRM €m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors €m	Density of risk weighted exposure amount %	Expected loss amount €m	Value adjustments and provisions €m	
Retail other / SME	0.00 to < 0.15	3,129	3,776	0.63	5,462	0.07	128,396	36.19		310	0.06	1.5	-1.2
	0.00 to <0.10	2,251	2,861	0.64	4,068	0.06	105,589	35.98		188	0.05	0.8	-0.7
	0.10 to <0.15	879	914	0.60	1,394	0.13	22,963	36.81		121	0.09	0.6	-0.6
	0.15 to < 0.25	1,519	2,355	0.54	2,694	0.20	40,645	42.22		372	0.14	2.3	-1.8
	0.25 to < 0.50	2,448	3,456	0.55	4,166	0.35	80,176	44.77		887	0.21	6.6	-5.5
	0.50 to < 0.75	1,509	1,374	0.58	2,196	0.60	41,767	44.19		636	0.29	5.8	-4.5
	0.75 to < 2.50	3,236	1,912	0.60	4,263	1.33	94,013	43.16		1,682	0.39	23.9	-23.2
	0.75 to <1.75	2,479	1,658	0.59	3,349	1.13	72,238	44.01		1,285	0.38	16.4	-14.8
	1.75 to <2.50	757	255	0.67	914	2.07	21,780	40.08		397	0.43	7.6	-8.4
	2.50 to 10.00	1,577	457	0.61	1,820	4.74	60,660	43.26		975	0.54	37.3	-45.2
	2.5 to <5	988	319	0.63	1,163	3.45	38,650	42.84		594	0.51	17.2	-21.1
	5 to <10	588	138	0.57	657	7.02	22,018	44.01		380	0.58	20.1	-24.1
	10.00 to < 100.00	434	60	0.50	456	20.55	21,023	41.63		347	0.76	39.2	-42.5
	10 to <20	248	46	0.51	267	13.61	11,487	44.47		192	0.72	15.7	-20.6
	20 to <30	126	4	0.71	127	23.24	5,410	32.81		92	0.72	9.8	-9.8
30 to <100	60	10	0.41	62	44.75	4,126	47.37		63	1.01	13.7	-12.0	
100.00 (default)	366	43	0.43	375	100.00	17,980	70.35		249	0.66	238.6	-204.1	
Subtotal	14,219	13,433	0.58	21,434	3.03	484,660	42.13		5,457	0.25	355.1	-327.9	
Retail other / non-SME	0.00 to < 0.15	7,345	3,083	0.86	9,996	0.06	248,607	36.29		621	0.06	2.1	-2.2
	0.00 to <0.10	6,298	2,680	0.86	8,590	0.05	197,034	36.20		454	0.05	1.5	-1.5
	0.10 to <0.15	1,047	404	0.89	1,406	0.12	51,892	36.83		167	0.12	0.7	-0.7
	0.15 to < 0.25	2,632	1,400	0.92	3,924	0.20	143,080	42.78		758	0.19	3.6	-4.3
	0.25 to < 0.50	4,374	2,977	0.96	7,218	0.36	203,810	48.71		2,265	0.31	13.6	-11.4
	0.50 to < 0.75	1,917	1,465	0.98	3,347	0.61	96,789	49.30		1,461	0.44	11.7	-9.9
	0.75 to < 2.50	2,960	750	0.93	3,659	1.28	302,722	48.22		2,243	0.61	31.8	-28.8
	0.75 to <1.75	2,394	652	0.94	3,006	1.11	226,186	47.41		1,724	0.57	21.9	-19.4
	1.75 to <2.50	566	98	0.89	653	2.08	77,015	51.94		519	0.80	9.9	-9.4
	2.50 to 10.00	1,238	108	0.91	1,336	4.45	199,207	55.23		1,249	0.94	45.0	-41.5
	2.5 to <5	887	86	0.90	964	3.60	146,065	54.30		858	0.89	24.1	-24.1
	5 to <10	351	22	0.93	371	6.65	53,332	57.64		392	1.06	21.0	-17.3
	10.00 to < 100.00	212	10	0.88	221	23.00	55,083	59.28		327	1.47	51.1	-27.5
	10 to <20	120	6	0.87	125	13.57	34,801	59.60		169	1.36	15.9	-11.3
	20 to <30	49	1	0.89	50	24.43	9,533	58.32		79	1.57	16.1	-6.9
30 to <100	44	3	0.87	47	46.75	10,819	59.46		78	1.69	19.1	-9.4	
100.00 (default)	326	6	0.43	327	100.00	49,540	68.68		287	0.88	226.3	-192.2	
Subtotal	21,005	9,799	0.92	30,028	1.81	1,298,838	44.39		9,211	0.31	385.3	-318.0	

Table EU CR7 shows the effect of credit derivatives used as CRM techniques on RWA per exposure class as per Article 453 (j) CRR as of 31 December 2021. The table shows that Commerzbank does not hold any exposures with a FIRB approach.

**EU CR7: IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques**

€m	a	b
	Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
<b>1 Exposures under FIRB</b>	<b>0</b>	<b>0</b>
2 Central governments or central banks	0	0
3 Institutions	0	0
4 Corporates	0	0
4.1 thereof SMEs	0	0
4.2 thereof specialised lending	0	0
<b>5 Exposures under AIRB</b>	<b>104,265</b>	<b>104,028</b>
6 Central governments or central banks	2,962	2,962
7 Institutions	11,242	11,354
8 Corporates	66,419	66,070
8.1 thereof SMEs	4,385	4,385
8.2 thereof specialised lending	7,355	7,355
9 Retail	23,643	23,643
9.1 thereof secured by mortgages / SMEs	1,443	1,443
9.2 thereof secured by mortgages / non-SMEs	6,875	6,875
9.3 thereof qualifying revolving	650	650
9.4 thereof other / SME	5,449	5,449
9.5 thereof other / non-SMEs	9,226	9,226
<b>10 Total</b>	<b>104,265</b>	<b>104,028</b>

Table EU CR7-A shows pro rata the various hedges of the total risk position by exposure classes according to Article 453 g) CRR as of 31 December 2021 for the AIRB Portfolio. As Commerzbank does not have any F-IRB positions, a corresponding table is not required.



## EU CR7-A: IRB approach – Disclosure of the extent of the use of CRM techniques

A-IRB	€m	a	b	c	d	e	f	g	h	i	j	k	l	m n	
		Total exposures	Credit risk Mitigation techniques										Credit risk Mitigation methods in the calculation of RWAs		
			Part of exposures covered by Financial Collaterals (%)	Funded credit Protection (FCP)			Unfunded credit Protection (UFCP)			Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWA without substitution effects (reduction effects only)	RWA with substitution effects (both reduction and substitution effects)		
Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Other eligible collaterals (%)		Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)									
1	Central governments or central banks	18,341	4.92	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,274	2,962
2	Institutions	31,923	5.41	0.31	0.05	0.03	0.23	0.00	0.00	0.00	0.00	0.00	0.00	13,714	11,354
3	Corporates	126,024	1.76	9.96	7.51	0.54	1.90	0.06	0.00	0.06	0.00	0.82	0.00	75,388	66,070
3.1	thereof SMEs	8,642	3.13	23.79	17.99	1.84	3.96	0.42	0.00	0.42	0.00	7.31	0.00	5,851	4,385
3.2	thereof specialised lending	18,556	0.80	31.44	31.43	0.00	0.00	0.13	0.00	0.13	0.00	0.00	0.00	7,498	7,355
3.3	thereof other	98,826	1.82	4.71	2.10	0.53	2.08	0.02	0.00	0.02	0.00	0.41	0.00	62,040	54,330
4	Retail	154,363	1.90	43.65	43.56	0.05	0.04	0.50	0.00	0.50	0.00	0.00	0.00	23,884	23,643
4.1	thereof secured by mortgages / SMEs	15,373	1.42	64.54	64.54	0.00	0.00	1.12	0.00	1.12	0.00	0.00	0.00	1,448	1,443
4.2	thereof secured by mortgages / non-SMEs	76,765	1.46	64.35	64.35	0.00	0.00	0.51	0.00	0.51	0.00	0.00	0.00	6,875	6,875
4.3	thereof qualifying revolving	10,775	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	650	650
4.4	thereof other / SME	21,398	3.48	15.27	14.58	0.39	0.30	0.54	0.00	0.54	0.00	0.00	0.00	5,685	5,449
4.5	thereof other / non-SMEs	30,052	2.83	15.95	15.95	0.00	0.00	0.33	0.00	0.33	0.00	0.00	0.00	9,226	9,226
5	<b>Total</b>	<b>330,651</b>	<b>2.35</b>	<b>24.20</b>	<b>23.20</b>	<b>0.24</b>	<b>0.77</b>	<b>0.26</b>	<b>0.00</b>	<b>0.26</b>	<b>0.00</b>	<b>0.31</b>	<b>0.00</b>	<b>116,261</b>	<b>104,028</b>

Table EU CR8 below shows changes in the RWA of the credit risk in the IRBA portfolio of Commerzbank Group between 30 September 2021 and 31 December 2021. The reduction in RWA in the fourth quarter of 2021 was mainly attributable to changes in portfolio quality as well as fluctuations in collective accounts and transfer risks (included in "Others"). On the other hand, RWA charges are due to changes in foreign exchange rates ("Foreign exchange movements") and model changes. The latter involves the anticipating of an effect in connection with a change in internal risk models. Table EU CR8 shows the information according to Article 438 h) CRR as of 31 December 2021:

**EU CR8: RWA flow statements of credit risk exposures under the IRB approach**

€m	Risk weighted exposure amount (RWA)
<b>1 RWA at previous quarter end</b>	<b>110,147</b>
2 Asset size	-76
3 Asset quality	-1,435
4 Model updates	1,700
5 Methodology and policy	0
6 Acquisitions and disposals	0
7 Foreign exchange movements	700
8 Others	-1,338
<b>9 RWAs as at the end of the reporting period</b>	<b>109,698</b>

In the following we show the portfolios with the simple risk-weight approach. The technical implementation standards provide for a subdivision into Specialised lending: Project finance (slotting approach), Income-producing real estate and high volatility commercial real estate (slotting approach), object finance (slotting approach) as well as commodities finance (slotting approach) and equity exposures under the simple risk-weighted approach. For Commerzbank only the special financing of real estate is relevant as part of the slotting approach, so only Table EU CR10.2 is shown.

Table EU CR10.2 shows the information referred to in Article 438 e) CRR as of 31 December 2021:

**EU CR10.2: Specialised lending: Income-producing real estate and high volatility commercial real estate (Slotting approach)**

€m		a	b	c	d	e	f
Regulatory categories	Remaining maturity	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWAs	Expected loss
Category 1	Less than 2.5 years	0	1	0.5	1	0	0
	Equal to or more than 2.5 years	100	0	0.7	100	59	0
Category 2	Less than 2.5 years	358	164	0.7	411	257	2
	Equal to or more than 2.5 years	592	24	0.9	599	469	5
Category 3	Less than 2.5 years	12	2	1.15	13	13	0
	Equal to or more than 2.5 years	38	7	1.15	40	39	1
Category 4	Less than 2.5 years	1	0	2.5	1	2	0
	Equal to or more than 2.5 years	0	0	2.5	0	0	0
Category 5	Less than 2.5 years	34	0		34	0	17
	Equal to or more than 2.5 years	4	0		4	0	2
<b>Total</b>	<b>Less than 2.5 years</b>	<b>405</b>	<b>167</b>		<b>459</b>	<b>274</b>	<b>19</b>
	<b>Equal to or more than 2.5 years</b>	<b>734</b>	<b>32</b>		<b>743</b>	<b>568</b>	<b>9</b>

## Loan loss provisions for default risks

Responsibility for processing non-performing loans lies with Group Credit Risk Management. This division brings together the specific expert knowledge needed to support customers undergoing restructuring and to successfully process terminated commitments including collateral realisation.

IFRS 9 stipulates that impairments for credit risks from loans and securities that are not recognised 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 securitised debt instruments measured at amortised cost (AC);
- financial assets in the form of loans and advances as well as securitised debt instruments 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 those transactions with limited default risk on the reporting date (option under IFRS 9). These are essentially securities 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 defaulted 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 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 are decisive in determining the default of a customer:

- Imminent insolvency (over 90 days past due)
- Unlikely to pay (probability of settlement of liabilities)
- The Bank is assisting in the financial rescue/restructuring measures of the customer with concessions
- The Bank has demanded immediate repayment of its claims
- The customer is in insolvency proceedings

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 transactions. The amount of the LECL for insignificant transactions (volumes up to €5m<sup>1</sup>) 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. Financial instruments which when initially recognised are already considered impaired as per the aforementioned definition (purchased or originated credit-impaired, or POCI) are handled outside the three-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. Firstly, uncollectability may arise in the settlement process based on various objective criteria. These can be, for example, the demise of the borrower without realisable assets of the estate, or completed insolvency proceedings without further prospect of payments. Secondly, 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.

<sup>1</sup> For Commerzbank Z.r.t. the threshold amount was adjusted as of 30 September 2017 to an equivalent value of €1m.

### Assessment of a significant increase in default risk

Commerzbank's rating systems combine into the 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.

For this reason, Commerzbank uses the PD only 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. In addition, Commerzbank applies additional qualitative criteria for the assignment to stage 2 (including an overdraft of > 30 days and the treatment provided by the Intensive Care division primarily coupled with certain rating levels), in which case a significant increase in the risk of default is assumed irrespective of the PD.

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 sub-portfolios, 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 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.

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 the expected credit loss in accordance with IFRS 9

Commerzbank calculates the LECL 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 twelve 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).

The Group derives the PD by applying an internal ratings procedure, which is based on the respective customer group. The determination includes a wide variety of qualitative and quantitative variables, which are taken into account or weighted based on the respective procedure. The allocation of the PD ranges to the internal rating categories and the reconciliation to external ratings can be found in the master scale contained in the section rating procedures in this report.

The LGD is the forecasted loss given default as a percentage of the exposure at default (EaD), taking into account collateral and the capital recovery potential on the unsecured portion. The Group's estimates, which are made specifically for different types of collateral and customer groups, are determined using both observed historical portfolio data and diverse external information, such as indices and data regarding the development of purchasing power.

The EaD is the expected loan utilisation as at the default date, taking into account a (partial) drawing of open lines.

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

behavioral 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 macro-economic forecasts will have regarding the amount of the ECL, and including these effects in the determination of the ECL

A baseline scenario is used for this purpose which relies on the respective applicable consensus (forecasts of different banks on significant macroeconomic factors, such as GDP growth and the unemployment rate). This baseline scenario is then supplemented with additional macroeconomic parameters that are relevant for the model. The transformation of the macroeconomic baseline scenario into the effects on the risk parameters is based on statistically derived models. If needed, these models are supplemented with expert-based assumptions, the collection of which is regulated by a policy set by a panel. Potential effects from non-linear correlations between different macroeconomic scenarios and the ECL are corrected using a separately determined adjustment factor.

When calculating the expected credit loss, additional effects may also have to be taken into account such as those 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 substantial political decisions or military conflicts); for these a separately determined adjustment to the result from the IFRS 9 ECL model is made. The examination as to whether such top level adjustments with the involvement of senior management are

necessary, as well as their possible implementation, are regulated in a policy.

In the 2021 financial year, such an adjustment of the IFRS 9 ECL model result was still deemed necessary due to the Corona pandemic. The methodology for determining the adaptation requirements of the ECL model result has remained basically unchanged compared to 2020. The assumptions incorporated were reviewed during the year at the reporting dates and in the course of the preparation of the consolidated financial statements as of 31 December 2021 with regard to the current development of the pandemic and the economic impact, and the TLA as of 31 December 2021 was reassessed.

The tables on loan loss provisions below show the gross carrying values of all risk positions in default and not in default in the IFRS categories AC and FVOCI, including the associated stock of credit risk adjustments, the credit risk adjustment charges in the first half of 2021 as well as the accumulated write-offs.

The gross carrying values for risk positions not in default also include loans that are past due by at least one day up to 90 days but are not defined as in default by virtue of the minimum threshold (1.0% of the limit or €100 in the retail business and €500 in the individual business).

Commerzbank's criterion for the definition of defaulted (impaired) claims is the definition of a default in accordance with article 178 CRR in connection with the corresponding EBA guideline and ECB directive. Pursuant to section 315a.1 of the German Commercial Code, Commerzbank Group issues consolidated financial statements based on International Financial Reporting Standards (IFRS). Credit risk mitigation techniques applicable to mitigate risks for the purpose of determining the capital requirement are not relevant for the determination of the claim amount in terms of accounting.

The information in the tables below is structured mainly by risk exposure class. The breakdown by country and economic sector is shown in tables CQ4 and CQ5. The following definitions are used:

- Pursuant to the criteria of the EBA (most recently confirmed in EBA/OP/2017/02), specific credit risk adjustments include the following positions:
  - The sum of Lifetime Expected Credit Loss (LECL) for significant claims in default, determined on the basis of individual cash flow estimates, taking into account various possible scenarios (loan loss provision stage 3 on-balance and off-balance, significant).
  - LECL for non-significant exposures in default, transaction-based determined on the basis of statistical risk parameters (stage 3 on balance and off balance, non-significant)
  - LECL for on- and off-balance exposures not in default showing a significant increase in credit risk as according to IFRS9 (stage 2 on- and off-balance) and ECL for on- and off-balance exposures not in default and not showing a significant increase in credit risk as according to IFRS9 (stage 1 on- and off-balance).
- There are no general credit risk adjustments pursuant to the EBA's definition mentioned above.
- The column accumulated write-offs is the balance of write-ups and write-downs

The following section contains an overview of the total portfolio, which is subject to default from credit risk and various further evaluations according to the specifications of EBA ITS 2020/04.

Instruments with counterparty credit risk are not opposed to this chapter. The disclosure is carried out separately in the section default risk from counterparty credit risk.

The following tables also do not contain synthetic or true-sale securitisation positions of Commerzbank with a regulatory recognized risk transfer in accordance with Articles 244 and 245 of the CRR, nor do they contain any securitisation positions from the sponsor or investor business. These items are shown in the separate chapter securitisations.

The gross carrying value of the defaulted risk positions is at €4.2bn as of 31 December 2021 (December 2020: €5.1bn). In addition to the loan loss provisions presented in the tables, the gross carrying values are also offset by collateral, which is taken into account accordingly in the calculation of the expected credit loss (specific credit risk adjustments).

The breakdown by gross carrying values reflects the Commerzbank Group's focus on Germany and selected markets throughout Europe. This means that the vast majority of the expected credit loss and the loan loss provisions, respectively, are attributable to borrowers based in these regions.

Commerzbank does not display table 9 on foreclosed assets, which is also required in the above-mentioned EBA guidelines, as it currently has no foreclosed assets in stock.

The tables COV1 to COV3 are requirements from the 'Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis' (EBA/GL/2020/07) published by the EBA on 2 June 2020. They provide an overview of the loans and advances granted by Commerzbank in conjunction with the EBA-compliant moratoria, COVID-19 forbore measures and the newly applicable public guarantee systems.

The following table EU CR1 shows the risk positions divided into performing and non-performing exposures, separated by the type of debt securities (Cash balances at central banks and other demand deposits, loans and advances, debt securities and off-balance-

sheet exposure) and their counterparties as defined in Article 442 c) and f) CRR as of 31 December 2021:

**EU CR1: Performing and non-performing exposures and related provisions**

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-offs	Collaterals and financial guarantees received	
	Performing Portfolio			Non-performing Portfolio			Performing Portfolio - accumulated impairment and provisions			Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			On performing exposures	On non-performing exposures	
€m	thereof Stage 1	thereof Stage 2		thereof Stage 2	thereof Stage 3		thereof Stage 1	thereof Stage 2		thereof Stage 2	thereof Stage 3				
<b>005</b>	<b>Cash balances at central banks and other demand deposits</b>														
	<b>40,292</b>	<b>40,292</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>010</b>	<b>Loans and advances</b>														
	<b>287,815</b>	<b>250,072</b>	<b>13,854</b>	<b>3,541</b>	<b>0</b>	<b>3,110</b>	<b>-1,020</b>	<b>-272</b>	<b>-739</b>	<b>-1,861</b>	<b>0</b>	<b>-1,736</b>	<b>-715</b>	<b>137,383</b>	<b>849</b>
020	Central banks	10,701	1,678	0	0	0	0	-1	-1	0	0	0	0	10,604	0
030	Central governments	15,140	13,309	1,831	37	0	37	-29	-1	-28	-1	0	-1	0	733
040	Credit institutions	22,299	16,702	588	37	0	34	-16	-11	-5	-3	0	-2	0	8,498
050	Other financial corporations	20,067	11,145	101	40	0	15	-5	-3	-1	-16	0	-12	-3	10,197
060	Non-financial corporations	92,929	87,410	4,639	2,425	0	2,064	-645	-166	-468	-1,354	0	-1,243	-452	31,732
070	thereof SMEs	24,594	22,909	1,518	951	0	853	-136	-67	-69	-447	0	-417	-260	11,064
080	Households	126,680	119,828	6,694	1,003	0	960	-324	-90	-237	-488	0	-478	-260	75,619

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	
	Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-offs	Collaterals and financial guarantees received		
	Performing Portfolio			Non-performing Portfolio			Performing Portfolio - accumulated impairment and provisions			Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures	
€m	thereof Stage 1	thereof Stage 2		thereof Stage 2	thereof Stage 3		thereof Stage 1	thereof Stage 2		thereof Stage 2	thereof Stage 3					
<b>090</b>	<b>Debt securities</b>	<b>75,596</b>	<b>71,473</b>	<b>654</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-53</b>	<b>-33</b>	<b>-20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
100	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
110	Central governments	35,329	32,680	535	0	0	0	-36	-18	-18	0	0	0	0	0	0
120	Credit institutions	16,920	16,526	103	0	0	0	-3	-3	0	0	0	0	0	0	0
130	Other financial corporations	15,281	14,300	10	0	0	0	-2	-2	0	0	0	0	0	0	0
140	Non-financial corporations	8,067	7,966	6	0	0	0	-12	-10	-1	0	0	0	0	0	0
<b>150</b>	<b>Off-balance-sheet exposures</b>	<b>182,297</b>	<b>136,493</b>	<b>3,724</b>	<b>708</b>	<b>0</b>	<b>151</b>	<b>356</b>	<b>106</b>	<b>161</b>	<b>202</b>	<b>0</b>	<b>41</b>	<b>0</b>	<b>7,372</b>	<b>45</b>
160	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	639	0
170	Central governments	1,248	1,030	75	0	0	0	0	0	0	0	0	0	0	4	0
180	Credit institutions	9,179	1,729	28	30	0	0	27	1	0	0	0	0	0	1,501	0
190	Other financial corporations	9,524	6,788	87	0	0	0	3	2	0	0	0	0	0	429	0
200	Non-financial corporations	128,948	94,550	2,697	662	0	139	270	82	126	196	0	36	0	3,048	45
210	Households	33,398	32,397	837	16	0	12	56	21	35	6	0	5	0	1,752	0
<b>220</b>	<b>Total</b>	<b>586,000</b>	<b>498,331</b>	<b>18,232</b>	<b>4,249</b>	<b>0</b>	<b>3,261</b>	<b>-1,428</b>	<b>-411</b>	<b>-920</b>	<b>-2,063</b>	<b>0</b>	<b>-1,777</b>	<b>-715</b>	<b>144,755</b>	<b>895</b>

In accordance with the EBA risk Dash Board's guidance, Commerzbank's NPE rate as of June 2021 was 0.9%.



In Table EU CR1-A, the net exposure value for loans and advances and debt securities is broken down by maturity according to Article 442 g) CRR as of 31 December 2021

#### EU CR1-A: Maturity of exposures

		a	b	c			d	e	f
€m		Net exposure values						Total	
		Can be terminated at any time	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No specified maturity			
1	Loans and advances	30,026	52,846	47,147	159,541	0		289,560	
2	Debt securities	559	8,333	23,814	42,837	0		75,543	
<b>3</b>	<b>Total</b>	<b>30,585</b>	<b>61,178</b>	<b>70,961</b>	<b>202,378</b>	<b>0</b>		<b>365,103</b>	

Table EU CR2 shows the development of the stock of non-performing loans and advances required under Article 442 f) CRR as of 31 December 2021.

#### EU CR2: Changes in the stock of non-performing loans and advances

€m		a
		Gross carrying amount
<b>010</b>	<b>Initial stock of non-performing loans and advances</b>	<b>4,678</b>
020	Inflows to non-performing portfolios	746
030	Outflows from non-performing portfolios	-128
040	Outflows due to write-offs	-271
050	Outflow due to other situations	-796
<b>060</b>	<b>Final stock of non-performing loans and advances</b>	<b>4,230</b>

The following table EU CQ1 shows the credit quality of forbore exposures according to Article 442 c) CRR as of 31 December 2021, broken down by the type of debt instruments and its counterparties. The quality is assessed based on the measures initiated – shown

for performing, defaulted and impaired exposures, as well as the provisions and the collateral, provide information on the quality of the forbore portfolio.

#### EU CQ1 Credit quality of forbore exposures

€m	Gross carrying value of positions with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals and financial guarantees received on forbore exposures		
	Performing Portfolio	Non-performing Portfolio		Of which impaired	On performing exposures with forbearance measures	On non-performing exposures with forbearance measures	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures		
		Of which defaulted							
	a	b	c	d	e	f	g	h	
005	Cash balances at central banks and other demand deposits	0	0	0	0	0	0	0	
010	Loans and advances	1,950	1,418	1,418	1,396	-37	-658	1,178	405
020	Central banks	0	0	0	0	0	0	0	0
030	Central governments	0	31	31	31	0	-1	30	30
040	Credit institutions	0	0	0	0	0	0	0	0
050	Other financial corporations	0	16	16	7	0	-8	6	6
060	Non-financial corporations	1,575	1,138	1,138	1,126	-29	-582	856	281
070	Households	374	233	233	232	-8	-68	286	89
080	Debt securities	0	0	0	0	0	0	0	0
090	Loan commitments given	420	207	207	207	3	59	13	2
<b>100</b>	<b>Total</b>	<b>2,369</b>	<b>1,625</b>	<b>1,625</b>	<b>1,603</b>	<b>-34</b>	<b>-599</b>	<b>1,192</b>	<b>408</b>

## EU CQ3: Credit quality of performing and non-performing exposures by past due days

	a	b	c	d	e	f	g	h	i	j	k	l	
	Gross carrying amount / nominal amount												
€m	Performing exposures			Non-performing exposures									Of which defaulted
		Not past due or Past due ≤ 30 days	Past due > 30 days ≤ 90 days	Unlikely to pay that are not past-due or past-due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 year ≤ 5 years	Past due > 5 year ≤ 7 years	Past due > 7 years			
<b>005</b>	<b>Cash balances at central banks and other demand deposits</b>	<b>40,292</b>	<b>40,292</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>010</b>	<b>Loans and advances</b>	<b>287,815</b>	<b>287,533</b>	<b>282</b>	<b>3,541</b>	<b>1,661</b>	<b>150</b>	<b>248</b>	<b>843</b>	<b>439</b>	<b>77</b>	<b>124</b>	<b>3,541</b>
020	Central banks	10,701	10,701	0	0	0	0	0	0	0	0	0	0
030	Central governments	15,140	15,140	0	37	0	6	0	31	0	0	0	37
040	Credit institutions	22,299	22,274	26	37	32	0	0	0	1	0	4	37
050	Other financial corporations	20,067	20,067	0	40	35	0	0	4	1	0	0	40
060	Non-financial corporations	92,929	92,811	118	2,425	1,273	86	102	612	242	34	75	2,425
070	thereof SMEs	24,594	24,511	83	951	460	45	91	155	151	22	27	951
080	Households	126,680	126,541	138	1,003	321	58	146	196	195	42	46	1,003
<b>090</b>	<b>Debt securities</b>	<b>75,596</b>	<b>75,573</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
100	Central banks	0	0	0	0	0	0	0	0	0	0	0	0
110	Central governments	35,329	35,329	0	0	0	0	0	0	0	0	0	0
120	Credit institutions	16,920	16,920	0	0	0	0	0	0	0	0	0	0
130	Other financial corporations	15,281	15,258	23	0	0	0	0	0	0	0	0	0
140	Non-financial corporations	8,067	8,067	0	0	0	0	0	0	0	0	0	0
<b>150</b>	<b>Off-balance-sheet exposures</b>	<b>182,297</b>			<b>708</b>								<b>708</b>
160	Central banks	0			0								0
170	Central governments	1,248			0								0
180	Credit institutions	9,179			30								30
190	Other financial corporations	9,524			0								0
200	Non-financial corporations	128,948			662								662
210	Households	33,398			16								16
<b>220</b>	<b>Total</b>	<b>586,000</b>	<b>403,398</b>	<b>305</b>	<b>4,249</b>	<b>1,661</b>	<b>150</b>	<b>248</b>	<b>843</b>	<b>439</b>	<b>77</b>	<b>124</b>	<b>4,249</b>

Table EU CQ4 shows the quality of the non-performing exposures by geography according to Article 442c) and e) CRR as of 31 December 2021. The countries listed in the table account for more

than 90% of Commerzbank's total exposure (both balance and off-balance sheet). The remaining countries are summarized in the line "others".

#### EU CQ4: Quality of non-performing exposures by geography

€m		a	c	e	f	g
		Gross carrying/Nominal amount	Of which defaulted	Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
<b>010</b>	<b>On balance sheet exposures</b>	<b>449,157</b>	<b>3,541</b>	<b>-2,882</b>		<b>-51</b>
020	Germany	234,178	1,955	-1,699		-4
030	Poland	37,317	992	-666		-41
040	United Kingdom of Great Britain and Northern Ireland	36,868	0	-59		0
050	United States of America	26,414	1	-25		0
060	Italy	12,095	0	-22		0
070	France	9,731	46	-12		0
080	Czechia	7,773	73	-45		0
090	Ireland	7,134	0	-1		0
100	Luxembourg	6,692	0	-14		0
110	Spain	6,525	5	-13		0
120	Cayman Islands	6,227	15	-3		0
130	Switzerland	4,727	25	-18		0
140	Netherlands	4,551	2	-18		0
150	Canada	3,766	0	0		0
160	Austria	3,406	3	-4		0
170	Others	41,750	423	-283		-6

€m		a	c	e	f	g
		Gross carrying/Nominal amount	Of which defaulted	Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
<b>180</b>	<b>Off balance sheet exposures</b>	<b>183,005</b>	<b>708</b>		<b>558</b>	
190	Germany	106,175	570		371	
200	United States of America	15,365	0		16	
210	France	9,906	0		4	
220	Poland	7,338	81		69	
230	United Kingdom of Great Britain and Northern Ireland	6,466	0		5	
240	Switzerland	4,892	14		2	
250	Netherlands	4,613	0		39	
260	Spain	2,970	3		2	
270	Austria	2,141	0		1	
280	Belgium	2,048	0		1	
290	Italy	1,910	0		1	
300	Luxembourg	1,868	0		3	
310	China	1,502	0		2	
320	Ireland	1,438	0		0	
330	Sweden	1,369	0		1	
340	Others	13,005	40		41	
<b>350</b>	<b>Total</b>	<b>632,162</b>	<b>4,249</b>	<b>-2,882</b>	<b>558</b>	<b>-51</b>

<sup>1</sup> The countries listed in the table cover more than 90% of Commerzbank's total exposure (both balance sheet and off-balance sheet). The following countries are located in the lines "others": Egypt, Australia, the Bahamas, Bangladesh, Belgium, Bermuda, Brazil, China, Denmark, Ecuador, Finland, Greece, Hong Kong, India, Japan, Indonesia, Canada, Qatar, Liechtenstein, Nigeria, Norway, Portugal, Russia, Sweden, Singapore, Slovakia, South Korea, Turkey, Other international organizations. The remaining countries, each with less than 0.1% of the total exposure, are not listed here for reasons of materiality.

Table EU CQ5 shows the credit quality of loans and advances by industries according to Article 442 c) and e) CRR as of 31 December 2021:

**EU CQ5: Credit quality of loans and advances by industry**

€m	a	b	c	d	e	f
	Gross carrying amount	of which: non-performing	Of which defaulted	of which: loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
010 Agriculture, forestry and fishing	516	9	9	515	-3	-0
020 Mining and quarrying	2,119	1	1	2,119	-2	-0
030 Manufacturing	28,669	792	792	28,167	-751	-1
040 Electricity, gas, steam and air conditioning supply	9,120	21	21	9,109	-19	-2
050 Water supply	1,559	6	6	1,550	-7	-0
060 Construction	2,597	103	103	2,582	-72	-2
070 Wholesale and retail trade	14,494	434	434	14,423	-378	-4
080 Transport and storage	6,376	93	93	6,343	-65	-22
090 Accommodation and food service activities	1,184	96	96	1,181	-47	-1
100 Information and communication	6,557	249	249	6,443	-229	-1
110 Financial and insurance activities	0	0	0	0	0	0
120 Real estate activities	12,741	419	419	12,708	-222	-4
130 Professional, scientific and technical activities	2,571	64	64	2,536	-60	-2
140 Administrative and support service activities	4,076	65	65	4,070	-40	-1
150 Public administration and defense, compulsory social security	7	0	0	7	-0	0
160 Education	139	3	3	137	-3	-0
170 Human health services and social work activities	897	8	8	893	-20	-0
180 Arts, entertainment and recreation	392	5	5	390	-4	-0
190 Other services	1,339	56	56	1,273	-37	-1
<b>200 Total</b>	<b>95,353</b>	<b>2,425</b>	<b>2,425</b>	<b>94,447</b>	<b>-1,959</b>	<b>-40</b>

The Corona pandemic continues to influence economic development in the euro area. However, the braking effect has decreased noticeably. 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 amounted to

€523m at the end of December 2021. It thus remained virtually unchanged compared to the end of 2020.

The following table COV1 provides an overview of the credit quality of loans and advances as of 31 December 2021 to which the moratoria on credit repayments apply in the context of the coronavirus pandemic:

#### COV1: Information on loans and advances subject to legislative and non-legislative moratoria

€m	Gross carrying values								Accumulated impairment, accumulated negative changes in fair value due to credit risk								Gross carrying values
	Performing Portfolio				Non-performing Portfolio				Performing Portfolio				Non-performing Portfolio				
	Of which: exposures with forbearance measures		Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures		Of which: Unlikely to pay that are not past-due or past-due ≤ 90 days		Of which: exposures with forbearance measures		Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures		Of which: Unlikely to pay that are not past-due or past-due ≤ 90 days		
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o		
1 Loans and advances subject to moratorium	48	3	0	0	44	0	0	8	0	0	0	8	0	0	0	0	
2 of which: Households	2	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
3 of which: Collateralised by residential immovable property	2	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
4 of which: Non-financial corporations	46	2	0	0	44	0	0	8	0	0	0	8	0	0	0	0	
5 thereof SMEs	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
6 of which: Collateralised by commercial immovable property	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

More than 95% of the loans subject to moratoria are in the portfolio of mBank. Details of the loans granted there can be found in the mBank Pillar 3 Report as of 31 December 2021, on pages 108 - 112 and in the “Consolidated IFRS Financial Statements 2021” on pages 88 – 93.

For further detailed information regarding the risk result relating to the Group’s lending business, see Note 11 of the financial statements and risk report page 118 in the Commerzbank Annual Report as of 31 December 2021.

The following table COV2 shows the breakdown of loans and advances as of 31 December 2021 by residual maturity of the moratorium, which is subject to a legislative and non-legislative moratorium. More than 99% of loans and advances have now expired. For the remaining, the maturity of the moratorium is usually three to six months.

**COV2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria**

	a	b	c	d	e	f	g	h	i					
										Gross carrying values				
										Number of obligors	Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria	
≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 1 year										
1	Loans and advances for which moratorium was offered	90,627	6,138											
2	Loans and advances subject to moratorium (granted)	90,404	6,119	488	6,072	0	47	0	0					
3	of which: Households		3,671	349	3,669	0	1	0	0					
4	of which: Collateralised by residential immovable property		2,934	291	2,933	0	1	0	0					
5	of which: Non-financial corporations		2,444	135	2,398	0	46	0	0					
6	thereof SMEs		1,025	22	1,024	0	1	0	0					
7	of which: Collateralised by commercial immovable property		921	58	921	0	0	0	0					

As can be seen from the table COV3 below, around €3.3bn of new loans were granted, which are subject to a public guarantee scheme. More than 90% of these were allocated to corporate customers. Around 1.7% of the new loans are non-performing in line with

the EBA definition. Overall, the German industrial sectors are affected to varying degrees by the coronavirus pandemic and the independent fundamental structural challenges.



**COV3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis**

	a	b	c	d	
	Gross carrying values		Maximum amount of the guarantee that can be considered	Gross carrying values	
€m		of which: forborne	Public guarantees received	Inflows to non-performing exposures	
1	Newly originated loans and advances subject to public guarantee schemes	3,329	108	2,214	52
2	of which: Households	229			1
3	of which: Collateralised by residential immovable property	6			0
4	of which: Non-financial corporations	3,093	107	2,190	50
5	thereof SMEs	1,384			20
6	of which: Collateralised by commercial immovable property	255			3

## B. Counterparty credit risk

### Risk management

Counterparty credit risk (default risk from counterparty default risk) is defined as the risk of losses sustained or profits foregone due to the default of a counterparty in the context of a derivative or securities financing transaction. In addition to market price risks, derivative positions also give rise to default risks when a claim arises against the counterparty in the form of positive market values.

Commerzbank also looks at what is known as correlation risk (wrong way risk). This occurs when a counterparty's exposure and credit quality (rating) are negatively correlated. Wrong way risk is therefore an additional risk source, as the credit exposure is generally measured independently from the counterparty's creditworthiness. Commerzbank has a clear definition of specific and general wrong way risk. There are guidelines to assist in identifying and quantifying wrong way risk. They also set out how the exposure must be adjusted to allow for the wrong way risk. In the case of secured transactions, the potential relationship between the performance of the collateral and the credit rating of the counterparty also has to be considered and captured according to the Commerzbank collateral matrix.<sup>1</sup>

The derivative positions shown in the tables below do not include securitisation positions as defined in the CRR as these are shown in the securitisations chapter. This means that interest rate and currency swaps or credit derivative transactions entered into with special-purpose securitisation companies are not included.

Risk appetite is operationally structured in the Group Risk Strategy through a consistent management system with limits, benchmarks for risk strategy positioning and supplementary guidelines. The specific risk appetite for the lending business is derived from this and structured further in the credit risk strategy. The risk strategy focus of the credit risk strategy thus adopts the cross-segment benchmarks of the Group Risk Strategy that are relevant for the default risk and specifies them specifically for the lending business of the individual segments. Furthermore, the limit concept of the Group Risk Strategy is supplemented by quantitative guidelines to limit risk concentrations and weaker credit ratings. Downstream policies operationalise the risk appetite at the level of selected sub-portfolios.

In order to minimise both the economic and the regulatory credit risk arising from these instruments, Commerzbank enters into master agreements (bilateral netting agreements) such as the 2002 ISDA Master Agreement or the German Master Agreement for Financial Futures with the respective counterparties. By means of such bilateral netting agreements, the positive and negative market values of the derivatives contracts included under a master agreement can be offset against one another, and the regulatory add-ons for future

risks of these products can be reduced. This netting process reduces the credit risk to a single net claim on the contracting party (close-out netting). Table EU CCR5-A contains a detailed presentation of netting effects. The netting policy sets out the requirements for the external and internal netting of derivatives and repo transactions. For repo/lending transactions Commerzbank makes a distinction between "full netting" and "single transaction netting". Single transaction netting allows the netting of exposure and collateral in one transaction, while in full netting all transactions can be netted against each other.

For both regulatory reports and the internal measurement and monitoring of credit exposures, these risk-mitigating techniques are only used if Commerzbank considers them enforceable in the jurisdiction in question, should the counterparty become insolvent. Legal opinions are obtained from various international law firms in order to verify enforceability. Legal opinions are obtained 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 Commerzbank concludes with its business partners to secure the net claim or liability remaining after netting (receipt or provision 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.

Commerzbank only uses cash and securities pledged as collateral under master agreements. Table EU CCR5 gives a detailed list of collateral provided and received.

Regulations for risk mitigation measures are stipulated by the "Guideline for Collateralized Trading". The guideline covers legal aspects such as types of master agreements and the enforceability of netting transactions and collateral under master agreements. It describes the requirements governing the netting of collateral and the structuring of Credit Support Annexes.

The basis for determining the netting amounts for the default risk from derivative positions is not the positive market values but instead the so-called credit equivalent values. Credit equivalent values effectively correspond to the risk position values of balance-sheet default risk positions, as a credit conversion factor of 100% is applied to derivative positions.

To determine the assessment basis of derivative default risk positions, Commerzbank uses the internal model method (IMM) pursuant to Article 283 ff. CRR and the market valuation method pursuant to Article 274 CRR.

The approach to risk quantification under the IMM is generally based on a risk simulation which generates future market scenarios and creates portfolio valuations based on these scenarios. Netting and collateral agreements are taken into account.

<sup>1</sup> Although in a regulatory context wrong way risk is normally mentioned in connection with counterparty risk, Commerzbank also considers it in connection with issuer risk (e.g. between the issuer of a bond and the guarantor).

In applying the internal model method, the EaD is defined per counterparty as the product of the alpha factor and the calculated effective expected positive exposure E\*. Risks that are not taken into account when determining E\*, correlation risks for example, are included in the capital adequacy calculation through the alpha factor. Banks can either estimate the alpha factor themselves or use the supervisory value. Commerzbank does not carry out its own estimation of the alpha factor and applies the value specified by the supervisory authority when determining the exposure at default.

The exposure values for the counterparty default risk from derivative positions and securities financing transactions – including exchange-traded derivatives – used to determine the (net) assessment basis amounted to €2,772m using the standardised approach (SA-CCR) and €22,523m using the internal model method (see table EU CCR1 – Analysis of counterparty credit risk by approach) as of 31 December 2021. The proportion of derivatives and securities financing transactions processed via central counterparties measured by exposure value according to credit risk mitigation techniques was 11%. Table EU CCR8 shows the exposures to central counterparties (CCPs). Table EU CCR4 provides an overview of the risk positions managed under the AIRB approach by exposure class and PD scale.

All operative units, branches and subsidiaries are, subject to compliance with the regulations, authorised to use credit derivatives to hedge credit risks in loan portfolios (i.e. purchase of hedges). This allows them to hedge credit risks with a credit derivative without having to sell or assign the loan. A detailed list of credit derivatives can be found in table EU CCR6 – Credit derivatives exposures.

Commerzbank creates credit reserves (credit valuation adjustments, CVA) for derivatives, securities financing transactions and money market transactions reported at fair value in order to account for the counterparty's expected default risk. The offsetting of credit reserves compensates for the fair values of the transaction calculated on the basis of risk-free parameters. The CVA are determined by the sum of the discounted expected exposures until the end of the contract period of the transaction, weighted by the marginal probability of default of the counterparty and in consideration of the expected loss upon default of the counterparty. In order to calculate the expected exposure, Commerzbank uses a Monte Carlo simulation based on a risk-neutral calibration.

As part of the regulatory requirements under Basel 3, since 2015 the Commerzbank Group has additionally calculated the capital requirements for credit value adjustments (CVA risk) according to Article 381 ff. CRR. For the portfolios of Commerzbank Aktiengesellschaft, CVA risk is calculated using the advanced method according to Article 383 CRR via a sensitivity-based approach. For the Group's subsidiaries, the standardised approach according to Article 384 CRR is applied. As of 31 December 2021, there were eligible hedges under Article 386 CRR: Single name CDS of €117m. The capital requirements for CVA risk amounted to €213m (€2,663m RWA, see table EU CCR2 – CVA capital charge) as of 31 December 2021 for the Group.

Table EU CCR1 shows the counterparty default risk as defined in Article 439 f), g), k) and m) CRR as of 31 December 2021:

## Information on regulatory methods

### EU CCR1 Analysis of CCR exposure by approach

€m	a	b	c	d	e	f	g	h	
	Replace- ment cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre- CRM	Exposure value post- CRM	Exposure value	RWAs	
EU1	EU - Original Exposure Method (for derivatives)	0	0		1.4	0	0	0	0
EU2	EU - Simplified SA-CCR (for derivatives)	0	0		1.4	0	0	0	0
1	SA-CCR (for derivatives)	780	1,251		1.4	3,355	2,855	2,772	1,417
2	IMM (for derivatives and SFTs)			13,664	1.65	74,016	22,626	22,523	7,657
2a	Of which securities financing transactions			3,903		41,666	6,444	6,444	367
2b	Of which derivatives and long settlement transactions			9,762		32,350	16,182	16,079	7,290
2c	Of which from contractual cross- product netting			0		0	0	0	0
3	Financial collateral simple method (for SFTs)					0	0	0	0
4	Financial collateral comprehensive method (for SFTs)					16,098	4,618	4,765	788
5	VaR for SFTs					0	0	0	0
<b>6</b>	<b>Total</b>					<b>93,469</b>	<b>30,099</b>	<b>30,060</b>	<b>9,862</b>

Table EU CCR2 shows the own funds requirements for CVA risks, broken down by approach according to Article 439 h) CRR as of 31 December 2021:

### EU CCR2 Transactions subject to own funds requirements for CVA risk

€m	a	b	
	Exposure value	RWAs	
1	Total portfolios subject to the advanced method	5,239	1,909
2	(i) VaR component (including the 3x multiplier)		135
3	(ii) SVaR component (including the 3x multiplier)		1,774
4	All portfolios subject to the standardised method	1,422	754
EU4	Based on the original exposure method	0	0
<b>5</b>	<b>Total subject to the CVA capital charge</b>	<b>6,661</b>	<b>2,663</b>

Table EU CCR3 shows the allocation of credit counterparty risk in the standardized approach by exposure classes as defined in Articles 439 l) and 444 e) CRR as of 31 December 2021:

**EU CCR3: Standardised approach – CCR exposures by regulatory exposure class and risk weights**

Exposure classes   €m	a	b	c	d	e	Risk weight						Total	
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other		
1 Central governments or central banks	5,216	0	0	0	0	0	0	0	0	0	0	0	5,216
2 Regional governments or local authorities	831	0	0	0	0	0	0	0	0	0	0	0	831
3 Public sector entities	386	0	0	0	55	0	0	0	0	0	0	0	441
4 Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0
5 International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0
6 Institutions	1	646	168	0	12	164	0	0	16	0	0	0	1,006
7 Corporates	0	3,204	0	0	92	0	0	0	312	0	0	0	3,608
8 Retail	0	0	0	0	0	0	0	12	0	0	0	0	12
9 Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0
10 Other items	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>11 Total</b>	<b>6,435</b>	<b>3,850</b>	<b>168</b>	<b>0</b>	<b>159</b>	<b>164</b>	<b>0</b>	<b>12</b>	<b>328</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,114</b>

## Information by regulatory risk-weighting approach

Table EU CCR4 shows the credit counterparty risk according to exposure classes and PD scale according to Articles 439 I) and 452 g) CRR as of 31 December 2021:

EU CCR4: IRB approach – CCR exposures by exposure class and PD scale

	PD scale	a Exposure value €m	b Average PD %	c Number of obligors	d Average LGD %	e Average maturity <sup>1</sup> years	f RWAs €m	g RWA density
Central governments or central banks	0.00 to < 0.15	3,966	0.11	42	26.68	1.0	499	12.6
	0.15 to < 0.25	66	0.22	4	26.52	0.0	9	14.2
	0.25 to < 0.50	11	0.29	6	100.00	2.7	15	131.7
	0.50 to < 0.75	9	0.69	6	100.00	0.4	12	127.0
	0.75 to < 2.50	1	1.02	7	98.68	1.3	2	177.5
	2.50 to < 10.00	3	6.38	10	100.00	0.8	11	335.0
	10.00 to < 100.00	2	30.58	5	100.00	1.0	11	553.2
	100.00 (Default)	0	0	0	0	0	0	0.0
	<b>Subtotal</b>	<b>4,059</b>	<b>0.14</b>	<b>80</b>	<b>27.16</b>	<b>1.0</b>	<b>560</b>	<b>13.8</b>
Institutions	0.00 to < 0.15	4,972	0.07	309	46.89	2.9	1,952	39.3
	0.15 to < 0.25	1,040	0.20	82	46.93	3.0	683	65.7
	0.25 to < 0.50	631	0.35	110	46.32	1.8	415	65.7
	0.50 to < 0.75	134	0.57	34	44.71	1.5	105	78.2
	0.75 to < 2.50	358	1.06	103	51.49	0.9	350	97.7
	2.50 to < 10.00	147	4.87	65	47.52	1.9	253	171.6
	10.00 to < 100.00	65	19.90	23	45.04	4.1	158	243.7
	100.00 (Default)	0	0	0	0	0	0	0.0
	<b>Subtotal</b>	<b>7,346</b>	<b>0.44</b>	<b>726</b>	<b>47.03</b>	<b>2.7</b>	<b>3,915</b>	<b>53.3</b>
Corporates	0.00 to < 0.15	3,200	0.05	1,230	34.18	1.3	688	21.5
	0.15 to < 0.25	4,448	0.18	850	40.94	1.5	1,524	34.3
	0.25 to < 0.50	1,865	0.33	1,404	44.69	1.3	1,143	61.3
	0.50 to < 0.75	588	0.58	765	33.76	1.3	361	61.5
	0.75 to < 2.50	1,046	1.00	1,155	40.33	1.5	836	79.9
	2.50 to < 10.00	210	4.01	433	34.67	1.2	271	129.1
	10.00 to < 100.00	41	13.83	79	4.46	1.0	65	160.0
	100.00 (Default)	20	100.00	49	50.21	1.4	10	52.7
	<b>Subtotal</b>	<b>11,417</b>	<b>0.61</b>	<b>5,965</b>	<b>40.79</b>	<b>1.8</b>	<b>4,899</b>	<b>42.9</b>
Retail	0.00 to < 0.15	78	0.03	714	45.62		5	6.1
	0.15 to < 0.25	17	0.20	211	49.90		4	22.4
	0.25 to < 0.50	12	0.34	348	50.35		3	29.0
	0.50 to < 0.75	4	0.53	206	50.45		2	42.6
	0.75 to < 2.50	8	1.25	401	52.48		5	67.7
	2.50 to < 10.00	10	3.77	279	49.17		7	73.3
	10.00 to < 100.00	1	13.62	31	53.82		1	111.6
	100.00 (Default)	0	100.00	10	42.99		0	62.5
	<b>Subtotal</b>	<b>129</b>	<b>0.60</b>	<b>2,200</b>	<b>51.10</b>		<b>27</b>	<b>21.1</b>
<b>Total (all exposure classes)</b>		<b>22,951</b>	<b>0.47</b>	<b>8,971</b>	<b>40.44</b>	<b>2.0</b>	<b>9,402</b>	<b>41.0</b>

Table EU CCR5 shows the composition of the collateral for the credit counterparty risk in accordance with Article 439 e) CRR as of 31 December 2021:

#### EU CCR5 Composition of collateral for CCR exposures

		a	b	c	d	e	f	g	h
€m		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	44	11,478	376	10,668	0	29	0	65
2	Cash – other currencies	51	1,531	173	5,517	0	144	0	316
3	Domestic sovereign debt	11	10	6	423	0	20	0	285
4	Other sovereign debt	474	294	348	1,374	0	453	0	3,171
5	Government agency debt	0	2	0	2	0	0	0	780
6	Corporate bonds	5	371	53	130	0	5,619	0	2,868
7	Equity securities	2	0	0	0	0	167	0	336
8	Other collateral	0	0	0	0	0	0	0	0
<b>9</b>	<b>Total</b>	<b>586</b>	<b>13,685</b>	<b>956</b>	<b>18,114</b>	<b>0</b>	<b>6,432</b>	<b>0</b>	<b>7,822</b>

Table EU CCR6 shows a summary of credit derivatives for hedging by product as per Article 439 j) CRR as of 31 December 2021:

#### EU CCR6: Credit derivatives exposures

€m		a	b
		Protection bought	Credit derivative hedges Protection sold
<b>Notionals</b>			
1	Single-name credit default swaps	5,848	3,230
2	Index credit default swaps	5,631	5,380
3	Total return swaps	2,120	201
4	Credit options	400	439
5	Other credit derivatives	0	0
<b>6</b>	<b>Total notionals</b>	<b>13,998</b>	<b>9,251</b>
<b>Fair value</b>			
7	Positive fair value (asset)	83	163
8	Negative fair value (liability)	-530	-11

The following table EU CCR7 shows the development of RWA by main driver of credit counterparty risk according to the internal model method (IMM) in the fourth quarter of 2021 in accordance with Article 438 h) CRR. The significant increase in RWA is mainly

due to model updates. The significant decrease in RWA is mainly due to the decline in residual terms and the reduction of exposures. In addition, there was a decline due to fluctuations in the exchange rate.

#### EU CCR7: RWA flow statements of CCR exposures under the IMM

€m		a
		Risk weighted assets (RWAs)
<b>1</b>	<b>RWAs as at the end of the previous reporting period</b>	<b>8,644</b>
2	Asset size	-900
3	Credit quality of counterparties	83
4	Model updates (IMM only)	5
5	Methodology and policy (IMM only)	0
6	Acquisitions and disposals	0
7	Foreign exchange movements	-175
8	Other	0
<b>9</b>	<b>RWAs as at the end of the reporting period</b>	<b>7,657</b>



## Further information on counterparty credit risk

Table EU CCR8 shows the breakdown of risk positions by central counterparties as per Article 439 i) CRR as of 31 December 2021:

### EU CCR8 Exposures to CCPs

€m		a	b
		Exposure value	RWAs
<b>1</b>	<b>Exposures to QCCPs (total)</b>		<b>260.7</b>
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	4,018	83.7
3	(i) OTC derivatives	1,476	32.9
4	(ii) Exchange-traded derivatives	1,806	36.1
5	(iii) SFTs	736	14.7
6	(iv) Netting sets where cross-product netting has been approved	0	0.0
7	Segregated initial margin	126	
8	Non-segregated initial margin	0	0.0
9	Prefunded default fund contributions	624	177.0
10	Unfunded default fund contributions	0	0.0
<b>11</b>	<b>Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which</b>		<b>0.0</b>
12	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	0	0.0
13	(i) OTC derivatives	0	0.0
14	(ii) Exchange-traded derivatives	0	0.0
15	(iii) SFTs	0	0.0
16	(iv) Netting sets where cross-product netting has been approved	0	0.0
17	Segregated initial margin	0	
18	Non-segregated initial margin	0	0.0
19	Prefunded default fund contributions	0	0.0
20	Unfunded default fund contributions	0	0.0

Contractual agreements that oblige Commerzbank to provide additional collateral to its counterparties in the event of a downgrading of its own rating are governed in the Credit Support Annexes which are established as part of the netting master agreements for OTC derivative business.

The counterparty ratings (from Standard & Poor's, Moody's and Fitch Ratings) are automatically uploaded on a daily basis via

interfaces with Reuters, Telerate or Bloomberg into the collateral management system, which can simulate downgrade scenarios if necessary. This makes it possible to carry out an advance analysis of the potential effects on the collateral amounts. Commerzbank regularly reviews these collateral amounts as part of its stress test assuming a simultaneous two-notch downgrade by the three big rating agencies.

### addCCR1: Additional contractual obligations (in stress test)

Additional contractual obligations   €m	
Contractual derivative outflows and margin calls	350
thereof collateralised interest rate derivatives	150
thereof uncollateralised interest rate derivatives	200
Other contractual outflows and margin calls	70
<b>Total 2021</b>	<b>420</b>
Total 2020	420

## C. Securitisations

In securitisation business Commerzbank performs the three roles provided for in regulatory legislation, namely originator, sponsor and investor.

› **Originator** Parts of the Bank's own loan portfolio are placed selectively on the capital markets through securitisation transactions. The transfer of the credit risk is mainly by means of synthetic securitisations where the portfolio is hedged through financial guarantee contracts. Commerzbank has in recent years securitised receivables from loans to the Bank's customers with a current volume of €11.5bn, primarily for capital management purposes (31 December 2020: €12.3bn).

As of 31 December 2021, of the outstanding securitisations of Commerzbank, risk exposures of €9.8bn (31 December 2020: €10.2bn) were retained. By far the largest portion of these positions is accounted for by €9.6bn of senior tranches, which are nearly all rated good or very good (December 2020: €10bn).

The assets securitised by Commerzbank belong to the bank and are derived from its European, mainly German lending business with small and medium sized business customers. In the period under review Commerzbank had not launched any new transaction with regulatory capital relief and no transactions had been repaid.

At the reporting date Commerzbank has planned the placement of a securitisation transaction for the first half of 2022 with a volume of €12bn. This transaction is not used to free up regulatory capital. Furthermore, the Polish subsidiary of Commerzbank, mBank will launch a simple, transparent and standardised (STS) securitisation transaction with a volume of approx. €2.67bn. The underlying assets of this synthetic securitization transaction belong to mBank and are derived from its European, mainly German lending business with medium sized business customers and large corporate customers.

As part of the overall management of the Bank, the Commerzbank Group constantly reviews opportunities to securitise its own assets. This process is primarily influenced by the market conditions prevailing at any one time. At the reporting date, no further placement of securitisation transactions was planned for the first quarter of 2022.

In the reporting year, due to the structure of the transactions, Commerzbank did not hold any securitisation exposures for which additional capital was required as a result of an investor share to be taken into consideration by the originator under Article 246 (Regulation (EU) 2017/2401). In addition, during the reporting year

Commerzbank provided no implicit support within the meaning of Article 250 (Regulation (EU) 2017/2401).

In the period under review, Commerzbank did not sell investment products resulting from its role as originator to companies that are managed or advised in investments by Commerzbank.

› **Sponsor** By securitising their own portfolios of receivables, i.e. selling their receivables on a non-recourse basis, Commerzbank's customers are able to tap alternative sources of funding on the capital markets (Conduit business). Structuring, arranging and securitising these receivables portfolios, particularly those of customers in the Corporate Clients segment, is a key component of the structured finance product range. Special purpose vehicles (purchasing entities) are typically established to manage these assets. The ABS conduit Silver Tower established by the bank primarily acts as the purchasing entity. The refinancing of the purchases is regularly done through the issuance of short-term registered notes. As sponsor, the Bank is responsible for structuring and, as a rule, purchasing and refinancing the transactions. Commerzbank provides the special purpose vehicles with note purchase agreements to enable access to short-term liquidity through the purchase of registered notes.

These note purchase agreements are counted in full when determining the risk-weighted exposures. The mainly high diversified portfolios of receivables generally derive from customers' working capital, such as trade receivables and car, machinery and equipment leases. The receivables portfolios therefore reflect the differing businesses of those selling the receivables. The volume in the sponsor securitisation positions has increased by €0.2bn to €3.3bn in 2021.

› **Investor** The Commerzbank Group invests under its regulatory banking book in securitisation positions. The Bank's internal credit risk strategy allows entering into new securitisation positions provided that the risk profile of each securitisation position is subjected to a differentiated analysis and documentation. This allows transaction risk drivers that may impact directly or indirectly on the securitised position's risk content to be taken into account. In the year under review Commerzbank invested in senior-ranking securitisation positions, mainly backed by pools of corporate loans and consumer loans.

## Risk management

The internal processes for monitoring the risk profile of securitisation exposures are based on the provisions of Articles 5 (due diligence for institutional investors) and 7 (transparency requirements for originators, sponsors and SSPE) ((Regulation (2017/2402) amending Regulation (575/2013)) and on the principles of the Minimum Requirements for Risk Management (MaRisk) as amended. They apply equally to all securitisation exposures, irrespective of whether they are part of the regulatory trading or banking book.

The processes put in place by the Bank take account of the individual risk profile of securitisation exposures on the basis of a wide range of information sources. They ensure that various risks directly and indirectly affecting the probability of default of the securitised positions are monitored in a continuous and timely manner. This also includes carrying out regular stress tests that take account of macroeconomic factors and the individual risk profile of the securitised positions.

› **Originator** The credit process for loans to customers does not distinguish between loans which the Bank will securitise at a later date and those for which it will continue to assume the risk. Transactions which allow reliefs in capital for regulatory purposes are subject to a monitoring process that ensures the continuous compliance with the regulations on significant risk transfer according to Articles 244 and 245 (Regulation (2017/2401)). The amount to be retained in securitisation transactions in accordance with Article 6 Regulation ((2017/2402) amending Regulation (575/2013)) is reviewed regularly and published in the Investor Report. A potential placement risk for Commerzbank's transactions is taken fully into account, as the receivables are included in full in the Bank's risk and capital management process up until the actual risk transfer by means of securitisation and placement.

› **Sponsor** The customer transactions funded via conduits are subject to an ongoing credit process. A risk analysis of the transactions is conducted when the transactions are structured and again in regular reviews which are carried out annually and as circumstances require. A rating is assigned using the Commerzbank's own ABS rating systems (internal assessment approach). For this purpose we take into account all significant risk drivers of the securitised receivables portfolio (e.g. type of receivable, default rates, collateral provided, diversification, dilution risks, commingling risks) and of the securitisation structure (e.g. whether the creditor claims have a waterfall structure, credit enhancements). Qualitative risk drivers ascertained from regular on-site visits to the seller of receivables as well as the seller's financial position are also taken into account. For trade receivables, structure-inherent covers through credit insurance are taken into account in the rating model and credit analysis. Credit insurance is used in order to mitigate concentration risk. The

main counterparties here are Euler Hermes Deutschland, the German branch of Euler Hermes SA and the German branch of Compagnie Française d'Assurance pour le Commerce Extérieur SA (Coface). Before any purchase of customer receivables, the minimum conditions agreed in the contract documentation are reviewed and any non-qualifying receivables are excluded. After the receivables have been bought, their quality is reviewed continuously. If any potential problems come to light another credit analysis of the structure is carried out.

› **Investor** Strict internal guidelines must be followed when acquiring a new securitisation position. Such positions are subject to a specific internal credit process that also ensures that the specific requirements for securitisation positions regarding due diligence and retention under Articles 5 and 6 ((Regulation(2017/2402) amending Regulation (575/2013)) are met. In the credit process applied to the Bank's securitisation portfolio, the risk profile of the securitisation positions is analysed quarterly or as circumstances require. In preparing a credit assessment, at the level of the individual tranche a securitisation-specific rating system is used which has been developed internally within the Bank, while external standard models are also applied. As with securitisation exposures, the ranking of the individual tranches contained in the pool within a securitisation structure are taken into account in this analysis, as are the specific features of the asset classes and of the different jurisdictions, in order to generate the expected aggregate cash flow. The results are then used to model the entire waterfall structure at the level of the resecuritisation.

› **Nature of other risks** Commerzbank takes into account not only the original default risk of the securitised receivables but also secondary risks such as market value risk, liquidity risk, legal risk and operational risk insofar as they are relevant with a direct or indirect impact on the default risk. This process looks, for example, at the performance reports for the securitised receivables, changes in external ratings and movements in the market value of the securitisation exposures.

When determining market price risk, changes relating to interest rates, foreign currency rates or credit spreads, among others, are taken into account for the risk assessment of each tranche. In addition, the combination of various conventional risk measures (e.g. VaR) ensures the appropriate management of market risk concentrations at Group level.

Liquidity risk refers in this context to the risk that Commerzbank will be unable to meet its payment obligations on a day-to-day basis. Liquidity risks from securitizations are modelled conservatively in the internal liquidity risk model. In the case of variable-use transactions, it is assumed that the purchase facilities provided to the special-purpose vehicles must be funded by Commerzbank for the duration of their term almost completely and until the maturity date of the last funded claim. 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 applying conservative discounts.

Legal risk in the context of securitisation transactions is the risk that the Bank might suffer losses as a result of flaws in legal transaction structures or as a result of missing or flawed legal documentation. Commerzbank's independent Legal department is responsible for examining legal structures and all transaction contracts. In terms of content, risks are divided into those arising from the sphere of the originator itself or those directly connected with the portfolio to be securitised. The subsequent refinancing and collateral structure are also a key element of legal structuring and risk assessment.

As well as being associated with legal risk as a risk type under the overall heading of operational risk, securitisation business is subject to the Group-wide management of operational risks. It therefore falls within the framework used by Commerzbank to measure operational risks.

## Valuation methods and quantitative information

### Regulatory valuation of securitisations

The EU securitisation regulation comprises of two regulations: the securitisation regulation (Regulation (EU)2017/2402) that for the first time creates a European framework for simple, transparent and standardised securitisations (STS) as well as regulation (EU) 2017/2401 where the necessary amendments regarding regulation (EU) No 575/2013 (Capital Requirements Regulation, CRR) are adapted.

The securitisation regulation regulates and harmonises the due diligence requirements for institutional investors, the transparency requirements and the specific requirements for the new STS-securitisations. STS-securitisations are considered to be of high quality and therefore receive a more benign capital treatment.

The hierarchy foresees the internal based approach (SEC-IRBA) at the top of the hierarchy if at least 95% of the underlying exposure amounts can be calculated with the SEC-IRBA. If this is not the case the standardised approach (SEC-SA) is to be used. Only if the SEC-SA is not applicable the SEC-ERBA which is based on eligible external ratings is relevant.

### Securitisation positions in the banking book

› **Originator** Capital is held against synthetic securitisation tranches that have been placed on the market based on the risk weighting of the party providing the collateral. Counterparties to the hedging instruments used, e.g. financial guarantees, are institutional investors, whose deposits serve as collateral. For all own transactions the approach based on internal ratings (SEC-IRBA) is applied.

› **Sponsor** The overwhelming majority of sponsor transactions have to be allocated to the conduit business. Only in a few cases does Commerzbank hold other sponsor positions. For capital requirements within the Conduit business the Standardised Approach according to the amendments to CRR (EU Regulation 2017/2401) applies. For purposes within the internal capital model, portfolio monitoring as well as setting limits (ICAAP-processes), Commerzbank's own rating systems (IAA) had been used for the receivables classes of trade receivables, car finance and leasing, equipment leasing and consumer lending. In addition, the internal assessment approach is subject to an annual validation by Commerzbank's risk function.

The approaches to modelling probability of default (PD) or expected loss (EL) for securitisation tranches differ depending on the type of the securitised asset class. They follow the guidelines of the rating agencies and include main risk drivers of the securitized portfolio as well as the special structural features of the securitization position. Other quantitative and qualitative risk components that are regarded as material by Commerzbank are also included in the assessment. These include, in particular, seller risks and qualitative risk drivers that are evaluated via structured qualitative questionnaires. The result of the rating process is a tranche-specific rating derived from the quantitative and qualitative results of the assessment approach. Depending on the specific approach used, this rating is based on the probability of default or expected loss of the securitised tranche.

For the asset classes trade receivables, car finance and leasing, equipment leasing and consumer lending, a range of different stress factors used by the rating agencies are applied, depending on the main risk drivers for the relevant transactions. These are, for example, stress factors on concentration risks, default risks, dilution risks and interest rate risks. Quantitative and qualitative modelling components devised by the Bank are also used. When calculating loss buffers, stress factors are determined individually for different securitised asset types on the basis of the risk profiles of the securitisation transactions.

› **Investor** For investor positions, external ratings are generally available and lead to the SEC-ERBA according to the CRR (Regulation 2017/2401). Commerzbank takes account of all available external ratings of securitisation positions issued by the rating agencies nominated by Commerzbank, namely Standard & Poor's, Moody's and FitchRatings. It does so irrespective of the type of receivables securitised and the type of securitisation exposure.

A very small portion of investor positions is covered by guarantees from guarantors. The guarantee is taken into account in the calculation of RWAs by substituting the risk weighting of the guarantor for the risk weighting of the securitisation.

Companies which are consolidated within the Commerzbank Group for regulatory purposes may, as part of the Group-wide business and risk strategy, act as investors in securitisation transactions in which the Bank is acting as sponsor or originator.

Commerzbank currently only holds securitisation exposures from transactions where it acts as sponsor or originator. All retentions or repurchases of securitisation exposures from the Bank's own transactions with recognised regulatory risk transfer and securitisation exposures from transactions where Commerzbank has acted as sponsor are taken into account when determining the regulatory capital requirement.

#### Valuation and accounting procedures

In true sale or synthetic securitisation transactions via special purpose vehicles, IFRS accounting regulations require the Bank to review whether or not the securitising special purpose vehicles need to be consolidated in accordance with IFRS 10. This review process is centralised in the Commerzbank Group in the accounting department. The central unit is informed of the establishment or restructuring of a special purpose vehicle. On the basis of the information submitted, it carries out a review to determine whether or not the special purpose vehicle needs to be consolidated.

› **Originator** If the special purpose vehicle is consolidated as part of the Commerzbank Group, no further derecognition test is carried out under IFRS 9. The asset is not derecognised in this case. If the special purpose vehicle does not have to be consolidated, in true sale securitisations the possible derecognition of the securitised receivables from the balance sheet is assessed. Following an assessment of the risks and rewards of ownership as the primary derecognition criterion and the control concept as the secondary derecognition criterion according to IFRS 9.3.2, a derecognition or partial derecognition is reported where appropriate. In the case of synthetic securitisations, the underlying receivables remain on the balance sheet. As with securitised receivables in true sale securitisations that are not derecognised, they are reported in their original IFRS category.

These receivables continue to be accounted for in accordance with the rules for this IFRS category. Where securitised receivables are derecognised, any resultant gains or losses are recognised in the income statement. In some cases, the derecognition of receivables may lead to the first-time recognition of new exposures, for example bonds issued by special purpose vehicles. Under IFRS these exposures are categorised on the basis of the intention with which the securities were acquired and the type of securities according to IFRS 9 (FVTPL, Amortised Cost and FVOCI). Please refer to the notes to the IFRS Group financial statements (Annual Report 2021, Notes to the balance sheet, from page 182 onwards) for a detailed explanation of the classification rules and the related valuation procedures.

No securitisation transactions leading to derecognition of receivables were carried out in the period under review. As a result, no gains or losses were realised from the sale of receivables in connection with securitisation transactions during the reporting period. The transaction Coco Finance II-3 Ltd. founded in 2020 is consolidated in the year under review for accounting purposes but not consolidated for regulatory purposes.

If assets are earmarked for securitisation, this has no direct impact on their accounting treatment or measurement within the applicable IFRS categories.

› **Sponsor** Single compartments of Silver Tower S.A. are established for Silver Tower transactions instead of using purchasing entities. The Silver Tower S.A. and their compartments are not being consolidated.

› **Investor** Under IFRS, investor positions are categorised on the basis of the intention with which the securities were acquired and the type of securities according to IFRS 9 (FVTPL, Amortised Cost and FVOCI). For a detailed explanation, please refer to the notes to the IFRS Group financial statements (Annual Report 2021, Notes to the balance sheet, from page 182 onwards), which also explains the related valuation procedures. If the securitisation exposures are traded on liquid markets with observable pricing, they are valued on the basis of independent market prices. If direct measurement at market prices is not possible, the value of the securitisation exposure is determined using prices from external providers. In some cases, the value of the securitisation exposure is determined with the help of valuation models. This involves the application of a discounted cash flow approach, with the cash flows and other relevant parameters being based on data observable on the market. Moreover, the approach is calibrated with market data for application to similar securitisation structures. In many cases the prices estimated by external providers are used. There were no significant changes in the methods used to value securitisation positions in the period under review.

### Quantitative information on securitisations

**Securitisations positions in the banking book** The following information relates to transactions for which risk-weighted exposures are determined in accordance with Articles 242–270 regulation amending CRR (EU Regulation 2017/2401). This also includes the Commerzbank Group's own securitisation transactions for which capital relief is available and made use of for regulatory purposes.

The total volume of all retained or acquired securitisation exposures (on- and off-balance-sheet) was €25.1bn as at the reporting date. This amount corresponds to the exposures after deducting eligible collateral.

The following table EU SEC1 shows the total amount of securitisation positions in the banking book broken down by originator, sponsor and investor by asset class according to Article 449 j) CRR as of 31 December 2021.

## EU SEC1 Securitisation exposures in the banking book as of 31 December 2021

€m		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional		Non-STS		Synthetic	of which SRT	Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS	of which SRT	Non-STS	of which SRT				STS	Non-STS			STS	Non-STS		
a	b	c	d	e	f	g	h	i	j	k	l	m	n	o		
1	Total exposures	0	0	0	0	9,802	9,802	9,802	2,504	922	0	3,425	1,347	9,985	0	11,332
2	Retail (total)	0	0	0	0	0	0	0	0	0	0	0	1,232	2,918	0	4,150
3	residential mortgage	0	0	0	0	0	0	0	0	0	0	0	0	87	0	87
4	credit card	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	other retail exposures	0	0	0	0	0	0	0	0	0	0	0	1,232	2,832	0	4,063
6	re-securitisation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7	Wholesale (total)	0	0	0	0	9,802	9,802	9,802	2,504	922	0	3,425	115	7,067	0	7,182
8	loans to corporates	0	0	0	0	9,802	9,802	9,802	0	181	0	181	0	6,600	0	6,600
9	commercial mortgage	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	lease and receivables	0	0	0	0	0	0	0	2,504	741	0	3,245	115	271	0	386
11	other wholesale	0	0	0	0	0	0	0	0	0	0	0	0	196	0	196
12	re-securitisation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

We are refraining from showing the trading book transactions in the table EU SEC2 according to Article 449 j) CRR as of 31 December 2021 due to the small exposure value of less than €1,000.







Table EU SEC5 shows the amount of the specific credit risk adjustments and the exposures in default from originator and sponsor transactions according to Article 449 I) CRR as of 31 December 2021:

**EU SEC5 Exposures securitised by the institution - Exposures in default and specific credit risk adjustments**

€m		a	b	c
		Total outstanding nominal amount	Of which exposures in default	Total amount of specific credit risk adjustments made during the period
<b>Exposures securitised by the institution - Institution acts as originator or as sponsor</b>				
<b>1</b>	<b>Total exposures</b>	<b>13,228</b>	<b>63</b>	<b>0.13</b>
2	Retail (total)	0	0	0.00
3	residential mortgage	0	0	0.00
4	credit card	0	0	0.00
5	other retail exposures	0	0	0.00
6	re-securitisation	0	0	0.00
7	Wholesale (total)	13,228	63	0.13
8	loans to corporates	9,983	56	0.00
9	commercial mortgage	0	0	0.00
10	lease and receivables	869	4	0.13
11	other wholesale	2,376	3	0.00
12	re-securitisation	0	0	0.00

Based on the country of the securitised claim, the securitisation exposures originate predominantly from Germany at 57% (2020: 60 %), the USA 22% (2020: 23%) and France 15% (2020: 7%).

As of 31 December 2021 the value of the securitisation exposures deducted from equity capital was €231m (2020: €209m). After taking account of impairments, the capital deduction amounted to €183m (2020: €178m).

During the period under review, no portfolio losses occurred under the Commerzbank originator transactions. We have

taken the information on impaired and past due claims from the investor reports for the respective underlying transactions.

In 2021 the amount of the impaired assets was €44m (2020: €13m) and the amount of the past due assets was €7m (2020: €6m) of the underlying asset class „Loans to companies/SMEs“.

In the year under review, Commerzbank had no resecuritisation positions in its portfolio.

## D. 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 generally reflected in the revaluation reserve or in hidden liabilities/reserves.

### Risk management

#### Strategy and organisation

Commerzbank's market risk strategy is derived from its Group 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 for the Group 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 committees.

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 (VaR) figures, 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 the 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 price 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 market units. Voting on the proposed measures or exposures 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 with 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.

#### **Tradability and measurement of financial instruments**

The criteria applicable within the Bank for the allocation of transactions to the trading book or banking book are set as part of a Group-wide policy which implements the regulatory requirements for the allocation of transactions to the trading book with regard to the bank-specific circumstances, particularly also with regard to organisation and the focus of business policy.

Commerzbank has various control processes in place to identify illiquid markets and trading restrictions, which provide indications to determine the procedures to adopt in such cases. In addition to this, the ability to hedge trading book positions and the assessment of the reliability of measuring these trading book positions are subject to regular reviews.

IFRS 13 standardises the rules for measuring fair value. Under IFRS 13, the fair value of an asset is the amount for which it could be sold between knowledgeable, willing, independent parties in an arm's length transaction. The fair value therefore represents a realisable 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. Furthermore, for the valuation of a debt one's own default risk has to be considered.

The most suitable measure of fair value is the quoted price for an identical instrument in an active market (fair value hierarchy level I). In cases where no quoted prices are available, valuation is based on quoted prices for similar instruments in active markets. In all other cases, fair value is derived using an appropriate valuation model where the data inputs are obtained, as far as possible, from verifiable market sources (fair value hierarchy level II).

Most valuation methods are based on data from verifiable market sources. However, some valuation models use inputs for which sufficient verifiable current market data is not available, and which therefore inherently include a greater level of expert or management judgement. These unobservable inputs may include data that is extrapolated or interpolated, or may be derived by approximation

to correlated or historical data. Here, to a maximum extent, these inputs are market or third-party inputs and rely as little as possible on expert estimates or company-specific inputs (fair value hierarchy level III).

Valuation models must be consistent with accepted economic methodologies for pricing financial instruments. They must incorporate all factors that market participants would consider appropriate in setting a price. In the Commerzbank Group, standards have been established in the form of internal controls and procedures for the independent verification and validation of all fair values including the creation of a valuation reserve. These controls and procedures are carried out by various units within the independent finance and risk functions, with a central supervisory function being exercised by the Independent Price Verification (IPV) Group within the risk function. The models, inputs and resulting fair values are reviewed regularly by senior management, the finance and the risk function.

The fair value itself is determined in a two-step process. As a first step, the individual fair value components are calculated in accordance with the relevant rules; the second step involves combining the components on a monthly basis in a consolidated fair value report for reporting at Group level.

The independent price verification (IPV) process ensures the correctness of the prices and parameters used in the fair value calculation as a central, independent process for determining and verifying the fair value. The IPV process is based on a risk-oriented approach which takes into account internal factors such as changes in business strategy, the expansion or downsizing of business activities as well as external factors such as developments in markets, products and valuation models. If a price is directly observable, e.g. the stock market price of a share, the products are valued at the bid or offer side, depending on whether they are a long or a short position. However, if a valuation model for determining fair value is applied, the respective input parameters at mid-market are used, e.g. interest rates and implied volatilities to value an interest rate option. This results in the positions affected being overvalued because their liquidation or hedging in the market would always be realised at a bid or offer price. Accordingly, "bid-offer reserves" - totalling 1/2 of the bid-offer spread in relation to the associated position - must be taken into account as liquidation or hedge costs for all positions valued at mid-market.

In the event of illiquid products or input parameters the availability of independent market data sources may be restricted. Where sufficient information is available for a solid independent estimate made by experts, a parameter uncertainty reserve is set up. Such estimates are usually based on comparable and available market data (mapping), so the corresponding reserve can be calculated on the basis of the standard deviation of this market data. However, if the applied valuation models use input parameters for which there is no market data or insufficient verifiable market data (see Level III above), a “Day-1 reserve” is set up on the day the transaction is executed. To this end, the profit or loss calculated by the valuation model on the first day of trading (Day1) is set aside and recognised on a pro-rata basis over the term of the transaction or the period during which the relevant market parameters are expected to be unobservable.

Should valuation models show theoretical deficits or be subject to certain restrictions in their practical application, it is necessary to set up model reserves that reflect these uncertainties. Here, a distinction is made between generic model reserves, which relate to all transactions measured using a specific model, and specific model reserves, which affect only individual transactions or particular model combinations. These reserves are usually estimated using a revaluation with alternative models.

In addition, valuation adjustments (summarised under the term xVA) for OTC derivatives have been taken into account. These valuation adjustments include the risk and funding profiles of counterparties and of the bank itself in the valuation. Thus, the credit valuation adjustment (CVA) describes the valuation adjustment of OTC derivatives for the default risk of the counterparty while the debit valuation adjustment (DVA) depicts the adjustment for own default risk. The funding valuation adjustment (FVA) for its part offsets differences in funding costs on account of the incomplete collateralisation of derivative transactions.

## Market risk model

---

### Value at Risk

A standardised value at risk model incorporating all positions is used for the internal management of market risk. VaR quantifies the potential loss from financial instruments due to changed market conditions over a predefined time horizon and with a specific probability.

Our VaR market risk model is based on a historical simulation with a one-year interval of historical market data. The historical simulation determines the profit and loss distribution of the current portfolio by means of revaluation using historical changes in market prices and volatility. This is done on the basis of independent market data which is quality-assured on a daily basis and fed into a central market database at a standard defined time. Market data is provided for all relevant positions in the asset classes interest rates, credit spreads, equities, foreign currencies and commodities. This market data takes the form of prices quoted directly on the market or market data such as yield and credit spread curves derived using internal methods. A proxy concept is used if no market data is available for individual exposures. In this case, prices are derived from those for comparable instruments.

For internal management purposes, a confidence level of 97.5% and a holding period of one day are assumed. The value at risk concept makes it possible to compare risks over a variety of business areas. It enables many positions to be aggregated, taking account of correlations between different assets. This ensures a consolidated view of the market risk at all times. A comprehensive internal limit system broken down to portfolio level is implemented and represents an important part of internal market risk management.

The VaR market risk model described above is also used to calculate regulatory required capital. This regulatory capital backing is required for trading book risks and for currency and commodity price risks in the banking book. A confidence level of 99% and a ten-day holding period are used for the regulatory capital adequacy requirement. These assumptions meet the requirements of the Basel Committee and other international standards on the management of market risk. For certain evaluations, such as backtesting, the VaR is also calculated on the basis of a one-day holding period.

### Stress test

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

Extensive Group-wide stress tests and scenario analyses are carried out as part of risk monitoring. The Bank-wide stress test calculation is based on a combination of short-term stress test scenarios and scenarios based on macro-economic variables. The stress test framework is completed by portfolio-specific stress tests and ad-hoc scenario analyses.

Stress tests are intended to simulate the impact of crises and extreme market conditions on the Bank's overall market risk position. The impact on the respective components of capital and the income statement is also quantified in these tests.

In order to manage and monitor risks, short-term scenarios are calculated daily, compared against fixed limits and reported to the Board of Managing Directors. The longer-term scenarios are calculated on a monthly basis and discussed in the respective committees.

### Model validation

The reliability of the internal model (historic 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 clean P&L backtesting, 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.

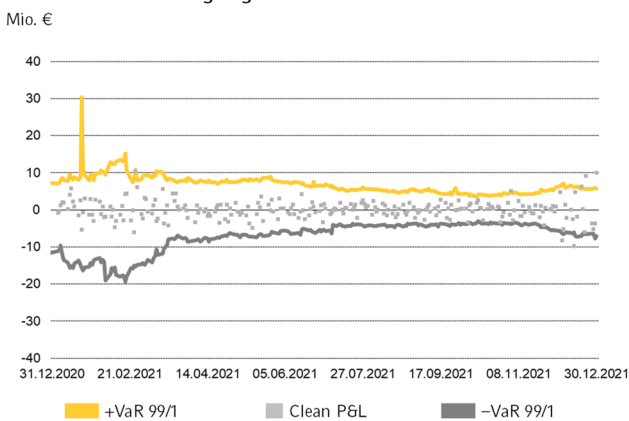
If the actual loss exceeds the VaR, it is described as a negative backtesting outlier. Analysing the results of backtesting provides an informative basis for checking parameters and for potential improvement to the market risk model. In 2021 two negative clean

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<sub>2</sub> emissions certificates. The dirty P&L outlier was mainly caused by market movements in interest rates and foreign currencies.

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.

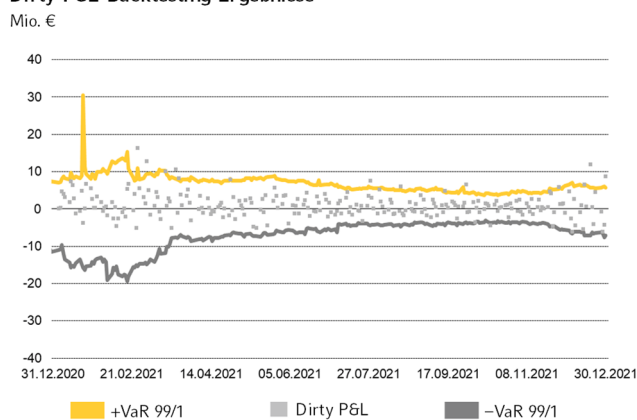
#### EU MR4: Comparison of VaR estimates with gains/losses (clean)

##### Clean-P&L-Backtesting-Ergebnisse



#### EU MR4: Comparison of VaR estimates with gains/losses (dirty)

##### Dirty-P&L-Backtesting-Ergebnisse



The individual components of the internal model are regularly validated for their appropriateness for risk measurement. These include the underlying model assumptions and parameters and the proxies used. Validation analyses are planned and carried out based on the validation concept. The scope and frequency of the validations are defined in the validation concept by means of a materiality and risk-oriented prioritisation. The validation planning and progress is regularly presented to the Validation Committee, which discusses and approves the validation results.

The validation results are also reported to the Group Market Risk Committee on a quarterly basis. The identification and elimination of model weaknesses are of particular importance.

## Quantitative information on market risks

Pursuant to Article 92 (3) b) and c) CRR, adequate capital must be set aside for market risk positions. Commerzbank uses an internal market risk model to calculate the regulatory capital requirement. This affects both the equity price and interest rate-related risk positions in the trading book as well as the currency positions and commodity positions. The standardised approaches are applied for smaller units in the Commerzbank Group in accordance with the partial use option.

### Development of market risk assets in the standard approach

The standard approach is essentially used to include the market risk positions of investments/subsidiaries in the calculation of capital requirements. On 31 December 2021, the standard approach accounted for 5 % of all market risk assets. The risk-weighted assets for market risk positions in the standard approach declined to

€390m in the year 2021. The decrease is due to the fact that the foreign exchange risk is below the regulatory threshold for capital requirements.

Table EU MR1 contains RWA for market risks in the standardized approach according to Article 445 as of 31 December 2021:

### EU MR1: Market risk under the standardised approach

		a
		€m
		RWAs
<b>Outright products</b>		
1	Interest rate risk (general and specific)	374
2	Equity risk (general and specific)	14
3	Foreign exchange risk	0
4	Commodity risk	0
<b>Options</b>		
5	Simplified approach	0
6	Delta-plus method	2
7	Scenario approach	0
8	<b>Securitisations (specific risk)</b>	<b>0</b>
9	<b>Total</b>	<b>390</b>

### Market risk in the internal model approach

On 31 December 2021, the internal model approach accounted for 95% of all market risk assets. The risk-weighted assets for market risk positions in the internal model decreased in 2021 by €930m to €7,128m.

The decrease is due to the fact that extreme scenarios from March of the previous year no longer affect the time series for the VaR calculation.

The table EU MR2-A contains the RWA for market risks based on internal models according to Article 455 e) as of 31 December 2021:

## EU MR2-A: MR under the Internal Model Approach (IMA)

€m	a		b	
	RWAs	Capital requirements		
<b>1 VaR (higher of values a) and b))</b>	<b>862</b>	<b>69</b>		
a) Previous day's VaR (VaR <sub>t-1</sub> )				25
b) Multiplication factor (m <sub>c</sub> ) x average of previous 60 working days (VaR <sub>avg</sub> )				69
<b>2 sVaR (higher of values a) and b))</b>	<b>5,663</b>	<b>453</b>		
a) Latest available SVaR (SVaR <sub>t-1</sub> )				116
b) Multiplication factor (m <sub>s</sub> ) x average of previous 60 working days (sVaR <sub>avg</sub> )				453
<b>3 IRC (higher of values a) and b))</b>	<b>603</b>	<b>48</b>		
a) Most recent IRC measure				40
b) 12 weeks average IRC measure				48
<b>4 Comprehensive risk measure (higher of values a), b) and c))</b>	<b>0</b>	<b>0</b>		
a) Most recent risk measure of comprehensive risk measure				0
b) 12 weeks average of comprehensive risk measure				0
c) Comprehensive risk measure Floor				0
<b>5 Other</b>	<b>0</b>	<b>0</b>		
<b>6 Total</b>	<b>7,128</b>	<b>570</b>		

The table EU MR2-B below shows the development of RWA by main market risk drivers according to the internal model-based approach (IMA) in the fourth quarter of 2021 according to Article 438(h) CRR.

The increase in total RWA in the fourth quarter of 2021 was mainly because of a higher Stressed VaR due to changes in the positions in the corporate business units, in particular from trading in CO2 emission certificates, and the Treasury.

## EU MR2-B: RWA flow statements of market risk exposures under the Internal Model Approach (IMA)

€m	a		b		c		d		e		f		g	
	VaR	SVaR	IRC	Comprehensive risk measure	Others	Total RWAs	Total capital requirement							
<b>1 RWAs at previous quarter end</b>	<b>761</b>	<b>4,116</b>	<b>598</b>	<b>0</b>	<b>0</b>	<b>5,475</b>	<b>438</b>							
1a Regulatory adjustment	0	0	0	0	0	0	0							
1b RWAs at previous quarter end (end of day)	761	4,116	598	0	0	5,475	438							
2 Movement in risk levels	101	1,540	5	0	0	1,645	132							
3 Model updates/changes	0	7	0	0	0	7	1							
4 Methodology and policy	0	0	0	0	0	0	0							
5 Acquisitions and disposals	0	0	0	0	0	0	0							
6 Foreign exchange movements <sup>1</sup>	-	-	-	-	-	-	-							
7 Others	0	0	0	0	0	0	0							
8a RWAs at the end of the reporting period (end of day)	862	5,663	603	0	0	7,128	570							
8b Regulatory adjustment	0	0	0	0	0	0	0							
<b>8 RWA at the end of the reporting period</b>	<b>862</b>	<b>5,663</b>	<b>603</b>	<b>0</b>	<b>0</b>	<b>7,128</b>	<b>570</b>							

<sup>1</sup> Changes of RWA which are due to foreign exchange movements are reported under „Movement in risk levels“.



### Market risk in the 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 Treasury division.

The value at risk (10 days 99%) decreased in the year 2021 from €38m to €23m. The reason for this is that extreme scenarios from March of the previous year no longer affect the time series for the VaR calculation.

The Stressed VaR increased in the year 2021 by €34m to €124m. The declines in VaR due to the drop out of Corona crisis scenarios from the previous year cannot be observed in Stressed VaR, as the Stressed VaR is calculated on market data of a constant historical crisis period. The increase is due to changes in position due to strong price increases for commodities, especially in trading activities with emission certificates.

The incremental risk charge increased from €20m to €31m in the year 2021.

The market risk profile is diversified across all asset classes, interest rate risk, foreign exchange risk as well as credit spread, commodity and inflation risks. The equity price risk has decreased significantly due to the sale of the equity business.

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 in the course of the year.

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. Equity event VaR is conceptually part of the historical simulation taking into account empirical equity events over long observation periods. It is a component in the regulatory VaR calculation and included in the values of the following table EU MR3. Commerzbank does not have an internal model for correlation trading activities.

The incremental risk charge is based on the credit VaR model with historical data for rating migration and default probabilities and for recovery factors. The model shows current gains and losses on positions in the event of rating changes. In addition, in calculating the incremental risk charge, assumptions are made regarding liquidity (average regrouping/liquidity horizon). These liquidity horizons are set on a portfolio-specific basis, taking into account market structure and activity and concentrations of positions.

Table EU MR3 shows the market risks in the trading book as per Article 455 d) CRR as of 31 December 2021:

#### EU MR3: IMA values for trading portfolios

	€m	a
<b>VaR (10 day 99%)</b>		
1	Maximum value	63
2	Average value	24
3	Minimum value	10
4	Period end	23
<b>sVaR (10 day 99%)</b>		
5	Maximum value	145
6	Average value	95
7	Minimum value	64
8	Period end	124
<b>IRC (99.9%)</b>		
9	Maximum value	47
10	Average value	27
11	Minimum value	17
12	Period end	31
<b>Comprehensive risk measure (99.9%)</b>		
13	Maximum value	-
14	Average value	-
15	Minimum value	-
16	Period end	-

#### addMR1: Incremental Risk Charge by sub-portfolio

Sub-portfolio	IRC1 €m	Average regrouping horizon   months
Corporate Customers	28	4
Treasury	27	9

<sup>1</sup> Excluding diversification effects between sub-portfolios.

### Market liquidity risk

The 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.

## Interest rate risk in the banking book

Interest rate risk is one of the most significant financial risks posed by banking operations. This includes in particular the risk of value adjustments as a result of interest rate fluctuations over time. The maturity of interest rate positions and their refinancing structure are fundamental factors in the management of interest rate risks. In commercial business, the modelling of interest rate risk includes assumptions on early repayments and on investor behaviour when deposits are open-ended. The risk of a flattening or steepening in the yield curve is also covered. Interest rate risks may also arise if positions are closed as a result of hedging transactions with a different pricing type to the underlying transaction (basis risks). Interest rate risks relate to Commerzbank's banking book and trading book. The combined position of both books results in Commerzbank's overall interest rate risk.

### Strategy and organisation

The interest rate risk in the Commerzbank Group's banking book primarily results from commercial business. Interest rate risks arise here if interest rate positions in customer business are not hedged or are only partially hedged. Interest rate risks also arise from the investment models used by the central ALCO (Asset Liability Committee), which comprise in particular the investment and/or refinancing of products without contractually fixed interest rates, e.g. for equity capital, savings and sight deposits.

In the Commerzbank Group, interest rate risk in the banking book is the responsibility of Group Treasury within the scope of the business strategy. In addition to the positions of the central Group Treasury division, the treasury activities of branches and all subsidiaries are also taken into consideration.

Treasury's main tasks include the management of the balance sheet structure and of liquidity risks. The aim is to generate a positive interest margin from interest income and refinancing expenses. This gives rise to interest rate risks if positions are not refinanced with matching maturities and matching currencies.

### Management

Commerzbank jointly manages interest rate risk from both the trading and banking book, as well as managing this risk separately for the trading book and banking book. This is done strategically by

means of risk policies and operationally by means of appropriate limit systems. The risks are consolidated in central risk management. Central risk management is supplemented by a risk management unit for Treasury within the market risk function.

Interest rate risks in the banking book are managed in line with the business strategy by means of maturity- and currency-congruent refinancing and the use of interest rate derivatives. For example, interest rate swaps with sufficient market liquidity enable a prompt response to management measures. However, some products without fixed maturities, such as sight and savings deposits or equity capital, are available to the Bank in the long term. Here the Bank uses appropriate models to manage interest rate risks and stabilise earnings performance. Our models are regularly monitored.

### Quantitative information on interest rate risks in the banking book

The measurement of interest rate risk is completely integrated into the Bank's daily measurement and monitoring of risk. As with the measurement of trading book risks, risks in the banking book are also quantified using the value at risk method. Stress tests and scenario analyses are also calculated on a daily and monthly basis. The stress test calculations as mentioned above are used for this purpose. This standardised procedure is intended to ensure transparency of interest rate risks in both the trading and banking book.

A further control variable for interest rate risks in the banking book is interest rate sensitivities. These indicate how interest income varies following a change in interest rates, for example of one basis point. Interest rate sensitivities are also monitored on a daily and monthly basis. This monitoring takes place at both portfolio and segment level as well as for the Commerzbank Group. For management purposes, interest rate sensitivities are limited to the various maturity bands at both Group and segment level. The main focus is on interest rate sensitivities relating to long maturity periods.

To manage its commercial business Commerzbank uses interest rate risk models for the illustration of customer behavior risk on the asset side (early repayments of mortgage loans and consumer loans) and on the liabilities side (deposits without a fixed term). Deposits are modeled using replication portfolios, depending on the product, segment and legal entity. The replication portfolios are intended to reflect the economic maturity of the deposit and ensure stable returns. An economically expected repayment profile is derived for fixed-interest mortgage loans and consumer loans. Interest rate risk management is then operated on this basis.

The impact of an interest rate shock on the economic value of the Group's banking books is simulated monthly in compliance with regulatory requirements (according to EBA Guideline 2018/02 article 113-115). In accordance with the Banking Directive, the Federal Financial Supervisory Authority (BaFin) and the European Central Bank (ECB) have prescribed – amongst others – six scenarios for sudden and unexpected changes in interest rates (parallel- as well as rotation scenarios under consideration of a lower interest rate limit) to be used by all banks, which have to report on the results of this stress test every quarter.

On this basis, the scenario „Parallel Up“ would give a potential loss of €2,586m and in the scenario „Parallel down“ a potential economic gain of €743m as of 31 December 2021. In principle, Commerzbank should not be classified as an institution with an increased interest rate risk, as the negative changes present value in relation to the regulatory parameters do not exceed the regulatory limits.

In addition, Commerzbank calculates and reports the  $\Delta$ NII (Net interest income) according to regulatory requirements in the standard scenarios +/-200 basis points (also considering a lower interest rate limit).

#### EU IRBB1: Impact of supervisory interest rate shock scenarios as of 31 December 2021

Supervisory shock scenarios €m	a		b		c		d	
	Changes of the economic value of equity				Changes of the net interest income			
	Current period		Last period		Current period		Last period	
1 Parallel up	-2,586		-2,824		710		829	
2 Parallel down	743		603		-310		-236	
3 Steepener	-626		-843					
4 Flattener	-35		6					
5 Short rates up	-1,001		-867					
6 Short rates down	328		270					

## E. Liquidity risk

We define liquidity risk in a 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.

### Risk management

#### 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 central Asset Liability Committee (ALCO) is responsible for limiting, analysing and monitoring liquidity risk and for strategic liquidity positioning. 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 internal 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 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 section "Funding and liquidity of the Commerzbank Group" in the Annual Report 2019 from page 79. 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 is also applicable for payment obligations in foreign currencies. In addition, the Bank also mitigates a concentration by continuously using broadly diversified sources of funding, particularly 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, whereas 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.

The internal regulations and the models used are reviewed at least once a year and regularly reviewed by the internal audit, the public auditor and the supervisory authority (ECB).

### Information on the encumbrance of assets

The following disclosure is made pursuant to Article 100 in conjunction with Article 443 of the Capital Requirements Regulation (CRR), taking account of the recommendation of the European Systemic Risk Board on the funding of credit institutions (ESRB, 2012/2) and the harmonized disclosure requirements of the European Banking Authority (EBA/ITS/2020/04). According to the related guidelines of the European Banking Authority (GL/2014/03), an asset should be treated as encumbered if it has been pledged or is subject to any form of arrangement to secure, collateralise or credit-enhance any on-balance-sheet or off-balance-sheet transaction from which it cannot be freely withdrawn. Assets pledged that are subject to any restrictions in withdrawal, such as assets that require prior approval

before withdrawal or replacement by other assets, should be considered encumbered.

In addition, the quality indicator (Extremely) High Quality Liquid Assets is reported for encumbered and unencumbered assets, collateral received, and own debt securities issued. Assets are classified as level 1 and level 2 in accordance with the requirements of delegated Regulation (EU) 2015/61 with regard to liquidity coverage requirement for Credit Institutions. Level 1 and level 2 assets are shown aggregated.

The Commerzbank Group offers a wide range of standardised and customer-specific financial services for private, corporate, public-sector and institutional customers. The main triggers for the encumbrance of the Bank's assets are therefore as follows:

- supplementing the funding of the Bank's lending business through covered bonds (particularly Pfandbriefe) and securitisations;
- securities lending and repo transactions to fund the Bank's securities business;
- derivatives business and associated posting of collateral;
- provision of collateral for third-party funds lent by development banks for assets eligible for development assistance.

OTC derivatives transactions are concluded based on internationally standardised master agreements such as the ISDA Master Agreement or the German Master Agreement for Financial Futures. The collateralisation under these agreements, in some cases stipulated by EU regulations and in others determined in accordance with the wishes of the parties, is fundamentally based on customary and bilaterally negotiated collateralisation arrangements. These

arrangements in the derivatives business usually involve the collateralisation of the respective obligation from the totality of all transactions between the parties under a master agreement through the transfer of title over the collateral to the buyer of protection.

In contrast, the master agreements for securities lending and securities repurchase transactions usually do not require additional collateralisation because collateralisation is already an inherent component of the transaction. Commerzbank, in its capacity as a recipient of collateral, regularly has the right to realise or pledge such collateral provided that it returns equivalent securities when the transaction is concluded. As well as fulfilling the requirements of the German Pfandbrief legislation, covered bonds issued by the core bank must also meet the more stringent overcollateralisation requirements of the rating agencies. The overcollateralisation of covered bonds in programmes that are being wound down has been reduced to the requirements of the Pfandbrief legislation and disclosed publicly.

Pfandbriefe not externally issued yet have been deposited as collateral for ECB refinancing programs.

In secured finance business, besides transactions in euros, there are no relevant foreign currency liabilities.

The table below contains information on encumbered and unencumbered assets of the Commerzbank Group according to CRR. The group of consolidated companies under CRR is not significantly different from the consolidated assets in accordance with the liquidity requirements under Part Six of EU Regulation 575/2013.

For the calculation of the figures published here, the median of the past four quarters in 2021 was used.

## EU AE1 - Encumbered and unencumbered assets

€m	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets		
	010	of which notionally eligible EHQLA and HQLA 030	040	of which notionally eligible EHQLA and HQLA 050	060	of which EHQLA and HQLA 080	090	of which EHQLA and HQLA 100	
<b>010</b>	<b>Assets of the reporting institution</b>								
	<b>104,219</b>	<b>31,524</b>			<b>435,241</b>	<b>121,717</b>			
030	Equity instruments	10	5	10	5	2,555	581	2,555	581
040	Debt securities	36,349	31,520	36,532	31,596	46,077	23,398	44,316	21,827
050	of which: covered bonds	8,514	7,889	8,514	7,889	1,332	1,297	1,326	1,270
060	of which: securitisations	834	0	810	0	10,751	0	10,711	0
070	of which: issued by general governments	18,869	17,759	19,037	17,836	19,677	17,815	18,317	16,391
080	of which: issued by financial corporations	15,313	12,438	15,293	12,438	19,460	4,788	19,036	4,696
090	of which: issued by non-financial corporations	1,510	1,217	1,510	1,217	6,559	694	6,456	639
120	Other assets	68,142	0			386,336	97,555		

More than 50 % of the unencumbered other assets may also be used to provide security or collateral. Assets that may not be encumbered include, in particular, loans secured by deposited securities, derivatives without collaterals and non-financial assets. Other assets mainly include loans and advances other than loans on demand of around €298,582m (thereof: €68,055m encumbered).

Pursuant to Article 443 CRR the breakdown of collateral received and own debt securities issued was as follows at the reporting date:

**EU AE2 - Collateral received and own debt securities issued**

	€m	Fair value of collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		010	of which notionally eligible EHQLA and HQLA 030	040	of which EHQLA and HQLA 060
130	Collateral received by the reporting institution	56,090	48,068	7,583	1,953
140	Loans on demand	0	0	26	0
150	Equity instruments	2	1	968	274
160	Debt securities	56,084	48,065	6,585	1,789
170	of which: covered bonds	252	87	204	95
180	of which: securitisations	2,149	0	180	0
190	of which: issued by general governments	49,190	45,542	3,587	1,256
200	of which: issued by financial corporations	5,621	1,632	2,125	328
210	of which: issued by non-financial corporations	1,280	600	417	30
220	Loans and advances other than loans on demand	0	0	0	0
230	Other collateral received	0	0	0	0
240	Own debt securities issued other than own covered bonds or securitisations	0	0	633	0
241	Own covered bonds and asset-backed securities issued and not yet pledged			283	0
250	Total assets, collateral received and own debt securities issued	160,730	79,836		

Pursuant to Article 443 CRR the liabilities associated or secured with encumbered assets were as follows at of 31 December 2021:

#### EU AE3 - Sources of encumbrance

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
	010	030
010 Carrying amount of selected financial liabilities	126,738	152,748

There are no material encumbrances of assets that are not related to recognised liabilities.

Based on median values, there is no significant change in the encumbrance of assets compared to the previous year.

The information above relates to the consolidated assets of Commerzbank Group. As a result, no transactions carried out within the Group affect the information on encumbrance.

## 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 methodology of 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 historic stress scenarios.

More information on the current developments triggered by the coronavirus pandemic can be found in the section "Funding and

Liquidity of the Commerzbank Group" in the Management Report of the Annual Report 2021 on pages 79 et seq.

#### Quantification and stress testing

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

The stress scenarios within the Bank that underlie the model and are relevant for management purposes allow for the impact of both a bank-specific stress event and a broader market crisis. The Commerzbank-specific idiosyncratic scenario simulates a stress situation arising from a rating downgrade of two notches, whereas the market-wide scenario is derived from experience of the subprime crisis and simulates an external, market-wide shock. The main liquidity risk drivers of both scenarios are a markedly increased outflow of short-term customer deposits, above-average drawdown of credit lines, extensions 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 of 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 after application of the respective stress scenarios for periods of one and three months. Significantly more liquidity flows out in a combined scenario compared with the individual scenarios. As at end-2021, in the one-month and three-month periods, the combined stress scenario leaves net liquidity of €12.8bn and €14.7bn respectively.

#### addLIQ: Liquidity gap profile in the stress scenarios

Net liquidity in the stress scenario   €bn		31.12.2021	31.12.2020
Idiosyncratic scenario	1 month	20.8	21.2
	3 months	24.1	16.8
Market-wide scenario	1 month	24.1	23.3
	3 months	26.0	17.0
Combined scenario	1 month	12.8	14.7
	3 months	14.7	8.4

#### Liquiditätsreserven

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 in order to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors.

A 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. The total value of this portfolio was €6.1bn as at year-end 2021.

The liquidity reserves in the form of highly liquid assets consist of the following three components as of 31 December 2021:

#### addLIQ2: Liquidity reserves from highly liquid assets

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

As at the end of 2021, the Bank had highly liquid assets of €60.0bn.

#### Liquidity ratios

Throughout the 2021 financial year, Commerzbank's internal liquidity 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. In accordance with the regulatory requirements, the Board of Managing Directors and Group Treasury are informed about the liquidity risk status by means of daily and monthly reporting.

Additional information on the LCR can be found in the "Funding and liquidity of the Commerzbank Group" section of the Group management report on pages 79 et seq.

## Liquidity Coverage Ratio

---

The liquidity coverage ratio (LCR) is the regulatory minimum liquidity ratio. It is a measure of the near-term solvency of the Bank under a predetermined stress scenario. Based on the requirements of the Basel Committee, the EU Commission set out the legal foundation for the LCR in the Capital Requirements Regulation (CRR) and in Regulation (EU) No. 575/2013, in conjunction with Delegated Regulation EU/2015/61 (D-VO).

The ratio itself is defined as the relationship between high quality liquid assets (HQLA) and net liquidity outflows (NLOs) within a 30-day period. Commerzbank monitors the LCR as part of its daily liquidity risk calculation.

The Bank has established internal 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. 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 concentrations through the continuous use of the broadly diversified sources of funding available to it, particularly in the form of diverse customer deposits and capital market instruments.

Commerzbank manages its global liquidity centrally using cash pooling. This approach ensures liquidity resources are used efficiently across all time zones, as Commerzbank Treasury units are located in Frankfurt, London, New York and Singapore.

Further information can be found in the Management Report of the Annual Report 2021 in the chapter “Funding and liquidity of the Commerzbank Group” from page 79.

### Liquidity Requirements

As required by Article 451a (2) CRR, Table EU LIQ1 below shows the calculation of the LCR for the previous four quarters. The averages of the 12 previous month-end values of the liquid assets and their cash inflows and outflows and finally the liquidity buffer and the liquidity coverage ratio are calculated for each quarter and can be found in the tables below. The values are rounded to a full-million amount in euros and are presented on a consolidated basis for the Commerzbank Group.

EU LIQ1 Quantitative information of LCR – unweighted<sup>1</sup>

		a	b	c	d
		Total unweighted value (average)			
EU 1a	€m   %	31.03.2021	30.06.2021	30.09.2021	31.12.2021
EU 1b	Quarter ending on				
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
<b>High-quality liquid assets</b>					
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61				
<b>Cash Outflows</b>					
2	Retail deposits and deposits from small business customers, of which:	154,712	157,407	158,578	158,604
3	Stable deposits	103,764	107,002	109,240	111,688
4	Less stable deposits	43,456	42,795	41,645	39,210
5	Unsecured wholesale funding	119,010	122,762	125,937	126,575
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	40,197	41,133	42,096	41,807
7	Non-operational deposits (all counterparties)	78,175	81,052	83,429	84,339
8	Unsecured debt	638	577	412	428
9	Secured wholesale funding				
10	Additional requirements	90,296	91,319	90,717	89,822
11	Outflows related to derivative exposures and other collateral requirements	7,476	7,105	6,575	6,351
12	Outflows related to loss of funding on debt products	219	180	114	202
13	Credit and liquidity facilities	82,601	84,034	84,028	83,269
14	Other contractual funding obligations	3,597	3,626	3,586	3,482
15	Other contingent funding obligations	101,690	100,948	101,814	101,412
16	Total cash outflows				
<b>Cash Inflows</b>					
17	Secured lending (e.g. reverse repos)	37,610	36,707	36,779	37,410
18	Inflows from fully performing exposures	22,030	20,615	20,147	19,812
19	Other cash inflows	5,616	5,069	4,824	6,082
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				
EU-19b	(Excess inflows from a related specialised credit institution)				
20	Total cash inflows	65,255	62,391	61,750	63,304
EU-20a	Fully exempt inflows	0	0	0	0
EU-20b	Inflows subject to 90% cap	0	0	0	0
EU-20c	Inflows subject to 75% cap	62,824	60,207	59,309	60,768
<b>Total Adjusted Value</b>					
EU-21	Liquidity buffer				
22	Total net cash outflows				
23	Liquidity coverage ratio (%)				

<sup>1</sup> Due to a necessary correction, the data for the reporting date 31 March 2021 had to be adjusted retrospectively.

EU LIQ1 Quantitative information of LCR – weighted<sup>1</sup>

		a	b	c	d
		Total weighted value (average)			
EU 1a	€m   %	31.03.2021	30.06.2021	30.09.2021	31.12.2021
EU 1b	Quarter ending on				
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
<b>High-quality liquid assets</b>					
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61	102,093	108,733	112,055	108,997
<b>Cash Outflows</b>					
2	Retail deposits and deposits from small business customers, of which:	9,827	9,925	9,921	9,799
3	Stable deposits	5,188	5,350	5,462	5,584
4	Less stable deposits	4,639	4,575	4,459	4,215
5	Unsecured wholesale funding	57,094	58,162	59,299	59,721
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	10,027	10,260	10,500	10,426
7	Non-operational deposits (all counterparties)	46,429	47,325	48,387	48,867
8	Unsecured debt	638	577	412	428
9	Secured wholesale funding	5,280	4,203	3,967	4,004
10	Additional requirements	19,841	19,096	17,940	17,363
11	Outflows related to derivative exposures and other collateral requirements	7,251	6,914	6,351	6,058
12	Outflows related to loss of funding on debt products	219	180	114	202
13	Credit and liquidity facilities	12,370	12,002	11,475	11,103
14	Other contractual funding obligations	2,916	2,942	2,913	2,802
15	Other contingent funding obligations	3,507	3,328	3,277	3,396
16	Total cash outflows	98,465	97,655	97,317	97,086
<b>Cash Inflows</b>					
17	Secured lending (e.g. reverse repos)	1,838	1,829	2,129	1,996
18	Inflows from fully performing exposures	15,503	14,582	14,548	14,432
19	Other cash inflows	6,791	4,973	4,691	5,926
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)	0	0	0	0
20	Total cash inflows	24,132	21,384	21,368	22,354
EU-20a	Fully exempt inflows	0	0	0	0
EU-20b	Inflows subject to 90% cap	0	0	0	0
EU-20c	Inflows subject to 75% cap	22,893	21,426	21,368	22,354
<b>Total Adjusted Value</b>					
EU-21	Liquidity buffer	102,093	108,733	112,055	108,997
22	Total net cash outflows	75,572	76,229	75,949	74,732
23	Liquidity coverage ratio (%)	135.3%	142.8%	147.6%	145.1%

<sup>1</sup> Due to a necessary correction, the data for the reporting date 31 March 2021 had to be adjusted retrospectively.

The average quarterly LCR values have been consistently high. As at each of the reporting dates, Commerzbank considerably surpassed the required minimum ratio of 100%. The composition of

the highly liquid assets available to cover the liquidity outflows in the reporting period is set out below:

**add LIQ3: Highly liquid assets in accordance with EU/2015/61**

Average of the last 12 month-end values €m	Q1/2021	Q2/2021	Q3/2021	Q4/2021
<b>Total</b>	<b>102,093</b>	<b>108,733</b>	<b>112,055</b>	<b>108,997</b>
thereof: Level 1	88,033	97,319	102,873	101,912
thereof: Level 2A	13,506	10,639	8,291	6,158
thereof: Level 2B	554	774	892	927

In December 2021, Commerzbank also reports the LCR in US dollars and Polish zloty (PLN), as these are deemed to be significant foreign currencies under the CRR. In addition, the Bank ensures that foreign-exchange risk is monitored as well as limited and managed using an internal model.

When calculating the LCR, the Bank takes into account the liquidity inflows and outflows for derivatives over the next 30 days. When standardised master agreements are involved, the liquidity inflows and outflows are calculated on a net basis. Commerzbank also takes into account further items that could lead to additional outflows of liquidity. These items include variation margins for changes in the value of securities pledged as collateral and, in the event of a possible deterioration in credit rating, additional collateral furnished because of adverse market scenarios for derivatives transactions. For other contingent liabilities, since June 2019 Commerzbank has used additional outflows in accordance with Article 23 of Commission Delegated Regulation (EU) 2015/61 (D-VO).

In addition, there are no other items in the LCR calculation at Commerzbank that are not included in the LCR disclosure report but are considered relevant to the liquidity profile.

**Net Stable Funding Ratio**

Based on Regulation (EU) 2019/876 of 20 May 2019 (amendment of Regulation (EU) 575/2013) the Net stable funding ratio (NSFR) is the regulatory defined Structural liquidity ratio and was introduced as of 30 June 2021.

It sets the requirement of stable refinancing as a ratio of the amount of the available stable refinancing (ASF) and the amount of the required stable refinancing (RSF) over a one-year horizon.

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

The NSFR of 31 December 2021 underlines the sound financial situation of the Commerzbank Group. It reflects the customer-oriented business model of the Commerzbank Group, with a high contribution to the ASF from customer deposits. The majority of the RSF is attributable to the credit business and the bulk of the ASF is attributable to customer deposits.

Table EU LIQ2 shows the information on the Net Stable Funding Ratio as of 31 December 2021 according to Article 451a (3) CRR. These include items of the available stable funding as well as items of the required stable funding.

## EU LIQ2 Net Stable Funding Ratio

€m		Unweighted value by residual maturity				Weighted value
		a No maturity	b < 6 months	c 6 months until < 1 year	d ≥ 1 year	
Available stable funding (ASF) Items						
1	Capital items and instruments	29,601	0	0	5,815	35,416
2	Own funds	29,601	0	0	4,971	34,572
3	Other capital instruments		0	0	843	843
4	Retail deposits		155,910	23	1,334	147,477
5	Stable deposits		116,062	9	1,083	111,351
6	Less stable deposits		39,848	14	251	36,126
7	Wholesale funding:		133,343	5,483	101,068	144,985
8	Operational deposits		32,026	0	0	1,389
9	Other wholesale funding		101,318	5,483	101,068	143,596
10	Interdependent liabilities		0	0	0	0
11	Other liabilities:	1,360	13,091	165	3,416	3,499
12	NSFR derivative liabilities	1,360				
13	All other liabilities and capital instruments not included in the above categories		13,091	165	3,416	3,499
14	Total available stable funding (ASF)					331,377
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					24,242
EU-15a	Assets encumbered for more than 12m in cover pool		1	0	24,477	20,806
16	Deposits held at other financial institutions for operational purposes		274	0	0	137
17	Performing loans and securities:		77,549	20,556	190,926	183,636
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		22,284	2,043	1,121	2,143
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		11,163	1,637	3,924	5,667
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		34,306	9,954	60,716	145,359
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		1,001	521	11,964	50,590
22	Performing residential mortgages, of which:		3,917	4,858	92,641	0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		2,559	3,170	58,900	0

€m		Unweighted value by residual maturity				Weighted value
		a No maturity	b < 6 months	c 6 months until < 1 year	d ≥ 1 year	
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		5,878	2,064	32,523	30,466
25	Interdependent assets		0	0	0	0
26	Other assets:		31,961	129	15,403	23,381
27	Physical traded commodities				80	68
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		1,961	8	4,679	5,651
29	NSFR derivative assets		0			0
30	NSFR derivative liabilities before deduction of variation margin posted		17,176			859
31	All other assets not included in the above categories		12,824	121	14,481	16,803
32	Off-balance sheet items		102,392	12,828	66,337	5,160
<b>33</b>	<b>Total RSF</b>					<b>257,361</b>
<b>34</b>	<b>Net Stable Funding Ratio (%)</b>					<b>128.8</b>

## F. 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.

### Risk management

#### Strategy and organisation

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

OpRisk management includes an annual evaluation of the Bank's ICS key controls and a risk scenario assessment. 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.

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.



## OpRisk capital requirements

Since the fourth quarter of 2021 Commerzbank has been measuring regulatory capital using the standardised approach (SA), while economic capital for operational risks is measured using a dedicated internal model (OpRisk ErC model).

### Standardised approach – Pillar I

The standardised approach is applied throughout the Group. The calculation principle for this is the three-year average of the so-called “relevant indicator”. This is calculated on the basis of regulatory income statement items (in particular net interest income, net commission income, net trading income and other operating income). The “relevant indicator” is broken down into eight different business areas and multiplied by different risk weightings.

### OpRisk ErC Model – Pillar II

The ErC model determines a capital charge based on quantitative methods, which is supplemented by qualitative components. The internal model used for this corresponds to the previous advanced measurement approach (AMA).

### Quantitative components

The OpRisk ErC model’s quantitative components include internal and external OpRisk loss data along with mathematical/statistical modelling.

Group-wide internal OpRisk loss data is collected mandatory from a starting threshold of €10,000 in a Group-wide loss database. As the internally calculated loss data history cannot always reflect extreme OpRisk events adequately, external OpRisk events are also factored into the OpRisk ErC model. For this purpose, we use relevant external loss data from the Operational Riskdata eXchange Association (ORX), Genf, an international data consortium. For mathematical/statistical modelling, the data is grouped by combinations of business line, event category and region. Loss frequency is modelled on the basis of internal loss data, while distribution is modelled on the basis of internal and external loss data.

Modelling of insurance and alternative OpRisk transfers does not currently take place.

### Qualitative components

Qualitative methods (risk scenario assessment and business environment and control system) are used to complement the information from the quantitative model components.

The risk scenario assessment is an ex-ante risk assessment of operational risks. Based on expert opinions and in accordance with the

requirements of the Capital Requirement Regulation (CRR), they serve to identify exceptional but plausibly possible risk events which could jeopardise the Bank’s existence or severely affect its results and incorporate these into modelling.

The business environment and control (BEC) system provides incentives to reduce operational risk and improve risk management. Business environment and internal control factors are shown in the OpRisk model in the form of add-ons and reductions to regulatory and economic OpRisk capital requirements. The BEC system takes into account the following qualitative OpRisk elements:

- Internal control system (ICS): As part of the annual ICS review, the company-wide ICS control mechanism is evaluated in terms of its functionality. To ensure that the internal control system factors are properly represented, the ICS as a BEC subject area consists of three components: ICS self-assessment (assessment by the units carrying out the controls), ICS testing (independent review by internal audit) and ICS documentation (modelling status in the Bank’s process model).
- Human resources risk: The human resources risk report prepared by the Group Human Resources division takes into account current areas of human resources activity and presents risk information on the basis of set criteria.
- IT risk: The IT risk report prepared by the Cyber Risk and Information Security division brings together data relating to IT risk in the areas of IT security and incidents. The data cover the four IT security targets: confidentiality, integrity, availability and transparency. In addition, an assessment of the adequacy and implementation of emergency plans will be included in the BEC.
- Key risk indicators (KRIs): KRIs are used to manage operational risk proactively by means of early warning signals.
- OpRisk management: The OpRisk & ICS area evaluates the active OpRisk management of the material units on the basis of a uniform list of criteria. Information on the progress made towards processing audit findings is also included in the BEC system.
- Top-level adjustments (TLAs): TLAs are only used in well-founded exceptional cases to establish a risk buffer for extraordinary changes in the OpRisk environment and include this in the OpRisk capital requirement calculation at short notice. No TLAs are currently applied.

Table EU OR1 shows the operational risk own funds requirements and risk-weighted exposure amounts in accordance with Articles 446 and 454 CRR as of 31 December 2021 as well as the relevant indicators:

**EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts**

Banking activities	Relevant indicator			Own funds requirements	Risk weighted exposure amount
	a	b	c		
€m	2019	2020	2021		
1 Banking activities subject to basic indicator approach (BIA)	0	0	0	0	0
2 Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	8,727	8,595	9,194	1,584	19,799
3 Subject to TSA:	8,727	8,595	9,194		
4 Subject to ASA:	0	0	0		
5 Banking activities subject to advanced measurement approaches AMA	0	0	0	0	0

**Stress testing and validation**

As an integral part of risk management and the risk-bearing capacity concept, stress tests for operational risk are carried out on a regular basis. As a basis for the stress methodology, consistently the standard approach is used to determine the regulatory amount and the OpRisk ERC model is used to determine the economic amount. Regular validation is carried out to ensure the ongoing adequacy of the OpRisk framework and the methods used. The validation carried out in 2021 has confirmed its appropriateness.

**Outlook**

The Commerzbank framework for operational risk management is continuously reviewed and further developed. At present, the focus is on supporting the strategic measures of Commerzbank, the further development of the OpRisk ErC model and the integration of sustainability aspects into risk management.

The IT applications for recording the internal loss data (OpRisk Suite) as well as the ICS tool as a central management tool for the inventory of IKS information, as well as the corresponding AMA methods, are being further developed in both the central functions and the delivery organization.

In the regulatory environment, the first EU draft to implement the rules of the Basel Committee on Banking supervision provides for the mandatory introduction of the standardized approach for calculating regulatory OpRisk capital requirements from 1 January 2025.

## G. 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 minimize 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.

### Compliance risk

Compliance risk falls within the definition of operational risk according to the Capital Requirements Regulation (CRR). Commerzbank acknowledges and understands the existence of inherent compliance risk in its areas of business, which are subject to the risk of abuse in general and in particular by financial crime. Compliance risk 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 supervised 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 international market standards and the regulatory requirements in the various countries which are relevant for Commerzbank’s business activities. Commerzbank is constantly developing its compliance management system in order to meet its responsibilities and address the growing complexity and increasing regulatory requirements. Under the three lines of defence principle, protecting against undesirable compliance risks is an activity that is not restricted to the compliance

function (Group Compliance). Instead, the organisational control and monitoring elements are aligned in three sequential levels. The units in the first line of defence (1st LoD) assume responsibility as part of their operational activities for identifying and managing risks and for complying with their own business rules; they are also responsible for setting up process-oriented control mechanisms. Group Compliance, the second line of defence (2nd LoD), sets standards for appropriate risk management, oversees the appropriateness and effectiveness of the procedures and controls in the first line of defence, and assesses and communicates any deficiencies found. In addition, Group Compliance carries out analyses and assessments of compliance risks and ensures that the risk management framework is implemented. Internal Audit, the third line of defence (3rd LoD), uses regular and independent audits to check that compliance in both the 1st LoD and 2nd LoD is appropriate and effective.

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

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

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 implementation closely.

## 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 transactions, products and customer relationships relating to power generation and commodities extraction. Commerzbank's attitude towards these areas is laid down in positions and guidelines that are binding for all employees. Commerzbank's Reputational

Risk Management department regularly observes and analyses new environmental, 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 economic 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)<sup>1</sup> 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.

<sup>1</sup> 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.

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.

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.

# Description of the annexes

The annexes to the document contain the following topics and are available separately on the Commerzbank Disclosure Report website ([Commerzbank AG - Commerzbank AG - Investor Relations](#)):

Annex 1: Outline of the differences in the scopes of consolidation (entity by entity)

Annex 2: Disclosure of information on the indicators of global systemic importance pursuant to Article 441 CRR

Annex 3: Corporate governance information pursuant to Article 435 (2) CRR

Annex 4: Remuneration information pursuant to Article 450 CRR

Annex 5: Main features of issued capital instruments as of 31 December 2021

Annex 6: Overview- Compliance with CRR requirements

## List of abbreviations

ABS	Asset-backed Securities
AC	Amortised Cost
ALCO	Asset Liability Committee
AMA	Advanced Measurement Approach
AUC	Area under the curve
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht / Federal Financial Supervisory Authority
BEC	Business Environment and Control System
CCF	Credit Conversion Factor
CCR	Counterparty Credit Risk
CR	Credit Risk
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CVA	Credit Valuation Adjustment
CVaR	Credit Value at Risk
EaD	Exposure at Default
EBA	European Banking Authority
ECB	European Central Bank
EEPE	Effectuated Expected Positive Exposure
EL	Expected Loss
ErC	Economically required Capital
FINREP	Financial Reporting
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through P&L
GL	Guideline
HGB	Handelsgesetzbuch/German Commercial Code
IAA	Internal Assessment Approach
ICAAP	Internal Capital Adequacy Assessment Process
ICS	Internal Control System
IFRS	International Financial Reporting Standards
IMA	Internal Model Approach
IMM	Internal Model Method
IPV	Independent Price Verification
IRBA	Internal Ratings Based Approach
IRC	Incremental Risk Charge
ISDA	International Swaps and Derivatives Association
ITS	Implementing Technical Standards
KRI	Key Risk Indicators
KWG	Kreditwesengesetz / German Banking Act
LCR	Liquidity Coverage Ratio
LECL	Lifetime Expected Credit Loss
LGD	Loss Given Default
MaRisk	Mindestanforderungen an das Risikomanagement/ Minimum Requirements for Risk Management
MR	Market Risk
OpRisk	Operational Risk
OR	Operational Risk
ORX	Operational Riskdata eXchange Association, Genf
P&L	Profit & Loss

PD	Probability of Default
RBC	Risk-bearing capacity
RTS	Regulatory Technical Standards
RW	Risk weight
RWA	Risk-weighted Assets
SACR	Standardised Approach to Credit Risk
SEC	Securizations
SFT	Securities Financing Transactions
SME	Small and medium-sized enterprises
SREP	Supervisory Review and Evaluation Process
STS	Simple, transparent, standardised
sVaR	stressed Value-at-Risk
TLA	Top Level Adjustment
VaR	Value-at-Risk

## 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 control and internal audit and the German and European supervisory authorities. Despite being carefully developed and regularly monitored, 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 particularly 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. However, stress testing all imaginable scenarios is not feasible. Stress tests cannot offer a final estimate of the maximum loss should an extreme event occur.

The interpretations with regard to CRR/CRD rules and EU Regulation (2017/2402) are still ongoing. Therefore requirements for adjustment may occur due, for example, to modified interpretations in the course of the Q&A-process with EBA or due to new binding Technical Standards or guidelines. Against this background we will continue to refine our methods and models in line with the interpretation of the rules. Thus, our measures may not be comparable with previously published measures and our competitors' measures published may differ from ours.

This Disclosure 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 forwardlooking statements in the light of either new information or unexpected events.

The German version of this Report is the authoritative version.

For ease of reading only the masculine form is used to refer to people. This always refers to people of any gender identity.

**Commerzbank AG**

Head Office  
Kaiserplatz  
Frankfurt am Main  
[www.commerzbank.com](http://www.commerzbank.com)

Postal address  
60261 Frankfurt am Main  
Tel. + 49 69 136-20  
[info@commerzbank.com](mailto:info@commerzbank.com)

Investor Relations  
Tel. + 49 69 136-21331  
[ir@commerzbank.com](mailto:ir@commerzbank.com)



**COMMERZBANK**