COMMERZBANK

Financial Statements and Management Report

2020

Commerzbank Aktiengesellschaft

The bank at your side

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

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Management report of Commerzbank Aktiengesellschaft

Structure and organisation

Commerzbank is the leading bank for SMEs (the Mittelstand) and a strong partner to some 30,000 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.

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 Germany's most modern online banks combined with personal advisory services at a local level.

The two segments Private and Small-Business Customers and Corporate Clients are each managed by a member of the Board of Managing Directors. All staff and management functions are contained in Group Management: Group Audit, Group Communications, Group Compliance, Group Finance, Group Human Resources, Group Investor Relations, Group Legal, Group Research, Group Risk, Big Data & Advanced Analytics, Group Strategy Transformation & Sustainability, Group Tax, Group Treasury and the central risk functions. The support functions are provided by Group Services. These include Group Corporate Clients & Treasury Platforms, Group Business Platform, Group Digital Transformation, Group Banking & Market Operations, Group Technology Foundations, Group Operations Credit, Group Organisation & Security, Group Delivery Centre and Group Client Data. 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, Commerzbank has 6 material subsidiaries, 20 operational foreign branches and 30 representative offices in just under 50 countries and is represented in all major financial centres, such as London, New York, Tokyo and Singapore. However, the focus of the Bank's international activities is on Europe.

The financial year is the calendar year.

Corporate responsibility

Companies can only be economically successful if their day-to-day activities are accepted by society. Commerzbank emphasises this in its strategic objectives. We want to live up to this responsibility. We have long had binding rules in place for handling environmental and social risks. That is why we have a clear stance on controversial topics such as arms, fossil energies and mining. Transparency and fairness towards our customers are one of the key pillars of sustainable business development. We treat our employees as partners – especially in times of great upheaval and economic challenges.

2020 was another challenging year. It was an impressive reminder of how important it is for every individual to take responsibility for how we live together as a society. The coronavirus pandemic has changed the daily lives of every single one of us. Protecting health is Commerzbank's top priority in the coronavirus pandemic. Commerzbank Aktiengesellschaft has set up a crisis team to respond to developments and decide on new measures and coordinate them. Our primary goal is to protect our employees and customers. This entails, among other things, the temporary closure of many branches, restriction of business trips and split business operations. A large part of the workforce is working from home on a mobile basis in order to avoid contact with others. At the same time, we have made it possible to continue standing by our customers' side during this stressful period.

Further information can be found in the combined separate non-financial report on page 68 ff. of the Group Annual Report. The Commerzbank corporate responsibility portal at https://www.commerzbank.com/en/hauptnavigation/verantwortung/verantwortung.html also provides an overview of Commerzbank's sustainability strategy and the objectives of its sustainability programme.

Our employees

Our employees make a key contribution to the success of the business. Thanks to their commitment and skills, we are well placed to hold our own against the competition and achieve our economic objectives over the longer term. Our goal is to continuously make Commerzbank a more attractive employer through our HR activities. To do this we want to create an environment where staff are able to develop their abilities as best they can. At the same time, they should be able to achieve a good work/life balance. Our corporate culture is built on a consistent understanding of leadership, values and principles of conduct. These provide guidance for our employees in acting fairly and professionally towards each other and towards our customers and business partners.

Despite the planned headcount reduction as part of our strategy, the number of employees at Commerzbank Aktiengesellschaft was higher as at 31 December 2020 due to the merger with comdirect. The number of employees as at the reporting date was 33,105, as compared with 32,792 at the end of 2019.

Remuneration

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

Remuneration report

This report follows the recommendations of the German Corporate Governance Code and complies with the requirements of the German Commercial Code (HGB).

Board of Managing Directors

Remuneration system for the Board of Managing Directors

The Supervisory Board ratified the remuneration system for the members of the Board of Managing Directors in December 2014; it has been in force since 1 January 2015. On 7 November 2018, the Supervisory Board amended the remuneration system to bring it into line with the revised version of the Remuneration Ordinance for Institutions of 4 August 2017. In March 2020, the Supervisory Board further amended the remuneration system to bring it into line with the new requirements of the German Stock Corporation Act following the enactment of the German act implementing the Second Shareholder Rights Directive (ARUG II). The amendment of the remuneration system also took into account the new version of the German Corporate Governance Code dated 16 December 2019. The 2020 Annual General Meeting approved the remuneration system.

At the suggestion of shareholders and investors, unlike in previous years the remuneration of the Board of Managing Directors is now also presented using the model tables recommended by the German Corporate Governance Code. The targets and target achievement of the members of the Board of Managing Directors are also shown in considerably more detail than in previous years, in order to provide more transparent information on variable remuneration.

To assess whether the total remuneration of the Board of Managing Directors is customary relative to other companies, the Supervisory Board compared it against the management board remuneration of all companies listed in the DAX and MDAX as a peer group, and also separately against the remuneration of the management boards of Aareal Bank, Deutsche Bank, Deutsche Pfandbriefbank, DZ Bank, Landesbank Baden-Württemberg and UniCredit Bank. The Supervisory Board also considered the ratio and development of the remuneration of the Board of Managing Directors relative to the remuneration of senior management (first management level below the Board of Managing Directors) and to the total workforce in Germany.

Component	Description
Fixed remuneration	Fixed remuneration in a uniform amount of €990 thousand for ordinary members of the Board of Managing Directors, with a higher amount of €1,674 thousand for the Chairman.
Non-monetary elements of remuneration	The non-monetary elements include the use of a company car with driver, security measures and insurance contributions, and the applicable tax thereon.
Short-term and long-term variable compensation (Short Term Incentive, "STI", and Long Term Incentive, "LTI")	The target amount of variable remuneration is €660 thousand for the ordinary members of the Board of Managing Directors and €1,116 thousand for the Chairman. The STI and LTI are based on target achievement by the member of the Board of Managing Directors (Group, departmental and individual targets) in the past financial year. The achievement of company targets in the two previous years is also taken into account. Half of the STI (40% of the total target achievement amount) is paid out in cash after the end of the financial year. The other half is paid on the basis of the share price after a waiting period of 12 months. The LTI (60% of the total target achievement amount) is subject to a retrospective performance evaluation after a regular period of five years. This retrospective performance evaluation allows the Supervisory Board to check whether the target achievement as originally determined is still appropriate in hindsight. If the success rewarded by the variable remuneration has not proved to be sustainable, the Supervisory Board has the option of amending its original assessment of target achievement. This may result in the LTI being reduced or revoked altogether. Half of the LTI is paid out in cash after the retrospective performance evaluation. The other half is paid on the basis of the share price after a further waiting period of 12 months.

Component	Description
	Short- and long-term variable remuneration thus helps Commerzbank Aktiengesellschaft achieve its strategic goals. Paying half of the remuneration on the basis of the share price further promotes sustainable corporate development and helps the members of the Board of Managing Directors identify more strongly with the company. The LTI's normal retention period of five years and the subsequent retrospective performance evaluation reinforce sustainable target achievement and act as incentives.
Limit on the amount of variable remuneration	To discourage Board members from taking inappropriate risks, variable remuneration is limited to a maximum of 140% of fixed remuneration. Overall target achievement is also capped at a maximum of 150%.
Maximum remuneration	The allocation from all remuneration components is limited to a maximum of €6m per financial year for each member of the Board of Managing Directors.
Possibilities for the Supervisory Board to affect the bonus pool for variable remuneration	The Supervisory Board has the option of reducing the bonus pool for variable remuneration, in particular if the indicators for risk-bearing capacity, capital, earnings or liquidity are inadequate, in order to comply with regulatory requirements. This may result in a complete loss of variable remuneration.
Correcting the Group's target achievement if extraordinary circumstances apply	If extraordinary circumstances arise, the Supervisory Board may increase or reduce the Group's target achievement by up to 20 percentage points in order to neutralise positive and/or negative effects. This is subject to the condition that the change in circumstances is beyond the Bank's control and was unforeseeable (e.g. windfall profits or decline in earnings due to losses caused by extreme natural disasters). This provision allows the Supervisory Board to take extraordinary factors not related to the performance of the individual members of the Board of Managing Directors into account when determining the achievement of targets.
Malus and clawback provisions	If the success rewarded by the variable remuneration has not proved to be sustainable, the retrospective performance evaluation gives the Supervisory Board the opportunity to review its original assessment of target achievement retrospectively after a regular period of five years and correct it if necessary. This may result in the LTI being reduced or revoked altogether. Furthermore, the Supervisory Board has the option, particularly in the event of serious misconduct on the part of a member of the Board of Managing Directors, to reclaim previously paid variable remuneration (STI and LTI) from the Board member in question and/or to void shares that have not yet been paid out.
Retirement and surviving dependants' pension	The members of the Board of Managing Directors receive a defined contribution benefit. The pension commitment also provides for a survivor's pension, which is calculated according to actuarial rules based on the retirement capital.
Limitation of remuneration in the event of contract termination prior to the end of the term of office	In the event that a contract is terminated by the Bank before the term of office ends, the commitments under the contract shall be fulfilled up until the termination date, unless there are grounds that would justify extraordinary termination. The amount of remuneration payable is limited to a maximum of the annual remuneration for two years. The remuneration payable is also limited to the amount that would have been payable up until the end of the original contract period.

Core elements of the remuneration system The core elements of the remuneration system are a fixed basic annual salary plus variable remuneration. The appropriateness of the fixed basic annual salary and the variable remuneration is checked regularly at two-year intervals. The 2015 Annual General Meeting approved the remuneration system and an upper limit for variable remuneration of 140% of fixed remuneration. The remuneration system amended as at 1 January 2019 was approved by the 2020 Annual General Meeting.

Fixed remuneration components The fixed remuneration components include the basic annual salary and non-monetary elements. The basic annual salary is €990,000 for ordinary members of the Board of Managing Directors and €1,674,247 for the Chairman. This is payable in 12 equal monthly instalments. The non-monetary elements mainly consist of the use of a company car with driver, security measures and insurance contributions, and the applicable tax thereon. Board members are also entitled to company pension arrangements, which are set down in pension agreements and described in a separate section below.

Performance-related remuneration components (variable remuneration) The remuneration system provides for a variable remuneration component linked to the achievement of targets set by the Supervisory Board at the start of each financial year. The variable remuneration is calculated based on (i) target achievement by the Commerzbank Group, (ii) target achievement by the departments (segments and/or shared functions) for which the member of the Board of Managing Directors in question is responsible, and (iii) achievement of individual performance targets. Target achievement for the Group and the department and individual performance can each be between 0% and 200%; however, the overall level of target achievement from these three components is limited to 150%. Multiplying the overall level of target achievement by the target amount for variable remuneration purposes gives the total amount of variable remuneration based on target achievement. Thus, the total amount of variable remuneration based on target achievement is capped at a maximum of 150% of the Board member's target variable remuneration.

› **Target amount** The target amount for variable remuneration is €660,000 for the ordinary members of the Board of Managing Directors and €1,116,165 for the Chairman, based on target achievement of 100%.

› **Target setting** Before the beginning of each financial year, the Supervisory Board sets targets for the members of the Board of Managing Directors. The setting of targets is based on the corporate strategy and multi-year planning and is geared towards promoting success-oriented, sustainable corporate management:

- **Company targets** The Supervisory Board sets targets based on economic value added (EVA) or another ratio that it may choose for the Group and for the departments for which the member of the Board of Managing Directors in question is responsible and determines the respective target attainment percentages on this basis.

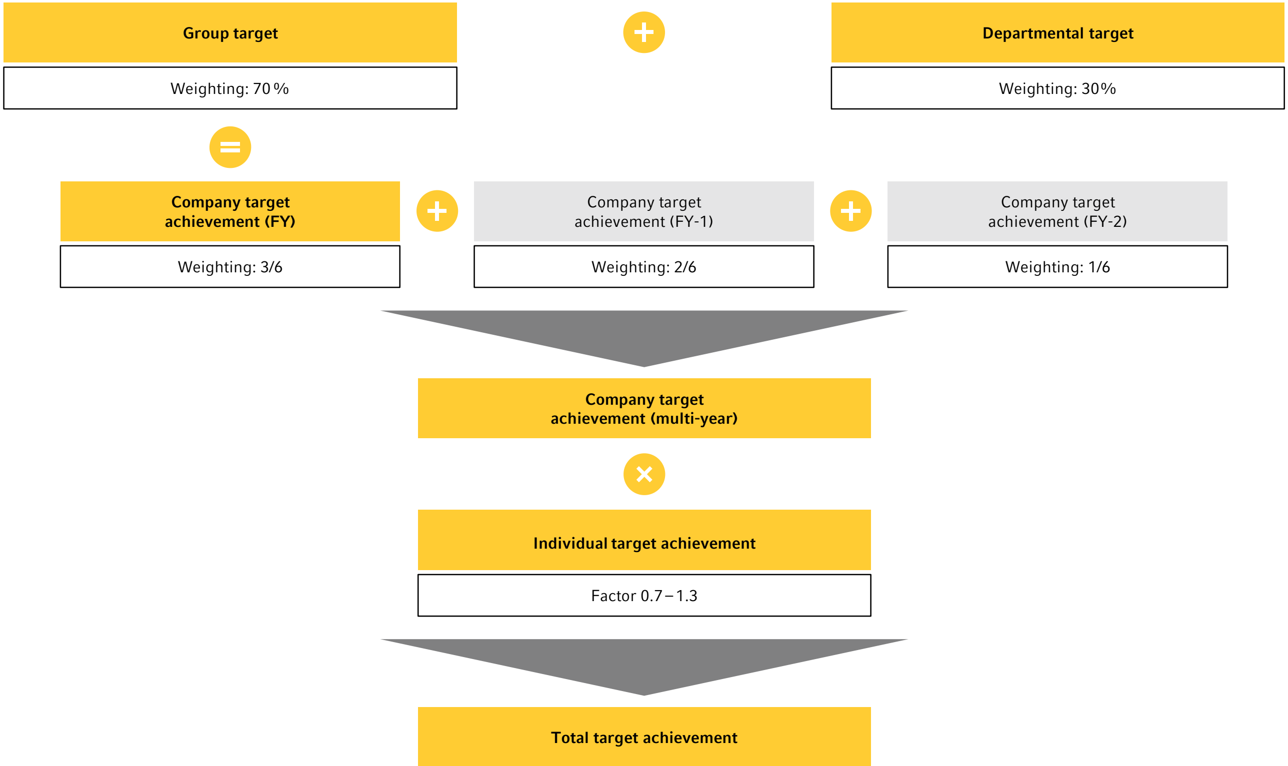
- **Group target** The Supervisory Board sets the Group target for all members of the Board of Managing Directors uniformly as a performance curve. As in previous years, the target for the 2020 financial year was set on the basis of EVA values. Weighted at 70% of company target achievement, the Group target is the decisive factor for the overall target achievement of the members of the Board of Managing Directors for the financial year. Variable remuneration is thus largely linked to the Group's business success.

- **Departmental targets** In addition to the Group target, departmental targets are agreed with each member of the Board of Managing Directors in accordance with the schedule of business responsibilities. A total of 30% of the departmental targets is incorporated into the achievement of the company targets. The departmental targets are derived from the corporate and segment strategy and the multi-year plan. One or more targets can be defined for each department to reflect the targets for the individual areas of responsibility of the respective members of the Board of Managing Directors. The Supervisory Board sets quantitative and qualitative targets and defines the basis for their measurement, relying on a recommendation of the Compensation Control Committee. For the segments, currently Corporate Clients and Private and Small-Business Customers, departmental target achievement is chiefly based on the performance of each segment. The Supervisory Board defines performance curves for the segments based on EVA values or another ratio determined by the Supervisory Board.

- **Individual targets** The Supervisory Board also sets individual targets for the members of the Board of Managing Directors and defines the basis for their measurement. Achievement of the individual targets is reflected in overall target achievement with a factor of 0.7 to 1.3 by multiplying the results of the multi-year achievement of the company targets by the corresponding factor. The system is described in more detail in "Target achievement" below and is also shown in the diagram.

› **Target achievement** Following the end of each financial year, the Supervisory Board decides to what extent the targets were achieved, relying on recommendations from the Compensation Control Committee. The measurement of target achievement for company targets is based 70% on the Group's business success and 30% on the results and target achievement of the departments for which the Board member in question is responsible. Achievement of individual key figures or targets is determined using performance curves (for the Group target and segment targets) and the respective basis defined for the measurement of target achievement. To fulfil the requirement for a multi-year measurement basis for variable remuneration, the level of achievement of company targets for a given year is determined by aggregating the respective percentages of company target achievement (covering Group and departmental target achievement) for different years using the following weightings: 3/6 for the financial year in question, 2/6 for the previous year and 1/6 for the year before that. A transitional arrangement applies to the first two years for newly appointed members of the Board of Managing Directors. In the first year of a member's appointment to the Board of Managing Directors, their achievement of company targets is measured solely by the target achievement for that financial year (to offset this, the retention period for the LTI element of the variable remuneration is extended by two years to seven years). In the following year, the achievement of company targets is calculated as follows: 2/6 based on company target achievement for the first financial year of the member's appointment and 4/6 based on company target achievement in the second year (the retention period for the LTI is extended by one year to six years). The results of the multi-year achievement of the company targets are then multiplied by a factor of between 0.7 and 1.3, which is dependent on the achievement of the Board member's individual targets. The factor 0.7 corresponds to individual target achievement of 0% (minimum), 1.0 to individual target achievement of 100% and 1.3 to individual target achievement of 200% (maximum). For intermediate figures, the Supervisory Board defines the factor in increments when setting the targets. The system is illustrated in the following diagram.

Remuneration of the Board of Managing Directors



› **Review of bonus pool for variable remuneration/amendment clause** The Supervisory Board may reduce or cancel the variable remuneration if necessary, for example to take account of the Bank's risk-bearing capacity, multi-year capital planning or profitability or its ability to ensure that it can maintain or rebuild sufficient capital or liquidity resources or safeguard its ability to meet the capital buffer requirements of the German Banking Act over the long term. If predefined levels are not met, the Supervisory Board has to be obliged to cancel the variable remuneration (review and amendment of bonus pool for variable remuneration). The Supervisory Board may also reduce or cancel a Board member's variable remuneration due to misconduct or negligence in the performance of their duties in the relevant financial year. Furthermore, the variable remuneration is not payable if, in the course of their activities during the financial year, the member of the Board of Managing Directors was significantly involved in or responsible for conduct that led to significant losses for the Bank or a significant regulatory sanction, or if they seriously violated relevant external or internal fit and proper regulations. In such cases, the Bank may reclaim variable remuneration that has already been paid out for up to two years after the end of the retention period for the respective LTI portion of the variable remuneration for the financial year in question ("clawback").

If extraordinary circumstances arise that are beyond the Bank's control, the Supervisory Board can increase or reduce the Group's target achievement by up to 20 percentage points in order to appropriately neutralise both positive and negative effects on the Group's target achievement. This adjustment option for banks is expressly provided for under supervisory law.

› **Short-Term Incentive (STI)** 40% of the variable remuneration takes the form of a short-term incentive. Entitlement to the STI arises upon determination by the Supervisory Board of the total amount of variable remuneration based on target achievement and notification to the member of the Board of Managing Directors in question. Half of this remuneration component is payable in cash; the other half is payable after a 12-month waiting period, also in cash but based on share price performance. This half is linked to the performance of the Commerzbank share since the cash payment.

› **Long-Term Incentive (LTI)** The remaining 60% of the variable remuneration takes the form of a long-term incentive. Entitlement to the LTI arises only after a five-year retention period and is subject to a retrospective performance evaluation. The purpose of the retrospective performance evaluation is to enable the Supervisory Board to check whether the total target achievement amount determined is still appropriate in retrospect, for example whether risks were underestimated or not recognised or whether unexpected losses were incurred. The Supervisory Board also adjusts the LTI, if necessary, based on the follow-up review of the bonus pool. The retrospective performance evaluation can thus result in the LTI being reduced or cancelled completely. Half of the LTI element resulting from the retrospective performance evaluation is payable in cash and half after a further 12-month waiting period, also in cash but on the basis of the share price. As with the share-based part of the STI, the performance of the Commerzbank share since the end of the financial year in respect of which the cash part of the STI was awarded is taken into account. The share-based half of the LTI therefore reflects the performance of the Commerzbank share during the five-year retention period and the subsequent 12-month waiting period.

Remuneration for serving on the boards of other companies The remuneration accruing to an individual member of the Board of Managing Directors from serving on the boards of affiliated companies counts towards the total remuneration paid to the Board member in question. Where a member serves on the boards of non-affiliated companies, the Supervisory Board decides on a case-by-case basis whether and to what extent any remuneration for the mandate counts towards the remuneration paid to the Board member in question.

Pension provision

Rules for members of the Board of Managing Directors appointed in or before 2011 The company pension scheme for members of the Board of Managing Directors who were already in office in 2011 only applied to Martin Zielke in the 2020 financial year and is described in detail in the remuneration report for the 2019 financial year. It remained unchanged in the 2020 financial year.

Rules for Board members appointed after 2011 Pension provision for members of the Board of Managing Directors appointed after the new rules came into effect in 2011 was defined according to the Commerzbank capital plan for company pension benefits for non-pay-scale employees of Commerzbank Aktiengesellschaft. Provided their employment has ended, members of the Board of Managing Directors receive a retirement benefit in the form of a capital payment, subject to the following conditions:

- they have reached age 65 (retirement capital) or
- they have reached age 62 but not yet age 65 (early retirement capital) or
- they are permanently unable to work before they reach age 62.

As an alternative to a lump-sum payment, the Board member in question may elect to receive a life-long pension. In this case, the lump-sum benefit is annualised according to actuarial rules.

If a member of the Board of Managing Directors leaves the Bank before the pension benefits become due, any entitlement to vested benefits that the Board member has already accrued is retained.

For each calendar year during the employment relationship until pension benefits start to be paid out, each member of the Board of Managing Directors joining after the new rules came into effect is credited an annual module equating to 40% of the pensionable basic annual salary (annual contribution, for ordinary members of the Board of Managing Directors currently 40% calculated on €788 ,225 [1]), multiplied by an age-dependent conversion factor. Increases in the fixed basic annual salary only increase the annual module if so resolved by the Supervisory Board.

The annual modules are managed in a pension account until the member of the Board of Managing Directors in question no longer serves on the Board. Upon reaching age 61, a premium of 2.5% of the amount in the Board member's pension account at the end of the previous year is additionally credited to the member's pension account until the pension benefits start to be paid out.

The annual contribution is invested in investment funds and placed in a virtual custody account.

The retirement capital (or early retirement capital) corresponds to the amount in the virtual custody account or the amount in the pension account, whichever is higher when the pension benefits become payable. Under these rules, the amount in the pension account represents the minimum capital sum payable, insofar as the amount in the virtual custody account is lower. For the first two months after pension benefits become due, the Board member in question will receive transitional pay of one-twelfth of their fixed basic annual salary per month. The transitional pay may be reduced, especially in the event of misconduct.

If a member of the Board of Managing Directors dies before the pension benefits become due, his/her dependants are entitled to receive dependants' capital, which is the amount in the virtual custody account on the value date or the amount in the pension account plus any applicable supplement, whichever is higher. A supplement is payable if, at the time pension benefits become due because of inability to work or death, the Board member had served at least five consecutive years on the Bank's Board of Managing Directors and had not yet reached age 55. If a Board member selected the option of drawing a retirement pension, in the event of that Board member's death, the surviving spouse or partner, as a prospective pension recipient, will receive a surviving dependant's pension calculated on the basis of the retirement capital applying actuarial rules. If the Board member in question was already drawing a pension, a surviving spouse or partner will

[1] The Chairman of the Board of Managing Directors, Martin Zielke, was subject to the company pension scheme applicable to board members appointed up to and including 2011.

receive a surviving dependant's pension of 60% of the amount of the pension last paid to the deceased Board member.

The table below shows the annual pension entitlements on 31 December 2020 at a pensionable age of 62 for active members of the Board of Managing Directors, the corresponding actuarial net present values on 31 December 2020, the interest rate-adjusted changes to the settlement amounts for 2020, and the comparable amounts for the previous year:

€1,000		Pension entitlements projected annual pension at pensionable age of 62 As at 31.12.	Net present values of pension entitlements As at 31.12.	Interest rate-adjusted changes in the settlement amount
Martin Zielke[1]	2020	357	8,222	524
	2019	317	6,906	670
Frank Annuscheit[2]	2020	–	–	–
	2019	263	5,599	239
Roland Boekhout[3]	2020	15[9]	320	320
	2019	–	–	–
Dr. Marcus Chromik	2020	90[9]	1,688	323
	2019	77[9]	1,295	324
Stephan Engels[4]	2020	123[9]	2,697	–0[10]
	2019	127[9]	2,595	318
Jörg Hessenmüller[5]	2020	33[9]	641	325
	2019	17[9]	300	300
Michael Mandel[6]	2020	70[9]	1,394	202
	2019	62[9]	1,147	325
Dr. Bettina Orlopp	2020	55[9]	1,058	323
	2019	40[9]	697	325
Michael Reuther[7]	2020	–	–	–
	2019	304	6,890	194
Sabine Schmittroth[8]	2020	16[9]	328	328
	2019	–	–	–
Total	**2020**		**16,348**	**2,345**
	2019		**25,429**	**2,695**

[1] The appointment of Martin Zielke as a member and Chairman of the Board of Managing Directors ended at the close of 31 December 2020.
[2] The appointment of Frank Annuscheit as a member of the Board of Managing Directors ended at the close of 28 February 2019.
[3] Roland Boekhout was appointed as a member of the Board of Managing Directors with effect from 1 January 2020. His appointment as a member of the Board of Managing Directors ended at the close of 31 December 2020.
[4] The appointment of Stephan Engels as a member of the Board of Managing Directors ended at the close of 31 March 2020.
[5] Jörg Hessenmüller has been a member of the Board of Managing Directors since 15 January 2019.
[6] The appointment of Michael Mandel as a member of the Board of Managing Directors ended at the close of 30 September 2020.
[7] The appointment of Michael Reuther as a member of the Board of Managing Directors ended at the close of 31 December 2019.
[8] Sabine Schmittroth was appointed as a member of the Board of Managing Directors with effect from 1 January 2020.
[9] Capital payment annualised.
[10] In the case of non-age-related departures there are also actuarial adjustments, after which a small negative amount remained.

The assets backing these pension obligations were transferred under a contractual trust arrangement to Commerzbank Pension-Trust e. V.

As at 31 December 2020, pension obligations for current members of the Commerzbank Aktiengesellschaft Board of Managing Directors in the 2020 financial year totalled €16.3m (previous year: €25.4m). The decrease in defined benefit obligations compared with the previous year is attributable in particular to the departure of long-serving Board members Frank Annuscheit and Michael Reuther.

Maximum remuneration The maximum remuneration for each member of the Board of Managing Directors is €6m per financial year. This maximum remuneration limits the maximum allocation from all remuneration components for a given financial year, and in particular the allocation from the share-based components of variable remuneration, which would otherwise not be subject to any restrictions. The maximum remuneration does not represent the remuneration level that the Supervisory Board intends or necessarily considers appropriate. It merely sets a maximum limit in order to prevent the remuneration of the Board of Managing Directors being disproportionately high. Since it was added to the remuneration system in March 2020, this provision has been included in employment contracts concluded with new members of the Board of Managing Directors or where existing contracts have been extended.

Rules applying to the termination of office If the term of office of a member of the Board of Managing Directors is effectively terminated, the following applies:

If the term of office of a member of the Board of Managing Directors ends prematurely, the employment contract normally expires six months later (linking clause). In this case, the Board member continues to receive the basic annual salary and variable remuneration – subject to Art. 615 sentence 2 of the German Civil Code (crediting of remuneration otherwise acquired) – beyond the end of employment until the end of the original term of office. From the time the term of office is ended, target achievement is the average target achievement of the other members of the Board of Managing Directors for the year in question. The variable remuneration otherwise remains subject to the rules of the remuneration system, including retrospective performance evaluation.

If, in the case of premature termination of the term of office, the employment contract ends for reasons other than the linking clause described above, the fixed basic annual salary will continue to be paid – pro rata temporis where applicable – until the end of the employment contract. The variable remuneration communicated for financial years prior to the termination of the employment contract remains unaffected. The variable remuneration for the final year in office is reduced pro rata temporis where applicable. In this case, too, the variable remuneration remains subject to the rules of the remuneration system, including retrospective performance evaluation.

If the employment contract is not extended upon expiry of the respective term of office, without there being good cause within the meaning of Art. 626 of the German Civil Code, or if the employment contract ends as a result of a linking clause as described above, the Board member will continue to receive his or her basic annual salary for a maximum period of six months beyond the end of the original term of office ("transitional pay"). This payment ceases as soon as the Board member starts receiving pension payments.

In all these cases, the specified payments for the time after the effective termination of the term of office may not exceed two years' annual remuneration[1] (cap).

If upon termination of a term of office or non-extension of an appointment the conditions apply for extraordinary termination of the employment contract pursuant to Art. 626 of the German Civil Code, the Board member in question will receive no variable remuneration for the calendar year in which their term of office ends. The same applies where a member of the Board of Managing Directors resigns without good cause attributable to the Bank. In both these cases, the same applies to the fixed basic annual salary from the end of the month in which the term of office ends. If the term of office is terminated because of a serious breach of duty, the variable remuneration for the year in which the term of office ended and variable remuneration not yet paid out in respect of previous years shall not be payable. There are no special rules in the event of a change of control.

Temporary deviation from the remuneration system On the recommendation of the Compensation Control Committee, the Supervisory Board may temporarily deviate from the components of the remuneration system for the Board of Managing Directors in respect of the procedures and rules governing the structure and level of remuneration and the individual remuneration components. This is permitted where necessary in the interests of the Bank's long-term well-being.

The Supervisory Board made use of this flexibility in the 2020 financial year when agreeing the terms of the employment contract with the new Chairman of the Board of Managing Directors, Dr. Manfred Knof, in order to convince him to take on the role of Chairman. Dr. Knof's fixed basic annual salary has been set at €1,924,247 for the duration of his five-year term of office. The target amount for his variable remuneration is €1,282,832 per year. Dr. Knof will also receive a one-off additional annual contribution of €1m to his company pension scheme for 2021. In light of the upcoming long-term strategic decisions and their implementation, the appointment of Dr. Knof as the new Chairman of the Board of Managing Directors was particularly important for Commerzbank Aktiengesellschaft in the current situation. The agreed remuneration takes account of Dr. Knof's significantly higher remuneration in his previous role. Finally, Commerzbank Aktiengesellschaft will reimburse Dr. Knof for the variable remuneration of up to €387,000 that he was entitled to in his previous role but forfeited by moving to Commerzbank Aktiengesellschaft. This payment will be treated as a long-term incentive for 2021 and is subject to the usual contractual conditions for LTIs, in particular the five-year retention period, the retrospective performance evaluation and the payment of half of the remuneration in shares.

Termination agreements with members of the Board of Managing Directors

Commerzbank Aktiengesellschaft concluded a termination agreement with **Martin Zielke** on 14 July 2020, under which his appointment as a member and Chairman of the Board of Managing Directors and his employment contract ended at the close of 31 December 2020. Martin Zielke is entitled to all contractual benefits for the period up to 31 December 2020. For the period from 1 January 2021, Martin Zielke will receive a total gross amount of €3,348,480, which will be paid in 24 monthly instalments. This total amount is significantly lower than the cap

[1] The cap is twice the basic annual salary including fringe benefits (in particular, the use of a company car with driver, security measures and insurance contributions, and the applicable tax thereon) plus the average variable remuneration granted for the three financial years prior to termination of the term of office.

of two years' remuneration provided for in his contract, as Martin Zielke waived his right to have his variable remuneration claims and fringe benefits included in the calculation of the cap. Any other income earned by Martin Zielke during this period will be deducted from the payments.

Commerzbank Aktiengesellschaft concluded a termination agreement with **Michael Mandel** on 17 September 2020, under which his appointment as a member of the Board of Managing Directors and his employment contract ended at the close of 30 September 2020. Michael Mandel is entitled to all contractual benefits for the period up to 30 September 2020. For the period from 1 October 2020, Michael Mandel will receive a total gross amount of €2,134,000, which will be paid in 24 monthly instalments. This total amount is also significantly lower than the cap of two years' remuneration provided for in his contract, as Michael Mandel also waived his right to have his variable remuneration claims included in the calculation of the cap. Any other income earned by Michael Mandel during this period will also be deducted from the payments.

Commerzbank Aktiengesellschaft concluded a termination agreement with **Roland Boekhout** on 27 November 2020, under which his appointment as a member of the Board of Managing Directors and his employment contract ended at the close of 31 December 2020. Roland Boekhout is entitled to all contractual benefits for the period up to 31 December 2020. In addition to the regular benefits for members of the Board of Managing Directors, when he was appointed Commerzbank Aktiengesellschaft agreed to pay Roland Boekhout a sign-on bonus of €250,000. This bonus was due to be paid in April 2020. Commerzbank Aktiengesellschaft had also agreed to reimburse Roland Boekhout for the entitlements to retained variable remuneration for 2016, 2017 and 2019 from his previous employment with ING that he forfeited by moving to Commerzbank Aktiengesellschaft. This relates to claims worth a total of €604,522. The forfeited entitlements to variable remuneration are being treated as if they had been determined by Commerzbank Aktiengesellschaft after the end of each relevant year (2016, 2017 and 2019). The remuneration amounts for 2016 and 2017 are being treated as long-term incentives. The remuneration amount for 2019 is being treated as 40% short-term incentive and 60% long-term incentive in accordance with the rules of the remuneration system. Half of both the STI and LTI will therefore paid in shares. The LTI is also subject in particular to a retention period of five years, meaning that the individual remuneration amounts will be paid at different times. These agreements are unaffected by the termination of Roland Boekhout's employment. For the period from 1 January 2021, Roland Boekhout will receive a total gross amount of €2,134,000, which will be paid in 24 monthly instalments. This corresponds to the cap of two years' remuneration provided for in his contract. Any other income earned by Roland Boekhout during this period will be deducted from the payments.

Other No members of the Board of Managing Directors received payments or promises of payment from third parties in the year under review in respect of their work as a member of the Board of Managing Directors.

Targets and target achievement for the 2020 financial year In view of the current situation and the unsatisfactory result achieved in the 2020 financial year, the Supervisory Board decided not to make a pool available for the variable remuneration of the members of the Board of Managing Directors for the past financial year. This decision means that no members of the Board of Managing Directors will receive any variable remuneration for the 2020 financial year.

The Supervisory Board has nevertheless determined the target achievement of the individual members of the Board of Managing Directors for the 2020 financial year. This was necessary because target achievement for the past financial year will be taken into account in multi-year target achievement when determining variable remuneration in subsequent years. The targets and target achievement of the members of the Board of Managing Directors for the 2020 financial year are shown below.

The Supervisory Board is to further increase the share of ESG targets for the 2021 financial year, in particular environmental targets that are aligned with the Bank's strategy. ESG stands for "environmental, social and governance" and denotes the areas of action required to protect the environment, ensure social progress and improve sustainable corporate governance.

Group target The consolidated result and accordingly the consolidated EVA were clearly negative. The reasons for this included the write-off of all existing goodwill and a high negative risk result. Commerzbank Aktiengesellschaft had to write off its existing goodwill of around €1.5bn in full due to deteriorating market parameters, including the level of interest rates in the eurozone and in Poland. The changed market parameters that led to the goodwill write-off also had a negative impact on the valuation of deferred tax assets. The negative risk result was influenced in particular by Covid-related issues. The clearly negative consolidated result meant that achievement of the Group target was 0%.

	Group target 2020	Target achievement
Uniform for all members of the Board of Managing Directors	Consolidated EVA	0 %

Departmental targets Departmental targets are based on the departmental responsibilities of the members of the Board of Managing Directors, which changed several times during the 2020 financial year. Achievement of departmental targets by the members of the Board of Managing Directors **ranged between 37% and 111%**.

The departmental targets of CEO **Martin Zielke** were strongly influenced by his CEO function (60% share). Mr Zielke partially achieved the "Successful implementation of the strategic goals for 2020" target. Commerzbank Aktiengesellschaft's operating result was lower than forecast, for example, and the planned sale of the stake in mBank in Poland did not take place. By contrast, the merger of the subsidiary comdirect with Commerzbank Aktiengesellschaft was completed successfully. As regards communication targets, Martin Zielke largely achieved the targets for internal communication, with regular employee communication and messaging formats relating to the coronavirus pandemic in particularly having a positive impact. External reporting, however, was characterised by criticism from investors and the resignations of Martin Zielke and Dr. Stefan Schmittmann.

The achievement of departmental targets by the member of the Board of Managing Directors responsible for Corporate Clients, **Roland Boekhout**, was 60% dependent on the performance of the Corporate Clients segment. The segment posted a loss, resulting in a high negative EVA for the Corporate Clients segment, meaning that this sub-target was not achieved. Successful management of risk-weighted assets in the Corporate Clients segment had a positive impact on target achievement, however.

In the case of the Chief Risk Officer, **Dr. Marcus Chromik**, very good risk management despite the challenges of the coronavirus pandemic had a positive effect on his achievement of departmental targets. The Big Data & Advanced Analytics unit, which he is responsible for, also made considerable progress with the data-driven generation of sales potential and cost savings.

The achievement of departmental targets by the Chief Financial Officers, **Stephan Engels** and **Dr. Bettina Orlopp** (from 1 April 2020), was driven by the above-average result posted by Group Management Treasury and very good, efficient capital management. The targets were achieved for Group Management Compliance, for which Dr. Bettina Orlopp was responsible until 31 March 2020 and thereafter Sabine Schmittroth and Dr. Marcus Chromik. However, the "Coordination and monitoring of the cost and earnings measures in the Group strategy" target was not fully achieved. Stephan Engels did not achieve his targets relating to the mBank subsidiary.

The Chief Operating Officer, **Jörg Hessenmüller**, fully achieved his targets relating to the further development of Commerzbank Aktiengesellschaft's IT infrastructure. There were also further improvements in both the degree of standardisation and operational stability, with disruptions in sales being taken into account in target achievement. Due in part to individual delays in major projects and the failure to sell the mBank subsidiary, Jörg Hessenmüller did not fully achieve his targets relating to the implementation of structural changes in the Group structure.

The achievement of departmental targets by the member of the Board of Managing Directors responsible for Private and Small-Business Customers, **Michael Mandel**, was 60% dependent on the performance of the Private and Small-Business Customers segment. The segment result led to partial achievement of the segment result target. Michael Mandel exceeded his targets relating to cost management and profitable customer growth. One key factor behind this was the large increase in the number of net new customers, which was achieved at lower costs than in the previous year. The segment met its cost targets. Michael Mandel took over the targets relating to the mBank subsidiary from Stephan Engels on 1 April 2020, but was also unable to achieve them.

Until 30 September 2020, **Sabine Schmittroth**'s departmental targets were primarily determined by her targets as Chief Human Resources Officer, which were extended on 1 October 2020 to include the targets for the Private and Small-Business Customers segment. Sabine Schmittroth achieved her human resources targets, both those relating to HR management and those concerning digitalisation and talent development. For example, she further developed employees' digital skills through training and recruitment. Her achievement of targets relating to the Private and Small-Business Customers segment was based on the same factors as for Michael Mandel, in particular the segment result and more profitable customer growth.

Martin Zielke

Departmental targets 2020	Targets/criteria
CEO function	• Successful implementation of the strategic goals for 2020 • Stable presence and strong communication
Group Management Communications	• Targets for the external perception of the Bank • Targets for internal communication
Group Management Audit	• Targets relating to audit tasks
Group Management Legal (from 1 April 2020)	• Targets relating to legal department tasks

Roland Boekhout

Departmental targets 2020	Targets/criteria
Segment result Corporate Clients (CC)	• Segment result CC
Other targets for CC segment	• RWA management • Profitable expansion of CC business model • Cost management, profitable customer growth and customer satisfaction • Targets for internal process improvements within CC

Dr. Marcus Chromik

Departmental targets 2020	Targets/criteria
Group Risk Management (GRM)	• Management of overall risk • Optimisation of processes in GRM
Big Data & Advanced Analytics	• Targets relating to data use
Group Management Compliance (from 1 October 2020)	• Targets relating to compliance conformity and cost efficiency • Targets relating to cooperation with supervisory authorities

Stephan Engels	
Departmental targets 2020	**Targets/criteria**
Group Management Finance **Group Management Tax** (GM-Tax) **Group Management Investor Relations**	• Coordination and monitoring of the cost and earnings measures in the Group strategy • Efficient capital management • Targets relating to GM-Tax • Targets relating to financial market communication and investor relations
Group Management Treasury	• Treasury result
mBank	• Targets relating to mBank

Jörg Hessenmüller	
Departmental targets 2020	**Targets/criteria**
Group Services	• Targets relating to outsourcing projects • Implementation of structural changes in the Group structure • Targets relating to the further development of the IT infrastructure • Expansion of sourcing measures

Michael Mandel	
Departmental targets 2020	**Targets/criteria**
Private and Small-Business Customers (PSBC)	• Segment result PSBC
Other targets for PSBC segment	• Target-oriented cost management and profitable customer growth • Targets relating to the expansion of digital banking • Targets relating to customer satisfaction and active digital banking users
mBank (from 1 April 2020)	• Targets relating to mBank

Dr. Bettina Orlopp	
Departmental targets 2020	**Targets/criteria**
Group Management Finance **Group Management Tax** (GM-Tax) **Group Management Investor Relations** (from 1 April 2020)	• Coordination and monitoring of the cost and earnings measures in the Group strategy • Efficient capital management • Targets relating to GM-Tax • Targets relating to financial market communication and investor relations
Group Management Treasury (from 1 April 2020)	• Treasury result
Group Management Compliance (until 31 March 2020)	• Targets relating to compliance conformity and cost efficiency • Targets relating to cooperation with supervisory authorities
Group Management Legal (until 31 March 2020)	• Targets relating to legal department tasks

Sabine Schmittroth	
Departmental targets 2020	**Targets/criteria**
Group Management Human Resources	• Targets relating to human resources management • HR targets relating to digitalisation and talent development
Group Management Customer Process & Data Management	• Targets relating to the processing of customer data, data quality and cost efficiency over the entire duration of the customer relationship
Group Management Compliance (from 1 April 2020 until 30 September 2020)	• Targets relating to compliance conformity and cost efficiency • Targets relating to cooperation with supervisory authorities
Private and Small-Business Customers (from 1 October 2020)	• Segment result PSBC • Target-oriented cost management and profitable customer growth • Targets relating to the expansion of digital banking • Targets relating to customer satisfaction and active digital banking users • Targets relating to mBank

Individual targets The achievement of individual targets for all members of the Board of Managing Directors was resulting in a factor of 1.0. Multi-year company target achievement was therefore not modified on the basis of individual target achievement.

Board member	Individual targets 2020 (set uniformly for all members of the Board of Managing Directors)
Martin Zielke	• Targets relating to employee satisfaction
Roland Boekhout	
Dr. Marcus Chromik	• Targets relating to customer satisfaction
Stephan Engels	
Jörg Hessenmüller	• Targets relating to the definition of the Bank's branding
Michael Mandel	
Dr. Bettina Orlopp	• Targets relating to cooperation within the Board of Managing Directors and the promotion of the Bank's values vis-à-vis colleagues, partners and customers
Sabine Schmittroth	

Total target achievement 2020 The total target achievement of the members of the Board of Managing Directors, taking into account the multi-year company-related target achievement, was in a range between 11% and 54%.

Details of remuneration of the Board of Managing Directors using the model tables recommended by the current German Corporate Governance Code

The remuneration of the Board of Managing Directors is set out below using the current model tables recommended by the German Corporate Governance Code. Under section 4.2.5 of the German Corporate Governance Code in the version dated 7 February 2017, which is specified through corresponding model tables, the remuneration awarded for the year under review and the allocation for the year under review are to be reported for each member of the Board of Managing Directors. This is to be done using the model tables. In particular, the tables permit a comparison with other companies that also report remuneration using the model tables recommended by the Code. As the award table shows the target and expected values, these are not the amounts actually awarded. These are considerably lower than the target values. The amounts actually awarded and received are presented in separate tables in line with previous remuneration reports.

In the following tables, the "Remuneration awarded" column shows the target remuneration (fixed remuneration and variable remuneration) awarded for the year under review, assuming target achievement of 100%:

€1,000	Martin Zielke Chairman (until 31 December 2020) Awarded remuneration assuming a fictitious target achievement of 100 % as well as min. and max.				Allocation	
	2020	**min.**	**max.**[1]	**2019**	**2020**	**2019**
Fixed remuneration	1,674	1,674	1,674	1,674	1,674	1,674
Fringe benefits[2]	151	151	151	170	151	170
Total	**1,825**	**1,825**	**1,825**	**1,844**	**1,825**	**1,844**
One year variable remuneration[3]	**–**	**–**	**–**	**–**	**–**	**–**
Multi-year variable remuneration	**1,116**	**0**	**1,674**	**1,116**	**51**	**428**
STI 2017 in virtual shares (up to Q1/2019)	–	–	–	–	–	165
STI 2018 in virtual shares (up to Q1/2020)	–	–	–	–	51	–
STI 2019 in cash	–	–	–	223	–	161
STI 2019 in virtual shares (up to Q1/2021)	–	–	–	223	–	–
STI 2020 in cash	223	0	335	–	0	–
STI 2020 in virtual shares (up to Q1/2022)	223	0	335	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	102
LTI 2015 in cash (up to Q1/2021)[4]	–	–	–	–	–	–
LTI 2019 in cash (up to Q1/2025, 2026, 2027)[5]	–	–	–	335	–	–
LTI 2019 in virtual shares (up to Q1/2026, 2027, 2028)[5]	–	–	–	335	–	–
LTI 2020 in cash (up to Q1/2026, 2027, 2028)[5]	335	0	503	–	–	–
LTI 2020 in virtual shares (up to Q1/2027, 2028, 2029)[5]	335	0	503	–	–	–
Total	**2,941**	**1,825**	**3,499**	**2,960**	**1,876**	**2,272**
Pension cost[6]	1,177	1,177	1,177	1,065	1,177	1,065
Total remuneration	**4,118**	**3,002**	**4,676**	**4,025**	**3,053**	**3,337**

€1,000	Frank Annuscheit Chief Operating Officer (until 28 February 2019) Awarded remuneration assuming a fictitious target achievement of 100 % as well as min. and max.				Allocation	
	2020	**min.**	**max.**[1]	**2019**	**2020**	**2019**
Fixed remuneration	–	–	–	165	–	165
Fringe benefits[2]	–	–	–	14	–	14
Total	**–**	**–**	**–**	**179**	**–**	**179**
One year variable remuneration[3]	**–**	**–**	**–**	**–**	**–**	**–**
Multi-year variable remuneration	**–**	**–**	**–**	**110**	**31**	**210**
STI 2017 in virtual shares (up to Q1/2019)	–	–	–	–	–	91
STI 2018 in virtual shares (up to Q1/2020)	–	–	–	–	31	–
STI 2019 in cash	–	–	–	22	–	15
STI 2019 in virtual shares (up to Q1/2021)	–	–	–	22	–	–
STI 2020 in cash	–	–	–	–	–	–
STI 2020 in virtual shares (up to Q1/2022)	–	–	–	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	104
LTI 2015 in cash (up to Q1/2021)[4]	–	–	–	–	–	–
LTI 2019 in cash (up to Q1/2025, 2026, 2027)[5]	–	–	–	33	–	–
LTI 2019 in virtual shares (up to Q1/2026, 2027, 2028)[5]	–	–	–	33	–	–
LTI 2020 in cash (up to Q1/2026, 2027, 2028)[5]	–	–	–	–	–	–
LTI 2020 in virtual shares (up to Q1/2027, 2028, 2029)[5]	–	–	–	–	–	–
Total	**–**	**–**	**–**	**289**	**31**	**390**
Pension cost[6]	–	–	–	494	–	494
Total remuneration	**–**	**–**	**–**	**783**	**31**	**884**

€1,000	Roland Boekhout Corporate Clients (1 January until 31 December 2020) Awarded remuneration assuming a fictitious target achievement of 100 % as well as min. and max.				Allocation	
	2020	**min.**	**max.[1]**	**2019**	**2020**	**2019**
Fixed remuneration	990	990	990	–	990	–
Fringe benefits[2]	135	135	135	–	135	–
Total	**1,125**	**1,125**	**1,125**	**–**	**1,125**	**–**
One year variable remuneration[3]	**132**	**0**	**198**	**–**	**0**	**–**
Multi-year variable remuneration	**528**	**0**	**792**	**–**	**–**	**–**
STI 2017 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
STI 2018 in virtual shares (up to Q1/2020)	–	–	–	–	–	–
STI 2019 in cash	–	–	–	–	–	–
STI 2019 in virtual shares (up to Q1/2021)	–	–	–	–	–	–
STI 2020 in cash	–	–	–	–	–	–
STI 2020 in virtual shares (up to Q1/2022)	132	0	198	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
LTI 2015 in cash (up to Q1/2021)[4]	–	–	–	–	–	–
LTI 2019 in cash (up to Q1/2025, 2026, 2027)[5]	–	–	–	–	–	–
LTI 2019 in virtual shares (up to Q1/2026, 2027, 2028)[5]	–	–	–	–	–	–
LTI 2020 in cash (up to Q1/2026, 2027, 2028)[5]	198	0	297	–	–	–
LTI 2020 in virtual shares (up to Q1/2027, 2028, 2029)[5]	198	0	297	–	–	–
Sign-on	**250**	**250**	**250**	**–**	**250**	**–**
Buy-out	**605**	**0**	**605**	**–**	**74**	**–**
STI in cash (Q1/2020)	74	0	74	–	74	–
STI in virtual shares (up to Q1/2021)	74	0	74	–	–	–
LTI in cash (up to Q1/2022, 2023, 2025)	229	0	229	–	–	–
LTI in virtual shares (up to Q1/2023, 2024, 2026)	229	0	229	–	–	–
Total	**2,640**	**1,375**	**2,970**	**–**	**1,449**	**–**
Pension cost[6]	333	333	333	–	333	–
Total remuneration	**2,973**	**1,708**	**3,303**	**–**	**1,782**	**–**

€1,000	Dr. Marcus Chromik Chief Risk Officer Awarded remuneration assuming a fictitious target achievement of 100 % as well as min. and max.				Allocation	
	2020	**min.**	**max.**[1]	**2019**	**2020**	**2019**
Fixed remuneration	990	990	990	990	990	990
Fringe benefits[2]	135	135	135	74	135	74
Total	**1,125**	**1,125**	**1,125**	**1,064**	**1,125**	**1,064**
One year variable remuneration[3]	**–**	**–**	**–**	**–**	**–**	**–**
Multi-year variable remuneration	**660**	**0**	**990**	**660**	**31**	**209**
STI 2017 in virtual shares (up to Q1/2019)	–	–	–	–	–	107
STI 2018 in virtual shares (up to Q1/2020)	–	–	–	–	31	–
STI 2019 in cash	–	–	–	132	–	102
STI 2019 in virtual shares (up to Q1/2021)	–	–	–	132	–	–
STI 2020 in cash	132	0	198	–	0	–
STI 2020 in virtual shares (up to Q1/2022)	132	0	198	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
LTI 2015 in cash (up to Q1/2021)[4]	–	–	–	–	–	–
LTI 2019 in cash (up to Q1/2025, 2026, 2027)[5]	–	–	–	198	–	–
LTI 2019 in virtual shares (up to Q1/2026, 2027, 2028)[5]	–	–	–	198	–	–
LTI 2020 in cash (up to Q1/2026, 2027, 2028)[5]	198	0	297	–	–	–
LTI 2020 in virtual shares (up to Q1/2027, 2028, 2029)[5]	198	0	297	–	–	–
Total	**1,785**	**1,125**	**2,115**	**1,724**	**1,156**	**1,273**
Pension cost[6]	383	383	383	350	383	350
Total remuneration	**2,168**	**1,508**	**2,498**	**2,074**	**1,539**	**1,623**

€1,000	Stephan Engels Chief Financial Officer (until 31 March 2020) Awarded remuneration assuming a fictitious target achievement of 100 % as well as min. and max.				Allocation	
	2020	**min.**	**max.**[1]	**2019**	**2020**	**2019**
Fixed remuneration	248	248	248	990	248	990
Fringe benefits[2]	34	34	34	120	34	120
Total	**282**	**282**	**282**	**1,110**	**282**	**1,110**
One year variable remuneration[3]	**–**	**–**	**–**	**–**	**–**	**–**
Multi-year variable remuneration	**165**	**0**	**248**	**660**	**31**	**293**
STI 2017 in virtual shares (up to Q1/2019)	–	–	–	–	–	98
STI 2018 in virtual shares (up to Q1/2020)	–	–	–	–	31	–
STI 2019 in cash	–	–	–	132	–	98
STI 2019 in virtual shares (up to Q1/2021)	–	–	–	132	–	–
STI 2020 in cash	33	0	50	–	0	–
STI 2020 in virtual shares (up to Q1/2022)	33	0	50	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	97
LTI 2015 in cash (up to Q1/2021)[4]	–	–	–	–	–	–
LTI 2019 in cash (up to Q1/2025, 2026, 2027)[5]	–	–	–	198	–	–
LTI 2019 in virtual shares (up to Q1/2026, 2027, 2028)[5]	–	–	–	198	–	–
LTI 2020 in cash (up to Q1/2026, 2027, 2028)[5]	50	0	74	–	–	–
LTI 2020 in virtual shares (up to Q1/2027, 2028, 2029)[5]	50	0	74	–	–	–
Total	**447**	**282**	**530**	**1,770**	**313**	**1,403**
Pension cost[6]	84	84	84	331	84	331
Total remuneration	**531**	**366**	**614**	**2,101**	**397**	**1,734**

€1,000	Jörg Hessenmüller Chief Operating Officer (since 15 January 2019) Awarded remuneration assuming a fictitious target achievement of 100 % as well as min. and max.				Allocation	
	2020	**min.**	**max.**[1]	**2019**	**2020**	**2019**
Fixed remuneration	990	990	990	953	990	953
Fringe benefits[2]	161	161	161	51	161	51
Total	**1,151**	**1,151**	**1,151**	**1,004**	**1,151**	**1,004**
One year variable remuneration[3]	**–**	**–**	**–**	**127**	**–**	**94**
Multi-year variable remuneration	**660**	**0**	**990**	**508**	**0**	**–**
STI 2017 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
STI 2018 in virtual shares (up to Q1/2020)	–	–	–	–	–	–
STI 2019 in cash	–	–	–	–	–	–
STI 2019 in virtual shares (up to Q1/2021)	–	–	–	127	–	–
STI 2020 in cash	132	0	198	–	0	–
STI 2020 in virtual shares (up to Q1/2022)	132	0	198	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
LTI 2015 in cash (up to Q1/2021)[4]	–	–	–	–	–	–
LTI 2019 in cash (up to Q1/2025, 2026, 2027)[5]	–	–	–	191	–	–
LTI 2019 in virtual shares (up to Q1/2026, 2027, 2028)[5]	–	–	–	191	–	–
LTI 2020 in cash (up to Q1/2026, 2027, 2028)[5]	198	0	297	–	–	–
LTI 2020 in virtual shares (up to Q1/2027, 2028, 2029)[5]	198	0	297	–	–	–
Total	**1,811**	**1,151**	**2,141**	**1,639**	**1,151**	**1,098**
Pension cost[6]	371	371	371	314	371	314
Total remuneration	**2,182**	**1,522**	**2,512**	**1,953**	**1,522**	**1,412**

€1,000	Michael Mandel Private and Small-Business Customers (until 30 September 2020) Awarded remuneration assuming a fictitious target achievement of 100 % as well as min. and max.				Allocation	
	2020	**min.**	**max.**[1]	**2019**	**2020**	**2019**
Fixed remuneration	743	743	743	990	743	990
Fringe benefits[2]	135	135	135	105	135	105
Total	**878**	**878**	**878**	**1,095**	**878**	**1,095**
One year variable remuneration[3]	**–**	**–**	**–**	**–**	**–**	**–**
Multi-year variable remuneration	**495**	**0**	**743**	**660**	**35**	**184**
STI 2017 in virtual shares (up to Q1/2019)	–	–	–	–	–	98
STI 2018 in virtual shares (up to Q1/2020)	–	–	–	–	35	–
STI 2019 in cash	–	–	–	132	–	86
STI 2019 in virtual shares (up to Q1/2021)	–	–	–	132	–	–
STI 2020 in cash	99	0	149	–	0	–
STI 2020 in virtual shares (up to Q1/2022)	99	0	149	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
LTI 2015 in cash (up to Q1/2021)[4]	–	–	–	–	–	–
LTI 2019 in cash (up to Q1/2025, 2026, 2027)[5]	–	–	–	198	–	–
LTI 2019 in virtual shares (up to Q1/2026, 2027, 2028)[5]	–	–	–	198	–	–
LTI 2020 in cash (up to Q1/2026, 2027, 2028)[5]	149	0	223	–	–	–
LTI 2020 in virtual shares (up to Q1/2027, 2028, 2029)[5]	149	0	223	–	–	–
Total	**1,373**	**878**	**1,621**	**1,755**	**913**	**1,279**
Pension cost[6]	267	267	267	337	267	337
Total remuneration	**1,640**	**1,145**	**1,888**	**2,092**	**1,180**	**1,616**

€1,000	Dr. Bettina Orlopp Chief Financial Officer, Group Treasury					
	Awarded remuneration assuming a fictitious target achievement of 100 % as well as min. and max.				Allocation	
	2020	**min.**	**max.**[1]	**2019**	**2020**	**2019**
Fixed remuneration	**990**	**990**	**990**	**990**	**990**	**990**
Fringe benefits[2]	90	90	90	88	90	88
Total	**1,080**	**1,080**	**1,080**	**1,078**	**1,080**	**1,078**
One year variable remuneration[3]	**–**	**–**	**–**	**–**	**–**	**–**
Multi-year variable remuneration	**660**	**0**	**990**	**660**	**31**	**113**
STI 2017 in virtual shares (up to Q1/2019)	–	–	–	–	–	17
STI 2018 in virtual shares (up to Q1/2020)	–	–	–	–	31	–
STI 2019 in cash	–	–	–	132	–	96
STI 2019 in virtual shares (up to Q1/2021)	–	–	–	132	–	–
STI 2020 in cash	132	0	198	–	0	–
STI 2020 in virtual shares (up to Q1/2022)	132	0	198	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
LTI 2015 in cash (up to Q1/2021)[4]	–	–	–	–	–	–
LTI 2019 in cash (up to Q1/2025, 2026, 2027)[5]	–	–	–	198	–	–
LTI 2019 in virtual shares (up to Q1/2026, 2027, 2028)[5]	–	–	–	198	–	–
LTI 2020 in cash (up to Q1/2026, 2027, 2028)[5]	198	0	297	–	–	–
LTI 2020 in virtual shares (up to Q1/2027, 2028, 2029)[5]	198	0	297	–	–	–
Total	**1,740**	**1,080**	**2,070**	**1,738**	**1,111**	**1,191**
Pension cost[6]	374	374	374	347	374	347
Total remuneration	**2,114**	**1,454**	**2,444**	**2,085**	**1,485**	**1,538**

€1,000	Michael Reuther Corporate Clients, Group Treasury (until 31 December 2019)					
	Awarded remuneration assuming a fictitious target achievement of 100 % as well as min. and max.				Allocation	
	2020	**min.**	**max.**[1]	**2019**	**2020**	**2019**
Fixed remuneration	–	–	–	990	–	990
Fringe benefits[2]	–	–	–	151	–	151
Total	**–**	**–**	**–**	**1,141**	**–**	**1,141**
One year variable remuneration[3]	**–**	**–**	**–**	**–**	**–**	**–**
Multi-year variable remuneration	**–**	**–**	**–**	**660**	**28**	**247**
STI 2017 in virtual shares (up to Q1/2019)	–	–	–	–	–	73
STI 2018 in virtual shares (up to Q1/2020)	–	–	–	–	28	–
STI 2019 in cash	–	–	–	132	–	75
STI 2019 in virtual shares (up to Q1/2021)	–	–	–	132	–	–
STI 2020 in cash	–	–	–	–	–	–
STI 2020 in virtual shares (up to Q1/2022)	–	–	–	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	99
LTI 2015 in cash (up to Q1/2021)[4]	–	–	–	–	–	–
LTI 2019 in cash (up to Q1/2025, 2026, 2027)[5]	–	–	–	198	–	–
LTI 2019 in virtual shares (up to Q1/2026, 2027, 2028)[5]	–	–	–	198	–	–
LTI 2020 in cash (up to Q1/2026, 2027, 2028)[5]	–	–	–	–	–	–
LTI 2020 in virtual shares (up to Q1/2027, 2028, 2029)[5]	–	–	–	–	–	–
Total	**–**	**–**	**–**	**1,801**	**28**	**1,388**
Pension cost[6]	–	–	–	570	–	570
Total remuneration	**–**	**–**	**–**	**2,371**	**28**	**1,958**

€1,000	Sabine Schmittroth Private and Small-Business Customers, Group Human Resources (since 1 January 2020) Awarded remuneration assuming a fictitious target achievement of 100 % as well as min. and max.				Allocation	
	2020	**min.**	**max.**[1]	**2019**	**2020**	**2019**
Fixed remuneration	990	990	990	–	990	–
Fringe benefits[2]	204	204	204	–	204	–
Total	**1,194**	**1,194**	**1,194**	**–**	**1,194**	**–**
One year variable remuneration[3]	**132**	**0**	**198**	**–**	**0**	**–**
Multi-year variable remuneration	**528**	**0**	**792**	**–**	**–**	**–**
STI 2017 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
STI 2018 in virtual shares (up to Q1/2020)	–	–	–	–	–	–
STI 2019 in cash	–	–	–	–	–	–
STI 2019 in virtual shares (up to Q1/2021)	–	–	–	–	–	–
STI 2020 in cash	–	–	–	–	–	–
STI 2020 in virtual shares (up to Q1/2022)	132	0	198	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
LTI 2015 in cash (up to Q1/2021)[4]	–	–	–	–	–	–
LTI 2019 in cash (up to Q1/2025, 2026, 2027)[5]	–	–	–	–	–	–
LTI 2019 in virtual shares (up to Q1/2026, 2027, 2028)[5]	–	–	–	–	–	–
LTI 2020 in cash (up to Q1/2026, 2027, 2028)[5]	198	0	297	–	–	–
LTI 2020 in virtual shares (up to Q1/2027, 2028, 2029)[5]	198	0	297	–	–	–
Total	**1,854**	**1,194**	**2,184**	**–**	**1,194**	**–**
Pension cost[6]	352	352	352	–	352	–
Total remuneration	**2,206**	**1,546**	**2,536**	**–**	**1,546**	**–**

[1] Maximum amount in the relevant year, i.e. excluding any rise in the share price for share-based remuneration.
[2] Non-monetary remuneration awarded, tax due on non-monetary remuneration and employer contributions to the BVV occupational retirement fund are shown under fringe benefits.
[3] The STI in cash is only to be classified as one-year variable remuneration in the first year of appointment. Since the subsequent measurement period for variable remuneration is two or three years, from the second year of appointment onwards all variable remuneration components are to be presented as multi-year variable remuneration.
[4] The retrospective performance evaluation for the 2015 LTI will not take place until after the preparation of the annual financial statements and Group financial statements as at 31 December 2020. Allocations from these components will therefore only be shown in future remuneration reports.
[5] The term is dependent on the duration of the retention period, which is generally five years. It is seven years for the first year of appointment as a member of the Board of Managing Directors, then six years for the second year of appointment.
[6] The pension expense reported is the service cost under IAS 19 (see section on pensions).

Details of remuneration of the Board of Managing Directors using the Bank's own tables

The following tables show the actual allocations in 2020 with the figures from the previous year for comparison for each individual member of the Board of Managing Directors. The allocation "for" the year means, for example, that the STI 2020 paid in cash for 2020 and for which all inputs are available at the end of the year is shown as an allocation for 2020 even though the actual payment is not made until 2021. Hence, the STI 2019 paid out in cash in 2020 is shown as an allocation for 2019.

Allocation €1,000	**Martin Zielke** Chairman (until 31 December 2020)		**Frank Annuscheit** Chief Operating Officer (until 28 February 2019)	
	2020	**2019**	**2020**	**2019**
Basic salary[1]	1,674	1,674	–	165
Fringe benefits[1]	151	170	–	14
Sub-total	**1,825**	**1,844**	**–**	**179**
Short-term variable remuneration	**51**	**326**	**31**	**106**
STI 2017 in virtual shares (up to Q1/2019)	–	165	–	91
STI 2018 in virtual shares (up to Q1/2020)	51	–	31	–
STI 2019 in cash	–	161	–	15
STI 2020 in cash	0	–	–	–
Long-term variable remuneration	**–**	**102**	**–**	**104**
LTI 2014 in virtual shares (up to Q1/2019)	–	102	–	104
LTI 2015 in cash (up to Q1/2021)[2]	–	–	–	–
Total	**1,876**	**2,272**	**31**	**390**

Allocation €1,000	**Roland Boekhout** Corporate Clients (1 January until 31 December 2020)		**Dr. Marcus Chromik** Chief Risk Officer		**Stephan Engels** Chief Financial Officer (until 31 March 2020)	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Basic salary[1]	990	–	990	990	248	990
Fringe benefits[1]	135	–	135	74	34	120
Sub-total	**1,125**	**–**	**1,125**	**1,064**	**282**	**1,110**
Short-term variable remuneration	**0**	**–**	**31**	**209**	**31**	**196**
STI 2017 in virtual shares (up to Q1/2019)	–	–	–	107	–	98
STI 2018 in virtual shares (up to Q1/2020)	–	–	31	–	31	–
STI 2019 in cash	–	–	–	102	–	98
STI 2020 in cash	0	–	0	–	0	–
Long-term variable remuneration	**–**	**–**	**–**	**–**	**–**	**97**
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	97
LTI 2015 in cash (up to Q1/2021)[2]	–	–	–	–	–	–
Sign-on	**250**	–	–	–	–	–
Buy-out (STI in cash (Q1/2020))	**74**	–	–	–	–	–
Total	**1,449**	**–**	**1,156**	**1,273**	**313**	**1,403**

Allocation €1,000	Jörg Hessenmüller Chief Operating Officer (since 15 January 2019)		Michael Mandel Private and Small-Business Customers (until 30 September 2020)		Dr. Bettina Orlopp Chief Financial Officer, Group Treasury	
	2020	2019	2020	2019	2020	2019
Basic salary[1]	990	953	743	990	990	990
Fringe benefits[1]	161	51	135	105	90	88
Sub-total	**1,151**	**1,004**	**878**	**1,095**	**1,080**	**1,078**
Short-term variable remuneration	**0**	**94**	**35**	**184**	**31**	**113**
STI 2017 in virtual shares (up to Q1/2019)	–	–	–	98	–	17
STI 2018 in virtual shares (up to Q1/2020)	–	–	35	–	31	–
STI 2019 in cash	–	94	–	86	–	96
STI 2020 in cash	0	–	0	–	0	–
Long-term variable remuneration	**–**	**–**	**–**	**–**	**–**	**–**
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
LTI 2015 in cash (up to Q1/2021)[2]	–	–	–	–	–	–
Total	**1,151**	**1,098**	**913**	**1,279**	**1,111**	**1,191**

Allocation €1,000	Michael Reuther Corporate Clients, Group Treasury (until 31 December 2019)		Sabine Schmittroth Private and Small-Business Customers, Group Human Resources (since 1 January 2020)	
	2020	2019	2020	2019
Basic salary[1]	–	990	990	–
Fringe benefits[1]	–	151	204	–
Sub-total	**–**	**1,141**	**1,194**	**–**
Short-term variable remuneration	**28**	**148**	**0**	**–**
STI 2017 in virtual shares (up to Q1/2019)	–	73	–	–
STI 2018 in virtual shares (up to Q1/2020)	28	–	–	–
STI 2019 in cash	–	75	–	–
STI 2020 in cash	–	–	0	–
Long-term variable remuneration	**–**	**99**	**–**	**–**
LTI 2014 in virtual shares (up to Q1/2019)	–	99	–	–
LTI 2015 in cash (up to Q1/2021)[2]	–	–	–	–
Total	**28**	**1,388**	**1,194**	**–**

[1] Non-monetary remuneration awarded, tax due on non-monetary remuneration and employer contributions to the BVV occupational retirement fund are shown under fringe benefits.
[2] The retrospective performance evaluation for the 2015 LTI will not take place until after the preparation of the annual financial statements and Group financial statements as at 31 December 2020. Allocations from these components will therefore only be shown in future remuneration reports.

The following table shows the remuneration awarded, which comprises fixed remuneration (basic salary and fringe benefits) and variable remuneration at the target amount set, the short-term and long-term portions of variable remuneration and the minimum and maximum amounts of total variable remuneration for each individual member of the Board of Managing Directors.

Unlike the model table of the German Corporate Governance Code for remuneration awarded, the variable remuneration allocated is not shown as the target amount, i.e. the amount if target achievement is 100% or a comparable figure for an average probability scenario. Instead, the total target achievement amounts determined by the Supervisory Board are shown for each member of the Board of Managing Directors. The table reflects the actual target achievement of the members of the Board of Managing Directors and is therefore of greater informational value in respect of the variable remuneration for the past financial year than a hypothetical value that assumes target achievement of 100%.

Of the total target achievement amount and the minimum and maximum values shown, 40% relates to short-term variable remuneration (STI) and 60% to long-term variable remuneration (LTI). In both cases, half of the remuneration is share-based.

At its meeting on 10 February 2021, the Supervisory Board determined the total target achievement amounts applicable to variable remuneration for the individual members of the Board of Managing Directors for 2020 at €0.

Awarded remuneration		Fixed remuneration		Variable remuneration								Total remuneration allocated[1]
€1,000		Basic salary	Fringe benefits[2]	Short-term		Long-term		Total target amount			Sign-on/ Buy-out	
				STI in cash	STI in virtual shares	LTI in cash	LTI in virtual shares		min	max[3]		
Martin Zielke	2020[4]	1,674	151	0	0	0	0	0	0	1,674	–	**1,825**
	2019	1,674	170	161	161	241	241	804	0	1,674	–	**2,648**
Frank Annuscheit	2020	–	–	–	–	–	–	–	–	–	–	**–**
	2019[5]	165	14	15	15	23	23	77	0	165	–	**256**
Roland Boekhout	2020[6]	990	135	0	0	0	0	0	0	990	855	**1,980**
	2019	–	–	–	–	–	–	–	–	–	–	**–**
Dr. Marcus Chromik	2020	990	135	0	0	0	0	0	0	990	–	**1,125**
	2019	990	74	102	102	152	152	508	0	990	–	**1,572**
Stephan Engels	2020[7]	248	34	0	0	0	0	0	0	248	–	**282**
	2019	990	120	98	98	146	146	488	0	990	–	**1,598**
Jörg Hessenmüller	2020	990	161	0	0	0	0	0	0	990	–	**1,151**
	2019[8]	953	51	94	94	141	141	470	0	953	–	**1,474**
Michael Mandel	2020[9]	743	135	0	0	0	0	0	0	743	–	**878**
	2019	990	105	86	86	129	129	429	0	990	–	**1,524**
Dr. Bettina Orlopp	2020	990	90	0	0	0	0	0	0	990	–	**1,080**
	2019	990	88	96	96	145	145	482	0	990	–	**1,560**
Michael Reuther	2020	–	–	–	–	–	–	–	–	–	–	**–**
	2019[10]	990	151	75	75	113	113	376	0	990	–	**1,517**
Sabine Schmittroth	2020[11]	990	204	0	0	0	0	0	0	990	–	**1,194**
	2019	–	–	–	–	–	–	–	–	–	–	**–**
Total	**2020**	**7,615**	**1,045**	**0**	**0**	**0**	**0**	**0**	**0**	**7,615**	**855**	**9,515**
	2019	**7,742**	**773**	**727**	**727**	**1,090**	**1,090**	**3,634**	**0**	**7,742**	**–**	**12,149**

1 Total remuneration does not include pension expense. This is shown in the section on pension provision.
2 Non-monetary remuneration awarded, tax due on non-monetary remuneration and employer contributions to the BVV occupational retirement fund are shown under fringe benefits.
3 Maximum amount in the relevant year, i.e. excluding any rise in the share price for share-based remuneration.
4 The appointment of Martin Zielke as a member and Chairman of the Board of Managing Directors ended at the close of 31 December 2020.
5 The appointment of Frank Annuscheit as a member of the Board of Managing Directors ended at the close of 28 February 2019.
6 Roland Boekhout was appointed as a member of the Board of Managing Directors with effect from 1 January 2020. His appointment as a member of the Board of Managing Directors ended at the close of 31 December 2020. Roland Boekhout received a sign-on bonus of €250,000 and a buyout commitment worth €605,000.
7 The appointment of Stephan Engels as a member of the Board of Managing Directors ended at the close of 31 March 2020.
8 Jörg Hessenmüller has been a member of the Board of Managing Directors since 15 January 2019.
9 The appointment of Michael Mandel as a member of the Board of Managing Directors ended at the close of 30 September 2020.
10 The appointment of Michael Reuther as a member of the Board of Managing Directors ended at the close of 31 December 2019.
11 Sabine Schmittroth has been a member of the Board of Managing Directors since 1 January 2020.

Details of remuneration of the Board of Managing Directors pursuant to German Accounting Standard No. 17 (DRS 17)

The remuneration of the Board of Managing Directors is shown below in accordance with the rules of DRS 17. The amounts shown differ from those reported above based on the German Corporate Governance Code. This is because reporting under DRS 17 is governed by special rules. The main difference that leads to different figures is the following: Under DRS 17, the LTI components of the remuneration system may only be stated after the retrospective performance evaluation has been completed and the retention period has expired. They are therefore not included in the DRS 17 table, in contrast to the remuneration awards table, which is based on the rules of the German Corporate Governance Code.

€1,000		Fixed components			Performance-related components				
					with short-term incentive			with long-term incentive[1]	Total remuneration under DRS 17[2]
		Basic salary	Fringe benefits[3]	Sign-on	STI in cash[4]	STI in virtual shares[5]			
							Number of virtual shares in units		
Martin Zielke	2020[4]	1,674	151	–	0	0	0	–	**1,825**
	2019	1,674	170	–	161	175	29,546	–	**2,180**
Frank Annuscheit	2020	–	–	–	–	–	–	–	**–**
	2019[5]	165	14	–	15	17	2,825	–	**211**
Roland Boekhout	2020[6]	990	135	250	74	74	13,530	–	**1,523**
	2019	–	–	–	–	–	–	–	**–**
Dr. Marcus Chromik	2020	990	135	–	0	0	0	–	**1,125**
	2019	990	74	–	102	111	18,684	–	**1,277**
Stephan Engels	2020[7]	248	34	–	0	0	0	–	**282**
	2019	990	120	–	98	106	17,956	–	**1,314**
Jörg Hessenmüller	2020	990	161	–	0	0	0	–	**1,151**
	2019[8]	953	51	–	94	102	17,281	–	**1,200**
Michael Mandel	2020[9]	743	135	–	0	0	0	–	**878**
	2019	990	105	–	86	93	15,773	–	**1,274**
Dr. Bettina Orlopp	2020	990	90	–	0	0	0	–	**1,080**
	2019	990	88	–	96	105	17,714	–	**1,279**
Michael Reuther	2020	–	–	–	–	–	–	–	**–**
	2019[10]	990	151	–	75	82	13,831	–	**1,298**
Sabine Schmittroth	2020[11]	990	204	–	0	0	0	–	**1,194**
	2019	–	–	–	–	–	–	–	**–**
Total	**2020**	**7,615**	**1,045**	**250**	**74**	**74**	**13,530**	**–**	**9,058**
	2019	**7,742**	**773**	**–**	**727**	**791**	**133,610**	**–**	**10,033**

[1] The retrospective performance evaluation for the 2015 LTI will not take place until after the preparation of the annual financial statements and Group financial statements as at 31 December 2020. Remuneration awarded from these components will therefore only be shown in future remuneration reports.
[2] Total remuneration in accordance with DRS 17 includes only those components in respect of which the members of the Board of Managing Directors have a legally binding entitlement as at the relevant reporting date. It therefore does not include the LTI components, as there is no entitlement to these until after the retrospective performance evaluation and expiry of the retention period.
[3] Non-monetary remuneration awarded, tax due on non-monetary remuneration and employer contributions to the BVV occupational retirement fund are shown under fringe benefits.
[4] The appointment of Martin Zielke as a member and Chairman of the Board of Managing Directors ended at the close of 31 December 2020.
[5] The appointment of Frank Annuscheit as a member of the Board of Managing Directors ended at the close of 28 February 2019.
[6] Roland Boekhout was appointed as a member of the Board of Managing Directors with effect from 1 January 2020. His appointment as a member of the Board of Managing Directors ended at the close of 31 December 2020. In addition to his sign-on bonus, Roland Boekhout also received a buyout commitment worth €605,000. Of this amount, €74,000 was awarded as an STI in cash and €74,000 as an STI in virtual shares. The number of virtual shares is calculated on the basis of the average Commerzbank share price in January 2020.
[7] The appointment of Stephan Engels as a member of the Board of Managing Directors ended at the close of 31 March 2020.
[8] Jörg Hessenmüller has been a member of the Board of Managing Directors since 15 January 2019.
[9] The appointment of Michael Mandel as a member of the Board of Managing Directors ended at the close of 30 September 2020.
[10] The appointment of Michael Reuther as a member of the Board of Managing Directors ended at the close of 31 December 2019.
[11] Sabine Schmittroth has been a member of the Board of Managing Directors since 1 January 2020.

Loans to members of the Board of Managing Directors

Members of the Board of Managing Directors have been granted loans with terms ranging from on demand up to a due date of 2048 and at interest rates ranging between 0.7% and 2.8% and, in certain cases, up to 9.4% on amounts overdrawn. The loans, mainly real estate financing, are secured at normal market terms, if necessary through land charges or rights of lien.

As at the reporting date, the aggregate amount of loans granted to members of the Board of Managing Directors was €2,116,000; in the previous year, the figure was €5,549,000. Repayments of €24,000 were made in 2020. With the exception of rental guarantees, Commerzbank Aktiengesellschaft did not enter into any contingent liabilities in favour of members of the Board of Managing Directors in the year under review.

Supervisory Board

Principles of the remuneration system and remuneration for financial year 2020

The remuneration of the Supervisory Board is regulated in Art. 15 of the Articles of Association; the current version was approved by the Annual General Meeting on 13 May 2020.

Under the remuneration system, members of the Supervisory Board receive basic remuneration of €80,000 for each financial year. The Chairman receives triple and the Deputy Chairman double this amount.

Members also receive an additional €30,000 annually for sitting on either the Audit Committee or the Risk Committee. Members also receive an additional €20,000 annually for sitting on any other committee of the Supervisory Board that meets at least once in the calendar year. The committee chairman receives double these amounts. Additional remuneration is paid for a maximum of three committee appointments, taking the figures for the three highest paid positions. Members of the Supervisory Board who only belonged to the Board or one of its committees for part of a financial year receive reduced remuneration for that year calculated pro rata temporis. In addition, each member of the Supervisory Board receives an attendance fee of €1,500 for each meeting or conference call of the Supervisory Board or one of its committees in which the member participates. Where several meetings or conference calls take place on a single day, only one attendance fee is paid. The basic remuneration, remuneration for serving on committees and attendance fees are payable at the end of the financial year.

Commerzbank Aktiengesellschaft reimburses any expenses incurred by members of the Supervisory Board in the performance of their duties and any VAT due on remuneration or expenses. Any employer contributions due under foreign law for Supervisory Board activities are also paid for each member of the Supervisory Board. The Chairman of the Supervisory Board is provided with appropriate human and material resources and, in particular, is reimbursed for travel costs incurred as part of the duties of representation and costs for requisite security measures arising from his position.

Members of the Supervisory Board thus received total net remuneration for the 2020 financial year of €3,464,500 (previous year: €3,321,900). Of this figure, the basic remuneration amounted to €1,840,200 (previous year: €1,840,000) and remuneration for committee memberships to €949,300 (previous year: €983,900). Attendance fees were €675,000 (previous year: €498,000).

The remuneration is divided between the individual members of the Supervisory Board as follows:

€1,000		Basic remuneration	Remuneration for serving on committees	Attendance fee	Total
Hans-Jörg Vetter (since 4 August 2020)	2020	98.0	32.7	16.5	147.2
	2019	–	–	–	–
Dr. Stefan Schmittmann (until 3 August 2020)	2020	142.0	68.1	22.5	232.6
	2019	240.0	120.0	31.5	391.5
Uwe Tschäge	2020	160.0	60.1	36.0	256.1
	2019	160.0	60.0	28.5	248.5
Heike Anscheit	2020	80.0	20.0	25.5	125.5
	2019	80.0	20.0	22.5	122.5
Alexander Boursanoff	2020	80.0	–	21.0	101.0
	2019	80.0	–	18.0	98.0
Gunnar de Buhr	2020	80.0	50.0	40.5	170.5
	2019	80.0	50.0	28.5	158.5
Stefan Burghardt	2020	80.0	50.0	34.5	164.5
	2019	80.0	50.0	25.5	155.5
Dr. Frank Czichowski (since 13 May 2020)	2020	50.7	43.9	24.0	118.6
	2019	–	–	–	–
Sabine U. Dietrich	2020	80.0	60.0	28.5	168.5
	2019	80.0	60.0	21.0	161.0
Dr. Jutta A. Dönges (since 13 May 2020)	2020	50.7	43.9	36.0	130.6
	2019	–	–	–	–
Monika Fink	2020	80.0	30.0	36.0	146.0
	2019	80.0	30.0	25.5	135.5
Dr. Tobias Guldimann	2020	80.0	90.0	43.5	213.5
	2019	80.0	91.3	34.5	205.8
Dr. Rainer Hillebrand	2020	80.0	50.0	36.0	166.0
	2019	80.0	50.0	25.5	155.5
Christian Höhn	2020	80.0	48.9	36.0	164.9
	2019	80.0	60.0	24.0	164.0
Kerstin Jerchel	2020	80.0	–	21.0	101.0
	2019	80.0	–	15.0	95.0
Dr. Markus Kerber (until 13 May 2020)	2020	29.3	25.7	12.0	67.0
	2019	80.0	70.0	25.5	175.5
Alexandra Krieger	2020	80.0	–	21.0	101.0
	2019	80.0	–	18.0	98.0
Anja Mikus (until 13 May 2020)	2020	29.5	25.9	13.5	68.9
	2019	80.0	70.0	27.0	177.0
Dr. Victoria Ossadnik	2020	80.0	20.0	27.0	127.0
	2019	80.0	21.3	25.5	126.8
Robin J. Stalker	2020	80.0	60.0	42.0	182.0
	2019	80.0	60.0	30.0	170.0
Nicholas Teller	2020	80.0	80.1	42.0	202.1
	2019	80.0	81.3	31.5	192.8
Dr. Gertrude Tumpel-Gugerell	2020	80.0	70.0	37.5	187.5
	2019	80.0	70.0	25.5	175.5
Stefan Wittmann	2020	80.0	20.0	22.5	122.5
	2019	80.0	20.0	15.0	115.0
Total	**2020**	**1,840.2**	**949.3**	**675.0**	**3,464.5**
	2019	**1,840.0**	**983.9**	**498.0**	**3,321.9**

Members of the Supervisory Board once again provided no advisory, intermediary or other personal services in 2020. Accordingly, no additional remuneration was paid.

Loans to members of the Supervisory Board

Members of the Supervisory Board have been granted loans with terms ranging from on demand up to a due date of 2042 and at interest rates ranging between 1.0% and 2.3%, and, in certain cases, up to 12.4% on amounts overdrawn. The loans, mainly real estate financing, are secured at normal market terms, if necessary through land charges or rights of lien.

As at the reporting date, the aggregate amount of loans granted to members of the Supervisory Board was €1,719,000; in the previous year, the figure was €1,468,000. Repayments of €37,000 were made in 2020. With the exception of rental guarantees, Commerzbank Aktiengesellschaft did not enter into any contingent liabilities in favour of members of the Supervisory Board in the year under review.

Other details

D&O liability insurance

A Directors and Officers (D&O) liability insurance policy is in place for members of the Board of Managing Directors and the Supervisory Board. The excess for members of the Supervisory Board and the Board of Managing Directors is set at 10% of the claim up to a maximum of 150% of the fixed annual remuneration for all insurance claims made within a single year.

Own transactions pursuant to Art. 19 of the Market Abuse Regulation

Art. 19 of Regulation (EU) No 596/2014 on market abuse requires disclosure and notification of transactions by managers of listed companies and persons closely associated with them. Own transactions by such persons in shares or bonds issued by Commerzbank Aktiengesellschaft or in derivatives or other financial instruments based thereon must be disclosed if they exceed an aggregate volume of €20,000 within a calendar year. This duty of disclosure applies to members of the Board of Managing Directors and the Supervisory Board.

The following transactions were reported to Commerzbank Aktiengesellschaft in the past 2020 financial year:

Transaction date	Disclosing party	Position	Financial instrument	Purchase/ Sale	Units	Price €	Transaction volume I €
3.3.2020	Dr. Marcus Chromik	Member of BMD	Subscription warrant, Commerzbank PUT20 DAX	Purchase	3,300	3.13	10,329
16.3.2020	Dr. Marcus Chromik	Member of BMD	Subscription warrant, Commerzbank PUT20 DAX	Sale	3,300	26.29	86,757
16.3.2020	Dr. Marcus Chromik	Member of BMD	Subscription warrant, Commerzbank PUT20 S500	Sale	13,000	3.61	46,930

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

Information under takeover law required pursuant to Art. 289a (1) of the German Commercial Code (HGB) and explanatory report

Share capital structure

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

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

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

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

Shares with special rights granting powers of control

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

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

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

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

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

The Board of Managing Directors is authorised, subject to the detailed provisions of Art. 4 (3) and (4) of the Articles of Association in effect on 31 December 2019, to increase the share capital, with the approval of the Supervisory Board, on one or more occasions until 21 May 2024, but by no more than a total of €626,178,817.00 by issuing new shares:

- By up to €500,943,054.00 against cash contributions (Authorised Capital 2019/I). The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in order to (i) exclude fractional amounts from the subscription rights or (ii) issue employee shares to employees up to a proportional amount of the share capital of €15,000,000.00.
- By up to €125,235,763.00 against cash or non-cash contributions (Authorised Capital 2019/II). The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in order to (i) exclude fractional amounts from the subscription rights; (ii) to the extent necessary, grant subscription rights to new shares to holders of conversion or option rights; (iii) increase the share capital against contributions in kind; or (iv) issue new shares against cash contributions to the extent of no more than 10% of the Bank's share capital at the time the authorisation becomes effective or at the time the authorisation is exercised, whichever amount is lower, if the issue price of the new shares is not significantly lower than the stock market price for shares of the same class at the time the issue price is determined. For the determination of the maximum limit of 10% of the share capital, the calculation rules set out in the Articles of Association apply.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Compensation agreements in the event of a takeover offer

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

Equity holdings that exceed 10% of the voting rights

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

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

The aim of the internal control and risk management system over financial reporting is to ensure that the annual financial statements of Commerzbank Aktiengesellschaft and the Commerzbank Group provide a true and fair view of the assets, liabilities, financial position and financial performance in accordance with the applicable accounting standards under the German Commercial Code and IFRS. The internal control system and the risk management system at Commerzbank are linked with each other, both with a view to financial reporting. Below, we shall therefore use the term ICS (internal control system). Details of the risk management system can be found in the risk report on page 62 f.

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

Legal basis and guidelines

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

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

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

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

Organisation

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

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

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

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

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

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

Controls to minimise risk

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

Monitoring by Group Audit

Group Audit (GM-A) is the internal audit function. It provides independent, objective and risk-oriented auditing and advisory services for the Board of Managing Directors with a view to optimising the compliance, security and cost-effectiveness of Commerzbank's business processes. GM-A supports the Board of Managing Directors by evaluating the appropriateness and effectiveness of risk management, the internal control system and business processes in a systematic and targeted manner, providing support on key projects in an internal auditing capacity and issuing recommendations. In doing so, it contributes to the security of business processes and assets.

GM-A is directly accountable to and reports to the full Board of Managing Directors. It performs its functions autonomously and independently. Particularly with regard to reporting and the assessment of audit results, GM-A is not subject to any directives. Based on MaRisk, its auditing activities, underpinned by the principle of risk-oriented auditing, essentially extend to all of the Group's activities (including projects) and processes, regardless of whether these take place within the Group or are outsourced. GM-A's activities complement the work of the subsidiaries' internal audit departments within the framework of Group risk management. It may involve these departments in its auditing activities.

The role of the internal audit function is to examine and assess the operating effectiveness and design of risk management in general and the ICS in particular, and the compliance of all Commerzbank's activities and processes, in a risk-oriented and process-independent manner. In performing its duties, GM-A has a full and unrestricted right to information.

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

The financial reporting process

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

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

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

Measures to further enhance the ICS over financial reporting

The ICS over financial reporting has been adapted to meet the needs of the Commerzbank Group and it is enhanced further on an ongoing basis. To this end, Control Environment Finance (CEF) has been permanently implemented at Group Finance. CEF is based on the GM-F "process map". This is a top-down representation of all key processes, which is refined with descriptions of procedures and in which the risks in relation to the reliability of financial reporting are determined, applying the COSO framework. The Bank also follows the recommendations of ISA 315. This involves checking whether a risk can be assigned to one of the following three categories and their various aspects:

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

Suitable controls are implemented to minimise the risks identified, and these in turn are also assigned to the ISA 315 categories and their various aspects. With respect to the effectiveness of the ICS, the way in which the controls are designed in the form of appropriate steps and embedded into the respective processes and the way the controls are performed at the operating level are decisive factors in minimising risk.

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

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

Other

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

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

The details pursuant to Art. 340a (1a) in conjunction with Art. 289b (3) of the German Commercial Code (HGB) can be found as a combined separate non-financial report on page 68 ff. of the Annual Report of the Commerzbank Group and online at https://www.commerzbank.com/NFR2019.

Declaration on corporate governance pursuant to Art. 289f HGB

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

Commerzbank has always attached great importance to responsible and transparent corporate governance aimed at sustainable value creation. That is why the Board of Managing Directors and the Supervisory Board expressly support the German Corporate Governance Code and the goals and objectives it pursues.

Recommendations of the German Corporate Governance Code

Commerzbank declares every year whether the recommendations of the Commission regarding conduct have been and are being complied with, and explains which individual recommendations are not being implemented and the reasons why. This declaration of compliance by the Board of Managing Directors and the Supervisory Board is published on the Commerzbank website at https://www.commerzbank.de/en/hauptnavigation/aktionaere/governance_/corporate_governace_1.html. There is also an archive of all the declarations of compliance made since 2002. The latest declaration was made in November 2020.

Commerzbank complies with virtually all of the recommendations of the German Corporate Governance Code; it deviates from them in only a few points.

(1) From the time when the last declaration of compliance was made in November 2019 up to 20 March 2020, the recommendations of the Government Commission on the German Corporate Governance Code in the version of 7 February 2017 – published in the Federal Gazette on 24 April 2017 – were complied with except for the following recommendations:

- Section 4.2.1 of the Code recommends that rules of procedure should be in place that govern the activities of the Board of Managing Directors, including the allocation of responsibilities to its members. The Board of Managing Directors has adopted rules of procedure with the approval of the Supervisory Board. However, the Board of Managing Directors determines the allocation of duties among the individual board members itself, outside the purview of the rules of procedure. This provides it with the requisite flexibility if changes are needed, thus ensuring an efficient division of responsibilities within the Board of Managing Directors. The Supervisory Board is informed of all changes and is thus included in the process. The rules of procedure for the Board of Managing Directors and the specific responsibilities of the various members of the Board of Managing Directors are published on Commerzbank AG's website at https://www.commerzbank.de/en/hauptnavigation/konzern/management_1/aufsichtsrat/index.html.

- According to section 4.2.3 (2) sentence 6 of the Code, the total remuneration of the members of the Board of Managing Directors and the upper limits of their variable remuneration components should be disclosed. The core elements of the Bank's remuneration system are a fixed basic annual salary plus variable remuneration with a uniform target amount. In respect of variable remuneration, after the end of a financial year, the Supervisory Board determines an amount for total target achievement based on previously agreed goals. This amount is capped at 1.4x fixed remuneration as calculated under the Remuneration Ordinance for Institutions. Up to 50% of this amount is paid in virtual Commerzbank shares, which are normally subject to a five-year retention period and a waiting period of a further 12 months. At the end of the waiting period, the value of the virtual Commerzbank shares is paid out in cash, subject to various checks to ensure sustainability. Changes in the share price over this period do not affect the number of virtual shares granted and thus will alter the amount to be paid out, which has no upper limit. The remuneration system is designed such that the members of the Board of Managing Directors bear the risk of the performance of the virtual shares after the calculation of the amount for total target achievement as an element of long-term remuneration. It would not be appropriate to cap the scope for participating in positive share price performance, especially given that no floor applies if the price should fall.

- In accordance with section 4.2.3 (2) sentence 8 of the Code, there should be no subsequent changes to targets or benchmarks for determining the variable remuneration components for the Board of Managing Directors. Under the German Stock Corporation Act, however, the Supervisory Board should have the option of restricting the variable remuneration of the Board of Managing Directors in exceptional circumstances. It is entitled under this legislation to adjust the targets and other parameters for determining variable remuneration components in exceptional circumstances, to reasonably neutralise any positive or negative repercussions on the achievability of the targets; the cap on variable remuneration must be observed in all cases.

- Section 4.2.3 (3) of the Code recommends that in the case of pension commitments to members of the Board of Managing Directors, the Supervisory Board should define the intended level of benefits – commensurate with the length of the term of office – taking into account the resulting annual and long-term expense for the company. Pension provision for the Board of Managing Directors is a defined contribution scheme that does not specify a particular level of benefits. Instead, each member of the Board of Managing Directors is entitled to an annual pension module, the amount of which is determined as a percentage of that individual's pensionable basic annual salary. This gives the Supervisory Board a clear picture of the annual and long-term expense for the company, including the impact of actuarial effects on pension provisions. The fact that the scheme does not define a target benefit level, combined with the switch to a defined contribution scheme, is in line with what is largely standard business practice.

- Pursuant to section 4.2.3 (4) sentence 3 of the Code, the severance cap for members of the Board of Managing Directors should be calculated on the basis of the total remuneration paid for the previous financial year and, if appropriate, take into account the expected total remuneration for the current financial year. At Commerzbank, variable remuneration payable under board members' employment contracts is taken into account when calculating the severance cap on the basis of the average for the three financial years preceding the end of their term of office. The extended period is intended to avoid chance effects and provide a more representative average for variable remuneration when calculating the cap. However, this deviation from the Code has not been applied since the last declaration of compliance was issued.

- Section 4.2.5 sentences 5 and 6 of the Code requires some of the information on board remuneration in the remuneration report to be provided in standardised tables. However, the model tables recommended in the Code do not take account of the requirements of the Remuneration Ordinance for Institutions and are therefore not as suitable for financial institutions such as Commerzbank. Commerzbank has therefore deviated from this recommendation since the 2017 remuneration report. Commerzbank has created its own tables which provide clear and transparent information on its board remuneration system.

- Commerzbank has decided to present only the tables that the Bank created itself and those required under accounting rules and to omit the model tables recommended by the Code because the intended clarity and comprehensibility of the remuneration report would otherwise be undermined.

- Section 5.3.3 of the Code recommends that the Supervisory Board establish a Nomination Committee made up exclusively of shareholder representatives. Pursuant to Art. 25d (11) sentence 2 No. 1 of the German Banking Act, the Nomination Committee is also assigned tasks for which the involvement of employee representatives is customary and necessary. For example, the Nomination Committee is tasked with assisting the Supervisory Board in identifying candidates to fill management positions at banks. At Commerzbank, this task was previously performed by the Presiding Committee, which also includes employee representatives. In order to maintain the established practice at Commerzbank of involving both employee and shareholder representatives in the selection of candidates for the Board of Managing Directors, two members of the Commerzbank Supervisory Board's Nomination Committee are employee representatives.

(2) Since 20 March 2020, the recommendations of the Government Commission on the German Corporate Governance Code in the version of 16 December 2019 – published in the Federal Gazette on 20 March 2020 – have been and are being complied with except for the following recommendations:

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

- According to recommendation C.15 sentence 2 of the Code, an application for appointment of a Supervisory Board member by a court should be limited in time until the next General Meeting. Commerzbank Aktiengesellschaft deviated from this recommendation in its application for appointment of Hans-Jörg Vetter by a court. In accordance with the application, Hans-Jörg Vetter was appointed as a member of the Supervisory Board for the remaining term of office of the member he replaced, Dr. Stefan Schmittmann – i.e. until the end of the Annual General Meeting which decides on the discharge of liability for the 2022 financial year. Against the background of forthcoming long-term strategic decisions and changes, continuity in the composition of the Supervisory Board was of particular importance for Commerzbank Aktiengesellschaft and its governing bodies. Thus, this is a one-off deviation from this recommendation.

- According to recommendation B.3 of the Code, the first-time appointment of members of the Board of Managing Directors should be made for a maximum of three years. Commerzbank Aktiengesellschaft deviated from this in the appointment of two members of the Board of Managing Directors, each of whom was appointed for five years. Owing to the individual qualifications and experience of these members of the board, which were acquired over many years in managerial roles, a longer appointment than the recommended three years was seen as being appropriate. In addition, against the background of forthcoming long-term strategic decisions and their implementation, the appointment of the new Chairman of the Board of Managing Directors for the statutory maximum term of five years was of particular importance for Commerzbank Aktiengesellschaft in the current situation.

- In the interests of full transparency, we also wish to state the following: According to recommendation G.13 sentence 1 of the Code, the severance cap for payments made to a member of the Board of Managing Directors due to early termination of their board membership should not exceed twice their annual remuneration, with, as the rationale to the recommendation states, the severance cap being calculated on the basis of total remuneration for the previous financial year and, if appropriate, taking into account the expected total remuneration for the current financial year. At Commerzbank, variable remuneration payable under board members' employment contracts is taken into account when calculating the severance cap on the basis of the average for the three financial years preceding the end of their term of office. The extended period is intended to avoid chance effects and provide a more representative average for variable remuneration when calculating the cap. In view of the amended wording of the Code, we do not see this provision as a deviation from a recommendation. Moreover, this provision has not been applied since the new Code came into force on 20 March 2020.

According to recommendation D.5 of the German Corporate Governance Code, the Supervisory Board should establish a Nomination Committee made up exclusively of shareholder representatives. Commerzbank does not apply this recommendation, on the basis of the special legal provision in Art. 25d (11) of the German Banking Act. Under this provision, a Bank's Nomination Committee is also assigned tasks for which the involvement of employee representatives is customary and necessary (for example, the identification of candidates for management posts).

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

Company values and governance practices at Commerzbank
Commerzbank is committed to its corporate, environmental and social responsibilities. In order to ensure sustainable corporate governance, extensive standards have been defined in various spheres of activity, which are published on the Commerzbank homepage at https://www.commerzbank.com.

These corporate values, which we refer to as "ComWerte", create a binding and unifying corporate culture. They lay the foundation for the entrepreneurial and individual responsibility of every employee at Commerzbank.

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

Commerzbank has also provided guidelines on corporate responsibility to give guidance on the sustainable orientation of its business activities. One of the six guidelines is the commitment to the principles of the UN Global Compact, an initiative set up by the United Nations together with many renowned companies, which is dedicated to active environmental protection, responsible dealings with employees, respect for human rights and the fight against corruption and bribery.

In its capacity as a key financier of the German economy, Commerzbank has also defined various positions and guidelines on environmental and social issues for its core business. These are applied when evaluating transactions and business relationships and thus act as important points of reference. The basis for their preparation and regular review is the ongoing monitoring of media and non-governmental organisations on controversial environmental or social issues and regular discussion with non-governmental organisations. In addition, specific environmental guidelines have been formulated to guide the management of operational environmental impacts.

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

The composition of the Board of Managing Directors and the responsibilities of its individual members are presented on page 5 of the Group Annual Report. The work of the Board of Managing Directors is specified in greater detail in its rules of procedure, which may be viewed on the Commerzbank website at https://www.commerzbank.de/en/hauptnavigation/konzern/management_1/vorstand/index.html.

Extensive details of the remuneration paid to the members of the Board of Managing Directors are given in the remuneration report on pages 5 to 29.

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

The composition of the Supervisory Board and the members of its committees are presented on pages 19 to 21 of the Group Annual Report, in accordance with recommendation D.2 of the Code. Details of the work of the Supervisory Board, its structure and its control function can be found in the report of the Supervisory Board on pages 6 to 18 of the Group Annual Report. Further details on how the Supervisory Board and its committees work can be found in the rules of procedure of the Supervisory Board, available online at https://www.commerzbank.de/en/hauptnavigation/konzern/management_1/aufsichtsrat/index.html.

According to recommendation C.1 of the Code, the Supervisory Board should set concrete objectives and draw up a profile of skills and expertise for the board as a whole. In doing so, it should give consideration to diversity. Appointments proposed by the Supervisory Board to the Annual General Meeting should take these objectives into account while also seeking to fulfil the profile of skills and expertise for the board as a whole. Progress in implementing the targets should be published in the declaration on corporate governance. In addition, in accordance with recommendation C.2, an age limit for members of the Supervisory Board should be specified and disclosed in the declaration on corporate governance.

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

The composition of the Supervisory Board should be such that, overall, its members have the necessary skills, expertise, experience and knowledge to be able to perform its duties properly. In particular, the Supervisory Board should have all the expertise and experience deemed essential for the activities of the Commerzbank Group. The members of the Supervisory Board must be able to challenge and monitor the decisions made by the Board of Managing Directors. The members of the Supervisory Board should also be able to devote sufficient time to the performance of their duties. Members should be reliable, and consideration should be given to their commitment, personality, professionalism, integrity and independence. The target is that the Supervisory Board should always have at least eight members elected by the Annual General Meeting who are independent as defined in recommendation C.6 of the Code, and not more than two former members of the Board of Managing Directors of Commerzbank. The term of office of the Supervisory Board members elected by the Annual General Meeting should generally not exceed a period of 12 years. The Supervisory Board has resolved a detailed profile of skills and expertise for the board as a body, which may be consulted on the Commerzbank website at https://www.commerzbank.de/en/hauptnavigation/konzern/management_1/aufsichtsrat/index.html.

The Supervisory Board takes account of the targets and requirements set out there in its election proposals to the Annual General Meeting and the regular assessment of the Supervisory Board as a whole and its individual members. None of the members of the Supervisory Board elected at the Annual General Meeting exceed the normal length of service. The periods of service of the individual members of the Supervisory Board and the particular skills they bring to Commerzbank's Supervisory Board can be found in their CVs, which are available on the Commerzbank website at https://www.commerzbank.de/en/hauptnavigation/konzern/management_1/aufsichtsrat/index.html. All other targets set by the Supervisory Board for its composition and skills profile were also implemented as at 31 December 2020.

In accordance with recommendation C.1 of the German Corporate Governance Code, the declaration on corporate governance should also provide information on what, in the view of the shareholder representatives, is the appropriate number of independent shareholder representatives on the Supervisory Board and the names of these members. According to recommendation C.6 of the Code, a Supervisory Board member is considered independent if he or she is independent of the Bank and its Board of Managing Directors and independent of any controlling shareholder. A Supervisory Board member is independent of the Bank and its Board of Managing Directors if he or she has no personal or business relationship with the Bank or its Board of Managing Directors that may lead to a significant, non-transient conflict of interest.

Applying the above-mentioned criteria, all ten shareholder representatives can be classified as "independent", namely Hans-Jörg Vetter, Dr. Frank Czichowski, Sabine U. Dietrich, Dr. Jutta A. Dönges, Dr. Tobias Guldimann, Dr. Rainer Hillebrand, Dr. Victoria Ossadnik, Robin J. Stalker, Nicholas Teller and Dr. Gertrude Tumpel-Gugerell. Dr. Jutta A. Dönges and Dr. Frank Czichowski were proposed for election to the Supervisory Board of Commerzbank Aktiengesellschaft at the suggestion of the Financial Market Stabilisation Fund, represented by the Bundesrepublik Deutschland – Finanzagentur GmbH. The Financial Market Stabilisation Fund holds 15.6% of the share capital of Commerzbank Aktiengesellschaft and is therefore not a controlling shareholder within the meaning of the German Corporate Governance Code.

As 100% of the Supervisory Board members on the shareholder side are therefore independent, the Supervisory Board's own assessment that the Board contains a suitable number of independent members is well-founded.

In 2020, the Supervisory Board first dealt with the results of the efficiency audit carried out in the 2019 financial year. On the basis of the results, it drew up a catalogue of measures that covers topics such as the involvement of the Supervisory Board in strategy development, specification of the Supervisory Board's skills profile and cooperation between the Board of Managing Directors and the Supervisory Board, and it implemented these measures. At the end of the 2020 financial year, in accordance with recommendation D.13 of the German Corporate Governance Code, the Supervisory Board also reviewed the effectiveness of its work in 2020 as part of the assessment required under Art. 25d (11) nos. 3 and 4 of the German Banking Act (KWG). For this purpose all members of the Supervisory Board completed various questionnaires, which were then analysed. The resulting analyses were presented to the plenary session for discussion. On the basis of these discussions, a catalogue of measures was drawn up, which will be promptly addressed. The members of the Supervisory Board believe that the Board and its committees work effectively and to a high standard overall.

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

Details of the remuneration paid to the members of Commerzbank's Supervisory Board are provided on pages 29 to 31 of the remuneration report.

In accordance with recommendation B.2 of the German Corporate Governance Code, the Supervisory Board works with the Board of Managing Directors to ensure long-term succession planning for the Board of Managing Directors. The Presiding and Nomination Committee of Commerzbank's Supervisory Board assists the Supervisory Board in selecting applicants for positions on the Board of Managing Directors. It takes account of the balance and range of knowledge, skills and experience of all the board members, draws up a job description with an applicant profile and indicates the time requirements associated with the appointment. In drawing up the job description, it takes account of the profile of skills and expertise and suitability matrix for the Board of Managing Directors. In accordance with Art. 25 (11) No. 5 of the German Banking Act, the Presiding and Nomination Committee also reviews the principles of the Board of Managing Directors for the selection and appointment of persons at top management level. It also determines whether there are suitable succession candidates at this level for appointment to the Board of Managing Directors. Partly with this task in mind, regular events are organised to put members of the Supervisory Board in touch with top-level managers. The resolution of the 2020 Annual General Meeting on the system of remuneration for members of the Supervisory Board pursuant to Art. 113 (3) sentence 1 of the German Stock Corporation Act is published on the Commerzbank website at https://www.commerzbank.de/media/aktionaere/haupt/2020_7/englisch/Abstimmungsergebnisse_englisch_final.pdf.

Diversity

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

Diversity policy and targets for the Supervisory Board The Supervisory Board of Commerzbank consists of 20 members. As already mentioned in the description of the targets for the composition of the Supervisory Board, the Supervisory Board is supposed to always have at least eight members elected by the Annual General Meeting who are independent (shareholder representatives) as defined in recommendations C.6, C.7 and C.8 of the Code and – in accordance with recommendation C.11 – not more than two former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft. The length of service of individual members of the Supervisory Board should, as a rule, not exceed a period of 12 years, and the provisions of the German Codetermination Act must be observed and given priority for the employee representatives. The Supervisory Board has also set a regular age limit of 72 and aims to have a broad range of ages represented on the board. The Supervisory Board also wants its members to have a suitable range of educational and professional backgrounds and for the board to have at least one international member at all times. The Supervisory Board also considers appropriate female representation when proposing candidates to the Annual General Meeting for election. The Supervisory Board is committed to fulfilling the statutory minimum requirement of at least 30% female representation. It must be borne in mind that the only way the Supervisory Board is able to influence its composition is by the candidates it proposes to the Annual General Meeting for election. The employee representatives on the Supervisory Board are also striving to maintain female representation of at least 30% among employee representatives in future.

As at 31 December 2020, the Supervisory Board of Commerzbank Aktiengesellschaft included three international members and eight women, of whom four were shareholder representatives. The percentage of women on the Supervisory Board is therefore 40% at present.

The members of Commerzbank's Supervisory Board are between 47 and 68 years old; the average age is 56.7. The members of the Supervisory Board have a range of educational and professional backgrounds: there are banking specialists, lawyers, members with business degrees, engineers and one physicist. Most Supervisory Board members have many years of banking experience.

Diversity policy and targets for the Board of Managing Directors In making appointments to the Board of Managing Directors, the Supervisory Board aims to increase diversity, particularly with regard to age, geographic origin, education and professional background and to give appropriate consideration to women. As a rule, the members of the Board of Managing Directors should not be over 65 years of age.

In terms of the proportion of women on Commerzbank's Board of Managing Directors, for which the Bank is required by law to stipulate a target, the Supervisory Board set a target of having at least one female member by 31 December 2021.

This minimum target was already achieved on 1 November 2017 when Dr. Bettina Orlopp's appointment to Commerzbank's Board of Managing Directors took effect. Since 1 January 2020, Commerzbank's Board of Managing Directors has had a second female member, Sabine Schmittroth. The proportion of women on the Board of Managing Directors was therefore 33.3% as at 31 December 2020.

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

The full Board of Managing Directors last set new targets for female representation at Commerzbank's first and second levels of management (in Germany) in May 2017. The target is 17.5% for the first management level and 20% for the second level. The deadline set for achieving the targets is 31 December 2021. Commerzbank has thus given itself ambitious targets. It is an important objective for the Bank and the Group as a whole to further increase the number of women in management positions.

As at 31 December 2020, the first management level below Commerzbank's Board of Managing Directors consisted of 40 managers, of whom 33 were male and 7 female. The percentage of women in the first level of management below the Board of Managing Directors was therefore 17.5%.

The second management level below the Board of Managing Directors consisted of 341 people, of whom 278 were male and 63 female. The percentage of women in the second level of management below the Board of Managing Directors was thus 18.5%.

Accounting

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

The management report also includes a detailed risk report, providing information on the Bank's responsible handling of the various types of risk. It may be found on pages 61 to 97 of this report.

Shareholders and third parties receive additional information on the course of business during the financial year in the form of the semi-annual report and two quarterly reports. These interim financial statements are also prepared in accordance with International Financial Reporting Standards (IFRS).

Shareholder relations, transparency and communication

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

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

The remuneration system for members of the Board of Managing Directors was amended in line with the new requirements of the German Stock Corporation Act following enactment of the German Act Implementing the Second Shareholder Rights Directive (ARUG II) and was submitted by the Supervisory Board to the 2020 Annual General Meeting for approval in accordance with Art. 120a (1) of the German Stock Corporation Act. The amendments to the German Corporate Governance Code were also taken into account when amending the system. The Annual General Meeting approved the remuneration system. The current remuneration system and the resolution of the Annual General Meeting are published on the Commerzbank website at https://www.commerzbank.de/media/en/konzern_1/konzerninfo/vorstand/Vorstandsverguetung_nach__120a_AktG.pdf.

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

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

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

Business and overall conditions

Economic environment

The coronavirus pandemic has plunged the global economy into its deepest recession since the end of World War II. China was the first country to shut down large parts of its economy at the start of 2020 and impose massive restrictions on social life. These measures enabled it to contain the spread of the virus comparatively quickly, allowing the Chinese economy to make up for the slump at the beginning of the year as early as the second quarter of 2020.

In the USA, where the virus outbreak did not begin to accelerate until March, the economy hit its low point in the second quarter. The US economy then recovered markedly in the second half of the year despite further sharp rises in new coronavirus infections. Demand from private households was higher in particular, boosted by a very extensive government aid package. The government approved four aid programmes worth a total of USD 3,400bn. The US Federal Reserve also agreed measures designed to absorb the impact of the economic slump. It lowered the key interest rate corridor in March, taking it down in two steps by a total of 150 basis points to 0.00–0.25%, and provided USD 2,300bn of liquidity to ease the situation on the markets. The Federal Reserve also initiated another large-scale securities purchase programme.

In the eurozone, in March large parts of the retail sector were forced to close, cultural events were banned and tourism was effectively brought to a standstill. With many industrial companies also shutting down their operations, macroeconomic performance nosedived by more than 11% in the second quarter, having already contracted by nearly 4% in the first quarter. As in the USA, the eurozone economy recovered markedly after coronavirus restrictions were eased in the summer. However, tighter restrictions were then reintroduced in the autumn in response to a renewed sharp rise in new coronavirus infections. Macroeconomic output contracted by 0.7% in the final quarter of 2020 compared with the previous quarter.

Here too, enormous aid packages were put together to prop up the eurozone economy. The national aid programmes alone add up to several hundred billion euros. The European Union is also making a total of €750bn available to its member states for recovery purposes. The European Central Bank (ECB) responded to the pandemic with an emergency purchase programme, which it has since expanded several times and recently topped up to €1,850bn. The ECB also provided banks with additional liquidity under TLTRO III (targeted longer-term refinancing operations).

For a long time, Germany succeeded in preventing a rapid spread of the coronavirus. However, from October onwards, the number of new infections rose sharply here too, prompting politicians to impose a second lockdown in mid-December. This meant that economic growth largely ground to a halt again in the final quarter of 2020. The economy is also set to contract significantly again in the first quarter of 2021, although the decline is unlikely to be anywhere near as severe as in spring 2020. This is backed up by the continued recovery in industry, which is benefiting greatly from the improvement in global demand. Sectors such as hotels and catering, event management and tourism have been hit hard once again. Thanks to the extensive government aid package, particularly for short-time work, there has so far been only a slight rise in unemployment as a result of the crisis. At its peak in the summer, the unemployment rate reached 6.4%, just 1.4 percentage points higher than at the end of 2019. It has since fallen back to below 6%. By contrast, it is estimated that more than two million employees were still on short-time working hours at the start of the year.

The expansive monetary and fiscal policy provided reassurance on the financial markets, with the yield on ten-year German Bunds remaining in clearly negative territory at the end of 2020 at −0.5%. Share prices even rose sharply, with indices such as the DAX, Dow Jones and Nasdaq in many cases briefly reaching new all-time highs. The euro gained significantly against the US dollar over the course of 2020.

Sector environment

The difficult economic situation brought about primarily by the coronavirus pandemic meant 2020 was a particularly challenging year for the banking sector, with serious consequences for business performance. While comprehensive government aid programmes cushioned the economic impact during the year under review, the negative economic consequences of the pandemic have not yet been overcome. As such, 2020 earnings performance includes some considerable losses on lending business.

The major central banks eased their monetary policy during the reporting period as a means of stimulating the economy. The US Federal Reserve, for example, cut its key interest rate to almost zero and announced unlimited purchases of US government bonds and mortgage-backed securities if need be. Similarly, the ECB massively expanded its pandemic emergency purchase programme (PEPP) and also extended its duration. This support was in addition to its existing bond purchase programmes. The EU's Recovery and Resilience Facility, funds from which the European Commission says will be available from mid-2021 onwards to support post-pandemic reconstruction, also points to a change of tack in European financial policy. Against this backdrop, a low interest rate environment has become structurally embedded and will remain in place during the current year and probably well beyond. This means that, based on the net interest margins achievable in the market, interest margins in the banking sector will be barely profitable over the long term. The US dollar is also now noticeably weaker against the euro than it was a year ago due to the loss of the US interest rate advantage. This is affecting Germany's important export business and thus reducing industry's foreign trade financing needs, which in turn has a direct negative impact on domestic banking business.

While Germany's real estate and construction sectors have so far come through the crisis unscathed, the services sector and, to some degree, industry have suffered as a result of the economic restrictions imposed. Business with corporate clients and small-business customers therefore came under noticeable pressure throughout Europe in 2020. According to the European Banking Authority (EBA), the average return on equity of European banks fell to just above zero as at the middle of the year as a result.

Retail banking business fared better than business with corporate clients and small-business customers, benefiting from a labour market that has remained astonishingly robust thus far thanks to support measures such as the short-time working allowance. A record number of new securities accounts were also opened last year, with direct banks in particular benefiting from this trend. The sharp rise in securities volatility significantly increased trading volumes. The DAX recovered its spring losses within a few months and by the end of 2020 was actually trading almost 4% higher than at the end of 2019 – close to its all-time high. Bond business also recorded its highest issuance volume for many years due to companies' large-scale capital and restructuring requirements. There was also a noticeable improvement in equity issuance business, making investment banking a key revenue generator in 2020. Most German banks were unable to benefit from this, however, as many had significantly scaled back their operations in this business area.

Business performance was more favourable for banks in another area – real estate financing – with Germany experiencing its third real estate boom since the 1970s. Residential property prices have been rising since 2010 at rates that are well above comparable parameters such as consumer prices, rents and disposable income of private households. The German banking sector was able to expand its lending business once again due to the increasing flight into tangible assets, meaning that the volume of housing loans again increased considerably faster than that of consumer instalment loans in 2020.

Important staffing and business policy events

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

The most important current business policy events include the new "Strategy 2024" programme announced in February 2021. Through the new strategy, the Bank plans to streamline and digitalise its business model, significantly reduce costs in all areas and substantially increase its profitability by 2024. Detailed information on this can be found in "Objectives and strategy" on page 89 f. of the Group Annual Report.

There were changes in the composition of both the Board of Managing Directors and the Supervisory Board during the year under review. The Bank also made progress in streamlining the Group structure and further reducing complexity. The optimisation of the Bank's capital structure was also on the agenda. Supported by the Task Force on Climate-Related Financial Disclosures, the Bank will in future be guided by the former's framework to help companies manage the impacts of climate-related risks and produce the relevant disclosures. The Bank is using the proceeds from the issue of another green bond to finance renewable energy projects. The Bank also further strengthened its compliance function.

Changes in the Board of Managing Directors of Commerzbank

On 3 July 2020, Martin Zielke, Chairman of the Board of Managing Directors of Commerzbank, proposed to the Presiding and Nomination Committee of the Supervisory Board that his appointment to the Board of Managing Directors be terminated prematurely by mutual agreement if, in the view of the Supervisory Board, this was in the Bank's interest. On the recommendation of the Presiding and Nomination Committee, the Supervisory Board resolved by mutual agreement at its meeting on 8 July 2020 to terminate Martin Zielke's appointment and employment contract as Chairman of the Board of Managing Directors. He stepped down on 31 December 2020.

Michael Mandel, who was previously the member of the Board of Managing Directors responsible for the Private and Small-Business Customers segment, made an offer to the Supervisory Board to terminate his contract by mutual agreement. At its meeting on 17 September 2020, the Supervisory Board of Commerzbank approved the departure of Michael Mandel by mutual agreement. Michael Mandel's term of office as a member of the Board of Managing Directors therefore ended on 30 September 2020. Sabine Schmittroth assumed responsibility for Private and Small-Business Customers at Group management level as of 1 October 2020, in addition to her role as Director of Human Resources. Dr. Marcus Chromik, Chief Risk Officer, assumed responsibility for Compliance as of the same date.

At its meeting on 26 September 2020, the Supervisory Board of Commerzbank decided to appoint Dr. Manfred Knof as Chairman of the Board of Managing Directors of Commerzbank. He took up his position with effect from 1 January 2021. Dr. Manfred Knof was Chairman of the Board of Deutsche Bank Privat- und Firmenkundenbank AG from 1 August 2019 until its merger with Deutsche Bank Group earlier this year and then Head of Deutsche Bank's Private Bank Germany.

Roland Boekhout, the member of the Board of Managing Directors responsible for the Corporate Clients segment, made an offer to the Supervisory Board at the end of November 2020 to terminate his contract by mutual agreement. At its meeting on 27 November 2020, the Supervisory Board of Commerzbank approved the departure of Roland Boekhout by mutual agreement. Roland Boekhout's term of office therefore ended on 31 December 2020.

At the same meeting, the Supervisory Board decided to appoint Michael Kotzbauer, most recently the Divisional Board member in charge of the Mittelstandsbank in the Central/East region, as the new member of the Board of Managing Directors responsible for the Corporate Clients segment effective 1 January 2021. Michael Kotzbauer had been the Divisional Board member in charge of the Mittelstandsbank in the Central/East region since 2017. Prior to that, he was the Divisional Board member responsible for large and capital-market-oriented companies in southern and eastern Germany until 2015. From 2010 to 2013 he was the Regional Board member responsible for the Bank's corporate banking business in Asia, based in Shanghai.

Changes in the Supervisory Board of Commerzbank

Anja Mikus and Dr. Markus Kerber both resigned as members of the Supervisory Board with effect from the date of the Annual General Meeting on 13 May 2020. As proposed by the Supervisory Board, the Annual General Meeting elected Dr. Jutta A. Dönges (Managing Director of the Bundesrepublik Deutschland – Finanzagentur GmbH) and Dr. Frank Czichowski (former Senior Vice President/Treasurer of KfW Group) to the Supervisory Board of Commerzbank Aktiengesellschaft on 13 May 2020.

On 3 July 2020, Dr. Stefan Schmittmann announced his resignation as Chairman of the Supervisory Board of Commerzbank with effect from 3 August 2020. At its meeting on 3 August 2020, the Supervisory Board of Commerzbank elected Hans-Jörg Vetter as the future Chairman of the Supervisory Board. This election became effective upon his appointment by a court on 4 August 2020.

Nicholas Teller resigned as a member of the Supervisory Board of Commerzbank with effect from 31 December 2020. Effective 1 January 2021, the District Court of Frankfurt appointed Andreas Schmitz, former Chairman of the Supervisory Board of HSBC Trinkaus & Burkhardt AG and former President of the Association of German Banks, as a member of the Supervisory Board until the end of the Annual General Meeting which decides on the discharge of liability for the 2020 financial year.

For full details of the Supervisory Board and the composition of the individual committees, please refer to the Commerzbank website at https://www.commerzbank.de/en/hauptnavigation/konzern/management_1/aufsichtsrat/index.html.

Commerzbank completes takeover of comdirect bank AG

On 5 May 2020, the Annual General Meeting of comdirect bank AG approved the squeeze-out under merger law in return for payment of an appropriate cash settlement. The merger was entered in the Commercial Register on 2 November 2020, formally ending comdirect's independent status and stock market listing. Following the merger, Commerzbank and comdirect will initially retain their respective service offerings unchanged. The aim is to merge and expand the offerings of both banks. The new joint business model has yet to be negotiated with the employee representative committees. Quickborn and Rostock will remain as locations. The employment relationships of all comdirect employees as at the time of the merger were transferred to Commerzbank.

Economic completion of the sale of the Equity Markets & Commodities division

At the beginning of May 2020, Commerzbank achieved the economic completion of the sale of its Equity Markets & Commodities (EMC) division to Société Générale. In addition to trading books, customer business and employees, Commerzbank had been gradually transferring parts of its IT landscape to the French bank since the beginning of 2019. Legally, a few portfolios still remain temporarily with Commerzbank; these have already been economically transferred using derivatives. The economic completion of the sale enabled the Bank to reduce its complexity and free up capital for Commerzbank's core business areas. Nothing has changed in the offer for customers. Existing Commerzbank products have been transferred to Société Générale. Société Générale is now the issuer of all certificates and warrants previously offered by Commerzbank. The securities can be traded as normal.

Commerzbank successfully issues two Additional Tier 1 bonds
At the end of May 2020, the Bank launched an issuance programme that will enable it to issue successive subordinated debt securities with a total nominal value of up to €3bn over the next few years.

Under this issuance programme, Commerzbank Aktiengesellschaft successfully issued an Additional Tier 1 bond (AT1 bond) at the beginning of June 2020. The bond has a volume of €1.25bn and a fixed coupon of 6.125% per annum. At €9.5bn, the order book was heavily oversubscribed. The AT1 bond has a perpetual maturity and the first call date is in the period from October 2025 to April 2026.

Commerzbank Aktiengesellschaft successfully issued another AT1 bond at the beginning of September 2020. The bond has a volume of €500m and a fixed coupon of 6.5% per annum. At more than €2.4bn, the order book was heavily oversubscribed. This AT1 bond also has a perpetual maturity and the first call date is in the period from October 2029 to April 2030.

The bond terms for both issues provide for a temporary write-down in the event that the Bank's Common Equity Tier 1 ratio (CET1 ratio) drops below 5.125%. For both issues, shareholders' subscription rights were excluded.

With the issue of the AT1 bonds, Commerzbank is strengthening and optimising its capital structure and taking advantage of the most recent regulatory changes, which now allow Additional Tier 1 capital to be used to a greater extent to meet capital requirements.

Reduced regulatory capital requirements for Commerzbank
At the end of November 2020, the German Federal Financial Supervisory Authority (BaFin) reduced Commerzbank Aktiengesellschaft's capital buffer for other systemically important institutions (O-SIIs) from 1.5% to 1.25% as part of its annual review and following changes in methodology.

The European Central Bank (ECB) has left the bank-specific capital requirements for 2020 defined for the Commerzbank Group as part of the Supervisory Review and Evaluation Process (SREP) unchanged for 2021. The additional Pillar 2 capital requirement (P2R) of 2% is backed by Common Equity Tier 1 (CET1) capital, Additional Tier 1 capital (AT1) and Tier 2 capital.

With a CET1 ratio of 13.2% as at 31 December 2020, the gap to the MDA (Maximum Distributable Amount) threshold – taking the reduction in the O-SII capital buffer into account – is very comfortable at around 370 basis points.

Commerzbank makes climate risks in its portfolio transparent and comparable
Since the beginning of September 2020, Commerzbank has been an official supporter of the Task Force on Climate-Related Financial Disclosures (TCFD). The TCFD recommendations form the basis for consistent and comparable reporting on the impact of climate change. They provide a framework to help companies manage the impacts of climate-related risks and produce the relevant disclosures. Commerzbank plans to publish its first TCFD report in 2022, covering the 2021 financial year.

Commerzbank issues a second green bond
In mid-September 2020, Commerzbank issued another green bond with an issuance volume of €500m. This is the Bank's second green bond and follows the inaugural issue in October 2018. Commerzbank will use the proceeds to finance renewable energy projects. The bond has a term of 5.5 years with a call date in March 2025 and a coupon of 0.75% per annum. Commerzbank has earmarked the bond proceeds for loans for onshore and offshore wind and for solar projects in Germany, other European countries and North America. The projects financed by the green bond will help cut CO_2 emissions by around 850,000 tonnes per year. Commerzbank has been a signatory of the Green Bond Principles since 2014. The Bank has been a partner in the Climate Bonds Initiative since January 2020.

Further strengthening of the compliance function
The Bank continued its activities in 2020 to further strengthen the compliance function. As before, this pertains not only to structural changes. We also diligently pushed ahead with staff training and the successful recruitment of qualified compliance experts to work at head office and in foreign locations. Eight graduates were hired for the international compliance trainee programme in 2020. The trainees from the 2019 programme were hired as specialists in 2020.

As part of the consistent and sustainable further development of the relationship management model, the new International Compliance department was established midway through the year under review to harmonise management of the Bank's European and Asian locations. The aim is to provide even greater assurance that global compliance standards are implemented while also meeting local regulatory requirements by combining or consolidating global compliance activities.

The compliance function implemented various measures relating to global financial crime, global markets compliance and anti-bribery and corruption in order to further improve the management of compliance risks. Steps were also taken to further strengthen compliance structures in Germany and abroad. To this end, the Bank rigorously pressed ahead with the further development of the global compliance system landscape in line with the latest market standards. For example, a global upgrade of the systems and models for monitoring transactions with regard to money laundering and terrorist financing was completed in 2020, ensuring compliance with global standards on the basis of a uniform set of rules while also taking local circumstances into account in parametrisation. A uniform due diligence business partner was also established in 2020 and the corresponding

IT system rolled out globally. In 2020, Global Markets Compliance continued the Global Surveillance Implementation Programme (GSIP) launched in 2018. The programme is aimed at expanding global surveillance of trade and communications. In addition to the implementation of the Behavox communications surveillance system in several locations such as New York, London, Singapore and Tokyo, the "Foreign Exchange" asset class was made available for the SCILA trade surveillance system.

At the same time, Commerzbank continued its drive to further develop existing governance structures and further expanded the global compliance processes in the business units. This includes integrating existing elements of the compliance framework into a compliance sub-risk strategy in the form of a fundamental strategy document that above all defines the strategic fields of action. The governance processes for managing and monitoring compliance controls at international level were also further strengthened.

A significantly expanded sanctions compliance function has been established subsequent to the Deferred Prosecution Agreement (DPA) with various US authorities. It addresses the rapid response to existing sanctions and the approach to future sanctions in close cooperation with the risk function.

For more information on compliance and on integrity and compliance at Commerzbank, please see page 92 ff. of the risk report and page 81 ff. of the combined separate non-financial report respectively.

Financial performance, assets, liabilities and financial position

Commerzbank had unrestricted access to the money and capital markets throughout the reporting period, and its liquidity and solvency were also adequate at all times. It was always able to raise the resources required for a balanced funding mix and continued to enjoy a comfortable liquidity position in the period under review.

Income statement

In the year under review, comdirect was merged into Commerzbank with effect from 1 January 2020. As a result of the merger, comdirect's activities are directly reflected in the income statement for the first time in the 2020 financial year. A year-on-year earnings comparison is therefore only possible to a limited extent. Further information can be found in Note 2.

Due in particular to significantly higher loan loss provisions, write-downs on equity holdings, and restructuring expenses and charges in connection with the comdirect merger, Commerzbank Aktiengesellschaft reported a net loss of €–5,708m for the 2020 financial year, following a net profit of €188m in the previous year. The changes in the individual earnings components are set out below.

Net interest income as the balance of interest income and interest expense was €3,297m, down €291m compared with the previous year. Net interest income from business with private and small-business customers was below the prior-year level. Interest-bearing business in Germany recorded a significant decline in interest income from deposit business that was only partially offset by higher interest income from continued volume growth in lending business, particularly in residential mortgage financing. Net interest income was also affected by the issue of Additional Tier 1 capital.

Net commission income increased by 18.6% year on year to €2,921m. We recorded a significant increase in net commission income from business with private and small-business customers due to a strong revival in securities business, with online banking in particular seeing record transaction volumes. In corporate client business, net commission income was also up compared with the prior-year period.

Net trading income came to €219m in the year under review (previous year: €109m). The increase was attributable to a significantly higher mark-to-market result compared with the previous year and an improvement in earnings from trading-related commissions.

The balance of other operating income and expenses for the reporting period was €373m, compared with €693m the previous year. The decline was mainly due to lower income from plan assets and a penalty payment of €41m to the UK financial conduct regulator incurred in the second quarter of 2020.

The cost of assuming subsidiaries' losses under profit and loss transfer agreements was €14m in the year under review. In contrast, income from profit pooling and from partial or full profit transfer agreements amounted to €362m, compared with €215m in the previous year. The increase was related to a capital gain from the transfer of comdirect shares to Commerzbank. This resulted in net income from profit and loss transfer agreements of €348m for 2020, compared with €215m in the previous year.

General administrative expenses rose by 2.5% to €5,368m in the year under review. Personnel expenses increased by 2.0% to €2,967m, mainly due to the completion of the comdirect merger. Other operating expenses were up 3.0% on the previous year at €2,401m. The increase was attributable in particular to higher IT expenses, a rise in compulsory contributions for the European banking levy and higher contributions to the Deposit Protection Fund. Depreciation, amortisation and write-downs of intangible and fixed assets decreased slightly by 5.1% to €501m in the year under review. The decrease was due to lower amortisation of purchased software and lower depreciation on office furniture and equipment.

Write-downs and valuation allowances on loans and certain securities and allocations to provisions in lending business totalling €3,536m were reported for the year under review. The significant earnings impact was mainly attributable to the effects of the coronavirus pandemic. The risk result includes a coronavirus-related expense that anticipates the potential impact of the coronavirus pandemic, including the second lockdown, based on information as at the turn of the year.

Write-downs and valuation allowances on equity holdings, holdings in affiliated companies and securities accounted for as fixed assets amounted to €–1,426m in the year under review, compared with corresponding income of €136m in the previous year. The significant earnings impact was attributable to effects from valuations of equity investments.

As a result of the income statement items described above, Commerzbank Aktiengesellschaft posted a loss on ordinary activities of €–3,641m in 2020, compared with a profit of €501m in the previous year.

An extraordinary result of €–1,932m was recorded in the period under review. The marked year-on-year increase in extraordinary expenses included in this item was due in particular to effects in connection with the comdirect merger and to restructuring expenses. These mainly related to the recognition of restructuring provisions. The Board of Managing Directors has decided to bring forward the implementation of two voluntary programmes as part of the socially responsible headcount reduction, and concluded corresponding works agreements with the Central Works Council in the third quarter of 2020. Furthermore, in December 2020 the Board of Managing Directors passed a resolution to implement a restructuring plan with reference to the strategy adopted in the 2019 financial year for a headcount reduction of 2,900 full-time positions and also concluded a corresponding works agreement with the Group Works Council.

Tax expenses amounted to €134m for the year under review, compared with €154m in the previous year.

Commerzbank Aktiengesellschaft therefore made a net loss of €–5,708m in 2020, after a net profit of €188m in the previous year. The net loss for the year was offset through a withdrawal from the capital reserve.

Balance sheet

The total assets of Commerzbank Aktiengesellschaft increased by 12.2% or €45.9bn year on year to €423.4bn.

Within assets, the cash reserve rose by €38.7bn to €73.4bn. The strong increase compared with the end of 2019 was due in particular to a rise in demand deposits held with central banks related to the use of the targeted longer-term refinancing operations III programme (TLTRO III) offered to banks by the ECB. Claims on banks dropped compared with the previous year, by €10.5bn to €26.8bn. Secured money market transactions declined by €5.9bn, while credit claims and other receivables fell by a total of €4.6bn. Claims on customers grew by €5.5bn to €230.6bn. This was attributable in particular to a marked rise of €4.5bn in retail property and mortgage loans and €1.2bn in municipal lending. Bonds and other fixed-income securities rose by €14.4bn to €47.9bn. The increase was due to larger holdings of bonds and notes in the liquidity portfolio and to own bonds. Trading assets recorded a volume of €20.7bn, compared with €26.1bn in the previous year. The decrease of €5.4bn was caused mainly by lower holdings of shares and other non-fixed-income securities. Holdings in affiliated companies decreased by €2.2bn to €4.1bn compared with year-end 2019 in connection with the comdirect merger and write-downs on equity holdings.

On the liabilities side, liabilities to banks increased by 7.0% to €73.9bn, due in particular to the use of TLTRO III. Liabilities to customers were €260.6bn, €41.8bn higher than the level at the end of the previous year. While sight deposits increased significantly by €46.7bn, registered Pfandbriefe and liabilities from money market transactions fell by a total of €5.1bn. Securitised liabilities were €40.3bn, up €6.2bn on the previous year. While issues of debt securities increased by €6.5bn, other securitised liabilities declined slightly by €0.3bn. Trading liabilities fell by €4.9bn year on year to €11.8bn due to a drop in securitisation transactions and a decline in the volume of short sales of securities. Subordinated liabilities totalled €7.4bn and were thus on a par with the prior-year level.

Off-balance-sheet liabilities rose overall year on year, with contingent liabilities up 2.8% year on year at €42.0bn and irrevocable lending commitments rising by €5.7bn to €81.9bn.

Equity

Commerzbank Aktiengesellschaft's reported equity as at 31 December 2020 was €16.5bn, significantly lower than at year-end 2019. While retained earnings were slightly higher than at year-end 2019, rising by €0.2bn to €3.8bn, the capital reserve decreased by €5.7bn due to the offsetting of the net loss for the year. Subscribed capital was unchanged from the year-end 2019 level at €1.3bn.

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

Risk-weighted assets were €178.6bn as at 31 December 2020, €3.2bn lower than at year-end 2019. The decline was mainly due to the change in credit risk, which was chiefly attributable to declines relating to the two new CoCo II-3 and CoCo III-4 securitisations and to lower volumes as a result of active RWA management and reduced drawdowns of credit lines. This was offset to some extent by parameter effects caused in part by the impact of the coronavirus pandemic. There was also a slight decline in risk-weighted assets from operational risks. By contrast, risk-weighted assets from market price risks increased.

As at the reporting date, Common Equity Tier 1 capital was €23.6bn, compared with €24.4bn as at 31 December 2019. The decrease of €0.8bn was due to the loss recorded for the financial year and in particular to the change in the currency translation reserve. Offsetting effects resulted from the decrease in regulatory capital deductions, which was mainly attributable to the goodwill write-down and the change in the calculation method for software deduction. The goodwill write-down therefore had no impact on the Common Equity Tier 1 ratio of 13.2%. The Tier 1 ratio (with transitional provisions) was 15.0% as at the reporting date, compared with 14.3% as at the end of 2019. The higher Tier 1 ratio was due to the rise in additional Tier 1 capital resulting from the issue of two AT1 capital instruments. The increase in Tier 1 capital and the issue of a Tier 2 capital instrument led to an increase in the Bank's total capital to €31.6bn. The total capital ratio was 17.7% as at the reporting date, compared with 16.8% as at the end of 2019.

The leverage ratio based on the CRD IV/CRR rules applicable on the reporting date, which is equal to Tier 1 capital divided by leverage exposure, was 4.9%, both with transitional provisions and fully loaded.

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

Summary of 2020 business position

The difficult economic situation brought about primarily by the coronavirus pandemic meant 2020 was a particularly challenging year for the banking sector.

We managed to achieve key strategic goals with the comdirect merger and the economic completion of the sale of the Equity Markets & Commodities (EMC) division to Société Générale. We also further strengthened the Bank's capital structure with the issue of two Additional Tier 1 bonds, partially in response to the amended regulatory requirements imposed by the European Banking Authority.

As the Bank is managed via its segments, the information that follows is largely geared towards the performance of the Group. For more information on corporate management and the key figures and data used to manage the Group, please see page 90 f. of the Group Annual Report 2020.

The Private and Small-Business Customers segment made good progress in implementing its strategic measures in the 2020 financial year, the focus being on the expansion of its online and mobile banking channels. For example, a large number of new functions were added to the banking app – a popular portal for many of our customers – making it even more attractive. The segment achieved an encouraging performance in customer business despite the ongoing challenging conditions. The lending volume in Germany grew to €112bn, with the volume of mortgage lending alone increasing by 7% on the back of record new business. The securities volume recorded strong growth of €20bn to €177bn, some €12bn of which were net inflows. The segment proved to be robust in the face of adverse conditions, particularly with respect to the interest rate environment and slowing economic growth, and was able to keep total operating income, net of special effects, stable in the 2020 financial year after adjustment for extraordinary effects thanks to the high level of customer activity. It also almost completely offset the negative impact of a further rise in provisions for foreign-currency loans at mBank. As expected, there was a marked increase in the risk result due largely to the effects of the coronavirus pandemic. The segment recorded a pleasing cost trend. Contrary to our expectations, we were able to keep operating expenses at the prior-year level; this did not lead to an improvement in the cost/income ratio due to the slightly lower reported operating income. Overall, the segment's operating profit fell more strongly than forecast. The operating return on equity fell significantly year on year.

The coronavirus pandemic, the persistently low level of interest rates and ongoing intense price competition had a major impact on the performance of the Corporate Clients segment in the past financial year. The global economic slowdown also weighed on demand for trade finance. Lending volume fell due to the Bank's rigorous RWA management and lower customer demand for credit and liquidity as a result of the coronavirus pandemic. The resulting decline in income from trade finance and lending business was only partially offset by growth in capital market business. Against this backdrop, our expectations of a slight rise in operating income could not be met in the course of the year. As expected, the risk result increased significantly due primarily to the coronavirus pandemic and the default of a large exposure in the second quarter of 2020. Contrary to our expectations, however, costs were lower compared with the previous year. Overall, the decline in earnings, which became increasingly marked over the course of the year, and the considerably higher impact of the risk result led to a significant operating loss. Although there was only a slight increase in the cost/income ratio, the operating return on equity fell significantly compared with the previous year.

Overall, Commerzbank Aktiengesellschaft posted a net loss of €–5,708m for the year under review, after a net profit of €188m in the previous year.

Outlook and opportunities report

Future economic situation

The ongoing coronavirus pandemic will continue to shape the global economy in 2021. Provided that the pandemic does not worsen further, we expect to have to wait until the spring for a sustained decline in the number of new infections in western industrialised countries, when people spend more time outdoors again as temperatures rise. Vaccination programmes should then result in enough of the population being immunised to allow social life to return to normal in the second half of the year.

China has not yet defeated the virus either. It is seeing repeated outbreaks at regional level, with the authorities responding by imposing lockdown measures. Any negative impact of these measures on the economy is likely to be limited, however. Nevertheless, it can be assumed that economic performance will be much slower to recover. The worsening situation on the labour market is dampening private consumption, while high levels of corporate debt are holding back investment. There are also ongoing problems such as the trade conflict with the USA, which China is responding to with a costly drive for economic independence.

In the USA, the economic recovery is likely to pick up speed again from spring onwards, with the new US president, Joe Biden, planning another extensive stimulus package. There is also an expectation that 2021 will perhaps see consumers finally part with some of the USD1,500bn they were unable to spend last year because shops were closed. The ongoing vaccination campaign is also likely to have a positive impact on economic sentiment, and companies will probably remain very willing to invest. We expect the US economy to return to pre-crisis levels by mid-2021, with annual average growth of 5%.

The eurozone economy is likely to recover strongly from spring onwards after a difficult autumn/winter period. Provided that the coronavirus pandemic does not worsen further, we anticipate that restrictions will be largely lifted by the end of March at the latest. High-contact services such as hotels and restaurants will then gradually return to normal operations in the second half of the year. The economic recovery will receive an additional boost once people start to spend some of the extensive savings they built up while shops were closed, particularly in the spring of 2020. According to our estimates, these amount to around 4% to 5% of annual disposable income in Germany/the eurozone.

The recovery is also being supported by the continuation of the highly expansive monetary and fiscal policy. The suspension of the Stability and Growth Pact will continue into 2021, meaning that member states will still be allowed to have budget deficits that exceed 3% of GDP. EU member states will also receive the first funds from the Recovery and Resilience Facility in 2021 in the form of loans and non-repayable grants.

We expect the eurozone economy to return to fourth-quarter 2019 levels by the end of 2021. Germany's economy may even be back to normal by the third quarter of the year. In terms of the annual average for 2021, we are expecting economic growth of 5.0% for the eurozone and 4.5% for Germany.

Real gross domestic product Change from previous year	**2020**	**2021[1]**
USA	–3.5%	5.0%
Eurozone	–6.8%	5.0%
Germany	–5.0%	4.5%
Central and Eastern Europe	–3.9%	3.4%
Poland	–3.5%	3.1%

[1] The figures for 2021 are Commerzbank forecasts.

The prospect of a highly expansive fiscal and monetary policy over the longer term means that the eurozone financial markets will remain disconnected from fundamentals. The yield on ten-year German Bunds is likely to remain in negative territory over the next two years, which is unusual from a historical perspective. We expect fluctuations around the –0.5% mark. However, with the vaccination programme now under way, the yield is likely to rise somewhat in the short term once the current wave of infection has subsided. Yield premiums in the peripheral countries should tend to narrow further this year despite unresolved economic problems, as the ECB's net bond purchases will continue to match the countries' net issues in 2021.

Germany's DAX share index should continue to make gains in 2021, even though the price-earnings ratio is already noticeably above the ten-year average. We are expecting a price level of around 14,200 points by the end of 2021.

The euro should continue to appreciate against the US dollar in 2021 and end the year at 1.24. This is not because the euro is strong, however, but because the dollar is losing some of its own strength.

Exchange rates	31.12.2020	31.12.2021[1]
Euro/US-dollar	1.22	1.24
Euro/Sterling	0.89	0.89
Euro/Zloty	4.56	4.60

[1] The figures for 2021 are Commerzbank forecasts.

Future situation in the banking sector

The outlook for the banking industry remains very challenging. In addition to ensuring sufficient capitalisation, reducing non-performing exposures and combating IT cyber risks, dealing with credit risks in particular is one of the key topics for banking regulators. Supervisory authorities want to implement risk provisioning measures at an early stage in order to avoid cliff-edge effects that could arise when government support measures and credit moratoriums come to an end in the post-pandemic period. Temporary regulatory relief has been granted as a result of the pandemic. Further key elements of the Basel III framework are also being implemented at European level through the EU banking package, and these are now gradually coming into force. The new rules include more risk-sensitive capital requirements, particularly with regard to market risk, and the introduction of a binding leverage ratio and a binding net stable funding ratio. Going forward, banks must hold a minimum amount of capital that is available to cover losses in the event of restructuring or resolution. However, requirements for higher risk buffers always entail the risk that the banking system will be less able to fulfil its economic functions.

The forthcoming revision of European banking regulation is intended to implement new approaches for determining risk-weighted assets and hence the capital requirements for credit risk. There are also plans to abolish the model-based approach for operational risk, revise the procedure for calculating credit value adjustments in derivatives business and introduce a minimum capital requirement (output floor) for institutions that calculate their risks using internal models. According to an EBA impact study, this output floor will increase capital requirements, especially for banks in the EU that are systemically important and operate globally. The Financial Stability Board is also keen to strengthen regulation of the financial sector going forward, including extending regulation to cover non-bank financial institutions, with a view to considerably reducing systemic risks.

Planning uncertainties and risks have increased massively as a result of the coronavirus pandemic. Many countries have so far been unable to stem the rate of infection effectively. For the global economy, the prospect of further waves of infection – potentially massive ones at regional level – is the central forecasting risk for the coming months. This uncertainty has led to considerably higher volatilities in the valuation of assets than seen previously. Banks worldwide are facing special challenges, especially with regard to their earnings expectations and their risk provisioning and capital requirements.

As the intermediary between providers and users of capital, the financial sector has a key role to play in overcoming the coronavirus crisis. There is a time lag, however, meaning that the impact of the pandemic on banks is only now starting to become apparent. Germany must also be braced for a mounting number of corporate and personal insolvencies and thus more loan defaults over the coming quarters. This is due not least to the temporary suspension of the three-week rule for filing for insolvency. To mitigate the negative impact, the Corporate Stabilisation and Restructuring Act (Unternehmensstabilisierungs- und -restrukturierungsgesetz, StaRUG), which came into force at the beginning of 2021, is intended to establish new rules for restructuring law, which comes into play before insolvency law, going forward and follow on seamlessly from the COVID-19 Insolvency Suspension Act (COVID-19-Insolvenzaussetzungsgesetz, COVInsAG). The planned new measures, which include early risk detection and early restructuring settlements or restructuring plans as a core measure to avert imminent insolvency, are all designed to significantly improve companies' restructuring prospects and thus specifically prevent insolvencies.

Exposures to companies and self-employed persons in sectors such as personal services, gastronomy, tourism and events are subject to disproportionately high risks. These sectors have been particularly hard hit by the closures required as a result of the pandemic. It is currently impossible to estimate the scale of the impairments that will ultimately be required. There are also fears of loan defaults on commercial property financing if recent changes to working and shopping habits are maintained over the long term. Against this backdrop, there are concerns that Germany will see a noticeable increase in payment defaults and insolvencies in 2021. This is likely to affect SMEs in particular, but also private individuals. The German and European supervisory authorities in particular also consider the high concentrations of government bonds in numerous banks' balance sheets to be a critical issue. The German banking sector is likely to be robust at present, however, due to the capital provisioning measures that have been in place for some time.

Even before the coronavirus crisis, the prospect of prolonged low interest rates was seen as a key challenge for the banking sector. In view of the far-reaching economic impact of the pandemic and the response of the central banks in the form of a massive expansion of bond purchase programmes, zero interest rate policy and extensive provision of liquidity, capital market interest rates will remain low for the foreseeable future. This will improve banks' liquidity position and financing conditions, but at the same time will put ongoing pressure on interest margins and thus adversely impact earnings in the financial sector. Net interest margins are now very low throughout Europe, and in Germany in particular. At the same time, funding costs have risen as credit growth is exceeded by deposit growth on the customer side. Government lending programmes are also narrowing margins, even though the respective credit risk of non state banks has been noticeably reduced or even completely eliminated.

Increased revenues in the highly important interest business can only be achieved by not only raising lending rates and fees but also introducing negative interest rates for customer deposits on a broad basis. This process has already begun, as even the two-tier system for reserve remuneration implemented by the ECB, which exempts part of banks' excess liquidity holdings from the negative deposit rate, will do little to change the negative consequences of the low interest rate environment. All in all, there is barely any scope for the vast majority of banks to achieve a sustainable improvement in their margins.

The outlook for trading business is more favourable than for the dominant interest-bearing business, although many institutions have already withdrawn partially or even completely from this area of activity. Even the current boom in cashless payments is only benefiting the commission-bearing payment services business to a limited extent due to strong competition from fintech companies. By contrast, the outlook for banks' securities commission business is better than expected. The number of private shareholders in Germany will continue to increase over the next few years due to the lack of investment alternatives. This will primarily benefit direct banks, which are likely to see further significant growth in new customers. The considerable uncertainty among bank customers in recent months has also led not only to greater use of digital and mobile products but also to a marked increase in demand for individual financial advice. Given the existing demand for advice on complex banking transactions such as retail mortgage financing, branch business will therefore remain part of the basic service provided by banks, albeit on a smaller scale.

Given the earnings problems and ongoing competitive pressure, cost reduction remains the main issue both for German banks and for many of their European competitors. For this reason, digitalisation of business processes and the utilisation of the data generated will advance rapidly. This calls for highly automated IT processes that permit rapid adjustments in response to changing market conditions. The trends in customer behaviour that have been accelerated during the crisis – more online banking and new payment habits – are set to continue. Financial institutions that focus increasingly on customers' use of multimedia channels and offer a wide range of online banking tools and tailor-made financial solutions will be at an advantage in the future. This is encouraging the increasing shift away from branch-based retail banking, whereby the range of products and services is reduced but it becomes more difficult to generate commission income. The result is that the German banking market in particular is on the brink of a major upheaval. The next decade will see a drastic reduction in the number of institutions and even more intense competition. More and more global technology groups, fintech companies, foreign banks and market infrastructure providers such as stock exchanges, clearing houses and information service providers will start offering traditional banking products.

The economic situation both in Germany and in the eurozone as a whole will remain very challenging until the spring. As a result, business with corporate clients and small-business customers will initially remain under significant pressure in the first six months of 2021, but we expect it to then gradually pick up over the second half of the year. Banks' interest and commission business will benefit from the revival of the export industry, which is so important for the German economy, although there is every likelihood that this will be accompanied in the short term by an increase in insolvencies and business closures.

Retail banking business is likely to benefit from private consumption, which is set to pick up considerably again in the next few months after people tended to prioritise saving during the coronavirus crisis. Demand for residential mortgages should also continue unabated, driven by the lack of affordable housing and the related boom in new building, and in particular by the persistently low level of interest rates. However, retail banking business also continues to offer only limited earnings potential due to the national competition among banks and the narrow interest margins.

In addition to the possibility of further packages of measures to mitigate the economic consequences of the pandemic, banking regulators are focusing more and more on the management of ESG (environmental, social and governance) risks. Climate change in particular is one of the great challenges of our time. With this in mind, the EBA intends to embed climate and environmental risks more firmly in banks' risk management processes over the next few years. Climate risks are also set to be a focus of future ECB stress tests, enabling banks to better assess their consequences for their business environment. The financing requirements of the European Commission's planned green deal could also lead to green quantitative easing. This is new, because to date none of the world's central banks have pursued a monetary policy that is explicitly oriented towards climate protection goals. The EU is also planning to make sustainability information a mandatory element of sales prospectuses for mutual funds, probably from the beginning of 2022.

The trade agreement recently agreed between the EU and the UK is in principle intended to avoid tariffs in bilateral trade. Since the UK is no longer bound by EU rules, goods will now only be granted tariff-free access to the EU if UK companies do not benefit from any unfair competitive advantages in the form of subsidies or lower standards for workers' rights and environmental requirements. Services were largely omitted from the negotiations, however, meaning that UK financial firms have lost their automatic access to the EU market. They now need to be granted equivalence rights, whereby the EU authorities can allow them to operate in the EU if they consider regulation in their domestic market to be equivalent. These equivalence rights can be revoked at any time, which will give rise to considerable uncertainty owing to the fundamental risk that the UK supervisory authority may lower its regulatory standards in order to strengthen London as a financial centre. This would affect the competitive position of banks in the remaining EU countries. At the same time, however, the fragmentation of the investment banking sector will inevitably increase if London's financial centre loses its unrestricted access to the European single market. Further negotiations are therefore required on this topic. In those areas of financial services where the bulk of EU business is currently handled out of London, the EU is likely to work towards shifting this business to one of its own financial centres in the future.

Managing opportunities at Commerzbank

The demands placed on modern, sustainable banking business and the overall framework conditions have changed markedly in the past few years. Whereas personal customer relationship management was formerly a key element of banking, these days customers expect multi-channel advisory services, digital financial offerings and individual, tailor-made products. We have responded to this in recent years through our strategic orientation: in both the Private and Small-Business Customers and Corporate Clients market segments we have gained new customers, pushed ahead with digitalisation projects and built an agile delivery organisation. However, the difficulties of the past financial year have shown that further far-reaching changes are necessary if Commerzbank is to remain profitable and efficient over the long term.

The "Strategy 2024" programme presented in February lays the foundations for this, marking the launch of a far-reaching restructuring and the comprehensive digitalisation of the Bank. The aim of the restructuring is to combine the benefits of a fully digitalised bank with personal advisory services, an unwavering customer focus and sustainability. We are aiming to significantly reduce costs and substantially increase profitability by 2024, thereby laying the foundations to consolidate Commerzbank's position as the leading bank for German SMEs (the Mittelstand) and a strong partner to some 11 million private and small-business customers. In the Corporate Clients segment, we will continue our success story with German SMEs and in future focus on serving customers with a clear connection to Germany.

Information on the planned strategic measures in the Private and Small-Business Customers and Corporate Clients segments can be found in "Objectives and strategy" on page 89 f.

We will further transform the Bank across all segments. This transformation will affect strategy, technology, competence and culture. We will actively drive digitalisation in our banking business, enabling us to offer our customers speed, security and convenience when it comes to technological applications.

For some time now we have been involved in start-ups, both directly and indirectly through our subsidiaries CommerzVentures (a venture capital fund that invests in promising fintech companies) and main incubator (a research and development unit for technologies of the future).

Speed, favourable conditions and transparency in the credit process are becoming increasingly important in this era of digital business models. This is much easier to achieve with standardised products for private customers, such as instalment loans or extensions of credit card limits, than it is with products for corporate clients, as these are more difficult to standardise.

Commerzbank works to encourage its own employees to engage in the kind of entrepreneurial thinking that distinguishes start-ups. The Digital Campus has become the engine driving the Commerzbank transformation, where we test and develop new, agile working methods and modern forms of cooperation. The cluster delivery organisation was introduced at head office for this purpose. The overarching goals of the digital strategy and the cluster delivery organisation are to modernise the IT architecture while maintaining operational stability, professionalise the technological base, expand capabilities and capacities, and develop and implement new functionality.

The topics of sustainability and ecology are now an integral element of Commerzbank's core business. In the current year alone, the Bank helped manage a significant volume of green and social bond issues for its customers, acted as joint lead manager in the issue of the German federal government's first green bond, very successfully issued its second own green bond, expanded its range of more sustainable investments with the new klimaVest mutual fund, and is now a leading provider of financing for renewable energy projects in Germany and Europe. One absolutely key area of focus is the provision of financial support for the transition to tomorrow's low-carbon economy.

Since 2019, private customers have been able to take out green mortgage loans, which actively contribute to promoting energy-efficient construction, modernisation and acquisition. In addition, Commerzbank signed a climate commitment in June 2020 together with other players in the German financial sector. Since the beginning of September 2020, Commerzbank has been an official supporter of the Task Force on Climate-Related Financial Disclosures, whose recommendations provide a framework to help companies manage the impacts of climate-related risks and produce the relevant disclosures. As we continue our journey towards becoming a more sustainable bank, these measures help set out in transparent terms the risks and opportunities of climate change for our loan portfolio. We also want to help our corporate clients develop more sustainable business models.

To drive the sustainable alignment of the business model in all areas, Commerzbank has now also set up its own decision-making body to examine sustainability issues. The new Group Sustainability Board will define the Bank's strategic sustainability goals and monitor and manage concrete measures to support their implementation.

Overall, we are convinced that the rigorous implementation of the measures already initiated and those recently adopted will open up a huge window of opportunity to sustainably improve the Bank's profitability.

The ECB's TLTRO III (targeted longer-term refinancing operations) refinancing option will influence Commerzbank's borrowing on the capital market over the coming years. The Bank's participation in the June 2020 TLTRO will mean a lower planned funding volume of less than €5bn for 2021. Commerzbank has access to the capital market through a broad range of products. In addition to unsecured funding instruments (preferred and non-preferred senior bonds, Tier 2 subordinated debt and Additional Tier 1 capital), when refinancing Commerzbank can also issue secured funding instruments, in particular mortgage Pfandbriefe and public-sector Pfandbriefe. As such, Pfandbriefe are a key element of Commerzbank's funding mix. These give Commerzbank stable access to long-term funding with cost advantages compared with unsecured sources of funding. Issuance formats range from large-volume benchmark bonds to private placements.

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

Anticipated performance of Commerzbank Aktiengesellschaft

The new "Strategy 2024" programme approved in February 2021 is designed to place Commerzbank on a more efficient footing and achieve a significant and sustainable increase in the Bank's profitability over the medium-term period up to 2024 by means of a far-reaching restructuring. Profitability is being given a much higher priority than growth. At the core of the strategy is the comprehensive digitalisation of all business activities and internal processes, which, together with the combination of a high level of personalised and professional advisory expertise and maximum customer focus, is intended to strengthen the Bank's competitive position in its core markets – Germany in particular – and further expand it over the long term.

Commerzbank expects conditions for the German banking sector to remain extremely challenging during the entire 2021 forecast period. Economic forecasts are subject to increased uncertainty due to the insecurity surrounding the further course of the pandemic. As such, there may be major deviations over the course of the year in terms of assumptions made regarding customer behaviour, such as expected demand for loans or customer activity in securities business. We also anticipate that extremely low or even negative interest rates and the intense competition in the two core markets of Germany and Poland will continue to have a massive impact on earnings. Nevertheless, Commerzbank believes that it is well positioned in this difficult environment thanks to the combination of a very favourable risk profile by international standards and high estimated risk bearing potential. The consistent and effective management of all risks will therefore continue to be of paramount importance.

As the Bank is managed via its segments, the information in the following sections of the outlook and opportunities report is geared towards the performance of the Commerzbank Group as a whole. Overall, we expect to see the following developments in 2021:

Anticipated performance of individual earnings components

In terms of net interest income, the most important source of earnings, Commerzbank is aiming to largely replicate the prior-year level if the unfavourable negative interest rate environment persists. This forecast is based on different trends, however. With regard to the lending volume in the Corporate Clients segment, growth aspects will in future play less of a role for strategic reasons. By contrast, there will be a significantly greater focus on the long-term profitability of customer relationships and the more efficient use of capital resources. With demand for credit among corporate clients expected to be generally restrained over the year as a whole, the Bank's withdrawal from certain business segments and regions will also be accompanied by a corresponding decline in both lending and the income resulting from it. Private customer business is expected to see a marked revival in demand for loans to business and small-business customers and instalment loans in particular. The increase in lending volumes coupled with a renewed rise in income from passing on negative interest rates should largely offset the significantly lower interest income expected from deposit business. Loans from the European Central Bank, which are provided at negative interest rates, should provide material support to net interest income in the Others and Consolidation segment in the current financial year. Collection of this interest income is dependent on certain lending criteria being met, however, and this can only be measured later in the year.

Opposing trends are also expected for net commission income and are set to result in a slight net decline in this earnings figure in the current financial year. The continued buoyancy of capital market business with institutional and corporate clients in the primary and secondary markets, coupled with the stronger strategic focus on generating additional, non-capital-binding income over and above lending business, should enable fee and commission income in corporate client business to remain at the prior-year level. We believe that the at times extraordinarily strong performance in securities business with private and small-business customers, particularly in direct banking business, will remain at a high level. A decline is expected, however, and will probably not be wholly offset by earnings gains, mainly from payment transactions, owing to a large number of new product offerings and adjusted pricing models.

With regard to net income from financial assets and liabilities measured at fair value through profit or loss, Commerzbank pursues a risk-oriented, customer-focused approach designed to achieve contributions to earnings that are as high and as stable as possible. This earnings indicator is generally subject to increased volatility due to the limited scope to assess trends on the global capital markets. Similar circumstances may also be reflected in the fair value result in one period, whereas the interest component dominates in another, resulting over time in possible shifts to net interest income, and vice versa. A portion of this income component is therefore directly related to net interest income. For the 2021 financial year, the expectation of a decline in earnings is therefore accompanied by a correspondingly more positive trend for net interest income.

Experience has shown that the other income items, including realised profit or losses on financial instruments and other net income, are often affected by one-off income and measurement effects that are generally impossible to predict. Further charges cannot be ruled out in the current financial year in respect of the provisions for legal risks in connection with mortgage loans issued in foreign currencies at mBank, whose effects are reflected under other net income.

Provided that overly long-lasting measures in connection with the coronavirus pandemic do not significantly delay the expected major economic recovery and/or materially impair its extent, the risk result should show a substantial improvement on the 2020 figure of €–1.7bn. To reflect the unusually high degree of uncertainty, we are forecasting a broad range of between €–0.8bn and €–1.2bn. The expected reduction is also based on the additional provisions of around €0.5bn recognised in the 2020 financial year on the basis of information as at the turn of the year regarding the potential impact of the coronavirus pandemic, including the second lockdown.

The first steps in the implementation of the strategic measures targeting the far-reaching restructuring of the Group, the aim of which is to significantly improve profitability over the medium term, primarily by reducing costs, should have a positive impact on operating expenses (including compulsory contributions) in the 2021 reporting year. Despite the need for extensive investment in areas such as the digitalisation of the service offering, sales channels and underlying processes and the fundamental modernisation of the IT infrastructure, the Bank expects operating costs to be reduced slightly overall to around €6.5bn. The intention is to recognise provisions for restructuring expenses in full in the current reporting period to cover all future efficiency improvement measures relating to the "Strategy 2024" programme. This will be subject to the progress of the corresponding negotiations with employee representatives over the course of the year. Along with the existing provisions of €0.9bn, expenses in the amount of €0.9bn recognised outside the operating result will provide material long-term relief on the cost side in subsequent years.

Anticipated segment performance

In the **Private and Small-Business Customers (PSBC)** segment, important strategic decisions will have to be taken in Germany this year to take advantage of the opportunities presented by last year's legal merger of Commerzbank and comdirect to the mutual benefit of the Bank and its customers. Over the coming years, the business model of a digital direct bank with particular expertise in the securities business and the business model of a branch-based full-service bank offering a broad product range and in-depth personal advisory services are to be combined to create a banking platform that is unique in the marketplace. Following the far-reaching restructuring of the sales model, all customers will be able to purchase simple banking products conveniently and resolve most service issues using digital channels, in other words via online or mobile banking.

They will also have access to personal telephone support via advisory centres that are available 24 hours a day, every day of the week. A nationwide network of 450 advisory points, which are set to replace the existing branches by the end of 2022, will in future offer straightforward banking products that customers will largely be able to purchase independently there. Small-business customers and affluent customers requiring highly complex and tailor-made banking products will receive individual solutions at 220 premium branches, which will also use the self-service infrastructure of the advisory points at the same location.

The highly scalable nature of the more cost-effective direct banking model, which is to be made available to all customers in the future, and the gradual transfer of elements of the sales process to significantly more efficient channels providing enhanced customer benefits such as round-the-clock access, offer potential for substantial cost savings. At the same time, the intended far-reaching changes to the sales model are designed to continuously increase the income generated from each customer relationship. The most significant benefits are expected to come from the drive to seamlessly link the Bank's distribution channels. Whatever stage a customer is at in life, they should be offered the best possible banking product via the appropriate channel and at the appropriate time.

The highest earnings growth in the coming years should be achieved through services for the Bank's most discerning premium customers with sophisticated advisory needs. This should offset the impact of temporary losses of customers and income that are likely to be inevitable to some degree during the transitional phase and the restructuring of the sales model, for example as a result of branch closures.

The focus in the current financial year will be on further penetrating the existing customer base with banking products and making better use of pricing flexibility. The aim is to essentially maintain the strong position in retail mortgage financing and securities business achieved in recent years and focus increasingly on growing other areas of the business. We are anticipating significantly higher new business volumes for both instalment loans and business loans as soon as the strong dampening effect of the pandemic, which has led to a sharp rise in the savings ratio and a marked reluctance to invest, eases and is replaced by growing confidence and a greater willingness to spend. Demand for residential mortgage loans is likely to remain high. Net interest income is expected to be roughly on a par with the prior-year level overall, in other words the intended growth in the loan portfolio at almost constant margin levels should at least offset the ongoing significant pressure on interest income from deposit business.

Net commission income is expected to remain almost at the prior-year level, with income from payment transactions in particular set to increase. Basic services, which will remain free of charge under certain circumstances, will be supplemented with additional services that customers can select on a modular basis or as attractive product bundles according to their needs. In securities business, special attention will be paid to small-business and wealth management customers, who can expect personally tailored premium services. For example, earnings potential can be created by converting deposits that offer no return to the customer – and do not generate any refinancing advantages for the Bank in the current interest rate environment – into a wide range of investment products. These include klimaVest, an impact fund for private investors that was launched by the Bank's subsidiary Commerz Real in 2020 and invests primarily in sustainable real assets. Capital investments also enable customers to avoid the fees that will otherwise become increasingly unavoidable for those with high deposit balances. We believe that the intended shift towards sustainably recurring commission income will be offset by lower transaction-related commissions in securities business in the current financial year. Direct banking business in particular recorded enormously high transaction figures in the year under review that are not expected to be repeated this year. Including other less significant income items, total domestic operating income is expected to be roughly on a par with the prior-year level.

The Polish subsidiary mBank will continue its ongoing growth strategy of recent years, targeting continued growth both in lending and deposits and in commission-bearing business. Its broad range of digital banking products and user-friendly digital settlement processes mean it occupies an excellent competitive position, particularly among younger customers, that offers a high level of long-term earnings potential. Following major growth in the year under review, especially in securities business, commission income is expected to increase significantly once again. With Poland's central bank slashing interest rates to almost zero last year, however, net interest income is set to decline significantly despite the marked expansion in lending volume expected this year. Unlike in 2020, declining refinancing costs on deposits will probably not adequately compensate for the growing margin pressure on the assets side. mBank's total income is likely to be higher, assuming no further allocations have to be made to provisions for legal risks in connection with mortgage loans issued in foreign currencies.

This means that operating income for the PSBC segment as a whole is expected to at least match the prior-year level.

Extensive and accelerated investments will be required in the current financial year to implement the planned strategic measures in Germany. These include the restructuring of sales channels and the ongoing digitalisation of products and processes, in part as a means of carrying out the desired optimisation of the branch network without any noticeable adverse impact on customers. The investments expenditure will be covered by the expected positive effects of measures such as the forthcoming closure of around 200 further branches and greater synergies from the integration of comdirect, not least the elimination of duplicate spending on digitalisation. The goal is to achieve a slight reduction in domestic operating expenses, including compulsory contributions. In connection with the expected completion of the negotiations with employee representatives, the main aim of which is to reduce personnel expenses, the anticipated fall in costs should become increasingly visible as the year progresses.

Higher operating expenses are expected at mBank, even though compulsory contributions look set to fall slightly for the first time in a long while. However, this increase is expected to be significantly outweighed by the growth in operating income.

The Bank is targeting a slight reduction in operating expenses for the PSBC segment as a whole in 2021.

We remain cautious about the risk result, but are forecasting lower loan loss provisions in Germany due to the provisions that were already recognised as at the end of 2020 to account for the identifiable potential impact of the coronavirus pandemic, including the second lockdown. The slight increase in the expected risk result for mBank relates primarily to the planned growth in lending volumes.

We expect the risk result for the PSBC segment to fall slightly overall.

Based on slightly higher operating income coupled with slightly lower operating expenses and risk costs, we are therefore forecasting an improved operating result for the PSBC segment as a whole in 2021. The operating return on equity is set to increase similarly, while the cost/income ratio is expected to improve.

Comprehensive measures will be implemented in the **Corporate Clients (CC) segment** over the coming years to substantially improve both the cost/income ratio and the efficiency of capital employed. In future, strategic considerations will focus less on growth in highly competitive German corporate client business and more on improving the penetration and thus profitability of customer relationships and long-term earnings and return prospects in business segments and regions, right down to product level. This will be accompanied by other measures including the planned downsizing of the international network through the step-by-step closure of 15 locations, the withdrawal from sub-segments such as equities business, which is to be replaced by sales cooperations, and the streamlining and simplification of the product catalogue. Corporate clients, especially SMEs, and large international companies who have business links with Germany will continue to benefit from Commerzbank's strengths such as its acknowledged high level of expertise and strong presence in international trade corridors. The scope of support offered and the product range will in future be more nuanced according to each client's specific needs. Going forward, the Bank should be able to meet many of the demands of its corporate clients much more efficiently via the simpler and more standardised product and service offering of a digital direct bank.

Services are to be offered to the entire corporate client base on an even more needs-oriented basis, supported by the planned comprehensive digitalisation of the product range and internal processes coupled with extensive data analyses. The Bank also intends to make significantly better use of existing pricing flexibility. Over the coming years, the risk-weighted assets freed up through the conscious reduction of less profitable customer relationships will increasingly be deployed for customers offering earnings potential who use the full range of Commerzbank services and require a high level of intensive individual support. The Bank has also taken the strategic decision to focus on companies in especially promising sectors such as sustainability (energy/environment), mobility, communications and health/pharmaceuticals, areas in which it has built up particular expertise. RWA efficiency is set to become even more important in the future as a key management metric for the implementation of strategic measures. Customer relationships that are largely based on low-margin credit products and offer no prospect of additional income in the medium term will no longer be pursued. Over time, the risk-weighted assets saved as a result of this approach will reduce the capital employed in the CC segment or will be reallocated to customer relationships offering greater earnings potential.

The key strategic objective in the current financial year is to implement the measures planned for the CC segment as quickly as possible. The segment is therefore targeting a significant reduction in allocated capital, even though this is likely to lead to a decline in net interest income. The financing requirements of corporate clients, which are considered to be low due to the ongoing reluctance to invest, are also a factor in this, however. During the pandemic, these requirements were largely covered by promotional loans from government-related institutions. By contrast, net commission income should at least match the prior-year level due to the efforts to increasingly exploit earnings opportunities through greater penetration of the customer base with services that do not involve a significant capital commitment. The more intensive servicing of corporate clients in the defined future-oriented sectors is also expected to result in higher earnings contributions. In view of the cautious assessment with regard to income that is based on changes in fair value, operating income in the Corporate Clients segment is expected to be lower overall in 2021.

The measures due to be implemented this year to substantially increase efficiency over the medium term are intended to fully cover the expenses resulting from the strategic investments. The segment is also targeting a slight reduction in total operating costs (including compulsory contributions) in 2021, even though positive effects, particularly from the headcount reduction, will probably not be realised until the second half of the year.

The forecast of a sharp decline in the risk result is essentially based on two assumptions. A case of fraud involving a single customer resulted in a loss of €0.2bn in 2020 that should not be repeated this year. In addition, a portion of the risk result recognised in the year under review had already anticipated the potential impact of the coronavirus pandemic, including the second lockdown. If the cautious assumptions made regarding a significant economic recovery as the pandemic slowly dies down prove to be largely correct over the course of the year, we believe it is realistic to expect credit losses to be considerably lower than they were last year.

Overall, sharply falling risk costs, slightly lower operating expenses and declining income lead us to expect a still negative but improved operating result, which should also manifest in corresponding improvements in the operating return on equity and the cost/income ratio.

General statement on the outlook for the Group

Based on our current estimates, we expect Commerzbank Aktiengesellschaft's parent company financial statements to show a net loss for 2021, albeit one that is significantly lower than the figure reported for 2020.

For the Commerzbank Group we are striving to post an operating profit in the 2021 financial year and targeting a figure in the low triple-digit millions, even if the risk result is towards the upper negative end of the €–0.8bn to €–1.2bn range. With a slight decline in operating income and a risk result within the range from €–0.8bn to €–1.2bn, the initial impact of the comprehensive initiatives to significantly improve the return on equity over the medium term is set to make itself felt, particularly with regard to costs.

The Bank plans to recognise the provisions for the remaining cost of the restructuring measures required to implement the new strategy – around €900m – by the end of the year. This will lay the foundations for a steady annual reduction in the cost base – with a focus on personnel expenses – over the coming financial years. After deducting restructuring expenses, we are anticipating a consolidated loss for the 2021 financial year based on a risk result towards the upper negative end of the €–0.8bn to €–1.2bn range. This would also mean that both the return on equity and economic value added would be in negative territory.

Commerzbank's Common Equity Tier 1 ratio is largely based on the capital requirements resulting from the Supervisory Review and Evaluation Process (SREP) carried out by the ECB as the responsible supervisory authority, plus a buffer deemed appropriate by Commerzbank's management to cover potential stress situations. The ECB has left the SREP capital requirements valid for the 2020 financial year unchanged for 2021, while the capital buffer for other systemically important institutions (O-SII) set by the German banking regulator as part of the SREP requirements was reduced to 1.25% in November (previously: 1.5%). Commerzbank intends to maintain a Common Equity Tier 1 ratio of more than 12%, significantly above the regulatory requirement imposed by the ECB, for the entirety of the 2021 financial year. This target compares with the ratio of 13.2% reported as at the end of 2020, after taking the consolidated loss for the past financial year into account. The Bank therefore believes that it has a sufficiently comfortable capital buffer to be able to cover the restructuring and investment expenses required for the Group's transformation entirely from its own funds. This capitalisation is also evidence of a high risk-bearing capacity should the difficult conditions continue for a longer period.

There are numerous risk factors that could nonetheless affect the 2021 profit forecast to a considerable, though not reliably quantifiable extent, should events take an unfavourable turn. These include, first and foremost, exceptionally high global economic risks resulting from the coronavirus pandemic, the length and extent of which cannot yet be adequately assessed. These could have a particularly significant impact on the German economy, which is tightly interwoven with international trade flows, and cause risk costs in lending business to far exceed their forecast level. The geopolitical situation remains very uncertain, with trade conflicts between the economic blocs of Europe, North America and Asia – above all China – still eminently possible.

There appear to be clear signs of overheating in some segments of the capital markets, which may manifest as sudden increases in volatility and sharp value corrections. Valuation levels are extraordinarily high in some cases by historical standards on both the international bond and equity markets, anticipating an economic upturn that is not yet sufficiently certain. Central banks have become an even more important factor influencing financial stability and the outlook for the banking sector. They have become major players on the capital markets with their unconventional monetary policy measures on an enormous scale. At the same time, the banking sector is making increasing use of central bank funding to cushion the effects of the negative interest rate environment. The host of additional responsibilities could increasingly exhaust their scope to perform their main task of safeguarding monetary stability without harmful side effects.

Other risk factors include unfavourable trends in the regulatory or legal environment and a further tightening of the competitive situation in Germany. In Poland, further charges cannot be ruled out in connection with numerous lawsuits filed by private customers regarding Swiss franc real estate loans.

A fall in margins to levels that are unattractive from a risk-return perspective could constrain Commerzbank's scope for earnings over the coming years and delay and/or reduce the extent of the expected positive effects of the measures to increase profitability.

For further information on other risks, see the risk report, page 61 ff.

Risk Report

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

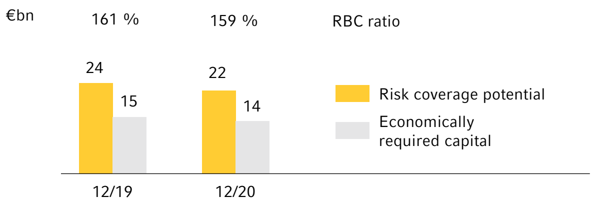
Executive Summary 2020

The 2020 financial year was marked by the coronavirus pandemic. However, our sound portfolio quality and the measures taken by governments mean that the effects have so far had only a limited impact on the risk ratios. The negative economic performance expected as at the end of the year was taken into account primarily with a top-level adjustment in the risk result.

Risk-bearing capacity ratio stood at 159% as at 31 December 2020

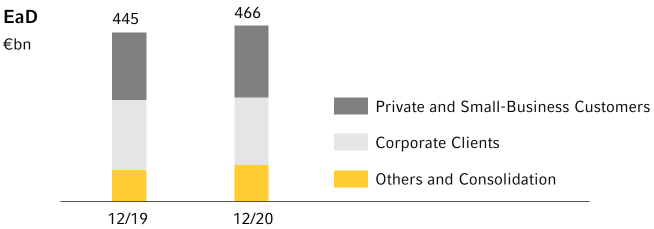
- The risk-bearing capacity ratio remains well above the minimum requirement.
- The decrease in the risk coverage potential compared to December 2019 was mainly due to the consolidated loss for the 2020 financial year. At the same time, the write-down of goodwill included in this result led to a reduction in the risk buffer in the economically required capital.

Risk-bearing capacity



The Group's exposure at default increased

- The Group's exposure at default increased from €445bn to €466bn in 2020.
- The risk density declined from 23 basis points to 21 basis points over the same period.

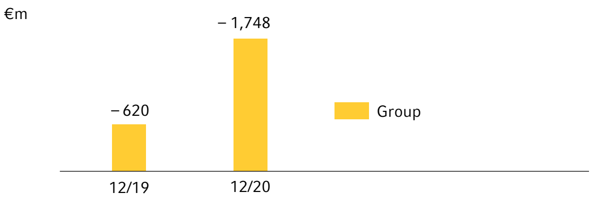


The following Risk Report is also part of the Management Report.

Risk result for the Group amounted to €–1,748m in 2020

- The risk result increased significantly compared with the previous year. The main reasons for this are effects of the coronavirus pandemic.
- Given the uncertainty of the further development of the pandemic we expect a risk result of between €–0.8bn and €–1.2bn for 2021.

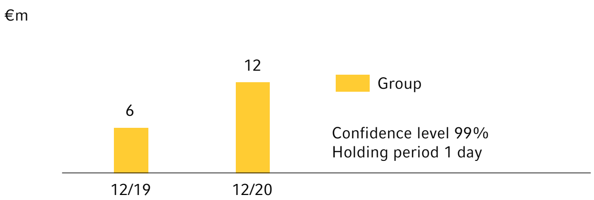
Risk result



Market risk in the trading book increased in 2020

- The value at risk (VaR) inclined from €6m to €12m over the course of 2020.
- Compared to the end of the third quarter of 2020, the VaR decreased by €3m.

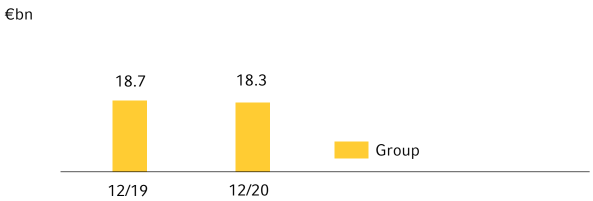
VaR



Operational risks decreased year-on-year

- In 2020 risk-weighted assets from operational risks decreased from €18.7bn to €18.3bn.
- The total charge for OpRisk events increased from €127m to €345m compared with the previous year.

Risk-weighted assets from operational risks



Risk-oriented overall bank management

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

Risk management organisation

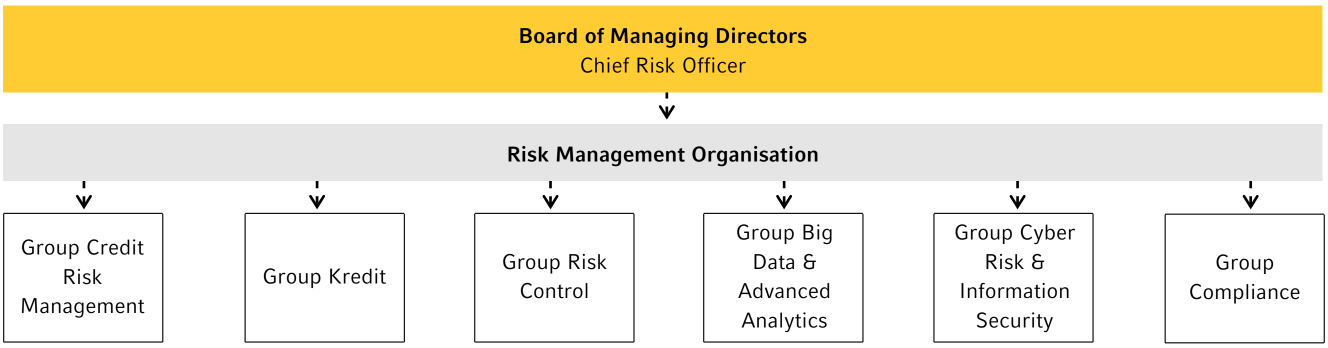
Commerzbank regards risk management as a task for the whole Bank. The Chief Risk Officer (CRO) is responsible for developing and implementing the Group's risk policy guidelines for quantifiable risks, laid down by the Board of Managing Directors, as well as for measuring these risks. The CRO regularly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

Until 31 December 2020, the risk management organisation consisted of the following divisions: Group Credit Risk Management, Group Kredit, 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 avoid the Bank being unintentionally endangered 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 full 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 **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 full 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 full Board of Managing Directors. The OpRiskCo also addresses all important regulatory issues that arise in connection with the management of operational risks and the implementation of the advanced measurement approach 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 full 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 central **Asset Liability Committee** (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 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 ALCO resolves the recovery plan. Resolutions of the central ALCO are presented to the full Board of Managing Directors for confirmation. In case of violation of a recovery plan indicator, the 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 the Supervisory Board's Risk Committee and in other committees listed below:

The **Supervisory Board's Risk Committee** is the Bank's highest risk committee. It comprises at least 5 Supervisory Board members. The Risk Committee's tasks include monitoring the risk management system and dealing with all risks, particularly with regard to market, credit and operational risk as well as reputational risk. 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 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 full 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. 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.

Banks' core functions as transformers of liquidity and risk result in inevitable threats that can in extreme cases endanger the continued existence of the institution. For Commerzbank, in view of its business model, these inherent existential threats include the default of Germany, Poland, one or more of the other major EU countries (France, Italy, Spain or the UK, although Brexit is not deemed to be a default) or the default of the USA. Italy is an idiosyncratic special case due to the major legacy exposures to the Italian government, while in the other countries existential threats would arise from the impact of a government default on banks and companies and the repercussions for the other EU countries. Moreover, inherent threats include a deep recession lasting several years with serious repercussions for the German economy (caused, for instance, by a global pandemic or by the USA or China), a bank run and the collapse of global clearing houses or the foreign exchange markets, possibly triggered by a cyber attack. In general, cyber risk includes certain scenarios as the business environment becomes more digitalised which under certain circumstances can cause damage and could therefore be significant for Commerzbank. As a result of the unexpected and abrupt global economic slump triggered by the outbreak of the coronavirus pandemic, the risks have increased, especially in view of Commerzbank's positioning as the leading bank for small and medium-sized enterprises in Germany.

When pursuing its business targets, the Bank accepts these existential threats. It may be necessary to adjust the business model and hence the business and risk strategies in the medium and long term if the full 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 manage-ment. Stress tests 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 full 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 full 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 Compliance and Group Finance) also operate as the second line of defence for certain risk types. The third line of defence is Internal Audit.

Risk ratios

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

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

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

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

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

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

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

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

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

Risk-bearing capacity and stress testing

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

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

The capital requirement for the risks taken is quantified using the internal economic capital model. All risk types of the Commerzbank Group classified as significant and quantifiable within the annual risk inventory are taken into account when determining the economically required capital. The economic risk approach therefore also comprises risk types that are not included in the regulatory requirements for banks’ capital adequacy. The model also reflects diversification effects incorporating all types of risk. The confidence level for the calculation of economically required capital is 99.90% and is harmonised with the going concern approach. The quantifiable significant risks in the economic capital model are divided into default risk, market risk, operational risk and (not separately disclosed in the table on the next page) business risk and property value change risk. 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). In the 2020 risk inventory, the reserve risk was again classified as material. Allowance is made for this risk by means of a corresponding risk buffer when considering risk-bearing capacity. 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 2020, the RBC ratio was consistently above 100% and stood at 159% as at 31 December 2020. The decrease in the risk coverage potential compared to December 2019 was mainly due to the consolidated loss for the 2020 financial year. At the same time, the write-down of goodwill included in this result led to a reduction in the risk buffer in the economic capital. The RBC ratio is still well above the minimum requirement.

Risk-bearing capacity Group | €bn	31.12.2020	31.12.2019
Economic risk coverage potential	**22**	**24**
Economically required capital[1]	**14**	**15**
thereof for default risk	10	10
thereof for market risk[2]	4	4
thereof for operational risk	1	1
thereof diversification effects	–2	–2
RBC ratio (%)[3]	**159**	**161**

[1] Including physical asset risk, risk of unlisted investments and the risk buffer for reserve risk and for the quantification of potential fluctuations in value of goodwill and intangibles. As a result of the write-down of goodwill, the corresponding risk buffer no longer applies as at 31 December 2020.
[2] Including deposit model risk.
[3] RBC ratio = economic risk coverage potential/economically required capital (including risk buffer).

Commerzbank uses macroeconomic stress tests to review the risk-bearing capacity in the event of assumed adverse changes in the economic environment. The underlying scenarios take into account the interdependence of the development of the real economy and the financial economy. They are updated quarterly and approved by the 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 2020, the risk-weighted assets resulting from Commerzbank's business activities decreased from €182bn to €179bn.

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

	31.12.2020				31.12.2019			
Risk-weighted assets €bn	**Default risk**	**Market risk**	**Operational risk**	**Total**	**Default risk**	**Market risk**	**Operational risk**	**Total**
Private and Small-Business Customers	40	1	6	47	41	1	5	47
Corporate Clients	75	8	7	90	83	5	8	96
Others and Consolidation	33	3	5	41	29	5	5	39
Group	**148**	**12**	**18**	**179**	**152**	**11**	**19**	**182**

The coronavirus pandemic has plunged the world economy into the deepest recession since the end of World War II.

In the eurozone, the coronavirus restrictions, which were tightened from autumn 2020, have once again plunged the economy into recession. In Germany, the economy will probably even shrink significantly again in the first quarter of 2021, although the decline is unlikely to be anywhere near as severe as in spring 2020.

Provided that the coronavirus pandemic does not worsen further, we anticipate that restrictions will be lifted at least gradually by the end of March at the latest.

Further information on the effects of the coronavirus pandemic can be found in the business and overall conditions chapter of the Management Report.

Regulatory environment

With Basel 3, the Basel Committee on Banking Supervision published among other things comprehensive rules on the components of equity and equity ratios as well as the management of liquidity risk. The Capital Requirements Directive and Regulation, constituting the European implementation of Basel 3, has been in force since 1 January 2014, with the more stringent capital requirements being phased in up to 2019. Numerous supplementary regulations have since been published by the European Banking Authority (EBA) in particular, and these will now gradually enter into force; this will continue in subsequent years. Commerzbank has mitigated the more stringent capital adequacy requirements by taking a number of steps.

In addition, under Basel 3 the leverage ratio has been introduced as a new and non-risk-sensitive debt ratio. Commerzbank has set its own leverage ratio targets and applies them in its capital management process.

The phasing in of capital buffers is a significant feature of the Basel 3 revision, which has now been completed. The capital conservation buffer, the buffer for other systemically relevant institutions and the countercyclical capital buffer, which the Federal Financial Supervisory Authority (BaFin) has set at 0% for German exposures for 2020, have applied since 1 January 2016. The buffer for other systemically relevant institutions was reduced by BaFin for Commerzbank from 1.5% to 1.25% from December 2020.

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

The CRR II was published together with the Capital Requirements Directive (CRD V) as part of the Risk Reduction Package in the Official Journal of the European Union on 7 June 2019. As a European directive, CRD V requires transposition into national law within 18 months. The legislation implements, among other things, the Basel Committee's requirements on leverage ratio, net stable funding ratio, provisions on trading book and large exposures, and the treatment of investment funds. While some provisions are already directly effective, large parts of the provisions did not finally enter into force until 2020 or will become binding at a later date. In addition, numerous specifications have yet to be made by the EBA.

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

The ECB, in its capacity as the supervisory authority for the eurozone banks directly supervised by it, conducted the annual Supervisory Review and Evaluation Process (SREP). Due to the coronavirus pandemic, the ECB adopted a pragmatic approach to SREP for SSM banks in 2020. Consequently, the 2019 SREP decision remains valid for Commerzbank, including the capital and liquidity requirements set out therein. As part of SREP 2020, the ECB sent Commerzbank only an "operational letter", as was generally intended for all SSM banks, setting out the key supervisory issues.

A key aim of the ECB project is to harmonise RWA-relevant models for market, counterparty and credit risk that fall within the scope of the Single Supervisory Mechanism (SSM). In particular, the scope for interpretation permitted by the regulations or arising due to differences in national application is to be significantly reduced in future. The relevant guides include rules that are to be enacted in future and wide-ranging independent interpretations. In addition to a thematic inclusion of the "General Topics", reviews of the counterparty risk, the internal market risk model and the retail, mortgage lending, SME, large corporates and bank portfolios were carried out between 2017 and 2019. Commerzbank has received the final ECB decisions for market and counterparty risk. Draft decisions have been received for the other portfolios, and we expect the final decisions in 2021.

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

The legal basis for setting MREL and TLAC was revised at European level and published on 7 June 2019 as part of the Risk

Reduction Package in the form of the Single Resolution Mechanism Regulation (SRMR II), the Bank Recovery and Resolution Directive II (BRRD II) and the CRR II. The BRRD II as a European directive requires implementation into national law within 18 months. The amendments included, among other things, adjustments to the calculation logic and, for certain banks, a statutory subordination requirement for parts of MREL. Most of the new provisions came into force in December 2020.

The Group-wide recovery plan was updated in 2020 to reflect the regulatory requirements. The recovery plan describes in detail for instance the courses of action and recovery potential available to the Bank in the event of a crisis and which specific recovery measures, in various stress scenarios, will enable the Bank to complete its recovery.

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

The regulatory environment also remains challenging with regard to compliance risks. The focus here remains unchanged on the subject areas of anti-money laundering (including implementtation of the 5th and 6th EU Anti-Money Laundering Directive) and sanctions. In addition, anti-bribery and corruption (including the United Kingdom Bribery Act, the United States Foreign Corrupt Practices Act) and market compliance (amongst others US regulations, such as the Dodd-Frank Act, CFTC Regulations) are putting further risk types into the regulatory focus.

Default risk

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

Strategy and organisation

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

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 full 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 full Board of Managing Directors. They comprise at least two representatives from the segments and two representatives from Group Risk Management. The sub-credit committees are responsible for managing all credit risks in the sub-portfolios within their respective remit and are entitled, in turn, to sub-delegate certain credit decisions within their prescribed competencies.

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

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

Risk management

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

The ratios and measures required for the operational process of risk management are based on the overarching Group objectives. The principle of maintaining a low-risk profile in all business decisions is closely combined here with the risk function's aim of providing the front office with appropriate support. It prefers business and products with low complexity and pays attention to the responsiveness of credit lines and exposures.

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 key aspects of monitoring vary according to the subject matter and target audience, and ad-hoc reporting processes are in place. 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 current 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. 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.

When the coronavirus pandemic occurred, the Task Force Corona was established as part of crisis management under the leadership of the Chief Credit Risk Officer. Regular meetings ensure that there is agreement on the effects of the crisis across the different divisions, and the full Board of Managing Directors is informed of the results and decisions. The existing reporting set-up was expanded through the implementation of comprehensive coronavirus reporting, which was further developed over time into target-oriented weekly key figure reporting for the portfolio segments, supplemented by ad hoc reports and analyses on critical sectors, reports on the development of loan deferrals and special reporting of early warning indicators. Exchange formats with the supervisory authorities were established on a regular basis. For example, there are weekly meetings with the Joint Supervisory Team (JST) to answer specific questions, fortnightly meetings between the JST and CFO/CRO, and quarterly JST meetings with senior management. Workshops were also held with regulators to clarify specific issues. See also table on the following page.

Management of economic capital commitment

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

Overview of management instruments and levels

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

* The portfolio batches were replaced in 2020 by comprehensive reports to the Supervisory Board's Risk Committee on the effects of the coronavirus pandemic on the credit portfolio.

Rating classification

The Commerzbank rating method comprises 25 rating classes for customers not in default (1.0 to 5.8) and 5 default classes (6.1 to 6.5). The Commerzbank master scale allocates precisely one rating class, stable over time, to each probability of default. The rating methods are validated annually and recalibrated where necessary so that they reflect the latest assessment based on all actual observed defaults. However, this is possible and expedient amid a pandemic only to a limited extent, which is why the associated negative developments will become apparent only with a time lag in the coming months.

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 (full Board of Managing Directors, Credit Committee, sub-credit committees) are graduated by a range of factors including size of exposure and rating class.

Commerzbank master scale

Commerzbank AG rating	PD and EL mid-point %	PD and EL range %	S&P scale		Credit quality steps in accordance with Article 136 CRR[1]	
1.0	0	0	AAA	AAA	I	Investment Grade
1.2	0.01	0 – 0.02				
1.4	0.02	0.02 – 0.03	AA+	AA		
1.6	0.04	0.03 – 0.05	AA, AA–		II	
1.8	0.07	0.05 – 0.08	A+, A	A		
2.0	0.11	0.08 – 0.13	A–			
2.2	0.17	0.13 – 0.21	BBB+	BBB	III	
2.4	0.26	0.21 – 0.31	BBB			
2.6	0.39	0.31 – 0.47				
2.8	0.57	0.47 – 0.68	BBB–			
3.0	0.81	0.68 – 0.96	BB+	BB	IV	Sub-investment grade
3.2	1.14	0.96 – 1.34	BB			
3.4	1.56	1.34 – 1.81				
3.6	2.10	1.81 – 2.40	BB–			
3.8	2.74	2.40 – 3.10				
4.0	3.50	3.10 – 3.90	B+	B	V	Non-investment grade
4.2	4.35	3.90 – 4.86	B			
4.4	5.42	4.86 – 6.04				
4.6	6.74	6.04 – 7.52				
4.8	8.39	7.52 – 9.35	B–			
5.0	10.43	9.35 – 11.64				
5.2	12.98	11.64 – 14.48	CCC+, CCC, CCC–, CC, C	CCC, CC, C	VI	
5.4	16.15	14.48 – 18.01				
5.6	20.09	18.01 – 22.41				
5.8	47.34	22.41 – 99.99				
6.1	100	> 90 days past due	D			Default
6.2		Imminent insolvency				
6.3		Restructuring with recapitalisation				
6.4		Termination without insolvency				
6.5		Insolvency				

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

Risk mitigation

The collateral taken into account in risk management changed in the period under review from €114.1bn to €121.2bn for positions in the Group's performing portfolio and from €1.0bn to €1.2bn for positions in the default portfolio.

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

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

There have been no visible effects of the coronavirus pandemic on the market values of typical loan collateral (especially real estate) to date; with the exception of aircraft, no further portfolio-based haircuts have been factored in.

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

As at the reporting date, no loan loss provisions were created for transactions with a total volume of €6.0bn (31 December 2019: €5.5bn), as these are entirely collateralised.

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

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

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

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

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

Commerzbank Group

Commerzbank focuses its business on two customer segments, Private and Small-Business Customers and Corporate Clients. In the fourth quarter of 2020, Commerzbank successfully completed the full acquisition of comdirect bank Aktiengesellschaft. On 2 November 2020, the merger was entered in the commercial register of Commerzbank and thus became effective.

The coronavirus pandemic has plunged the world economy into the deepest recession since the end of World War II.

In the eurozone, the coronavirus restrictions, which were tightened from autumn 2020, have once again plunged the economy into recession. In Germany, the economy will probably even shrink significantly again in the first quarter of 2021, although the decline is unlikely to be anywhere near as severe as in spring 2020.

The negative economic development expected at the end of the year has been taken into account in the risk result, primarily by means of a top-level adjustment as well as adjustments of models. For the most part, this negative trend is not yet perceptible in the remaining risk figures, as it will only become noticeable here with a time lag over the course of the following months.

Since the outbreak of the coronavirus pandemic, governments and institutions have been intervening on an unprecedented scale, providing liquidity, support and assistance programmes. In the fourth quarter of 2020, there was only moderate customer demand for KfW loans – a large proportion of the initial enquiries in the corporate sector have not yet been drawn upon. The vast majority of deferrals were terminated on schedule in the third quarter of 2020, with approximately 97% of deferral customers resuming payments without disruption. So far, only limited effects of the second lockdown have been observed.

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

	31.12.2020				31.12.2019			
Credit risk parameters	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**CVaR** €m	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**CVaR** €m
Private and Small-Business Customers	190	401	21	2,025	178	425	24	2,207
Corporate Clients	180	430	24	4,647	184	473	26	4,607
Others and Consolidation[1]	96	141	15	2,721	83	120	14	3,003
Group	**466**	**971**	**21**	**9,393**	**445**	**1,017**	**23**	**9,817**

[1] Mainly liquidity portfolios of Treasury and, since 1 July 2019, the remaining portfolios of the dissolved ACR segment.

For the most part of the risk figures, this negative economic development due to the coronavirus pandemic is not yet perceptible, as it will only become noticeable here with a time lag over the course of the following months. When broken down on the basis of PD ratings, 85% of the Group's portfolio is in the internal rating classes 1 and 2, which comprise investment grade.

	31.12.2020					31.12.2019				
Rating breakdown EaD | %	**1.0-1.8**	**2.0-2.8**	**3.0-3.8**	**4.0-4.8**	**5.0-5.8**	**1.0-1.8**	**2.0-2.8**	**3.0-3.8**	**4.0-4.8**	**5.0-5.8**
Private and Small-Business Customers	32	52	13	3	1	31	51	14	3	1
Corporate Clients	20	59	16	4	2	20	60	16	3	2
Others and Consolidation	56	41	3	0	0	51	46	3	1	0
Group	**32**	**53**	**12**	**2**	**1**	**30**	**54**	**13**	**2**	**1**

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

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

	31.12.2020			31.12.2019		
Group portfolio by region	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	248	415	17	235	526	22
Western Europe	102	238	23	90	191	21
Central and Eastern Europe	51	207	41	49	207	42
North America	33	46	14	34	32	9
Asia	24	34	15	27	32	12
Other	10	31	31	10	29	29
Group	**466**	**971**	**21**	**445**	**1,017**	**23**

More than half of the Bank's exposure relates to Germany, another third to other countries in Europe, 7% to North America and 5% to Asia. The rest is broadly diversified and is split among a large number of countries where we serve German exporters in particular or where Commerzbank has a local presence. The expected loss of the Group portfolio is mainly divided between Germany and the other European countries.

Risk result The risk result relating to the Group's lending business in 2020 amounted to €–1,748m (prior-year period: €–620m).

The following table shows the breakdown of the risk result by stage according to IFRS 9.

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

	2020				2019			
Risk result | €m	**Stage 1**	**Stage 2[1]**	**Stage 3[1]**	**Total**	**Stage 1**	**Stage 2[1]**	**Stage 3[1]**	**Total**
Private and Small-Business Customers	–9	–183	–369	–562	–21	–9	–224	–254
Corporate Clients	–35	–355	–690	–1,081	20	38	–400	–342
Asset & Capital Recovery	–	–	–	–	0	2	–25	–24
Others and Consolidation	–6	5	–106	–106	–6	57	–52	0
Group	**–50**	**–533**	**–1,165**	**–1,748**	**–6**	**88**	**–701**	**–620**

[1] Including allocated risk result from POCI (POCI – purchased or originated credit-impaired).

The risk result increased significantly compared with the previous year. The main reasons for this are effects of the coronavirus pandemic totalling €–961m (of which €–505m are in the form of a top-level adjustment, hereinafter referred to as a "TLA") and the default of a large exposure in the Corporate Clients segment in the second quarter of 2020.

Against the background of the coronavirus pandemic, Commerz-bank included a TLA in the risk result as at 31 December 2020. The amount of €–170m already included during the year was subject to a review at this reporting date. The portion of the TLA amounting to €–23m which was recognised in the third quarter because of the necessary adjustment to point-in-time parameters was no longer necessary in the fourth quarter. The parameters underlying this amount were implemented and are included in the model result from the standard process. In the risk result, the release of the partial TLA is therefore offset by corresponding charges. The assumptions regarding increased probabilities of default compared with the model result were updated to take account of developments as at the reporting date. In particular, the impact of the new comprehensive lockdown measures, which became necessary due to the high number of infections at the turn of the year, was taken into account. In addition, a further increase in point-in-time parameters was included. Overall, compared with the third quarter (after reversal of the partial amount of €23m for the PiT factors implemented in the fourth quarter), this resulted in a TLA increase of €–359m, of which €–10m resulted from the parameter adjustment of the PiT factors in the fourth quarter. The addition is mainly attributable to the Corporate Clients segment. The new TLA for the Group amounts to €–505m. The necessity and adequacy of the TLA will be reviewed again at the next reporting date. In this context, materially important considerations will be the extent to which the ratings-based model result reflects the expected effects in the meantime, or whether expectations have changed as a result of current developments.

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

Key assumptions in our estimate of the impact of the crisis on default probabilities were the assumption that the lockdown measures in Europe, and in Germany in particular, would be eased at least progressively by the end of March at the latest, so that there would be an economic recovery in the spring.

Given the uncertainty of the further development of the pandemic we expect a risk result of between €–0.8bn and €–1.2bn for 2021.

Default portfolio The Group's default portfolio increased by €1,060m in 2020 and stood at €4,795m as at the end of the year. The increase compared to the previous year is mainly due to the default of relatively large individual counterparties as well as subsequent effects from the application of the new default definition.

The following breakdown of the default portfolio shows the claims in the default portfolio in the amortised cost and fair value OCI (other comprehensive income) categories. The loans are assigned almost exclusively to the amortised cost category, of which by far the greatest share of €4.6bn (31 December 2019: €3.5bn) relates to the loans and receivables class and €211m (31 December 2019: €187m) to off-balance sheet transactions. As at 31 December 2020 there were no defaulted securities assigned to the securitised debt instruments class (31 December 2019: €–m fair value OCI category). The collateral shown shall be liable to the full extent for loans in the amortised cost category, with €1,136m (31 December 2019: €940m) relating to loans and receivables and €31m (31 December 2019: €27m) to off-balance sheet transactions.

The default portfolio of loans in the fair value OCI category amounts to €4m (31 December 2019: €1m).

	31.12.2020			31.12.2019		
Default portfolio Group | €m	**Loans**	**Securities**	**Total**	**Loans**	**Securities**	**Total**
Default portfolio	4,792	3	4,795	3,735	0	3,735
LLP[1]	2,272	0	2,272	1,745	0	1,745
Coverage ratio excluding collateral (%)[2]	47	–	47	47	–	47
Collateral	1,168	0	1,168	968	0	968
Coverage ratio including collateral (%)[2]	72	–	72	73	–	73
NPE ratio (%)[3]			1.0			0.9

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

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

- Rating class 6.1: Over 90 days past due.
- Rating classes 6.2/6.3: Unlikely-to-pay, or the Bank is assisting in financial rescue or distressed restructuring at the customer by making concessions.
- Rating classes 6.4/6.5: The Bank recalls the loan and the customer has become insolvent respectively.

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

	31.12.2020				31.12.2019			
Group rating classification | €m	**6.1**	**6.2/6.3**	**6.4/6.5**	**Total**	**6.1**	**6.2/6.3**	**6.4/6.5**	**Total**
Default portfolio	759	1,924	2,112	4,795	522	1,312	1,901	3,735
LLP	350	691	1,231	2,272	252	476	1,016	1,745
Collateral	333	416	419	1,168	214	353	401	968
Coverage ratio including collateral (%)	90	58	78	72	89	63	75	73

Overdrafts in the performing loan book In order to avoid an increase in the default portfolio, overdrafts are closely monitored at Commerzbank. In addition to the 90 days-past-due trigger event, IT-based management of overdrafts starts on the first day the account is overdrawn. The table below shows overdrafts outside the default portfolio based on the exposure at default as at the end of December 2020. The changes may also be due to short-term overdrafts:

	31.12.2020					31.12.2019				
EaD €m	**> 0 ≤ 30 days**	**> 30 ≤ 60 days**	**> 60 ≤ 90 days**	**> 90 days**	**Total**	**> 0 ≤ 30 days**	**> 30 ≤ 60 days**	**> 60 ≤ 90 days**	**> 90 days**	**Total**
Private and Small-Business Customers	834	82	27	11	954	1,040	169	51	2	1,262
Corporate Clients	1,823	19	19	42	1,903	3,946	182	0	0	4,128
Group[1]	**2,657**	**101**	**46**	**53**	**2,857**	**4,986**	**351**	**51**	**2**	**5,390**

[1] Including Others and Consolidation.

Private and Small-Business Customers segment

The Private and Small-Business Customers segment (PSBC) comprises the activities of Private Customers, Small-Business Customers, comdirect and Commerz Real. mBank is also shown in the Private and Small-Business Customers segment. Private Customers includes Commerzbank's branch business in Germany for private customers as well as Wealth Management. Small-Business Customers comprises business customers and small corporate customers.

The focus of the portfolio is on traditional owner-occupied home financing and the financing of real estate capital investments (residential mortgage loans and investment properties with a total EaD of €95bn). We provide our business and small-business customers with credit in the form of individual loans with a volume of €25bn. In addition, we meet our customers' day-to-day demand for credit with consumer loans (overdrafts, instalment loans and credit cards, to a total of €16bn). The portfolio's expansion in the last 12 months was largely due to residential mortgage loans.

Compared with December 2019, the risk density of the portfolio decreased by 3 basis points to 21 basis points. There is currently no sign of increased risk in the portfolio. The increased risk for the Small-Business Customers sub-portfolio is not yet reflected in the portfolio performance at present, as the ratings are partly lagging the effects of the crisis. We have taken this into account in the risk result by posting a TLA.

	31.12.2020			31.12.2019		
Credit risk parameters	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Private Customers	114	149	13	104	159	15
Small-Business Customers	34	60	18	31	73	23
comdirect	2	8	44	3	7	23
Commerz Real	0	0	16	1	2	43
mBank	41	184	45	39	183	47
PSBC	**190**	**401**	**21**	**178**	**425**	**24**

The risk result in the Private and Small-Business Customers segment was €–562m in the 2020 financial year (previous year: €–254m). The increase is largely due to effects from the coronavirus pandemic, which totalled €–273m in the reporting period (of which €–73m for mBank). €–129m of the higher negative impact on the Commerzbank portfolio year on year resulted primarily from the addition to the TLA (of which €–44m in the fourth quarter), which is almost entirely attributable to the Small-Business Customers portfolio. In addition, increases in point-in-time parameters, which were also induced by the pandemic, as well as changed macroeconomic expectations had a negative impact.

mBank's loan loss provisions, likewise influenced by the effects of the coronavirus pandemic, are at €–276m, significantly above the previous year's figure of €–168m.

Another reason for the year-on-year increase in loan loss provisions was the new definition of default that has been applied at Commerzbank since the end of November 2019. Partly due to the three-month probation period, this leads to an increase in the default portfolio with corresponding risk provisioning. In addition, the risk result for 2019 included a reversal of €10m of loan loss provisions at Commerz Real, as well as higher recoveries on receivables already written off.

The default portfolio in the segment stood at €2,041m as at the reporting date (31 December 2019: €1,795m). The increase compared with year-end 2019 is due to a rise of €99m in the mBank default portfolio and effects arising from the application of the new definition of default.

	31.12.2020			31.12.2019		
Default portfolio PSBC | €m	**Loans**	**Securities**	**Total**	**Loans**	**Securities**	**Total**
Default portfolio	2,041	0	2,041	1,795	0	1,795
LLP	969	0	969	895	0	895
Coverage ratio excluding collateral (%)	47	–	47	50	–	50
Collateral	727	0	727	575	0	575
Coverage ratio including collateral (%)	83	–	83	82	–	82

Corporate Clients segment

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

	31.12.2020			31.12.2019		
Credit risk parameters	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Mittelstand	80	189	24	79	257	33
International Corporates	64	155	24	68	112	16
Financial Institutions	20	57	28	20	54	27
Other	16	29	18	17	49	29
CC	**180**	**430**	**24**	**184**	**473**	**26**

The EaD of the Corporate Clients segment decreased from €184bn to €180bn compared with 31 December of the previous year. Risk density decreased from 26 basis points to 24 basis points.

For details of developments in the Financial Institutions portfolio, please see page 142f.

The risk result for the Corporate Clients segment in the 2020 financial year was €–1,081m (previous year: €–342m). The segment was considerably impacted by the effects of the coronavirus pandemic totalling €–635m. These result on the one hand from the recognition of the TLA attributable to the segment in the amount of €–373m, of which €–313m was added in the fourth quarter with an effect on income. The requirement for a significant adjustment to the TLA resulted primarily from the new assumptions for industries/sub-portfolios for which direct effects are expected from the second lockdown. Relevant examples are tourism/hotels and retail. Other coronavirus effects impacted relatively large individual counterparties where the effects of the crisis were the main reason for default or which required an increase in existing risk provisions. The segment's risk result was also weighed down by the default of a large individual exposure in the second quarter.

The default portfolio in the segment stood at €2,334m as at the end of the year (31 December 2019: €1,707m). The increase compared to the previous year was mainly due to defaults on larger exposures, especially in the second quarter.

	31.12.2020			31.12.2019		
Default portfolio CC | €m	**Loans**	**Securities**	**Total**	**Loans**	**Securities**	**Total**
Default portfolio	2,331	3	2,334	1,707	0	1,707
LLP	1,106	0	1,106	755	0	755
Coverage ratio excluding collateral (%)	47	–	47	44	–	44
Collateral	402	0	402	306	0	306
Coverage ratio including collateral (%)	65	–	65	62	–	62

The risk result in the Others and Consolidation segment was €–106m in the 2020 financial year (previous year: €–24m) after assignment of the Asset & Capital Recovery segment. The driver of the increase versus the previous year was the coronavirus-related negative performance of a portfolio exposure, which required an increase in the existing risk provisions, as well as another significant individual case. The TLA for the segment was €–3m, of which €–1m was added in the fourth quarter with an effect on income.

Further portfolio analyses

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

Corporates portfolio by sector

Overall, the German industrial sectors are affected differently by the coronavirus pandemic and the fundamental structural challenges that are independent of it.

For example, there are sectors that are affected by the crisis, but which are otherwise facing only minor structural challenges, such as the construction sector. Other industries, on the other hand, already faced structural challenges before the pandemic began: stationary retail, the automotive industry and the metal industry, for example. The German metal industry was already grappling ahead of the coronavirus pandemic with the price increase of up to 25% as a result of punitive tariffs imposed by the US government, for example, and was also partially affected by the slump in the demand sectors that are relevant to it. However, there are also sectors that are only exposed to a limited extent to the effects of both economic structural change and the coronavirus pandemic. These include, among others, the information and communications industry as well as sectors that are essential for basic services for the population (e.g. energy, water and waste management). The sectors particularly affected by the pandemic include the bricks-and-mortar retail trade, the catering and events industry, the hotel industry, tourism and airlines.

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

	31.12.2020			31.12.2019		
Corporates portfolio by sector	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Energy supply/Waste management	22	73	33	21	82	40
Consumption	15	51	34	15	49	34
Technology/Electrical industry	14	35	25	15	31	21
Transport/Tourism	12	56	45	12	37	31
Wholesale	12	43	35	14	47	35
Basic materials/Metals	10	28	27	11	46	41
Services/Media	10	34	34	10	28	27
Automotive	10	39	41	10	38	39
Chemicals/Plastics	9	23	26	9	46	49
Mechanical engineering	8	31	37	9	26	29
Construction	6	17	31	6	16	28
Pharma/Healthcare	5	22	41	5	9	20
Other	6	7	11	7	14	21
Total	**141**	**460**	**33**	**142**	**470**	**33**

Financial Institutions portfolio

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

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

We are keeping a close eye on developments in various countries affected by specific issues such as recessions, embargoes and economic uncertainty caused by political events (e.g. trade wars) and are responding with flexible portfolio management that is tailored to the individual situation of each country. This applies in particular to the upheaval resulting from the coronavirus pandemic and oil price developments, which will have a major impact on the operating environment of our correspondent banks in both industrialised and developing countries. Overall, our risk appetite is geared to keeping the portfolio as responsive as possible.

FI portfolio by region	31.12.2020			31.12.2019		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	6	7	11	6	4	7
Western Europe	16	13	8	15	11	8
Central and Eastern Europe	2	12	60	3	15	55
North America	3	1	2	2	0	2
Asia	7	22	32	9	19	22
Other	5	18	37	5	19	38
Total	**39**	**72**	**18**	**40**	**70**	**18**

Non-Bank Financial Institutions portfolio

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

Commerzbank conducts new business with NBFIs partly in consideration of regulatory requirements (clearing via central counterparties) and partly in the interests of our institutional customers, with a focus on attractive opportunities with customers with good credit ratings and valuable security. We manage our portfolios with the aim of ensuring their high quality and responsiveness. We are keeping a close eye on risks stemming from global events and are responding with flexible portfolio management that is tailored to the individual situation. The main focus at present is the upheaval caused by the coronavirus pandemic, which is having an impact on the operating environment of NBFI customers. We currently expect knock-on effects from this, but these should be manageable for the affected parties, especially in light of the aid packages being implemented by the government to support the real economy, despite the considerable challenges.

NBFI portfolio by region	31.12.2020			31.12.2019		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	17	18	10	18	38	21
Western Europe	12	23	19	12	23	20
Central and Eastern Europe	2	12	53	2	19	100
North America	9	11	11	9	12	13
Asia	2	2	12	2	2	13
Other	1	4	55	1	2	23
Total	**44**	**71**	**16**	**43**	**96**	**22**

Originator positions

Commerzbank has in recent years securitised receivables from loans to the Bank's customers with a current volume of €12.3bn for capital management purposes (31 December 2019: €5.4bn).

As at the reporting date 31 December 2020, risk exposures with a value of €10.2bn were retained (31 December 2019: €5.0bn). By far the largest share of all positions was accounted for by €10.0bn (31 December 2019: €4.8bn) on senior tranches, which are almost entirely rated good to very good.

In the fourth quarter Commerzbank issued the two transactions CoCo Finance III-4 with a volume of €1.9bn and CoCo Finance II-3 with a volume of €6.0bn. The securitised assets are receivables from European, mainly German, companies.

We do not see any impacts from the coronavirus pandemic on risk positions in the reporting period of 2020.

		Commerzbank volume[1]			
Securitisation pool I €bn	Maturity	Senior	Mezzanine	First loss piece	Total volume[1]
Corporates	2025 – 2036	10.0	< 0.1	0.2	12.3
Total 31.12.2020		**10.0**	**< 0.1**	**0.2**	**12.3**
Total 31.12.2019		4.8	< 0.1	0.2	5.4

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

Conduit exposure and other asset-backed exposures

The Bank provides financing to securitise receivables, in particular trade and leasing receivables, from customers in the Corporate Clients segment. In this context, Commerzbank acts mainly as an arranger of asset-backed securities transactions via the Commerzbank-sponsored multi-seller conduit Silver Tower. The volume and risk values for the securitisation of receivables in the Corporate Clients segment rose by €0.1bn to €3.6bn in 2020.

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

The other asset-backed exposures mainly comprise government-guaranteed asset-backed securities (ABS) held by Commerzbank Finance & Covered Bond S.A. and Commerzbank AG in Germany. Over the course of 2020 the volume rose to €4.4bn (December 2019: €4.2bn), as did the risk values[1] at €4.4bn (December 2019: €4.2bn).

There are also investments in the Structured Credit area. The volume of new investments entered into since 2014 stood at €5.9bn (December 2019: €4.9bn). We have invested in bonds of senior tranches of securitisation transactions in the consumer (auto) ABS, UK RMBS and CLO asset classes, which have a robust structure and a moderate risk profile. At 31 December 2020 this portfolio solely contained AAA-rated CLO positions (also the case at the end of 2019). Remaining structured credit positions with a volume of €0.3bn were already in the portfolio prior to 2014 (December 2019: €0.7bn), while risk values stood at €0.2bn (December 2019: €0.3bn).

Forbearance portfolio

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

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

	31.12.2020			31.12.2019		
Forbearance portfolio by segment	Forborne exposure €m	LLP €m	LLP coverage ratio %	Forborne exposure €m	LLP €m	LLP coverage ratio %
Private and Small-Business Customers	1,091	201	18	1,007	198	20
Corporate Clients	2,215	377	17	1,556	178	11
Others and Consolidation	298	156	53	176	78	45
Group	**3,604**	**735**	**20**	**2,739**	**454**	**17**

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

The forbearance portfolio by region is as follows:

	31.12.2020			31.12.2019		
Forbearance portfolio by region	Forborne exposure €m	LLP €m	LLP coverage ratio %	Forborne exposure €m	LLP €m	LLP coverage ratio %
Germany	1,912	376	20	1,587	189	12
Western Europe	745	48	6	218	6	3
Central and Eastern Europe	866	301	35	873	257	29
North America	2	0	1	6	0	2
Asia	3	2	47	6	2	26
Other	76	9	12	48	1	1
Group	**3,604**	**735**	**20**	**2,739**	**454**	**17**

In April last year, the EBA established a relief regime in relation to public and private payment moratoria in the context of the coronavirus pandemic. These payment moratoria do not trigger the classification as forbearance or distressed restructuring if the measures taken are based on applicable national law or on an industry-wide private initiative agreed and widely applied by the credit institutions involved.

Commerzbank also granted its customers corresponding moratoria in the second and third quarters of 2020 with terms of three to six months. The vast majority of borrowers resumed payment of their instalments on time after the end of the deferral period.

The increase in forbearance exposure in 2020 of around €850m took place almost exclusively in the fourth quarter of 2020 and was mainly driven by relatively large individual cases.

In addition to the LLP of €735m (31 December 2019: €454m), the risks in the forbearance portfolio are covered by collateral totalling €1,032m (31 December 2019: €816m).

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.

Strategy and organisation

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

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

Various market risk committees have been established within the Bank. In these, 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 Segment Market Risk Committee focuses on the Corporate Clients segment and the Group Treasury division.

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

Risk management

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

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

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

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

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

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

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

The change in the figures in 2020 was driven by the exceptionally sharp market movements in the context of the coronavirus pandemic and its economic impact. Due to a changed management approach at group level, the Group opts not to present a VaR for the overall book as this would not be comparable with the information in the previous reports. Essentially, risks from the pension funds and risks from unlisted equity investments were included in the current analysis at group level. Previously, the VaR values of these two portfolios were considered separately for internal risk management purposes.

Trading book

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

The VaR rose from €6m to €12m in 2020. This was due to the sharp market movements caused by the coronavirus pandemic, which led to new extreme scenarios in the VaR calculation. Compared to the end of the third quarter of 2020, the VaR decreased by €3m.

VaR of portfolios in the trading book | €m	2020	2019
Minimum	5	4
Mean	13	7
Maximum	31	11
VaR at end of reporting period	**12**	**6**

The market risk profile is diversified across all asset classes.

VaR contribution by risk type in the trading book | €m	31.12.2020	31.12.2019
Credit spreads	2	1
Interest rates	4	1
Equities	0	1
FX	4	2
Commodities	3	1
Total	**12**	**6**

Further risk ratios are calculated for regulatory capital adequacy. This includes the calculation of stressed VaR. Stressed VaR is calculated using the internal model on the basis of the VaR method described above. The main difference lies in the market data used to value the assets. Stressed VaR measures the risk in the present position in the trading book by reference to market movements from a specified crisis period in the past. The crisis observation period used for this is checked regularly through model validation and approval processes and adjusted where necessary. The crisis observation period remained the same during the year. Stressed VaR rose from €26m at end-2019 to €28m at end-2020. This was due to changes in positions in the Corporate Clients segment and Treasury.

The market risk profile in stressed VaR is also diversified across all asset classes. The decrease in equity price risk resulted from the sale of the equity business. The increase in the asset classes interest rates and commodities resulted from position changes. The sharp market movements in the context of the coronavirus pandemic had only a minor impact on stressed VaR compared to the VaR, as stressed VaR is calculated on the basis of market data from a historical crisis period.

Stressed VaR contribution by risk type in the trading book | €m	31.12.2020	31.12.2019
Credit spreads	3	5
Interest rates	8	5
Equities	1	5
FX	7	5
Commodities	9	5
Total	**28**	**26**

In addition, the incremental risk charge and the equity event VaR figures quantify the risk of deterioration in creditworthiness and event risks in trading book positions. The incremental risk charge rose by €6m to €20m in the course of 2020. The decline is mainly attributable to changes in positions in the Corporate Clients segment.

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

If the actual loss exceeds the VaR, it is described as a negative backtesting outlier. The analysis of the backtesting results is used to evaluate the appropriateness of the market risk model and provides evidence for the review of parameters and for potential improvements. In fiscal year 2020, three negative clean P&L outliers and two negative dirty P&L outliers were measured. The outliers are all related to exceptionally strong market movements in response to the coronavirus crisis, which obviously could not be predicted by historically calibrated VaR models. The market movements that caused the P&L observed on these days exceeded the historical fluctuation range in the one-year period on which the historical simulation was based. The outliers were caused by various factors, such as widening credit spreads, cross-currency basis spreads and fluctuations in interest rates, equity and currency prices, as well as widening future-forward basis spreads for precious metals.

Checks were carried out to verify that none of the observed backtesting outliers were caused by model weaknesses. Backtesting is also generally used by the supervisory authorities for evaluating internal risk models. Negative outliers are classified using a traffic light approach prescribed by the supervisory authorities and can lead to add-on factors in the capital calculation. All negative backtesting outliers at Group level (from both clean P&L and dirty P&L) must be reported to the supervisory authorities, citing their extent and cause.

As the described excesses were not due to deficiencies in the internal model, Commerzbank received permission to exclude the above-mentioned coronavirus-related three clean P&L and two dirty P&L outliers from March 2020 from the calculation of the add-on factor. The capital charge of Commerzbank is currently not affected by this and is identical whether or not the backtesting outliers are excluded.

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

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

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

Banking book

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

In market risk management, credit spread sensitivities in the banking and trading books are considered together. Credit spread sensitivities (downshift of 1 basis point) for all securities and derivative positions (excluding loans) were at €53m as at the end of 2020 (31 December 2019: €49m).

Most credit spread sensitivities related to securities positions measured at amortised cost. Changes in market price have no impact on the revaluation reserve or the income statement for these positions. The coronavirus pandemic resulted in a significant widening of credit spreads and cross-currency basis spreads, leading to losses in other comprehensive income as well as in the income statement for items in the banking book measured at fair value. After the sharp market movements in March, spreads recovered in the course of the year. However, credit spreads for European companies, as measured by the iTraxx index, were above the previous year's levels at the end of the year.

The impact of an interest rate shock on the economic value of the Group's banking book is simulated monthly in compliance with regulatory requirements. In accordance with the EU Banking Directive, the German Federal Financial Supervisory Authority and the European Central Bank have prescribed two scenarios of uniform, sudden and unexpected changes in interest rates (+/–200 basis points) to be used by all banks, which have to report on the results of this stress test every quarter. In the scenario −200 basis points, the yield curve is floored at 0 (negative sections of the yield curve are left unchanged).

As a result of the scenario +200 basis points, a potential economic loss of €2,776m as at 31 December 2020 (31 December 2019: €2,635m potential economic loss) was determined and in the scenario −200 basis points a potential economic profit of €343m (31 December 2019: €614m potential economic profit). Commerzbank does not, therefore, need to be classified as a bank with elevated interest rate risk, as the decline in net present value represents less than 20% of its regulatory capital.

The interest rate sensitivity of the overall banking book (excluding pension funds) amounted to €9.0m as at 31 December 2020 (31 December 2019: €9.4m) per basis point of declining interest rates.

As part of the Interbank Offered Rates reform (IBOR reform), the IBOR reference rates and the EONIA will be replaced by other reference rates called Risk-Free Rates (RFR). Commerzbank has implemented an IBOR reform programme with the aim of ensuring a smooth transition to the RFR reference interest rates. The main risks are identified and appropriate measures are taken.

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

Market liquidity risk

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

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

Liquidity risk

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

Strategy and organisation

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

The 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 own liquidity risk model. The stress scenario within the Bank that underlies the model and is relevant for management purposes allows for the impact of both a bank-specific stress event and a broader market crisis. Binding regulatory requirements are an integral component of the management mechanism. Group Treasury is responsible for the Group's liquidity management operations.

Group Treasury is represented in all major locations of the Group in Germany and abroad and has reporting lines into all subsidiaries. Commerzbank manages its global liquidity centrally using cash pooling. This approach ensures that liquidity resources are used efficiently and that this occurs across all time zones, as Group Treasury units are located in Frankfurt, London, New York and Singapore. Liquidity risk is monitored on the basis of the Bank's own liquidity risk model by the independent risk function.

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

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

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

Commerzbank also ensures that it monitors foreign exchange risks and fulfils the currency matching requirements for highly liquid assets and net liquidity outflows.

In the event of a liquidity crisis, the emergency plan provides for various measures for different types of crisis, which can be launched by the central ALCO. The emergency plan forms an integral part of Commerzbank's recovery plan and is updated at least once a year; the individual liquidity emergency measures are checked regularly during the year for plausibility. The emergency plan also defines a clear allocation of responsibilities for the processes to be followed in emergency situations and gives details of any action that may need to be taken.

Liquidity risk model

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

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

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

Additional information on the current developments caused by the coronavirus pandemic can be found in the Management Report.

Quantification and stress testing

Commerzbank uses a wide range of tools to manage and monitor liquidity risks on the basis of its own liquidity risk model. In addition to internal economic considerations, liquidity risk modelling also factors in the binding regulatory requirements under the Capital Requirements Regulation (CRR) and the Minimum Requirements for Risk Management (MaRisk). Commerzbank incorporates this within its liquidity risk framework, thereby quantifying the liquidity risk appetite established by the 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, prolongations of lending business regarded as commercially necessary, the need to provide additional collateral for secured transactions and the application of higher risk discounts to the liquidation values of assets.

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

The table below shows the liquidity gap profile values after application of the respective stress scenarios for periods of one and three months as at the end of the year. Significantly more liquidity flows out in a combined scenario compared with the individual scenarios. As at the end of 2020, in the one-month and three-month periods, the combined stress scenario leaves net liquidity of €14.7bn and €8.4bn respectively.

Net liquidity in the stress scenario | €bn		31.12.2020	31.12.2019
Idiosyncratic scenario	1 month	21.1	18.4
	3 months	16.8	20.1
Market-wide scenario	1 month	23.3	20.7
	3 months	16.9	20.2
Combined scenario	1 month	14.7	11.7
	3 months	8.4	11.2

Liquidity reserves

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

At the end of 2020, the Bank had a liquidity reserve of €94.8bn in the form of highly liquid assets. It is funded in line with the liquidity risk appetite to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors. 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 Bank also holds an intraday liquidity reserve portfolio. At the end of the year, the total value of this portfolio was €6.1bn.

The liquidity reserves comprising highly liquid assets are made up of the following three components:

Liquidity reserves from highly liquid assets | €bn	31.12.2020	31.12.2019
Highly liquid assets	94.8	72.4
of which level 1	85.6	59.6
of which level 2A	8.6	11.5
of which level 2B	0.6	1.3

Liquidity ratios

Throughout the 2020 financial year, Commerzbank's internal liquidity ratios, including the regulatory liquidity coverage ratio (LCR), were above the limits set 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 2020, Commerzbank significantly exceeded the minimum ratio of 100% stipulated for that year on every reporting date. As at the end of 2020, the average month-end value of the LCR over the last twelve months was 135.68% (as at the end of 2019: 132.72%).

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

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 legal risks. Strategic and reputational risks are not included in this definition. In view of their increased economic significance, compliance risk and cyber risk are managed as separate risk types. In line with the CRR, however, losses from compliance risks and cyber risks are still incorporated into the model for determining the regulatory and economic capital required for operational risks.

Strategy and organisation

Within Commerzbank, OpRisk and governance issues of the Internal Control System (ICS) are closely connected in terms of both organisational structure and methodology and are continuously being enhanced. This is because many OpRisk cases are closely linked with failures in the control mechanisms. A properly functioning ICS thereby helps to reduce or avoid losses from operational risks and thus to lower the amount of 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. Accordingly, in the course of the Campus 2.0 realignment, the governance of the ICS was made more flexible by extending the phases of risk identification, control inventory and control evaluation to enable efficient implementation by the units.

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 full Board of Managing Directors after it has been discussed and voted upon in the Group OpRisk Committee. The OpRisk strategy describes the risk profile, key elements of the desired risk culture, its management framework and measures to be taken by Commerzbank to manage operational risk.

OpRisk management is based on three consecutive levels (three lines of defence) which, when taken together, are crucial for reaching the given strategic aims.

Risk management

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

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

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

OpRisk management includes an annual evaluation of the Bank's ICS and a risk scenario assessment. Furthermore, OpRisk loss events are subjected to ongoing analysis and to ICS backtesting on an event-driven basis. Lessons learned activities are carried out after all material loss events. External OpRisk events at competitors are also systematically evaluated.

Commerzbank uses the advanced measurement approach (AMA) to measure regulatory and economic capital for operational risks. Risk-weighted assets for operational risks on this basis came to €18.3bn at the end of the fourth quarter of 2020 (31 December 2019: €18.7bn). The economically required capital was €1.5bn (31 December 2019: €1.5bn).

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

	31.12.2020		31.12.2019	
€bn	RWA	ErC	RWA	ErC
Private and Small-Business Customers	6.1	0.5	5.2	0.4
Corporate Clients	7.4	0.6	8.3	0.7
Others and Consolidation	4.8	0.4	5.3	0.4
Group	**18.3**	**1.5**	**18.7**	**1.5**

The total charge for OpRisk events at the end of the fourth quarter of 2020 was approximately €345m (full-year 2019: €127m). The events mainly related to losses in the "Products and business practices" category. This includes the provision of mBank for legal risks related to CHF loan agreements, which is a key driver of the increase compared to the previous year.

The exceptional situation during the coronavirus pandemic is resulting in increased operational risk, especially due to changes in internal processes and the market environment. However, losses thus far are limited to cost items such as cancellations (business trips, events), higher security costs for branches, additional hygiene measures to protect employees and customers, and IT measures related to enhanced online availability, first and foremost, with a view to an extended mobile working environment. These are mainly seen as part of the new normality during the coronavirus pandemic.

OpRisk events[1] | €m	31.12.2020	31.12.2019
Internal fraud	1	6
External fraud	9	12
Damage and IT failure	29	2
Products and business practices	277	103
Process related	29	6
HR related	0	−1
Group	**345**	**127**

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

A structured, centralised and decentralised reporting system ensures that the management of the Bank and its segments, members of the OpRisk Committee and the supervisory bodies are informed regularly, promptly and fully about operational risk. OpRisk reports are produced quarterly. They contain changes in OpRisk losses, the segments' main loss events, current risk analyses, changes in the capital requirement and the status of measures implemented. Operational risks are also part of the regular risk reporting process to the full Board of Managing Directors and to the Supervisory Board's Risk Committee.

Other risks

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

Legal risk

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

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

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

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

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

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

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

Current developments Commerzbank and its subsidiaries are involved in a variety of court and arbitration cases, claims and official investigations (legal proceedings) in connection with a broad range of issues. They include, for example, allegations of defective advice, disputes in connection with credit finance or payment transactions, entitlements to occupational pensions, allegedly false accounting and incorrect financial statements, enforcement of claims due to tax issues, allegedly incorrect prospectuses in connection with underwriting transactions, alleged violations of competition laws, and cases brought by shareholders and other investors as well as investigations by supervisory authorities. In addition, changes to rulings by supreme courts, which may render them more restrictive, as well as to legal conditions, e.g. in the private customer business, may result in more claims being brought against Commerzbank or its subsidiaries. In these court cases, claimants are mostly asking for the payment of compensation, claims on account of unjust enrichment or the reversal of agreements already entered into. If the courts were to find in favour of one or more of the claimants in these cases, Commerzbank could be liable to pay compensation, which could in some cases be substantial, or could incur the expense of reversing agreements or of other cost-intensive measures. Regulatory authorities and governmental institutions in various countries in which Commerzbank and its subsidiaries are or have been active have for some years been investigating irregularities in connection with the fixing of foreign exchange rates and with foreign exchange business in general. In the course of these investigations, regulatory authorities and governmental institutions have also sought checks on Commerzbank or have approached the company with requests for information. Commerzbank has cooperated fully with these bodies and also looked into the relevant matters on the basis of its own comprehensive investigations. The cases are no longer active with the exception of one case in which the investigating authority transferred the matter to the national competition tribunal. Financial consequences cannot be ruled out.

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

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

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

In the circular of the German Federal Ministry of Finance (BMF) dated 17 July 2017, the tax authorities addressed the treatment of cum-cum transactions, declaring their intention to critically examine past transactions for indications of abuse of law. According to the view put forward in the BMF circular, abuse of law pursuant to Article 42 of the German Tax Code (Abgabenordnung, AO) is indicated if there are no economically reasonable grounds for the transaction in question and the structure of the transaction appears to be largely tax-induced (tax arbitrage). The circular provides a non-exhaustive list of cases which the BMF will assess for tax purposes. Within the framework of Commerzbank AG's ongoing tax audit, the tax auditors commented on the treatment of these transactions in the form of audit notes. Further discussions are taking place on this issue. Furthermore, in the assessments for the years 2014 and 2015, the tax office reduced the credit for capital gains taxes. In response, Commerzbank AG made value adjustments to tax credits shown in the balance sheet and set up additional provisions for possible repayment claims in order to reflect the changed risk situation appropriately. The tax authorities are currently discussing a revision of the above-mentioned BMF circular following the ruling of the Fiscal Court of Hessen on 28 January 2020 (4 K 890/17). In light of an expected tightening up of the circular and on the basis of a notice issued to prevent the threat of limitation of payments applying to 2013, the risk provisioning for the years 2013 to 2015 was adjusted. It cannot be ruled out that a different estimate will result after the issuance of a new BMF circular or further fiscal court rulings.

With respect to cum-cum securities lending transactions, Commerzbank is exposed to compensation claims from third parties for crediting entitlements that have been denied. Based on the analyses performed, Commerzbank considers it unlikely that such claims could be enforced. However, it cannot be ruled out. Based on our estimates, the financial impact could be in the upper double-digit million range, plus interest on arrears. The possibility that this conclusion could alter as developments unfold, for example in connection with assessments made by the tax authorities and fiscal/civil courts, cannot be completely ruled out.

In May 2017, a Polish court admitted a class action lawsuit against a subsidiary of Commerzbank alleging the ineffectiveness of index clauses in loan agreements denominated in Swiss francs (CHF). A total of 1,731 plaintiffs have joined the class action. In October 2018, the class action suit was dismissed in its entirety by the court of first instance. In March 2020, the court of appeal partially overturned the judgement of the court of first instance and referred it back. In early June 2020, the court of appeal enacted a temporary order concerning the suspension of interest payment and repayment obligations and prohibited the subsidiary from issuing due date or cancellation notices. The temporary order is legally binding. A first hearing before the court of first instance is scheduled for March 2021.

Independently of this, numerous borrowers have also filed lawsuits for the same reasons. In addition to the class action, 6,870 other individual proceedings were pending as at 31 December 2020. The subsidiary is defending itself against all of the claims. The case law of the Polish courts on loans with indexation clauses has so far been inconsistent overall. As at 31 December 2020, there were 173 final rulings in individual proceedings against the subsidiary, of which 70 were decided in favour of the subsidiary and 103 were decided against the subsidiary. A total of 193 proceedings before courts of second instance are suspended because of legal issues that are being considered by the Polish Supreme Court and the European Court of Justice (ECJ).

The Polish Supreme Court has announced a decision in principle for March 2021. The Bank will analyse the decision once it is published, in particular with regard to the impact on further case law and on the provision. Preliminary ruling proceedings on loans with indexation clauses are pending before the European Court of Justice, two of which concern proceedings against the subsidiary. Decisions are not expected until early 2022.

Against the background of the inconsistent case law to date, the small number of rulings in the last instance and outstanding decisions in principle from the Supreme Court and the ECJ, the amount of the provision for this set of issues is subject to a high degree of judgement. In the calculation of the provisions, possible future lawsuits relating to the existing portfolio and the portfolio already repaid in addition to the lawsuits already filed are taken into account. The Group/ subsidiary measures the provision for individual claims relating to existing and already repaid loans with CHF indexation clauses using the expected value method permitted under IAS 37. The provision relates both to the portfolio existing as at 31 December 2020 with a carrying amount of 13.6bn Polish zloty and to the portfolio already repaid. The portfolio that was already repaid amounted to 6.8bn Polish zloty at the time of disbursement. The provision as at 31 December 2020 for individual lawsuits was €312,9m.

The methodology used to calculate the provision is based on parameters that are varied, subject to judgement and in some cases associated with considerable uncertainty. Key parameters are the estimated total number of plaintiffs, the probability of losing a lawsuit in the last instance, the amount of the loss and the development of the exchange rate. Fluctuations in the parameters and the interdependencies between them may mean that the amount of the provision has to be adjusted significantly in the future.

As at the reporting date, the subsidiary estimated the risk of defeat at 50%. This is based among other things on the Bank's expert assessments, which are supported by legal opinions on future case law trends.

Assuming otherwise unchanged parameters, the following sensitivities result for the main parameters underlying the recognition of provisions:

- The number of future claimants increases by 1% of borrowers: change in provisions of €+13m
- The probability of a ruling by the court of last instance that is unfavourable to the subsidiary changes by +/– 1 percentage point: change in provisions of €+/–6m
- The assumed weighted average loss changes by +/–1 percentage point: change in provisions of €+/–5m

In December 2020, a proposal by the local supervisory authority to convert foreign currency loans into local currency loans was announced; details have not yet been provided. According to the subsidiary's analyses, the application of the proposal to existing and repaid loans would lead to a potential financial charge on the order of €1.2bn. As at the reporting date, the subsidiary had not yet made any decisions on the implementation of the proposal, e.g. through settlement offers to customers. This is subject to further analysis and discussion among the banks concerned and with the responsible authorities.

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

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 global business, which is subject to the risk of abuse in general and in particular by financial crime. Compliance risk includes, in particular, the risks associated with money laundering, terrorist financing, sanctions/embargoes, markets compliance as well as fraud, corruption and preventing the facilitation of tax evasion.

The Board of Managing Directors of Commerzbank actively promotes a compliance culture and has set 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 MaComp (minimum requirements of the compliance function) BT 1.1, the division head of Group Compliance is both the Group's Compliance Officer and, under Art. 25h (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 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. The corresponding role of the QI and FATCA Responsible Officer will also be transferred to Group Tax in mid-2021.

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 the main responsibility 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), oversees the appropriateness and effectiveness of the procedures and controls in the first line of defence, and assesses and communicates any deficiencies found. 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 inter-acting elements. Commerzbank constantly monitors relevant regulatory requirements as well as the definition and/or adjustment of corresponding internal standards meant to ensure compliance with the requirements. Where necessitated by changes in requirements and standards, internal training measures are defined and/or adapted and the Bank's units are advised how to implement these effectively. Implementation encompasses setting up and carrying out suitable processes and controls in daily work, assuring their quality and testing their effectiveness. Monitoring of the compliance risks is based on key figures and is part of regular internal reporting. Where necessary, matters are escalated according to their urgency and severity.

The compliance sub-risk strategy as a fundamental strategy document integrates the previous components of the compliance framework in 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.

A systematic risk analysis (compliance risk analysis) is a core element of risk management. It assesses the inherent risk arising from doing business with different customer groups and products and compares this with an assessment of the corresponding control environment. It produces a residual risk, the risk content of which is assessed. The Bank defines measures to further enhance risk management (e.g. introducing additional controls) as necessary and tracks implementation closely.

Current developments In recent years, Commerzbank has worked through the majority of the findings from the settlements with various US authorities regarding violations of US sanctions and anti-money laundering provisions. The Deferred Prosecution Agreement with the District Attorney of New York and the Deferred Prosecution Agreement with the US Department of Justice were terminated in March 2018 and May 2018 respectively, after consultation with the respective district attorney's offices. The Bank has also received various interim reports and on 15 October 2018 received the final report from the monitor appointed by the New York State Department of Financial Services (DFS), to which it has responded with corresponding implementation programmes. The Bank has made good progress in carrying out the implementation programmes and has executed most of the measures. The US monitor submitted its final report dated 15 October 2018, thus concluding its on-site investigations. In accordance with the terms of the engagement letter between the Bank and the monitor, the monitorship ended on 24 June 2019. Commerzbank continues to provide quarterly reports to the DFS on the progress of implement-tation plans.

In line with the requirements of the UK Financial Services and Markets Act 2000 (FSMA), in 2017 Commerzbank London mandated a consulting company as a "skilled person". The consulting company carried out a review of existing structures and processes (especially with regard to money laundering/financing of terrorism as well as sanctions/embargoes) and prepared a report for the UK Financial Conduct Authority (FCA). Commerzbank London subsequently launched a comprehensive remediation project, the implementation of which is being evaluated by the "skilled person", with half-yearly reports to the FCA. Substantial progress has been made since the fourth and final phase was completed. Accordingly, the FCA informed the Bank on 16 June 2020 that the "skilled person" process had been concluded. The Bank received a "warning notice" from the FCA on 14 May 2020. It addressed weaknesses identified by the FCA in 2017 for the years 2012 to 2017 (money laundering prevention, know-your-customer (KYC) and transaction monitoring). On 17 June 2020, the Bank reached an agreement with the FCA on a penalty payment of £37.8m. The small number of outstanding topics have been transferred to the line function, the handling of which will be monitored by Group Audit. A monthly status report will be submitted to the FCA. Currently, around 60% of the findings have already been closed.

Since 31 December 2012, Commerzbank has been provisionally registered as a swap dealer with the U.S. Commodity Futures Trading Commission (CFTC). In accordance with a consent order issued by the CFTC on 8 November 2018 after an investigation had been completed, Commerzbank engaged an outside consultant approved by the CFTC for a period of two years. The CFTC may extend this period by a further year at its discretion. During the review period, the outside consultant will produce annual reports assessing the swap dealer's compliance with the Commodity Exchange Act and the regulations of the CFTC and outline recommendations for improvements to its practices, policies and procedures. For the duration of the outside consultant's mandate, the Bank is also required to produce a full Chief Compliance Officer Report for the swap dealer in accordance with US regulations. The report must be submitted to the CFTC 90 days after receipt of each report from the outside consultant and must include a statement on the recommendations made by the outside consultant. The outside consultant started work in April 2019 and submitted the first report to the CFTC on 17 June 2020. The report contains 51 recommendations and 25 observations requiring processing or improvements. Commerzbank subsequently submitted its first complete Chief Compliance Officer Report for the swap dealer to the CFTC on 4 September 2020. In the third quarter of 2020, the National Futures Association (NFA) began its second periodic audit of the Bank in its capacity as a swap dealer (the first audit took place in 2018). The Bank expects to receive the formal audit report in the first quarter of 2021 and, upon receipt, will be required to submit a formal response to the audit report to the NFA outlining remediation plans for any audit findings.

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 full Board of Managing Directors and the Risk Committee of the Supervisory Board.

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 has become a more central focus. To this end, outsourced services in particular were examined and, from 2021, will be given greater focus with a separate GS-TF key risk indicator.

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 systems or data of the Bank (cyber crime and advanced persistent threat (APT)[1] 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 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 (Cybersecurity Requirements for Financial Services Companies) and NIST (National Institute of Standards and Technology) in the USA and the 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.

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

To adequately address both this trend and future challenges relating to the management of cyber risks, since January 2020 Commerzbank has managed cyber and information security risks via the new 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 HR, procurement, BCM 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 seeing any additional attack methods or an expansion of our attack surface due to the increased remote use of Bank resources such as split operations or working from home.

However, there are a range of attack vectors that try to engage in criminal activity by capitalising on public fears (such as e-mails concerning precautionary measures purportedly sent by the WHO). 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.

With regard to our customers, we are paying even more attention than usual to transactional anomalies, especially in the context of coronavirus-related fraud.

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 full 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 full 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 full 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 current coronavirus pandemic, with its considerable economic and social impact as well as the mitigating support provided by the governments, poses major 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. For example, the ongoing monitoring of model performance has been expanded and the processes for using the models have been partially refined and adapted.

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

Income statement of Commerzbank Aktiengesellschaft for the period from 1 January to 31 December 2020

€m				2020	2019
Interest income from					
a) Lending and money market transactions	4,837				6,294
less negative interest from money market transactions	-392				-456
		4,445			5,838
b) Fixed-income securities and debt register claims		482			593
			4,928		6,431
Interest expenses					
Interest expenses from banking business		-2,267			-3,312
less positive interest from banking business		637			470
			-1,630		-2,843
				3,297	**3,588**
Current income from					
a) Equities and other non-fixed-income securities			0		0
b) Equity holdings			4		5
c) Holdings in affiliated companies			26		158
				30	**164**
Income from profit-pooling and from partial or full profit-transfer agreements				**362**	**215**
Commission income			3,312		2,795
Commission expenses			-390		-332
				2,921	**2,462**
Net trading income/expense				**219**	**109**
of which: allocations as defined by Art. 340 g (2) HGB	-24				-12
Other operating income				**666**	**857**
General administrative expenses					
a) Personnel expense					
aa) Wages and salaries		-2,406			-2,436
ab) Compulsory social-security contributions, expenses for pensions and other employee benefits		-560			-470
of which: for pensions	-175				-90
			-2,967		-2,907
b) Other administrative expenses			-2,401		-2,330
				-5,368	**-5,237**
Depreciation, amortisation and write-downs of intangible and fixed assets				**-501**	**-528**
Other operating expenses				**-293**	**-165**
Write-downs and valuation allowances on loans and certain securities and allocations to provisions in lending business				**-3,536**	**-1,101**
Income from write-ups on loans and certain securities and from the release of provisions in lending business				**–**	**–**
Write-downs and valuation allowances on equity holdings, holdings in affiliated companies and securities accounted for as fixed assets				**-1,426**	**–**
Income from write-ups on equity holdings, holdings in affiliated companies and securities accounted for as fixed assets				**–**	**136**
Expenses from the transfer of losses				**-14**	**-0**
Profit or loss on ordinary activities				**-3,641**	**501**
Extraordinary income			–		–
Extraordinary expenses			-1,932		-160
Profit or loss on extraordinary activities				**-1,932**	**-160**
Taxes on income			-108		-134
Other taxes			-26		-20
				-134	**-154**
Net profit/loss				**-5,708**	**188**
Withdrawals from capital reserve				**5,708**	**–**
Transfer to other retained earnings				**–**	**–**
Distributable profit				**0**	**188**

Balance sheet of Commerzbank Aktiengesellschaft as at 31 December 2020

Assets | €m				31.12.2020	31.12.2019
Cash reserve					
a) Cash on hand			8,949		9,230
b) Balances with central banks			64,404		25,416
of which: with Deutsche Bundesbank		53,545			14,168
				73,353	**34,646**
Debt issued by public-sector borrowers, and bills of exchange rediscountable at central banks					
a) Treasury bills and discountable treasury notes as well as similar debt issues by public-sector borrowers			2,628		1,993
				2,628	**1,993**
Claims on banks					
a) Payable on demand			4,570		4,540
b) Other claims			22,246		32,759
of which: public-sector loans		874			738
				26,816	**37,299**
Claims on customers				**230,567**	**225,110**
of which: secured by mortgages on real estate		64,918			60,377
of which: secured by mortgages on ships		–			27
of which: public-sector loans		15,239			14,035
Bonds and other fixed-income securities					
a) Money market instruments					
aa) Issued by public-sector borrowers		92			50
of which: rediscountable at Deutsche Bundesbank	80				50
ab) Issued by other borrowers		–			–
of which: rediscountable at Deutsche Bundesbank	–				–
			92		50
b) Bonds and notes					
ba) Issued by public-sector borrowers		17,834			14,254
of which: rediscountable at Deutsche Bundesbank	15,348				11,293
bb) Issued by other borrowers		22,037			19,192
of which: rediscountable at Deutsche Bundesbank	22,669				12,152
			39,871		33,446
c) Own bonds			7,896		6
Nominal amount €7,755m					
				47,859	**33,503**

Assets | €m			31.12.2020	31.12.2019
Equities and other non-fixed-income securities			**44**	**46**
Trading assets			**20,747**	**26,112**
Equity holdings			**81**	**79**
of which: investments in banks	14			14
of which: investments in financial services companies	5			5
Holdings in affiliated companies			**4,089**	**6,275**
of which: investments in banks	1,306			2,756
of which: investments in financial services companies	1,297			2,538
Fiduciary assets			**1,856**	**1,208**
of which: loans at third-party risk	1,142			384
Intangible assets				
a) Proprietary intellectual property rights and similar rights and assets		932		1,031
b) Purchased concessions, industrial property rights and similar rights and assets as well as licences relating to such rights and assets		191		154
			1,123	**1,184**
Fixed assets			**441**	**456**
Other assets			**8,267**	**5,655**
Accrued and deferred items				
a) From issuing and lending business		240		192
b) Other		3,395		2,396
			3,635	**2,587**
Excess of plan assets over liabilities			**1,935**	**1,353**
Total assets			**423,443**	**377,507**

Balance sheet of Commerzbank Aktiengesellschaft as at 31 December 2020

Liabilities and shareholders' equity | €m			31.12.2020	31.12.2019
Liabilities to banks				
a) Payable on demand		18,420		16,898
b) With agreed term or notice period		55,444		52,060
of which: issued registered mortgage Pfandbriefe	223			216
of which: issued registered public Pfandbriefe	380			563
of which: issued registered ship Pfandbriefe	–			–
			73,864	**68,958**
Liabilities to customers				
a) Savings deposits				
aa) With agreed notice period of three months	9,319			8,445
ab) With agreed notice period of more than three months	10			11
		9,329		8,456
b) Other liabilities				
ba) Payable on demand	205,938			160,059
bb) With agreed term or notice period	45,358			50,313
		251,296		210,372
of which: issued registered mortgage Pfandbriefe	2,386			2,687
of which: issued registered public Pfandbriefe	4,758			5,600
of which: issued registered ship Pfandbriefe	213			342
			260,624	**218,828**
Securitised liabilities				
a) Bonds and notes issued		39,113		32,595
aa) Mortgage Pfandbriefe	17,222			14,989
ab) Public Pfandbriefe	6,226			561
ac) Ship Pfandbriefe	–			–
ad) Other bonds	15,665			17,045
b) Other securitised liabilities		1,147		1,459
ba) Money market instruments	1,089			1,459
bb) Own acceptances and promissory notes outstanding	58			0
			40,260	**34,054**
Trading liabilities			**11,826**	**16,687**
Fiduciary liabilities			**1,856**	**1,208**
of which: loans at third-party risk	1,142			384
Other liabilities			**4,557**	**4,518**
Accrued and deferred items				
a) From issuing and lending business		9		10
b) Other		367		176
			376	**186**

Liabilities and shareholders' equity | €m				31.12.2020	31.12.2019
Provisions					
a) Provisions for pensions and similar commitments			32		34
b) Provisions for taxes			413		406
c) Other provisions			2,842		1,808
				3,287	**2,248**
Subordinated liabilities				**7,386**	**7,467**
Profit-sharing certificates outstanding				**80**	**80**
of which: maturing in less than two years		80			80
Additional Tier 1 Instruments				**2,657**	**920**
Fund for general banking risks				**158**	**134**
of which: special item pursuant to Art. 340e (4) HGB		158			134
Equity					
a) Subscribed capital					
aa) Share capital	1,252				1,252
Treasury shares	–				–
(conditional capital €0m)		1,252			1,252
ab) Silent participations		–			–
			1,252		1,252
b) Capital reserve			11,484		17,192
c) Retained earnings[1]			3,775		3,587
d) Distributable profit			–		188
				16,511	**22,219**
Liabilities and shareholders' equity				**423,443**	**377,507**
1. Contingent liabilities					
a) Contingent liabilities from rediscounted bills of exchange credited to borrowers			1		1
b) Liabilities from guarantees and indemnity agreements			41,955		40,794
				41,956	**40,795**
2. Other commitments					
a) Irrevocable lending commitments				81,912	76,234

[1] Other retained earnings only.

Notes

General information

(1) Basis of preparation

Commerzbank Aktiengesellschaft is headquartered in Frankfurt am Main and is registered in the Commercial Register at the District Court of Frankfurt am Main under registration no. HRB 32000. The financial statements of Commerzbank Aktiengesellschaft as at 31 December 2020 have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB) and the Regulation on the Accounting of Credit Institutions and Financial Services Institutions (RechKredV) and in accordance with the provisions of the German Stock Corporation Act (Aktiengesetz, AktG) and the German Pfandbrief Act (Pfandbriefgesetz, PfandBG). In order to appropriately reflect the universal nature of Commerzbank Aktiengesellschaft's banking business, the structuring rules for Pfandbrief banks were taken into account by including „Of which" sub-headings under the relevant items. In order to make the financial statements clearer, we have expanded the details of mortgages on ships and of ship Pfandbriefe.

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

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

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

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

(2) Merger of comdirect bank Aktiengesellschaft

comdirect bank Aktiengesellschaft (comdirect bank) was merged with Commerzbank in the 2020 financial year with retroactive economic effect from 1 January 2020 by use of a book-value link. As a result of this merger, Commerzbank took over approximately 1,200 employees from comdirect bank, as well as its income and expenses, and assets and liabilities, with retroactive effect. The business activities of comdirect bank related primarily to off-balance-sheet securities commission business (customer custody accounts). A large part of comdirect bank's receivables were claims on Commerzbank, which were extinguished together with the corresponding liabilities of Commerzbank as a result of the merger. In particular, Commerzbank took over customer deposits of €29bn, balances at Deutsche Bundesbank of €3,6bn and securities in the amount of €1,4bn from comdirect bank.

In order to ensure comparability of the corresponding information in the financial statements with the prior-year data as at 31 December 2019, the reconciliation values as at the merger date 1 January 2020 are shown in the table below. For this, the total values of Commerzbank and comdirect bank were determined as of 31 December 2019.

€m	31.12.2020	1.1.2020	31.12.2019
Cash reserve	73,353	38,248	34,646
Claims on customers	230,567	225,892	225,110
Bonds and other fixed-income securities	47,859	34,282	33,503
Equities and other non-fixed-income securities	44	669	46
Liabilities to customers	260,624	247,702	218,828

The income statement contains the income and expenses of the former comdirect bank recognised retrospectively from 1 January 2020. The previous year's figures do not include income and expenses or assets and liabilities of comdirect bank, which means that the successive financial statements of Commerzbank Aktiengesellschaft for the financial years 2019 and 2020 are comparable only to a limited extent.

(3) Accounting and measurement policies

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

Loan loss provisions are calculated in three stages for all significant on-balance-sheet claims, all significant off-balance-sheet transactions at individual transaction level and all insignificant loans on a portfolio basis using internal parameters and models. Provision is also made for country risks in these calculations. The Bank recognises a valuation allowance in the amount of the expected credit losses within 12 months or, if shorter, within the remaining time to maturity after the reporting date, using a parameter-based expected loss calculation, if the credit risk has not materially increased since it was first recognised (stage 1). A loan loss provision is recognised in the amount of the expected credit loss over the remaining time to maturity (lifetime expected credit loss) for those financial assets for which a material increase in credit risk has been identified since initial recognition (stage 2). The level of the provision for each individual default risk is based on the difference between the carrying amount of the claim and the net present value of the expected future cash inflows on the claim (stage 3), calculated using the discounted cash flow method and allowing for any collateral held. The increase in net present value due to the decreased discounting effect over time is shown under interest income in the income statement. General loan loss provisions are estimated using models. In the 2020 financial year, an adjustment of the model results was necessary because of the coronavirus pandemic, as the parameters used in the standard model did not reflect the economic effects of the global lockdowns or the massive support and assistance measures taken by governments and institutions. The adjustments led to an increase in loan loss provisions, which was booked as a top-level adjustment. For further information on the first-time application of IDW (Institute of Public Auditors in Germany) Accounting Principle AcP BFA 7, see Note (5).

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

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

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

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

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

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

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

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

Where no market prices are available on an active market, fair value is determined by various methods, including valuation models. Both the valuation models selected and the parameters used depend on the individual product and are in line with market standards.

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

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

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

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

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

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

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

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

Commercial Code (Einführungsgesetz zum Handelsgesetzbuch, EGHGB) was completely provided in the financial year.

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

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

Net interest from derivatives in the non-trading portfolio (including negative interest) is recognised in interest income or interest expense, depending on the net balance. We report negative interest on financial instruments held as assets and positive interest on financial instruments held as liabilities as deductions in interest income and interest expenses respectively.

The switch in the discount curves for derivatives in connection with the IBOR reform resulted in compensatory payments which were immediately recognised in profit or loss for trading and non-trading portfolios.

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

Commerzbank Aktiengesellschaft values the deferred taxes on the basis of the tax rates applying to each individual entity. The income tax rate of the domestic entities is 31.5% (previous year: 31.5%). This is made up of the German corporate income tax rate of 15.0%, plus the solidarity surcharge of 5.5% and an average rate of 15.7% for trade tax. Deferred taxes in the foreign branches are measured using the tax rates applicable in these countries, which range between 0.0% and 33.0%.

(4) Currency translation

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

(5) Changes in accounting policies

As at 31 December 2020 Commerzbank changed the calculation of the general loan loss provision, thereby implementing the adjustments required by IDW statement IDW AcP BFA 7 for loan loss provisions for foreseeable counterparty risks in lending business that have not yet been individually specified. In doing so, the Bank made use of its option, also permitted under the German Commercial Code, to adhere to the loan loss provisions calculated according to the IFRS 9 category model. The transition resulted in an increase of the general loan loss provision (stage 2) of €93m.

Apart from the matters described, we have applied the same accounting policies to the 2020 financial year as to the previous financial year.

(6) Report on events after the reporting period

There have been no other events of particular significance since the end of the 2020 financial year.

Notes to the income statement

(7) Breakdown of revenues by geographic markets

€m	2020	2019
Germany	7,881	8,629
Europe without Germany	807	1,088
America	271	352
Asia	195	286
Total	**9,155**	**10,355**

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

(8) Auditors' fee

The fee for audit services covers the annual audit of Commerzbank Aktiengesellschaft. The audit related services mainly comprise fees for legally required, contractually agreed or voluntarily commissioned audit and attest services. It also includes reviews of reporting obligations pursuant to Art. 89 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), the audit of the non-financial report in accordance with Art. 340a HGB in connection with Art. 289b HGB and the issue of comfort letters. The fees for other services are mainly fees for advisory services in the field of regulatory. We report the auditors' fee in the Group Financial Statements in accordance with Art. 285 no. 17 HGB.

(9) Other operating income and expenses

Other operating income of €666m (previous year: €857m) is primarily comprised of net income from the offsetting of expenses and income from discounting and from plan assets offset against pension obligations of €351m (previous year: €529m), income from reversals of provisions of €51m (previous year: €129m) and interest refunds from back taxes of €30m (previous year: €52m). In the year under review, €3m (previous year: €0m) of income from currency translation is also included. Other operating expenses of €293m (previous year: €165m) are primarily comprised of €80m from allocations to provisions (previous year: €39m), as well as expenses for interest refunds from back taxes in the amount of €41m (previous year: €14m). As at 31 December 2020, €0m (previous year: €1m) of expenses from currency translation are also included

(10) Non-periodic income and expenses

Non-periodic income includes €28m (previous year: €74m) from the reversal of various provisions. In addition, non-periodic tax expenses of €87m (previous year: €8m) are shown in the financial year, which mainly resulted from the provisioning of domestic tax risks in the amount of €102m. On the other hand, tax income in the amount of €15m resulted mainly from tax refunds relating to previous years.

(11) Extraordinary income

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

Extraordinary expenses include a merger loss in the amount of €1,084m resulting from the merger with comdirect bank by use of a book-value link as well as restructuring expenses in the amount of €811m (previous year: €114m), in particular for the recognition of restructuring provisions. Extraordinary expenses also include the necessary allocation to pension provisions pursuant to Art. 67 (1) sentence 1 of the Introductory Act to the German Commercial Code of €37m (previous year: €46m).

(12) Administrative and agency services

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

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

The income from these services is included in commission income.

Notes to the balance sheet

(13) Maturity structure of claims and liabilities

€m	31.12.2020	31.12.2019
Other claims on banks	**22,246**	**32,759**
with a residual term of		
less than three months	11,213	18,703
over three months up to one year	4,891	5,767
over one year up to five years	4,041	5,668
over five years	2,101	2,621
Claims on customers	**230,567**	**225,110**
with an indefinite term	14,702	19,703
with a residual term of		
less than three months	28,360	28,154
over three months up to one year	23,740	20,979
over one year up to five years	73,678	68,842
over five years	90,086	87,433

€m	31.12.2020	31.12.2019
Liabilities to banks with an agreed term or notice period	**55,444**	**52,060**
with a residual term of		
less than three months	1,610	10,078
over three months up to one year	4,236	7,627
over one year up to five years	41,508	16,776
over five years	8,090	17,578
Savings deposits with an agreed notice period of more than three months	**10**	**11**
with a residual term of		
over three months up to one year	10	11
Other liabilities to customers with an agreed term or notice period	**45,358**	**50,313**
with a residual term of		
less than three months	25,098	22,079
over three months up to one year	4,880	9,688
over one year up to five years	6,733	8,345
over five years	8,647	10,201
Other securitised liabilities	**1,147**	**1,459**
with a residual term of		
less than three months	1,099	638
over three months up to one year	49	820
over one year up to five years	–	–

Of the €39,113m in bonds and notes issued within securitised liabilities (previous year: €32,595m), €1,682m is due in 2021.

(14) Cover assets for bonds issued by the Bank

€m	31.12.2020	31.12.2019
Claims on banks	285	111
Claims on customers	42,606	37,309
Bonds and other fixed-income securities	3,068	3,739
Total	**45,960**	**41,160**

(15) Securities

As at 31 December 2020 the breakdown of marketable securities was as follows:

	Listed on a stock exchange		Not listed	
€m	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Bonds and other fixed-income securities	44,418	30,529	3,442	2,974
Equities and other non-fixed-income securities	0	0	35	41
Equity holdings	1	1	–	–
Holdings in affiliated companies	1,157	2,380	148	112

Of the bonds and other fixed-income securities of €47,859m (previous year: €33,503m), €3,041m will fall due in the 2021 financial year.

For bonds and other fixed-income marketable securities held in the investment portfolio, write-downs in the amount of €436m (previous year: €361m) were not recognised in accordance with the modified lower-of-cost-or-market principle, pursuant to Art. 253 (3) sentence 5 HGB, as the impairments are only temporary.

(16) Trading securities

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

In 2020, Commerzbank Aktiengesellschaft allocated an amount of €24m (previous year: €12m) from net trading income to the fund for general banking risks.

€m	31.12.2020	31.12.2019
Trading assets	**20,747**	**26,112**
Derivative financial instruments	14,643	15,285
Claims	2,325	1,718
Bonds and other fixed-income securities	2,601	2,670
Equities and other non-fixed-income securities	1,223	6,456
Risk charge value at risk	-45	-18

€m	31.12.2020	31.12.2019
Trading liabilities	**11,826**	**16,687**
Derivative financial instruments	11,618	11,830
Liabilities	208	4,858

Reclassification of financial instruments in the trading portfolio

Owing to the discontinuation of a business area in the 2019 financial year, a portfolio of promissory note loans issued by British public-sector bodies was transferred to another area. In this context, a reclassification was made from the trading portfolio to fixed assets, as the hard Brexit is seriously impairing the tradability of the loans. The carrying amount of the reclassified financial instruments was €163m at the reclassification date. If no reclassification had been made, net income would have been €-5.7m, including the derivatives used to hedge the portfolio.

In the 2019 financial year, hedging instruments for guaranteed British infrastructure bonds were also reclassified from the trading portfolio to fixed assets, as a hedge was formed for these. The carrying amount of the reclassified hedging instruments was €460m. If no reclassification had been made, net income would have been €-48m

(17) Hedge relationships

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

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

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

In addition, certain securities and receivables forming part of fixed assets and derivatives for hedging against interest rate risks have been designated as a portfolio hedge relationship that is accounted for using the net hedge presentation method. The effectiveness is determined on the basis of the dollar-offset method. The average term to maturity of this hedge relationship is 41 years (previous year: 41 years).

Furthermore, fixed asset securities and derivatives for hedging against interest rate and inflation risks have been designated as a portfolio hedge relationship that is accounted for using the net hedge presentation method. The effectiveness is determined on the basis of the dollar-offset method. The average term to maturity of these hedge relationships is 23 years (previous year: 24 years).

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

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

In addition, interest rate and inflation risks from derivatives with corresponding offsetting hedging derivatives were designated as micro hedge relationships that are likewise accounted for using the net hedge presentation method. The effectiveness is determined on the basis of the dollar-offset method. From these hedge relationships, positive and negative changes in the amount of €1,734m were netted in 2020. The average term to maturity of the derivatives was 25 years (previous year: 27 years)

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

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

	Book values		Nominal values		Level of hedged risk	
€m	31.12.2020	31.12.2019	31.12.2020	31.12.2019	2020	2019
Securities of liquidity reserve	21,698	15,111	20,840	14,638	404	186
Securities and receivables of the non-trading portfolio	5,652	4,003	4,180	2,643	1,635	1,001
Other assets	1,524	935	–	–	46	-213
Issues of the non-trading portfolio	60,080	56,650	63,218	57,707	4,977	4,729

(18) Relationships with affiliated companies and equity holdings

	Affiliated companies		Equity holdings	
€m	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Claims on banks	4,500	5,424	1	0
Claims on customers	16,836	14,096	212	224
Bonds and other fixed-income securities	1,693	1,546	–	–
Trading assets excluding derivative financial instruments	2	7	5	6
Liabilities to banks	1,024	24,727	0	0
Liabilities to customers	7,175	7,470	165	205
Securitised liabilities	–	–	–	–
Trading liabilities excluding derivative financial instruments	–	–	13	2
Subordinated liabilities	936	1,015	–	–

(19) Fiduciary transactions

€m	31.12.2020	31.12.2019
Claims on banks	7	7
Claims on customers	1,135	377
Other fiduciary assets	714	825
Fiduciary assets	**1,856**	**1,208**
of which: loans at third-party risk	1,142	384
Liabilities to banks	784	7
Liabilities to customers	358	377
Other fiduciary liabilities	714	825
Fiduciary liabilities	**1,856**	**1,208**
of which: loans at third-party risk	1,142	384

(20) Changes in book value of fixed assets

€m	Intangible assets	Fixed assets	Securities/ promissory note loans held as fixed assets	Equity holdings	Holdings in affiliated companies
Residual book values as at 1.1.2020	**1,194**	**474**	**14,404**	**79**	**6,322**
Cost of acquisition/production as at 1.1.2020	**3,603**	**1,723**	**14,458**	**107**	**8,070**
Merger comdirect Bank Aktiengesellschaft	75	78	9	–	49
Additions	355	57	5,350	4	2,602
Disposals	166	97	6,146	5	3,278
Transfers	0	13	96	–	-12
Exchange rate changes	-4	-10	-475	–	-117
Cost of acquisition/production as at 31.12.2020	**3,862**	**1,764**	**13,292**	**107**	**7,314**
Cumulative write-downs as at 1.1.2020	**2,419**	**1,267**	**63**	**29**	**1,795**
Merger comdirect Bank Aktiengesellschaft	65	60	–	–	3
Write-downs in 2020	420	81	0	0	1,467
Additions	–	–	–	–	–
Disposals	160	86	3	3	2
Transfers	0	13	–	–	–
Exchange rate changes	-4	-9	-3	–	-37
Cumulative write-downs as at 31.12.2020	**2,739**	**1,325**	**57**	**26**	**3,226**
Write-ups	**–**	**2**	**0**	**0**	**0**
Residual book values as at 31.12.2020	**1,123**	**441**	**13,235**	**81**	**4,089**

Of the land and buildings with an overall book value of €154m (previous year: €159m), €144m (previous year: €150m) are used by Commerzbank Aktiengesellschaft. Office furniture and equipment included in fixed assets amounted to €287m (previous year: €297m). As at 31 December 2020, development costs for intangible assets developed in-house were capitalised in the amount of €932m (previous year: €1,031m). Commerzbank Aktiengesellschaft does not undertake research in connection with the in-house development of intangible assets. As a result, the Bank did not incur any costs in this respect.

(21) Other assets

Other assets amounted to €8,267m (previous year: €5,655m). They were mainly comprised of emissions allowances of €1,524m (previous year: €935m), claims from collateral to be provided in advance for forward transactions amounting to €1,048m (previous year: €1,059m), initial/variation margins receivable of €611m (previous year: €258m), interest accruals on non-trading derivatives of €358m (previous year: €199m), claims on tax authorities of €289m (previous year: €533m), amounts due under profit and loss transfer agreements of €162m (previous year: €215m) and precious metals in the non-trading portfolio of €82m (previous year: €26m).

(22) Subordinated assets

€m	31.12.2020	31.12.2019
Claims on banks	26,816	37,299
of which: subordinated	249	248
Claims on customers	230,567	225,110
of which: subordinated	303	304
Bonds and other fixed-income securities	47,859	33,503
a) Money market instruments	92	50
of which: subordinated	–	–
b) Bonds and notes issued by other borrowers	39,871	33,446
of which: subordinated	–	–
c) Own bonds	7,896	6
of which: subordinated	6	6
Equities and other non-fixed-income securities	44	46
of which: subordinated	–	–
Trading assets	20,747	26,112
of which: subordinated	58	46
Total subordinated assets	**616**	**604**

(23) Repurchase agreements

As at 31 December 2020, the carrying amount recorded in the balance sheet for assets transferred under repurchase agreements amounted to €3,959m (previous year: €3,815m).

(24) The Bank's foreign currency position

As at 31 December 2020, the Bank had €83,695m (previous year: €89,520m) in foreign currency assets and €46,847m (previous year: €49,077m) in foreign currency liabilities.

(25) Collateral pledged for own liabilities

€m	31.12.2020	31.12.2019
Liabilities to banks	23,297	45,927
Liabilities to customers	9,530	13,145
Securitised liabilities	–	–
Other commitments	2,621	2,868
Total	**35,449**	**61,940**

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

(26) Other liabilities

Other liabilities of €4,557m (previous year: €4,518m) were mainly comprised of liabilities from collateral to be provided in advance for forward transactions amounting to €1,368m (previous year: €1,077m), derivatives from CO2 certificates in the amount of €720m (previous year: €254m), interest accruals on non-trading derivatives of €433m (previous year: €377m), liabilities attributable to film funds of €320m (previous year: €316m), liabilities to tax authorities of €283m (previous year: €223m) and liabilities from profit and loss transfer agreements of €14m (previous year: €0m).

(27) Provisions

a) Provisions for pensions and similar commitments

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

The discount rate used is based on the information published by the Deutsche Bundesbank as at 31 December 2020. In accordance with Art. 253 (6) sentence 1 HGB, provisions for pension obligations are discounted using the average annual interest rate over ten years of 2.30% (previous year: 2.71%), instead of over seven years at 1.60% (previous year: 1.97%). The resulting difference as at 31 December 2020 was €812m (previous year: €819m), thus increasing the non-distributable amounts.

This assumes an expected general salary and wage increase including assumed career trends of 2.50% per annum (previous year: 2.50% per annum), and we have set an interest rate of 1.40% per annum (previous year: 1.40% per annum) for pension increases. An increase of 2.00% per annum (previous year: 2.00% per annum) is assumed for the income threshold for assessing contributions. At year-end, the shortfall due to unrecognised pension obligations within the meaning of Art. 28 (2) EGHGB amounted to €6m (previous year: €7m).

In accordance with the option under Art. 67 (1) sentence 1 EGHGB, Commerzbank Aktiengesellschaft is increasing the provisions for the difference that has arisen due to the change in pension valuations following the German Accounting Law Modernisation Act (BilMoG) from 1 January 2010 on a pro rata basis, which was fully allocated as of 31 December 2020 (previous year: €37m).

In accordance with Art. 246 (2) sentence 2 HGB, the plan assets held to cover pension obligations are netted against the provisions created for this purpose. As at 31 December 2020, the following values were recorded for these items before offsetting:

€m	31.12.2020	31.12.2019
Fair value of the plan assets	8,658	7,700
Settlement amount	6,768	6,440

In accordance with Art. 246 (2) sentence 2 HGB, changes in the value of the plan assets are netted against the time value of money effects from the remeasurement of the pension obligation. Prior to offsetting, the interest expense from unwinding the discount on provisions for pensions covered by plan assets amounted to €582m (previous year: €664m). Prior to offsetting, income from plan assets amounted to €944m (previous year: €1,202m).

The historical cost of the plan assets amounted to €6,559m (previous year: €6,261m). The plan assets are mainly invested in special funds focusing on fixed-income securities, equities and derivatives.

b) Other provisions

Other provisions largely consist of provisions for personnel, for the lending business and for litigation and recourse risks. The personnel-related provisions include provisions for restructuring, age-related short-time working and early retirement.

In the year under review, we recognised restructuring provisions of €811m (previous year: €114m). The restructuring provisions recognised relate primarily to personnel. In addition, restructuring provisions were recognised to a lesser extent for real estate in connection with the closure of around 200 branches. The allocations in the 2020 reporting year were related to the bringing forward of a voluntary age-related short-time working programme for employees of Commerzbank Aktiengesellschaft in Germany and the bringing forward of a voluntary programme for termination agreements for the merger of branches in the Private and Small-Business Customers market regions. Furthermore, in December 2020 the Board of Managing Directors passed a resolution to implement a restructuring plan with reference to the “Commerzbank 5.0” strategy adopted in the 2019 financial year for a headcount reduction of 2,900 full-time positions and for this purpose concluded a works agreement with the Group Works Council.

The plan assets to cover obligations for age-related short-time working of €117m (previous year: €117m) were offset against the settlement amount of €103m (previous year: €95m). Prior to offsetting, the interest expense from unwinding the discount on provisions for age-related short-time working covered by plan assets amounted to €2m (previous year: €3m). Prior to offsetting, there were expenses of €0m from cover assets in the current reporting year (previous year: €0m). The historical cost of the plan assets for age-related short-time working amounted to €114m (previous year: €114m).

(28) Subordinated liabilities

Subordinated liabilities, which amount to €7,386m (previous year: €7,467m), may not, in the event of insolvency or winding-up, be repaid until the claims of all non-subordinated creditors have been satisfied. There is no obligation to repay early the liabilities or right to claim interest until this condition has been met.

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

Interest paid on subordinated liabilities amounted to €413m in the financial year (previous year: €446m). The following borrowings exceeded 10% of the subordinated liabilities as at 31 December 2020:

German securities identification no. (WKN)	Currency	€m	Interest rate %	Due date
DE000CB83CF0	EUR	1,327	7.75	16.3.2021
XS2189784288	EUR	1,280	6.13	unlimited
DE000CZ40LD5	EUR	1,031	4.00	23.3.2026

(29) Profit-sharing certificates

Under the conditions of the profit-sharing certificates, the servicing of interest and repayment claims arising from the profit-sharing rights is linked to the Bank's net profit (not dividend payments). In the event of insolvency, claims arising from profit-sharing certificates are subordinate to all other non-subordinated creditors, but rank above shareholders. The table below shows the outstanding profit-sharing certificates at the end of the 2020 financial year:

German securities identification no. (WKN)	Currency	€m	Interest rate %	Maturing on 31.12.
Profit-sharing certificate WKN A0D4TQ9	EUR	50	4.70	2020
Profit-sharing certificate WKN A0HGNA3	EUR	30	4.70	2020
Total		**80**		

(30) Additional Tier 1 instruments

Commerzbank Aktiengesellschaft issued its first Additional Tier 1 bond (AT-1 bond) under the Capital Requirements Regulation (CRR) in 2019. The bond has a volume of USD 1bn and a fixed coupon of 7.0% per annum. The instrument has a perpetual maturity and the first call date is in April 2025. Furthermore, the bond terms provide for a temporary write-down in the event that the Bank's common equity tier 1 ratio (CET1 ratio) should drop below 5.125%. The bond terms further provide that Commerzbank Aktiengesellschaft is authorised to waive interest payments and repayment of the bond.

In the second quarter of 2020, Commerzbank Aktiengesellschaft launched an issuance programme for additional core capital (Additional Tier 1 capital, AT-1), which will enable it to successively issue subordinated bonds with a nominal value of up to €3bn.

An AT-1 bond with a volume of €1.25bn and a fixed coupon of 6.125% per annum was issued by 30 June 2020. The instrument has a perpetual maturity and the first call date is in October 2025. The bond terms are otherwise the same as for the first AT-1 bond.

In September 2020, Commerzbank successfully issued a second AT-1 bond under its issuance programme for additional core capital (Additional Tier 1 capital, AT-1). The bond has a volume of €500m and a fixed coupon of 6.5% per annum up to April 2030. The bond has no fixed final maturity date and the first call date is in the period from October 2029 to April 2030.

In contrast to their treatment under IFRS, the bonds referred to and accrued interest are not classified as equity under the German Commercial Code.

As at 31 December 2020, the bonds had a carrying amount of €2,657m. The decline in the carrying amount is attributable to exchange rate effects. The interest expense attributable to the bonds was €116m in the financial year.

(31) Equity

€	31.12.2020		31.12.2019	
Equity		**16,511,223,815.83**		**22,218,931,263.91**
a) Subscribed capital		1,252,357,634.00		1,252,357,634.00
Share capital	1,252,357,634.00		1,252,357,634.00	
Silent participations	–		–	
b) Capital reserve		11,483,978,403.70		17,191,685,851.77
c) Retained earnings		3,774,887,778.13		3,587,034,133.04
d) Distributable profit		–		187,853,645.10

a) Subscribed capital

As at 31 December 2020, the share capital of Commerzbank Aktiengesellschaft of €1,252,357,634 was divided into 1,252,357,634 no-par-value bearer shares (accounting value per share €1.00). On the reporting date, there were no silent participations. The silent participation of HT1 Funding GmbH of €415,885,000 and other silent participations of €11,000,000 were reclassified as subordinated liabilities as at 31 December 2019 and repaid in the current financial year.

b) Capital reserve

In the capital reserve, premiums from the issue of Commerzbank Aktiengesellschaft shares are shown. Additional cash payments from the issue of conversion and option rights entitling holders to purchase Commerzbank Aktiengesellschaft shares are also recognised here. Commerzbank offset the net loss for the year as at 31 December 2020 through a withdrawal from the capital reserve as part of the appropriation of profits. The capital reserve as at 31 December 2020 amounted to €11,483,978,404 (previous year: €17,191,685,852).

c) Retained earnings

€	
As at 31.12.2019	**3,587,034,133.04**
Allocation to retained earnings	187,853,645.09
of which: addition from distributable profit of previous year	187,853,645.09
As at 31.12.2020	**3,774,887,778.13**

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

The proposal to be put to the Annual General Meeting of Commerzbank Aktiengesellschaft is not to distribute a dividend for the 2020 financial year.

(32) Authorised capital

Date of AGM resolution | €	Original authorised capital	Remaining authorised capital	Date of expiry	Pursuant to the Articles of Association
2020	626,178,817	626,178,817	21.5.2024	Art. 4 (3) and (4)
As at 31.12.2019	**626,178,817**	**626,178,817**		
As at 31.12.2020	**626,178,817**	**626,178,817**		

The conditions for capital increases from authorised capital as at 31 December 2020 are stipulated in the Articles of Association of Commerzbank Aktiengesellschaft dated 17 September 2020.

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

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

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

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

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

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

The resolution of the Annual General Meeting of 30 April 2015 (Conditional Capital 2015) has been revoked.

€	Remaining authorised capital 31.12.2019	Added in financial year	Used in financial year	Expired in financial year	Remaining authorised capital 31.12.2020
Total	**626,178,817**	**–**	**–**	**–**	**626,178,817**

(33) Conditional capital

€	Conditional capital 31.12.2019	Added in financial year	Used in financial year	Expired in financial year	Conditional capital 31.12.2020	of which: Used conditional capital	of which: Still available
Total	–	–	–	–	–	–	–

The authorisation of the Board of Managing Directors adopted by resolution of the Annual General Meeting on 30 April 2015 to issue convertible bonds or bonds with warrants, profit-sharing certificates and other hybrid debt instruments (the profit-sharing certificates and hybrid debt instruments with or without conversion or option rights or obligations) was revoked by resolution of the Annual General Meeting on 22 May 2019.

(34) Non-distributable amounts

€m	31.12.2020	31.12.2019
In-house developed intangible assets[1]	932	1,031
Difference arising from the recognition of plan assets at fair value[1]	2,123	1,456
Difference between an average 10-year and 7-year market interest rate for the discounting of provisions for pension obligations[2]	812	819
Non-distributable amount	**3,867**	**3,306**

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

(35) Significant shareholder voting rights

As at 31 December 2020, Commerzbank Aktiengesellschaft had received the following notifications of voting rights:

Company required to report	Registered office	Total %[1]	Report date
Federal Republic of Germany	Berlin	15.60	04.06.2013
The Capital Group Companies	Los Angeles, USA	5.31	06.10.2020
Cerberus Capital Management, L.P.	New York, USA	5.01	26.07.2017
BlackRock Inc.	Wilmington, Delaware, USA	4.99	30.05.2018
Ministry of Finance on behalf of the state of Norway	Oslo, Norway	3.6	31.07.2020

[1] Voting rights held directly and indirectly.

(36) Treasury shares

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

No treasury shares were acquired during the financial year and Commerzbank Aktiengesellschaft held no treasury shares as at the reporting date. Customers pledged 2,358,653 shares as collateral (previous year: 2,723,043 shares).

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

Other notes

(37) Off-balance-sheet transactions

a) Contingent liabilities

€m	31.12.2020	31.12.2019
Contingent liabilities from rediscounted bills of exchange credited to borrowers	1	1
Liabilities from guarantees and indemnity agreements[1]	41,955	40,794
Other guarantees	32,566	33,557
Letters of credit	4,546	3,876
Credit guarantees	4,843	3,362
Total	**41,956**	**40,795**

[1] See note 37 d) Other financial commitments.

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

b) Other commitments

€m	31.12.2020	31.12.2019
Irrevocable lending commitments	**81,912**	**76,234**
Loans to customers	79,249	72,923
Loans to banks	1,132	1,461
Acceptance credits and letters of credit	1,531	1,850

Irrevocable lending commitments are part of Commerzbank Aktiengesellschaft's lending business and are reported outside the balance sheet. Risks may arise due to the deterioration of a customer's credit quality, for which a corresponding provision is created on the balance sheet.

Commerzbank Aktiengesellschaft arranges securitisations of the Bank's own receivables as well as of customers' receivables portfolios via special purpose entities. The transactions serve to procure liquidity or to tap new sources of funding for customers or for Commerzbank Aktiengesellschaft.

The liquidity facilities and back-up credit lines provided to the securitisation vehicles are also shown under irrevocable lending commitments. Liquidity or back-up lines may be used if the risks relating to the underlying financial instruments increase, or the securitised paper can no longer be sold on the market as planned.

c) Securities lending transactions

Commerzbank Aktiengesellschaft carries out securities lending transactions with the aim of ensuring that its securities trading operations are able to meet delivery obligations and generate income from lending securities held in our trading portfolios. Securities borrowed are not recognised in the balance sheet because beneficial ownership remains with the lender due to the structure of the transactions. Securities lent out therefore continue to be recognised in the balance sheet. A key benefit for Commerzbank Aktiengesellschaft is the additional income generated by lending our securities holdings. As at the reporting date, the fair value of securities lent amounted to €1,525m (previous year: €5,215m), while the fair value of securities borrowed amounted to €7,207m (previous year: €12,423m).

As part of these securities transactions, collateral for securities lent amounted to €1,524m (previous year: €5,027m) and that for securities borrowed to €3,817m (previous year: €9,100m).

d) Other financial commitments

In the context of operating lease agreements where Commerzbank Aktiengesellschaft is the lessee, economic ownership is retained by the lessor and the lease asset is therefore not shown in the balance sheet of Commerzbank Aktiengesellschaft. Commerzbank Aktiengesellschaft's liabilities under operating leases are mainly related to buildings, office furniture and equipment. As at 31 December 2020, existing commitments from rental, tenancy and leasing agreements amounted to €1,772m (previous year: €1,925m); €145m of this amount relates to affiliated companies (previous year: €103m).

Payment commitments for shares, shareholdings in limited companies and other shareholdings amounted to €9m on the reporting date (previous year: €0m).

In accordance with Art. 5 (10) of the statutes of the German Deposit Protection Fund, we have undertaken to indemnify the Association of German Banks for any losses incurred through support provided for banks in which Commerzbank Aktiengesellschaft holds a majority interest.

Other financial commitments include the irrevocable payment obligation provided by the Single Resolution Board (SRB) after approval of the Bank's request for security for payment of part of the European banking levy.

Securities with a book value of €12,441m (previous year: €9,836m) were furnished as collateral for obligations on futures exchanges and clearing houses.

In the circular of the German Federal Ministry of Finance (BMF) dated 17 July 2017, the tax authorities addressed the treatment of cum-cum transactions, declaring their intention to critically examine past transactions for indications of abuse of law. According to the view put forward in the BMF circular, abuse of law pursuant to Art. 42 of the German Tax Code (Abgabenordnung, AO) is indicated if there are no economically reasonable grounds for the transaction in question and the structure of the transaction appears to be largely tax-induced (tax arbitrage). The circular provides a non-exhaustive list of cases which the BMF will assess for tax purposes. Within the framework of Commerzbank Aktiengesellschaft's ongoing tax audit, the tax auditors commented on the treatment of these transactions in the form of audit notes. Further discussions are taking place on this issue. Furthermore, in the assessments for the years 2014 and 2015, the tax office reduced the credit for capital gains taxes. In response, Commerzbank Aktiengesellschaft made value adjustments to tax credits shown in the balance sheet and set up additional provisions for possible repayment claims in order to reflect the changed risk situation appropriately. The tax authorities are currently discussing a revision of the above-mentioned BMF circular following the ruling of the Fiscal Court of Hessen on 28 January 2020 (4 K 890/17). In light of an expected tightening up of the circular and on the basis of a notice issued to prevent the threat of limitation of payments applying to 2013, the risk provisioning for the years 2013 to 2015 was adjusted. It cannot be ruled out that a different estimate will result after the issuance of a new BMF circular or further fiscal court rulings.

With respect to cum-cum securities lending transactions, Commerzbank is exposed to compensation claims from third parties for crediting entitlements that have been denied. Based on the analyses performed, Commerzbank considers it unlikely that such claims could be enforced. However, it cannot be ruled out. Under these circumstances, Commerzbank estimates the potential financial impact in the upper double-digit million range, plus interest on arrears. The possibility that this conclusion could alter as developments unfold, for example in connection with assessments made by the tax authorities and fiscal/civil courts, cannot be completely ruled out.

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

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

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

Commerzbank Aktiengesellschaft has given an undertaking to the Polish Financial Supervision Authority that it will provide its affiliated companies mBank S.A., Warsaw and mBank Hipoteczny S.A., Warsaw with sufficient liquidity and capital to ensure that they are in a position to meet their financial obligations at all times.

In respect of the subsidiaries listed below and included in the Group financial statements, Commerzbank Aktiengesellschaft is obliged to ensure that, except in the case of political risks, they are able to meet their contractual liabilities ("letter of comfort").

Name	Registered office
Commerzbank (Eurasija) AO	Moscow
Commerzbank Brasil S.A. - Banco Múltiplo	São Paulo
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main
Commerzbank Finance & Covered Bond S.A.	Luxembourg
CommerzTrust GmbH	Frankfurt/Main
Commerz Markets LLC	New York
LSF Loan Solutions Frankfurt GmbH	Eschborn

(38) Forward transactions

As at 31 December 2020, forward transactions entered into by Commerzbank Aktiengesellschaft could be broken down as follows:

€m	Nominal values		Fair value
		positive	negative
Foreign-currency-based forward transactions			
OTC products	580,179	9,687	8,358
Foreign exchange spot and forward contracts	336,693	797	814
Interest rate and currency swaps	227,063	8,400	7,252
Currency call options	5,577	480	–
Currency put options	9,452	–	272
Other foreign exchange contracts	1,394	10	20
Exchange-traded products	953	–	–
Currency futures	953	–	–
Currency options	–	–	–
Total	**581,132**	**9,687**	**8,358**
of which: trading securities	1,053,643	9,434	7,940
Interest-based forward transactions			
OTC products	5,860,876	163,977	160,883
Forward rate agreements	1,738,564	409	409
Interest rate swaps	3,902,560	160,679	156,681
Interest rate call options	22,079	2,881	–
Interest rate put options	22,087	–	3,587
Other interest rate contracts	175,586	8	206
Exchange-traded products	181,793	1	1
Interest rate futures	161,788	1	1
Interest rate options	20,005	–	–
Total	**6,042,669**	**163,978**	**160,884**
of which: trading securities	9,922,429	153,804	153,520
Other forward transactions			
OTC products	58,590	3,243	2,618
Structured equity/index products	25,014	623	–
Equity call options	2,694	2,184	–
Equity put options	2,854	–	2,065
Credit derivatives	22,372	268	433
Precious metal contracts	471	29	5
Other transactions	5,185	139	115
Exchange-traded products	12,382	405	333
Equity futures	2,588	4	9
Equity options	5,298	320	313
Other futures	4,239	–	2
Other options	257	81	9
Total	**70,972**	**3,648**	**2,951**
of which: trading securities	123,286	3,236	2,608
Total pending forward transactions			
OTC products	6,499,645	176,907	171,859
Exchange-traded products	195,128	406	334
Total	**6,694,773**	**177,313**	**172,193**
Net position		**25,481**	**19,744**
of which: trading securities		14,643	11,618

The total effect of netting on the assets and on the liabilities ,side amounted to €164,962m as at 31 December 2020 (previous year: €136,251m). On the assets side, this included positive fair values of €151,832m (previous year: €124,699m), claims on banks of €7,199m (previous year: €6,433m) and other assets of €5,931m (previous year: €5,119m). On the liabilities side, negative fair values of €152,449m (previous year: €126,015m), liabilities to banks of €4,534m (previous year: €3,729m) and other liabilities of €7,979m (previous year: €2,902m) were netted.

In accordance with Art. 249 (1) HGB, a provision for impending losses for derivative financial instruments in the non-trading portfolio was created in the amount of €381m (previous year: €210m).

(39) Employees

The figures for the average annual number of employees at Commerzbank Aktiengesellschaft include both full-time and part-time personnel, but not apprentices. The figures for the 2020 financial year also include the employees of the merged comdirect bank.

	2020			2019		
	Total	male	female	Total	male	female
Employees (number)	**32,376**	**16,342**	**16,034**	**32,343**	**16,287**	**16,056**
in Germany	28,938	14,173	14,765	28,938	14,572	14,366
outside Germany	3,438	2,169	1,269	3,405	1,715	1,690

(40) Remuneration and loans to board members

A detailed description of the remuneration system as well as individual remuneration details for the members of the Board of Managing Directors and the members of the Supervisory Board are provided in the Remuneration Report (pp. 5 ff.).

The interest rate and collateralisation of loans to members of the Board of Managing Directors and the Supervisory Board are at normal market terms. If necessary, the loans are secured through land charges or rights of lien. The Bank did not grant any advances to members of the Board of Managing Directors and the Supervisory Board during the year under review. In addition, the companies of the Commerzbank Group did not have any material contingent liabilities in connection with these persons.

Claims on members of the Board of Managing Directors as at 31 December 2020 amounted to €2,116 thousand (previous year: €5,549 thousand) and those on members of the Supervisory Board to €1,719 thousand (previous year: €1,468 thousand). In the reporting year, members of the Board of Managing Directors repaid €24 thousand, and members of the Supervisory Board repaid €37 thousand.

Excluding the interest-rate-adjusted change in the net present value of pension entitlements included in the calculation of pension liabilities, the total remuneration of the members of the Board of Managing Directors and Supervisory Board in accordance with Art. 285 no. 9a HGB was as follows:

€1,000	31.12.2020	31.12.2019
Board of Managing Directors	9,058	10,033
Supervisory Board	3,465	3,322
Total	**12,523**	**13,355**

The assets backing the Bank’s retirement benefit plan for present and former members of the Board of Managing Directors or their surviving dependants have been transferred to Commerzbank Pensions-Trust e.V. as part of a contractual trust arrangement.

The net present value of pension entitlements for active members of the Board of Managing Directors as at 31 December 2020 was €16,348 thousand (previous year: €25,429 thousand).

Payments to former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft and their surviving dependants in the financial year came to €8,223 thousand (previous year: €7,390 thousand). The pension liabilities for these persons amounted to €101,661 thousand (previous year: €91,419 thousand). Payments to former board members of merged companies and their surviving dependants were €10,459 thousand (previous year: €11,618 thousand). There were also outstanding pension obligations to these persons, which amounted to €141,699 thousand (previous year: €134,096 thousand). Commerzbank Aktiengesellschaft has recognised provisions for all of the above pension obligations.

(41) Corporate Governance Code

We have issued our declaration of compliance with the German Corporate Governance Code pursuant to Art. 161 of the German Stock Corporation Act (AktG). It forms part of the corporate governance declaration and has been published on the internet (www.commerzbank.de).

(42) Investment funds

The disclosable investment fund units are included in the liquidity reserve and the trading portfolio and are measured at fair value. The data for the fair value therefore correspond to the carrying amount. In some cases restrictions may apply to daily redemptions. In the year under review, there were no distributions from the index funds subject to disclosure (previous year: €2m). The distributions from the balanced funds subject to disclosure amounted to €0m (previous year: €1m). The table below shows the value of domestic and foreign investment funds in which Commerzbank Aktiengesellschaft had holdings of more than 10% as at 31 December 2020 by category:

€m	31.12.2020	31.12.2019
Index funds	–	259
Balanced funds	30	130
Bonds and other fixed-income funds	–	–
Equity funds	–	–
Total	**30**	**389**

(43) Mortgage Pfandbriefe

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

Art. 28 (1) no. 1, 2, 3 PfandBG | €m	31.12.2020			31.12.2019		
Cover calculation mortgage Pfandbriefe	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**
Liabilities to be covered	19,724.4	21,089.3	20,042.5	17,780.4	18,959.5	20,019.5
of which Pfandbriefe outstanding	19,724.4	21,089.3	20,042.5	17,780.4	18,959.5	20,019.5
of which derivatives	–	–	–	–	–	–
Cover assets	33,522.5	37,313.9	35,168.3	29,044.3	31,951.8	33,663.3
of which cover loans	32,530.2	36,154.5	34,074.3	28,448.8	31,292.4	32,979.1
of which cover assets Art. 19 (1) no. 1, 2, 3 PfandBG	992.3	1,159.4	1,094.0	595.5	659.4	684.2
of which derivatives	–	–	–	–	–	–
Risk-adjusted net present value after interest rate stress test			15,125.8			13,643.8
Loss from currency stress test			–			–
Cover surplus	**13,798.1**	**16,224.6**	**15,125.8**	**11,263.9**	**12,992.2**	**13,643.8**

[1] Risk-adjusted net present value including currency stress test.

Art. 28 (1) no. 2 PfandBG | €m	31.12.2020	31.12.2019
Mortgage Pfandbriefe outstanding with a residual term of		
up to 6 months	748.9	46.1
over 6 months up to 12 months	57.0	1,262.1
over 12 months up to 18 months	1,125.0	746.7
over 18 months up to 2 years	2,737.0	57.0
over 2 years up to 3 years	2,808.0	1,862.0
over 3 years up to 4 years	2,249.5	2,808.0
over 4 years up to 5 years	2,376.5	2,244.5
over 5 years up to 10 years	6,211.5	7,343.0
over 10 years	1,411.0	1,411.0
Total	**19,724.4**	**17,780.4**
Cover assets mortgage Pfandbriefe with a residual fixed interest period of		
up to 6 months	1,091.9	1,028.2
over 6 months up to 12 months	959.0	1,163.6
over 12 months up to 18 months	1,335.7	1,088.3
over 18 months up to 2 years	1,273.5	999.7
over 2 years up to 3 years	3,404.7	2,701.8
over 3 years up to 4 years	4,043.0	3,295.1
over 4 years up to 5 years	3,744.8	3,653.3
over 5 years up to 10 years	15,344.3	13,497.1
over 10 years	2,325.5	1,617.2
Total	**33,522.5**	**29,044.3**

Art. 28 (1) no. 4, 5, 6 PfandBG Other cover assets | €m	31.12.2020	31.12.2019
Equalisation claims as defined by Art. 19 (1) no. 1 PfandBG		
Germany	–	–
Total	**–**	**–**
Loans as defined by Art. 19 (1) no. 2 PfandBG		
Germany	–	–
of which: covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Total	**–**	**–**
Loans as defined by Art. 19 (1) no. 3 PfandBG		
Germany	490.0	425.0
Italy	343.3	–
Austria	69.0	84.0
Czech Republic	–	86.5
Spain	90.0	–
Total	**992.3**	**595.5**
Total	**992.3**	**595.5**

Art. 28 (2) no. 1 a PfandBG Size categories | €m	31.12.2020	31.12.2019
up to €0.3m	24,942.8	21,985.8
over €0.3m up to €1m	5,815.0	4,886.4
over €1m up to €10m	1,093.6	972.3
over €10m	678.8	604.3
Total	**32,530.2**	**28,448.8**

Art. 28 (2) no. 1 b and c PfandBG Mortgage Pfandbriefe by property and type of use | €m	31.12.2020		31.12.2019	
Germany	**Commercial**	**Residential**	**Commercial**	**Residential**
Flats	–	8,904.1	–	7,536.2
Single family houses	–	19,222.7	–	16,928.1
Multi-dwellings	–	3,613.3	–	3,261.3
Office buildings	466.4	–	422.6	–
Retail buildings	186.9	–	199.9	–
Industrial buildings	0.2	–	0.2	–
Other commercially used real estate	136.6	–	99.9	–
Unfinished new buildings not yet generating income	–	0,1	–	0,6
Building sites	–	–	–	–
Total	**790.1**	**31,740.1**	**722.6**	**27,726.2**

Art. 28 (1) no. 10 PfandBG Foreign currency | €m	31.12.2020	31.12.2019
Net present value	–	–

Art. 28 (1) no. 9 PfandBG Interest structure | %	31.12.2020	31.12.2019
Share of fixed-income cover assets	98.7	99.0
Share of fixed-income Pfandbriefe	89.4	99.4

Art. 28 (1) no. 8 PfandBG Limit breaches | €m	31.12.2020	31.12.2019
Total amount of loans that exceed the limits defined by Art. 13 (1) PfandBG	–	–
Total amount of loans that exceed the limits defined by Art. 19 (1) PfandBG	–	–

Art. 28 (1) no. 11 PfandBG Other structural data	31.12.2020	31.12.2019
Average age of the loans weighted by value, in years (seasoning)	4.7	4.7
Average weighted loan-to-value ratio in %	52.6	52.6

Art. 28 (2) no. 2 PfandBG Payments in arrears Germany | €m	31.12.2020	31.12.2019
Total payments overdue by at least 90 days	–	–
Total amount of interest in arrears	–	–
Total amount of these receivables where the arrears represent at least 5% of the receivable concerned	–	–

Foreclosure sales

There were no foreclosure sales in 2020. No foreclosures are currently pending.

Acquisition of properties

No properties were acquired as a loss prevention measure in 2020.

(44) Public Pfandbriefe

Art. 28 (1) no. 1 and 3 PfandBG | €m	31.12.2020			31.12.2019		
Cover calculation public Pfandbriefe	Nominal value	Net present value	Risk-adjusted net present value[1]	Nominal value	Net present value	Risk-adjusted net present value[1]
Liabilities to be covered	11,281.2	13,741.6	13,073.5	6,615.5	8,990.6	8,316.9
of which: Pfandbriefe outstanding	11,281.2	13,741.6	13,073.5	6,615.5	8,990.6	8,316.9
of which: derivatives	–	–	–	–	–	–
Cover assets	12,124.1	16,964.5	14,639.6	11,712.4	16,247.5	14,119.3
of which: export finance loan	2,176.6	2,301.3	2,232.7	1,901.5	2,007.8	1,965.1
of which: cover assets Art. 20 (1) PfandBG	12,049.4	16,867.2	14,547.6	11,626.0	16,137.1	14,014.9
of which: cover assets Art. 20 (2) PfandBG	74.7	97.3	92.0	86.4	110.4	104.4
of which: derivatives	–	–	–	–	–	–
Risk-adjusted net present value after interest rate stress test			2,104.8			6,237.9
Loss from currency stress test			-538.7			-435.5
Cover surplus	**842.9**	**3,222.9**	**1,566.1**	**5,097.0**	**7,256.9**	**5,802.4**

[1] Risk-adjusted net present value including currency stress test.

Art. 28 (1) no. 2 PfandBG | €m	31.12.2020	31.12.2019
Public Pfandbriefe outstanding with a residual term of		
up to 6 months	112.9	542.2
over 6 months up to 12 months	231.8	461.0
over 12 months up to 18 months	147.5	110.5
over 18 months up to 2 years	273.0	230.3
over 2 years up to 3 years	3,167.3	420.5
over 3 years up to 4 years	1,607.5	316.0
over 4 years up to 5 years	2,446.5	717.5
over 5 years up to 10 years	1,564.7	1,751.2
over 10 years	1,730.0	2,066.3
Total	**11,281.2**	**6,615.5**
Cover assets public Pfandbriefe with a residual fixed interest period of		
up to 6 months	559.5	504.0
over 6 months up to 12 months	287.3	579.3
over 12 months up to 18 months	519.7	408.1
over 18 months up to 2 years	582.0	183.9
over 2 years up to 3 years	767.5	839.0
over 3 years up to 4 years	992.2	582.3
over 4 years up to 5 years	781.0	819.1
over 5 years up to 10 years	3,288.6	3,233.6
over 10 years	4,346.3	4,562.9
Total	**12,124.1**	**11,712.4**

Art. 28 (1) no. 4 and 5 PfandBG Other cover assets | €m	31.12.2020	31.12.2019
Equalisation claims as defined by Art. 20 (2) no. 1 PfandBG		
Germany	–	–
Total	**–**	**–**
Equalisation claims as defined by Art. 20 (2) no. 2 PfandBG		
Germany	74.7	86.4
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Total	**74.7**	**86.4**
Total	**74.7**	**86.4**

Art. 28 (3) no.1 PfandBG Size categories | €m	31.12.2020	31.12.2019
up to €10m	575.4	264.9
over €10m up to €100m	3,843.7	2,866.9
over €100m	7,630.3	8,494.3
Total	**12,049.4**	**11,626.0**

Art. 28 (1) no. 10 PfandBG Foreign currency | €m	31.12.2020	31.12.2019
Net present value in Swiss francs	575.7	593.4
Net present value in British pounds	3,124.0	3,337.6
Net present value in US dollars	839.5	706.8

Art. 28 (1) no. 9 PfandBG Interest structure | %	31.12.2020	31.12.2019
Share of fixed-income cover assets	71.2	70.5
Share of fixed-income Pfandbriefe	43.7	90.7

Art. 28 (1) no. 8 PfandBG Limit breaches | €m	31.12.2020	31.12.2019
Total amount of loans that exceed the limits defined by Art. 20 (2) PfandBG	–	–

Art. 28 (3) no. 3 PfandBG Payments in arrears | €m	31.12.2020	31.12.2019
Total payments overdue by at least 90 days	–	–
Total amount of these receivables where the arrears represent at least 5% of the receivable concerned	–	–

Art. 28 (3) no. 2 PfandBG Registered office of borrowers or guarantors | €m	31.12.2020	31.12.2019
Total	**12,049.4**	**11,626.0**
of which: borrowers have a registered office in		
Countries	**896.2**	**1,009.4**
Greece	**31.1**	**–**
Great Britain/North Ireland/Channel Islands/Isle of Man	26.3	104.7
Iceland	90.7	94.7
Italy	44.0	44.7
Canada	14.0	15.4
Austria	365.0	425.0
Portugal	100.0	100.0
Spain	225.0	225.0
Regional authorities	**4,155.8**	**4,856.4**
Germany	2,864.2	3,309.3
France including Monaco	29.7	35.6
Italy	257.8	487.8
Japan	42.0	42.0
Canada	16.9	37.4
Switzerland	700.0	699.1
Spain	245.1	245.1
Local authorities	**4,121.3**	**2,661.1**
Germany	1,783.1	10.4
Estonia	1.4	2.8
Finland	69.8	74.8
France including Monaco	15.7	17.5
Great Britain/North Ireland/Channel Islands/Isle of Man	1,575.5	1,652.8
Italy	334.5	475.5
Switzerland	93.2	103.4
USA	248.1	323.9
Other borrowers with a registered office in	**222.0**	**616.1**
Germany	195.0	195.0
France including Monaco	–	382.6
USA	27.0	38.5
Total	**9,395.2**	**9,143.1**
of which: guarantors have a registered office in		
Countries	**2,176.6**	**1,901.5**
Germany	1,779.4	1,798.4
of which: receivables from export credit agencies	1,779.4	1,798.4
Denmark	44.7	–
of which: receivables from export credit agencies	44.7	–
Finland	28.6	43.8
of which: receivables from export credit agencies	28.6	43.8
France including Monaco	45.8	–
of which: receivables from export credit agencies	45.8	–
Great Britain/North Ireland/Channel Islands/Isle of Man	107.6	–
of which: receivables from export credit agencies	107.6	–
Austria	–	2.3
of which: receivables from export credit agencies	–	2.3
Sweden	17.7	32.3
of which: receivables from export credit agencies	17.7	32.3
Switzerland	152.9	24.8
of which: receivables from export credit agencies	152.9	24.8
Regional authorities	**72.1**	**77.8**
Belgium	72.1	77.8
Local authorities	**–**	**–**
Germany	–	–
Other borrowers	**405.5**	**503.6**
Germany	405.5	503.6
Total	**2,654.2**	**2,482.9**
Other cover assets as defined by Art. 20 (2) PfandBG	**74.7**	**86.4**
Total	**12,124.1**	**11,712.4**

(45) Ship Pfandbriefe

Commerzbank Aktiengesellschaft returned the licence to operate the ship Pfandbriefe business with effect as of 31 May 2017. The Federal Financial Supervisory Authority has granted an exemption from the limitation stipulated in Art. 26 (1) no. 4 of the German Pfandbrief Act for additional cover assets as of 1 June 2017. The ship Pfandbriefe issued are fully collateralised by other cover assets that meet the requirements for covering public Pfandbriefe and – insofar as they exceed the limitation stipulated in the Pfandbrief Act for additional cover assets – the additional creditworthiness criteria set out by the Federal Financial Supervisory Authority.

Art. 28 (1) no. 1 and 3 | €m	31.12.2020			31.12.2019		
Cover calculation ship Pfandbriefe	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**
Liabilities to be covered	210.5	232.5	228.0	337.5	373.1	373.1
of which: Pfandbriefe outstanding	210.5	232.5	228.0	337.5	373.1	373.1
of which: derivatives	–	–	–	–	–	–
Cover assets	313.0	379.0	355.4	403.0	420.7	420.7
of which: cover loans	–	–	–	–	–	–
of which: cover assets as defined by Art. 26 (1) no. 2, 3, 4 PfandBG	313.0	379.0	355.4	403.0	420.7	420.7
of which: derivatives	–	–	–	–	–	–
Risk-adjusted net present value after interest rate stress test			127.4			47.6
Loss from currency stress test			–			–
Cover surplus	**102.5**	**146.5**	**127.4**	**65.5**	**47.6**	**47.6**

[1] Risk-adjusted net present value including currency stress test.

Art. 28 (1) no. 2 PfandBG | €m	31.12.2020	31.12.2019
Ship Pfandbriefe outstanding with a residual term of		
up to 6 months	41.5	25.0
over 6 months up to 12 months	50.0	102.0
over 12 months up to 18 months	10.0	41.5
over 18 months up to 2 years	50.0	50.0
over 2 years up to 3 years	10.0	60.0
over 3 years up to 4 years	5.0	10.0
over 4 years up to 5 years	42.0	5.0
over 5 years up to 10 years	2.0	44.0
over 10 years	–	–
Total	**210.5**	**337.5**
Cover assets ship Pfandbriefe with a residual fixed interest period of		
up to 6 months	70.0	140.0
over 6 months up to 12 months	–	–
over 12 months up to 18 months	48.0	70.0
over 18 months up to 2 years	75.0	–
over 2 years up to 3 years	–	173.0
over 3 years up to 4 years	–	–
over 4 years up to 5 years	–	–
over 5 years up to 10 years	–	–
over 10 years	120.0	20.0
Total	**313.0**	**403.0**

Art. 28 (1) no. 4, 5 and 6 PfandBG Other cover assets | €m	31.12.2020	31.12.2019
Germany		
Equalisation claims as defined by Art. 26 (1) no. 2 PfandBG	–	–
Loans as defined by Art. 26 (1) no. 3 PfandBG	–	–
of which: covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Loans as defined by Art. 26 (1) no. 4 PfandBG	193.0	383.0
Austria		
Equalisation claims as defined by Art. 26 (1) no. 2 PfandBG	–	–
Loans as defined by Art. 26 (1) no. 3 PfandBG	–	–
of which: covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Loans as defined by Art. 26 (1) no. 4 PfandBG	100.0	–
Portugal		
Equalisation claims as defined by Art. 26 (1) no. 2 PfandBG	–	–
Loans as defined by Art. 26 (1) no. 3 PfandBG	–	–
of which: covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Loans as defined by Art. 26 (1) no. 4 PfandBG	20.0	20.0
Total	**313.0**	**403.0**

Art. 28 (4) no. 1 a PfandBG Size categories | €m	31.12.2020	31.12.2019
up to €0.5m	–	–
over €0.5m up to €5m	–	–
over €5m	–	–
Total	**–**	**–**

Art. 28 (4) no. 1 b PfandBG Country in which the mortgaged vessel or vessel under construction is registered | €m	31.12.2020	31.12.2019
Ocean going vessels	–	–
Inland waterway vessels	–	–
Total	**–**	**–**

Art. 28 (1) no. 10 PfandBG Foreign currency | €m	31.12.2020	31.12.2019
Net present value in Swiss francs	–	–
Net present value in Japanese yen	–	–
Net present value in US dollars	–	–
Total	**–**	**–**

Art. 28 (1) no. 9 PfandBG Interest structure | %	31.12.2020	31.12.2019
Share of fixed-income cover assets	76.0	81.4
Share of fixed-income Pfandbriefe	100.0	100.0

Art. 28 (1) no. 8 PfandBG Limit breaches | €m	31.12.2020	31.12.2019
Total amount of loans that exceed the limits defined by Art. 26 (1) PfandBG	–	–

Foreclosure sales

There were no foreclosure sales in 2020. No foreclosures are currently pending.

Acquisition of ships or of ships under construction

As in the previous year, Commerzbank Aktiengesellschaft did not acquire any ships as a loss prevention measure.

Payments in arrears

The nominal value of the loan receivables used to cover for ship Pfandbriefe was €0.0m; as a consequence, there were also no payments in arrears.

In the previous year the nominal value of the loan receivables used to cover for ship Pfandbriefe was also €0.0m, as a consequence, there were also no payments in arrears in the previous year.

(46) Holdings in affiliated and other companies

We provide the following information pursuant to Art. 271 (1) and Art. 285 no. 11, 11a and 11b HGB. Footnotes and comments on the tables below appear at the end of this note.

a) Equity holdings

Name	Registered office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000	
AKA Ausfuhrkredit-Gesellschaft mbH	Frankfurt/Main, Germany	31.6	EUR	242,572	10,621	
ALWIGA Netzbeteiligungen GmbH	Düsseldorf, Germany	100.0	EUR	25	–	a)
Asekum Sp. z o.o.	Warsaw, Poland	100.0	PLN	10,592	4,896	
Atlas Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	122,470	–	a)
Bridge Re Limited	Hamilton, Bermuda	100.0	USD	620	238	
CBG Commerz Beteiligungsgesellschaft Holding mbH	Frankfurt/Main, Germany	100.0	EUR	2,137	–	a)
CBG Commerz Beteiligungsgesellschaft mbH & Co. KG	Frankfurt/Main, Germany	100.0	EUR	65,419	4,987	
CBG Commerz Beteiligungskapital GmbH & Co. KG	Frankfurt/Main, Germany	100.0	EUR	16,735	4,126	
CERI International Sp. z o.o.	Lódz, Poland	100.0	PLN	68,628	20,369	
Coba Vermögensverwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	26	0	a)
comdirect Versicherungsmakler AG	Quickborn, Germany	100.0	EUR	33,094	-1,269	
Commerz (East Asia) Limited	Hong Kong, Hong Kong	100.0	EUR	4,271	-11	
Commerz Business Consulting GmbH	Frankfurt/Main, Germany	100.0	EUR	157	–	a)
Commerz Direktservice GmbH	Duisburg, Germany	100.0	EUR	1,534	–	a)
Commerz Grundbesitz Beteiligungsgesellschaft mbH & Co. KG	Frankfurt/Main, Germany	90.0	EUR	15,815	752	
Commerz Markets LLC	Wilmington, Delaware, USA	100.0	USD	186,251	20,739	
Commerz Real AG	Wiesbaden, Germany	100.0	EUR	408,394	–	a)
Commerz Real Fonds Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	151	–	a)
Commerz Real Investmentgesellschaft mbH	Wiesbaden, Germany	100.0	EUR	21,968	–	a)
Commerz Real Kapitalverwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	5,000	–	a)
Commerz Real Mobilienleasing GmbH	Düsseldorf, Germany	100.0	EUR	35,000	–	a)
Commerz Real Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	EUR	26	–	a)
Commerz Service-Center Intensive GmbH	Düsseldorf, Germany	100.0	EUR	1,138	–	a)
Commerz Services Holding GmbH	Frankfurt/Main, Germany	100.0	EUR	15,979	–	a)
Commerzbank (Eurasija) AO	Moscow, Russia	100.0	RUB	10,263,695	1,124,503	
Commerzbank Brasil S.A. - Banco Múltiplo	São Paulo, Brazil	100.0	BRL	213,445	-44,291	
Commerzbank Finance & Covered Bond S.A.	Luxembourg, Luxembourg	100.0	EUR	1,193,212	-16,308	
Commerzbank Finance 3 S.à r.l.	Luxembourg, Luxembourg	100.0	EUR	709	-22	
Commerzbank Finance BV	Amsterdam-Zuidoost, Netherlands	100.0	EUR	1,013	10	
Commerzbank Finance Limited	London, United Kingdom	100.0	GBP	111,910	43,261	
Commerzbank Holdings (UK) Limited	London, United Kingdom	100.0	GBP	14,680	1,242	
Commerzbank Holdings France	Paris, France	100.0	EUR	38,925	-1,757	
Commerzbank Immobilien- und Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	462,597	–	a)
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main, Germany	100.0	EUR	1,494,051	–	a)
Commerzbank Leasing 6 S.à r.l.	Luxembourg, Luxembourg	100.0	GBP	98	-1	
Commerzbank Leasing December (3) Limited	London, United Kingdom	100.0	GBP	31	125	
Commerzbank Leasing Holdings Limited	London, United Kingdom	100.0	GBP	1,251	-61	
Commerzbank Leasing Limited	London, United Kingdom	100.0	GBP	61	0	

Name	Registered office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000	
Commerzbank Leasing September (5) Limited	London, United Kingdom	100.0	GBP	-12	30	
Commerzbank U.S. Finance, Inc.	Wilmington, Delaware, USA	100.0	USD	357	2	
Commerzbank Zrt.	Budapest, Hungary	100.0	HUF	29,325,279	1,201,919	
CommerzFactoring GmbH	Mainz, Germany	50.1	EUR	1,099	–	a)
CommerzVentures Beteiligungs GmbH & Co. KG	Frankfurt/Main, Germany	99.4	EUR	25,473	19,548	
CommerzVentures GmbH	Frankfurt/Main, Germany	100.0	EUR	56,494	22,697	
CommerzVentures II Beteiligungs GmbH & Co. KG	Frankfurt/Main, Germany	33.3	EUR	894	-751	
ComTS Finance GmbH	Halle (Saale), Germany	100.0	EUR	1,550	–	a)
ComTS Logistics GmbH	Magdeburg, Germany	100.0	EUR	1,550	–	a)
ComTS Mitte GmbH	Erfurt, Germany	100.0	EUR	2,714	–	a)
ComTS Nord GmbH	Magdeburg, Germany	100.0	EUR	1,492	–	a)
ComTS Ost GmbH	Halle (Saale), Germany	100.0	EUR	1,550	–	a)
ComTS Rhein-Ruhr GmbH	Duisburg, Germany	100.0	EUR	1,050	–	a)
ComTS West GmbH	Hamm, Germany	100.0	EUR	1,256	–	a)
Coubag Unternehmensbeteiligungsgesellschaft mbH	Frankfurt/Main, Germany	40.0	EUR	87,169	-60	1)
CR Hotel Target Pty Ltd	Sydney, NSW, Australia	50.0	AUD	20,327	-7,569	
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schwabing KG	Düsseldorf, Germany	100.0	EUR	-3,094	1,306	
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Wuppertal KG	Düsseldorf, Germany	100.0	EUR	-883	381	
Dresdner Capital LLC I	Wilmington, Delaware, USA	100.0	USD	1,909	42	
Dresdner Capital LLC IV	Wilmington, Delaware, USA	100.0	JPY	15,162	2,719	
Dresdner Kleinwort Luminary Inc.	Wilmington, Delaware, USA	100.0	USD	21,590	3,751	
Dresdner Lateinamerika Aktiengesellschaft	Hamburg, Germany	100.0	EUR	39,567	–	a)
DSB Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	25	–	a)
DTE Energy Center, LLC	Wilmington, Delaware, USA	50.0	USD	58,768	8,831	
FABA Vermietungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	26	–	a)
Frega Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	438	-71	
Future Tech Fundusz Inwestycyjny Zamkniety	Warsaw, Poland	99.0	PLN	213,482	-21,216	
FV Holding S.A.	Brussels, Belgium	60.0	EUR	1,188	-35	
Garbary Sp. z o.o.	Poznan, Poland	100.0	PLN	6,625	69	
Greene Elm Trading VII LLC	Wilmington, Delaware, USA	100.0	USD	1,046,964	38,410	
ILV Immobilien-Leasing Verwaltungsgesellschaft Düsseldorf mbH	Düsseldorf, Germany	50.0	EUR	36,956	9,342	
KENSTONE GmbH	Eschborn, Germany	100.0	EUR	889	–	a)
Kira Vermögensverwaltungsgesellschaft mbH	Munich, Germany	100.0	EUR	74,830	–	a)
Kommanditgesellschaft MS "CPO ALICANTE" Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	26,394	5,222	
Kommanditgesellschaft MS "CPO ANCONA" Offen Reederei GmbH & Co.	Hamburg, Germany	77.2	EUR	40,644	7,455	
Kommanditgesellschaft MS "CPO BILBAO" Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	24,819	5,139	
Kommanditgesellschaft MS "CPO MARSEILLE" Offen Reederei GmbH & Co.	Hamburg, Germany	77.2	EUR	33,583	6,241	
Kommanditgesellschaft MS "CPO PALERMO" Offen Reederei GmbH & Co.	Hamburg, Germany	73.9	EUR	50,928	6,792	
Kommanditgesellschaft MS "CPO TOULON" Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	35,981	3,938	
Kommanditgesellschaft MS "CPO VALENCIA" Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	25,824	4,883	

Name	Registered office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000	
Leaselink Sp. z o.o.	Warsaw, Poland	100.0	PLN	2,789	2,872	
LSF Loan Solutions Frankfurt GmbH	Eschborn, Germany	100.0	EUR	107,374	–	a)
Main Incubator GmbH	Frankfurt/Main, Germany	100.0	EUR	16,536	129	a)
mBank Hipoteczny S.A.	Warsaw, Poland	100.0	PLN	1,230,436	37,084	
mBank S.A.	Warsaw, Poland	69.3	PLN	15,140,170	974,837	
mElements S.A.	Warsaw, Poland	100.0	PLN	14,114	323	
mFaktoring S.A.	Warsaw, Poland	100.0	PLN	101,084	4,480	
mFinanse S.A.	Lódz, Poland	100.0	PLN	154,710	26,345	
mLeasing Sp. z o.o.	Warsaw, Poland	100.0	PLN	416,327	64,242	
MOLARIS Verwaltungs- und Vermietungsgesellschaft mbH	Düsseldorf, Germany	75.0	EUR	7,392	1,369	
NAVIPOS Schiffsbeteiligungsgesellschaft mbH	Hamburg, Germany	100.0	EUR	105,147	-6,980	
NOVELLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	11,176	–	a)
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Kaiser-Karree KG	Grünwald, Germany	100.0	EUR	15,442	-1,070	
onvista media GmbH	Cologne, Germany	100.0	EUR	1,707	748	
REFUGIUM Beteiligungsgesellschaft mbH	Grünwald, Germany	100.0	EUR	915	-595	
SECUNDO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	5,811	–	a)
Tele-Tech Investment Sp. z o.o.	Warsaw, Poland	100.0	PLN	-69,669	-4,932	
TOMO Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	22,778	–	a)
Zelos Luxembourg S.C.S.	Luxembourg, Luxembourg	100.0	EUR	-36,733	4,166	

b) Equity holdings in permanently-linked companies, where the investment exceeds 5% of the voting rights

Name	**Registered Office**	**Share of capital held %**
21strategies GmbH	Zolling, Germany	9.1
Alma Atlas Investments Limited	Lathom / Near Ormskirk, Lancashire, United Kingdom	12.0
AUTHADA GmbH	Darmstadt, Germany	12.4
BBB Bürgschaftsbank zu Berlin-Brandenburg GmbH	Berlin, Germany	7.9
BERGFÜRST AG	Berlin, Germany	24.9
BGG Bayerische Garantiegesellschaft mit beschränkter Haftung für mittelständische Beteiligungen	Munich, Germany	5.3
Bilendo GmbH	Munich, Germany	12.9
Bought By Many Ltd.	London , United Kingdom	5.2
BTG Beteiligungsgesellschaft Hamburg mbH	Hamburg, Germany	13.3
BÜRGSCHAFTSBANK BRANDENBURG GmbH	Potsdam, Germany	10.8
Bürgschaftsbank Bremen GmbH	Bremen, Germany	8.3
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin, Germany	12.0
Bürgschaftsbank Sachsen GmbH	Dresden, Germany	10.6
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg, Germany	10.4
Bürgschaftsbank Schleswig-Holstein Gesellschaft mit beschränkter Haftung	Kiel, Germany	5.0
Bürgschaftsbank Thüringen GmbH	Erfurt, Germany	12.3
Bürgschaftsgemeinschaft Hamburg GmbH	Hamburg, Germany	17.8
By Miles Group Ltd	London , United Kingdom	9.6
Candis GmbH	Berlin, Germany	5.3
Concirrus Ltd.	London , United Kingdom	9.7
Conpend B.V.	Amsterdam, Netherlands	16.7
Curv, Inc.	Wilmington, Delaware, USA	6.5
Decentralized Mobile Applications Limited	Tel Aviv-Yafo, Israel	7.7
e-bot7 GmbH	Münsing, Germany	10.8
Fnality International Limited	London , United Kingdom	6.7
Fraugster Services GmbH	Berlin, Germany	8.6
GetSafe GmbH	Heidelberg, Germany	17.0
Gini GmbH	Munich, Germany	13.4
Grover Group GmbH	Berlin, Germany	7.1
Hedvig AB	Stockholm, Sweden	7.1
HSBC Operational Services GmbH	Düsseldorf, Germany	9.9
Interessengemeinschaft Frankfurter Kreditinstitute GmbH	Frankfurt/Main, Germany	16.9
Kreditgarantiegemeinschaft des Hotel- und Gaststättengewerbes in Bayern Gesellschaft mit beschränkter Haftung	Munich, Germany	9.7
LiquidityMatch LLC	Wilmington, Delaware, USA	13.6
Mambu GmbH	Berlin, Germany	8.5
MBG Mittelständische Beteiligungsgesellschaft Rheinland-Pfalz mbH	Mainz, Germany	11.1
MBG Mittelständische Beteiligungsgesellschaft Schleswig-Holstein mbH	Kiel, Germany	7.3
Mittelständische Beteiligungsgesellschaft Berlin-Brandenburg GmbH	Potsdam, Germany	18.2
Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH	Schwerin, Germany	18.4
Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mit beschränkter Haftung	Hanover, Germany	12.4
Mittelständische Beteiligungsgesellschaft Sachsen mbH	Dresden, Germany	16.4

Name	Registered Office	Share of capital held %
Mittelständische Beteiligungsgesellschaft Sachsen-Anhalt (MBG) mbH	Magdeburg, Germany	17.5
Mittelständische Beteiligungsgesellschaft Thüringen mbH	Erfurt, Germany	16.5
Mittelstandsfonds Schleswig-Holstein GmbH	Kiel, Germany	9.2
Mosaic Smart Data Limited	London , United Kingdom	9.4
Niedersächsische Bürgschaftsbank (NBB) Gesellschaft mit beschränkter Haftung	Hanover, Germany	5.6
Omnyway, Inc.	Wilmington, Delaware, USA	7.1
Open as App GmbH	Munich, Germany	10.1
OptioPay GmbH	Berlin, Germany	7.5
paydirekt GmbH	Frankfurt/Main, Germany	16.7
Perspecteev S.A.S.	Paris, France	5.2
Pinova GmbH & Co. Beteiligungs 2 KG	Munich, Germany	11.1
Qidenus Group GmbH	Berlin, Germany	7.2
Saarländische Kapitalbeteiligungsgesellschaft mit beschränkter Haftung	Saarbrücken, Germany	8.5
Scompler Technologies GmbH	Munich, Germany	10.0
The Voucher Market Ltd.	Sevenoaks, Kent, United Kingdom	11.9
Tillhub GmbH	Berlin, Germany	6.7
TransFICC Limited	London , United Kingdom	14.1
True Sale International GmbH	Frankfurt/Main, Germany	25.0
Userlane GmbH	Munich, Germany	5.8
Valsight GmbH	Berlin, Germany	12.8
Zenhomes GmbH	Berlin, Germany	7.7

c) Equity holdings in large corporations, where the investment exceeds 5% of the voting rights

Name	Registered Office	Share of capital held %	Voting Rights %
Deutsche Börse Commodities GmbH	Frankfurt/Main, Germany	16.2	14.5
EURO Kartensysteme GmbH	Frankfurt/Main, Germany	15.4	–
SCHUFA Holding AG	Wiesbaden, Germany	18.6	–

Footnotes	
1)	Renamed: from Commerz Unternehmensbeteiligungs-Aktiengesellschaft to Coubag Unternehmensbeteiligungsgesellschaft mbH.

Comments and explanations	
a)	Control and/or profit transfer agreement.
*	Financial figures as of last year’s annual report.

Foreign exchange rates for €1 as at 31.12.2020		
Australia	AUD	1.5896
Brazil	BRL	6.3735
United Kingdom	GBP	0.8990
Japan	JPY	126.4900
Poland	PLN	4.5597
Russia	RUB	91.4671
Switzerland	CHF	1.0802
Hungary	HUF	363.8900
USA	USD	1.2271

(47) Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Hans-Jörg Vetter
(since 4.8.2020)
Chairman

Dr. Stefan Schmittmann
(until 3.8.2020)
Chairman

Uwe Tschäge[1]
Deputy Chairman
Banking professional
Commerzbank Aktiengesellschaft

Heike Anscheit[1]
Banking professional
Commerzbank Aktiengesellschaft

Alexander Boursanoff[1]
Banking professional
Commerzbank Aktiengesellschaft

Gunnar de Buhr[1]
Banking professional
Commerzbank Aktiengesellschaft

Stefan Burghardt[1]
Branch Manager
Mittelstandbank Bremen
Commerzbank Aktiengesellschaft

Dr. Frank Czichowski
(since 13.5.2020)
Former Senior Vice President / Treasurer
KfW Banking Group

Sabine U. Dietrich
Former Member of the Management
Board of BP Europa SE

Dr. Jutta A. Dönges
(since 13.5.2020)
Manager of Bundesrepublik Deutschland - Finanzagentur GmbH

Monika Fink[1]
Banking professional
Commerzbank Aktiengesellschaft

Dr. Tobias Guldimann
Independent consultant in the financial sector

Dr. Rainer Hillebrand
Former Dep. Chairman of the
Management Board of Otto Group

Christian Höhn[1]
Banking professional
Commerzbank Aktiengesellschaft

Kerstin Jerchel[1]
Divisional Head Co-determination
ver.di National Administration

Dr. Markus Kerber
(until 13.5.2020)
State Secretary in the Federal Ministry of the Interior, Building and Community

Alexandra Krieger[1]
Divisional Head Controlling
Industrial Union Mining, Chemical and Energy (IG BCE)

Anja Mikus
(until 13.5.2020)
CEO/CIO of the "KENFO-Fund for the Financing of Nuclear Waste Disposal" foundation under public law

Dr. Victoria Ossadnik
Chief Executive Officer
E.ON Energie Deutschland GmbH &
E.ON Energie Holding GmbH

Andreas Schmitz
(since 1.1.2021)
Former speaker of the board
HSBC Trinkaus & Burkhardt AG

Robin J. Stalker
Former Member of the Management
Board of adidas AG

Nicholas Teller
(until 31.12.2020)
Chairman of the Advisory Board of
E.R. Capital Holding GmbH & Cie. KG

Dr. Gertrude Tumpel-Gugerell
Former Member of the Executive Board
of the European Central Bank

Stefan Wittmann[1]
Trade Union Secretary
ver.di National Administration

Klaus-Peter Müller
Honorary Chairman

[1] Elected by the Bank's employees.

Board of Managing Directors

Dr. Manfred Knof
(since 1.1.2021)
Chairman

Martin Zielke
(until 31.12.2020)
Chairman

Roland Boekhout
(since 1.1.2020 until 31.12.2020)

Dr. Marcus Chromik

Stephan Engels
(until 31.3.2020)

Jörg Hessenmüller

Michael Kotzbauer
(since 14.1.2021)

Michael Mandel
(until 30.9.2020)

Dr. Bettina Orlopp

Sabine Schmittroth
(since 1.1.2020)

(48) Seats on supervisory boards and similar bodies

Members of the Board of Managing Directors of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285 no. 10 HGB

a) Seats on other mandatory supervisory boards (in Germany)

b) Seats in similar national and international bodies

Manfred Knof
(since 1.1.2021)
– –

Martin Zielke
(until 31.12.2020)
– –

Roland Boekhout
(since 1.1.2020 until 31.12.2020)

b) CommerzVentures GmbH[1]
(since 1.1.2020 until 31.12.2020)

Verlagsbeteiligungs- und Verwaltungsgesellschaft mit beschränkter Haftung
(since 12.2.2020 until 31.12.2020)

Dr. Marcus Chromik

a) Commerz Real AG[1]
Deputy Chairman
(since 1.1.2021)

b) Commerz Real Investmentgesellschaft mbH[1]
Deputy Chairman
(since 1.1.2021)

mBank S.A.[1]

Verlagsbeteiligungs- und Verwaltungsgesellschaft mit beschränkter Haftung
(since 21.1.2021)

Stephan Engels
(until 31.3.2020)
– –

Jörg Hessenmüller

b) Commerz Services Holding GmbH[1,]
Chairman

CommerzVentures GmbH[1]
Chairman

EPI Interim Company
(since 7.10.2020)

EUREX Deutschland AöR
(since 23.1.2020)

Frankfurter Wertpapierbörse AöR
(since 23.1.2020)

Main Incubator GmbH[1]
Chairman

mBank S.A.[1]
Deputy Chairman

Michael Kotzbauer
(since 14.1.2021)

b) Collegium Glashütten Zentrum für Kommunikation GmbH[1]

CommerzVentures GmbH[1]
(since 1.1.2021)

Michael Mandel
(until 30.9.2020)

a) comdirect bank Aktiengesellschaft[1]
(until 2.11.2020)

Commerz Real AG[1]
Chairman
(until 31.12.2020)

b) Commerz Real Investmentgesellschaft mbH[1]
Chairman (until 31.12.2020)

CommerzVentures GmbH[1]
(until 30.9.2020)

mBank S.A.[1]
(until 22.10.2020)

Dr. Bettina Orlopp

a) Commerz Real AG[1]
(until 29.2.2020)

b) CommerzVentures GmbH[1]
Deputy Chairwoman
(since 1.1.2020)

EIS Einlagensicherungsbank GmbH
Chairwoman
(since 1.1.2020)

mBank S.A.[1]
(since 27.3.2020)

Sabine Schmittroth
(since 1.1.2020)

a) comdirect bank Aktiengesellschaft[1]
(until 2.11.2020)

Commerz Direktservice GmbH[1]
(until 25.3.2020)

Commerz Real AG[1]
Chairwoman

b) Commerz Real Investmentgesellschaft mbH[1]
Chairwoman

m Bank S.A[1]
(since 23.10.2020)

[1] Group mandate.

Members of the Supervisory Board of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285 no. 10 HGB

a) Seats on other mandatory supervisory boards (in Germany)

b) Seats in similar national and international bodies

Hans-Jörg Vetter
(since 4.8.2020)

a) Herrenknecht AG, Schwanau
Chairman

Dr. Stefan Schmittmann

(until 3.8.2020)

a) Commerz Real AG, Wiesbaden[1],
Chairman
(until 29.2.2020)

(b) Commerz Real Investmentgesellschaft mbH, Wiesbaden[1]
Chairman
(until 29.2.2020)

b) HETA Asset Resolution AG, Klagenfurt (Austria)
Deputy Chairman

Uwe Tschäge
– –

Heike Anscheit
– –

Alexander Boursanoff
– –

Gunnar de Buhr

a) BVV Pensionsfonds des Bankgewerbes AG, Berlin

BVV Versicherungsverein des Bankgewerbes a.G., Berlin

b) BVV Versorgungskasse des Bankgewerbes e.V., Berlin

Stefan Burghardt
– –

Dr. Frank Czichowski
(since 13.5.2020)
– –

Sabine U. Dietrich

a) H&R GmbH und Co. KGaA, Salzbergen

MVV Energie AG, Mannheim
(since 1.10.2020)

Dr. Jutta A. Dönges
(since 13.5.2020)

a) Deutsche Pfandbriefbank AG, Garching

b) FMS Wertmanagement AöR, München,
Deputy Chairwoman of the Board of Directors

Monika Fink
– –

Dr. Tobias Guldimann

b) Edmond de Rothschild Holding S.A.,

Chambésy (Switzerland)
(until 1.5.2020)

Edmond de Rothschild (Suisse) S.A., Geneva (Switzerland)

Edmond de Rothschild (Monaco) S.A., Monaco (Principality of Monaco)
(until 1.5.2020)

Fedafin AG, Widnau (Switzerland)
Chairman

Dr. Rainer Hillebrand

b) Vorwerk & Co. KG Wuppertal

Otto Group (Otto GmbH & Co. KG), Hamburg

Christian Höhn
– –

Kerstin Jerchel

a) Allianz Deutschland AG, Munich

Dr. Markus Kerber
(until 13.5.2020)
– –

Alexandra Krieger

a) AbbVie Komplementär GmbH, Wiesbaden

Evonik Resource Efficiency GmbH, Essen
Deputy Chairwoman
(until 30.6.2020)

Evonik Operations GmbH
(since 28.8.2020)

Anja Mikus

(until 13.5.2020)
– –

Dr. Victoria Ossadnik

a) Innogy SE, Essen
(until 2.6.2020)

b) Linde plc, Guildford (UK)

Andreas Schmitz
(since 1.1.2021)

a) E.ON SE, Essen

b) Scheidt & Bachmann GmbH, Mönchengladbach
Chairman

Robin J. Stalker

a) Schaeffler AG, Herzogenaurach

Schmitz Cargobull AG, Horstmar
Deputy Chairman

Hugo Boss AG, Metzingen
(since 8.5.2020)

Nicholas Teller
(until 31.12.2020)

b) Dunfermline Athletic Football Club Ltd., Dunfermline (Great Britain)
(since 1.9.2020)

Dr. Gertrude Tumpel-Gugerell

b) OMV Aktiengesellschaft, Vienna (Austria)

Vienna Insurance Group AG, Vienna (Austria)
AT & S AG, Leoben (Austria)

Stefan Wittmann
– –

[1] Group mandate.

Employees of Commerzbank Aktiengesellschaft

In accordance with Art. 340a (4) no. 1 HGB

as at reporting date: 31.12.2020

Volker Ergler
Stadtwerke Viernheim GmbH

Gerold Fahr
Stadtwerke Ratingen GmbH
Chairman

Martin Fischedick
Borgers SE & Co. KGaA

Sven Gohlke
Bombardier Transportation GmbH

Klaus Greger
Commerz Real AG[1]

Andrea Habermann
Delta Direkt Lebensversicherung Aktiengesellschaft München

Matthias Hach
Commerz Direktservice GmbH[1]
Chairman

Stefan Nodewald
SCHWÄLBCHEN MOLKEREI Jakob Berz Aktiengesellschaft
Chairman

Mario Peric
Commerz Direktservice GmbH[1]
Commerz Real AG[1]

Andreas Schimmele
Commerz Direktservice GmbH[1]

Carsten Schmitt
Commerz Real AG[1]

Arno Walter
Commerz Direktservice GmbH[1]
Deputy Chairman

Benedikt Winzen
Wohnstätte Krefeld, Wohnungs-Aktiengesellschaft

[1] Group mandate.

Responsibility statement by the Board of Managing Directors

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the net assets, financial position and results of operations of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Frankfurt am Main, 2 March 2021
The Board of Managing Directors

Manfred Knof	Marcus Chromik	Jörg Hessenmüller
Michael Kotzbauer	Bettina Orlopp	Sabine Schmittroth

„Translation from the German language of Independent Auditor´s report

To COMMERZBANK Aktiengesellschaft, Frankfurt am Main

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, which comprise the balance sheet as at 31 December 2020, and the income statement for the financial year from 1 January to 31 December 2020, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of COMMERZBANK Aktiengesellschaft for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the corporate governance report included in the "Details pursuant to Art. 289 of the German Commercial Code (HGB)" section of the management report or the declaration on corporate governance pursuant to Sec. 289f HGB ["Handelsgesetzbuch": German Commercial Code].

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to institutions and give a true and fair view of the assets, liabilities and financial position of the Institution as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Institution's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the corporate governance report included in the "Details pursuant to Art. 289 of the German Commercial Code (HGB)" section of the management report and the declaration on corporate governance pursuant to Sec. 289f HGB.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Institution in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Valuation of holdings in affiliated companies

Reasons why the matter was determined to be a key audit matter

The Bank determines the fair value of holdings in affiliated companies using generally accepted valuation methods, in particular the capitalisation of earnings method. The valuation methods applied are subject to judgement with regard to the valuation parameters used and expectations of future business development.

Given the judgement involved, the measurement of holdings in affiliated companies was a key audit matter.

Auditor's response

To assess the recoverability of the carrying amounts of the shares in affiliated companies, we assessed the design of the internal process to determine whether the methods defined therein are consistent with the professional pronouncements of the Institut der Wirtschaftsprüfer (IDW) on the valuation of companies and equity investments (IDW AcP HFA 10 in conjunction with IDW S1).

Based on the calculations performed by the Bank using the capitalisation of earnings method and alternative valuation methods, we obtained an understanding of the application of the valuation method and the determination of the significant planning assumptions and valuation parameters and reperformed the calculations for a risk-based sample of affiliated companies.

Where the capitalisation of earnings method was used, our focus was on assessing the significant planning assumptions. We compared the business plan with the previous financial year's plan and with the actual results achieved and analysed deviations. We also assessed the consistency of the significant assumptions made in the business plan. Furthermore, we examined the extent to which the assumptions on the economic development are within a range of externally available forecasts. We examined the valuation parameters used for the estimate of the net realisable values, such as estimated growth rates, cost of capital rates and tax rates, in comparison to externally available parameters. For shares in listed companies, we also considered the development of the market value of the shares held during financial year 2020.

To audit the valuation of holdings in affiliated companies, we consulted internal specialists who have particular expertise in the area of business valuation.

Our procedures did not lead to any reservations relating to the valuation of holdings in affiliated companies performed.

Reference to related disclosures

Information on the valuation of holdings in affiliated companies is provided in Note 3 of the notes to the HGB financial statements.

2. Recognition and measurement of the restructuring provisions set up in financial year 2020

Reasons why the matter was determined to be a key audit matter

In financial year 2020, the Board of Managing Directors decided to bring forward the implementation of two voluntary programmes as part of the socially responsible headcount reduction and concluded corresponding works agreements with the Central Works Council. Furthermore, in December 2020 the Board of Managing Directors passed a resolution to implement a restructuring plan with reference to the "Commerzbank 5.0" strategy adopted in financial year 2019, which provides for a further headcount reduction. For this purpose, a works agreement was also concluded with the Group Works Council in December 2020. Against this backdrop, the Board of Managing Directors recognized restructuring provisions in financial year 2020.

In light of the scope of the restructuring programmes, the recognition requirements to be met and the judgement exercised for the measurement, the recognition and measurement of the restructuring provisions set up in financial year 2020 was a key audit matter.

Auditor's response

As part of our audit procedures, we assessed whether the requirements for the recognition of provisions for uncertain liabilities in accordance with Sec. 249 (1) Sentence 1 HGB were met and an obligation to third parties had therefore been established.

On the basis of the restructuring plan available, we assessed whether the measures included therein were specifically defined and, among others, the affected units and locations as well as the number of affected employees were determined. To assess whether the measures were specifically defined in the restructuring plan, we inspected, among other things, the decision documents and minutes of the Board of Managing Directors meetings in which the restructuring measures were discussed and adopted.

To assess the impact on employees and the expectation that the restructuring measures will be implemented, we examined the works agreements concluded with the Central and Group Works Councils on the design of the headcount reduction models as well as the communication to the employees.

We also assessed the measurement of the restructuring provisions in relation to the requirements of Sec. 253 (1) Sentence 2 and (2) Sentence 1 HGB. For this purpose, we analysed the assumptions used in the measurement such as the planned utilisation and expected costs for each headcount reduction model and compared them with the Bank's experience from previous restructuring programmes. We also reperformed the calculations for determining the restructuring provisions set up in financial year 2020 based on the underlying assumptions.

Our procedures did not lead to any reservations relating to the recognition and measurement of the restructuring provisions set up in financial year 2020.

Reference to related disclosures

Information on the recognition and measurement of the restructuring provisions set up is provided in the "Other provisions" section of Note 27 of the notes to the HGB financial statements.

3. Calculation of the general loan loss provision

Reasons why the matter was determined to be a key audit matter

The Bank's Board of Managing Directors early adopted the requirements of IDW AcP BFA 7 as of 31 December 2020 and made use of the option for the first time to calculate the general loan loss provisions in the HGB financial statements based on the provisions of IFRS 9.

The estimate of the credit risk parameters underlying the calculation of the general loan loss provisions is based on historical information, obligor characteristics, current economic developments and forward-looking macroeconomic assumptions. Some of these parameters can only be observed with a time lag and are subject to estimation uncertainty.

In light of the economic upheavals occurring in the financial year, especially as a result of the coronavirus pandemic and the related global lockdowns and government support and assistance measures, the Bank applied a top-level adjustment (TLA), which led to a considerable increase in the general loan loss provision. The determination of the TLA was based in particular on assumptions related to changes in borrowers' probabilities of default, which were derived from estimated general industry-specific deteriorations of borrower ratings within the existing rating system based on the impact on the relevant industries.

Given the judgement involved in the determination of the TLA, we consider the calculation of the general loan loss provision to be a key audit matter.

Auditor's response

We assessed the design and operating effectiveness of the internal control system with regard to the calculation of the general loan loss provision.

We examined the calculation of the TLA by assessing the determination of the underlying assumptions regarding the impact of the coronavirus pandemic on selected sub-loan portfolios. We evaluated in particular the determination of the affected industries and the estimates related to general industry-specific deteriorations of borrower ratings using external sources of information. In addition, we checked the arithmetical accuracy of the Bank's TLA calculation. Based on a data excerpt from significant sub-portfolios, we also evaluated the currentness of the credit risk parameters and the changes already observed in the financial year using substantive analytical procedures related to the TLA. As part of the audit, we consulted internal specialists who have particular expertise in the area of credit risk management.

Our procedures did not lead to any reservations relating to the calculation of the general loan loss provision.

Reference to related disclosures

Disclosures concerning the calculation of the general loan loss provision for claims on customers and banks are provided in Note 3 of the notes to the HGB annual financial statements and in the risk report.

Other information

The executive directors are responsible for the other information. The other information comprises the combined separate non-financial report pursuant to Sec. 340a in conjunction with Sec. 289b HGB and Sec. 340i in conjunction with Sec. 315b HGB, the corporate governance report included in the "Details pursuant to Art. 289 of the German Commercial Code (HGB)" section of the management report and the declaration on corporate governance pursuant to Sec. 289f HGB. In addition, the other information comprises other parts of the annual financial statements and the management report of which we received a version before issuing this auditor's report, in particular the "Significant Group companies" and "Responsibility statement by the Board of Managing Directors" sections.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to institutions, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Institution's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Institution's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Institution's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Institution's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Institution.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institution to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in

compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Institution's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the annual financial statements and the management report prepared for publication purposes

Opinion

We have performed assurance work in accordance with Sec. 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the attached electronic file "Commerzbank_AG_JA+LB_ESEF-2020-12-31.zip" and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2020 contained in the "Report on the audit of the annual financial statements and of the management report" above.

Basis for the opinion

We conducted our assurance work on the reproduction of the annual financial statements and the management report contained in the abovementioned attached electronic file in accordance with Sec. 317 (3b) HGB and Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Sec. 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibilities under that standard are further described in the "Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the requirements for quality control systems set forth in IDW Standard on Quality Control: "Requirements for Quality Control in Audit Firms" (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Institution are responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB.

In addition, the executive directors of the Institution are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Institution are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited annual financial statements and the audited management report as well as other documents to be published to the operator of the *Bundesanzeiger* [German Federal Gazette].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited annual financial statements and to the audited management report.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the Annual General Meeting on 13 May 2020. We were engaged by the Supervisory Board on 18 May 2020. We have been the auditor of COMMERZBANK Aktiengesellschaft without interruption since financial year 2018.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Claus-Peter Wagner."

Eschborn/Frankfurt am Main, 3 March 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Claus-Peter Wagner	Marcus Binder
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Significant Group companies

Germany
Commerz Real AG, Wiesbaden

Abroad
Commerzbank Brasil S.A. – Banco Múltiplo, São Paulo
Commerzbank (Eurasija) AO, Moscow
Commerzbank Finance & Covered Bond S.A., Luxembourg
Commerzbank Zrt., Budapest
Commerz Markets LLC, New York
mBank S.A., Warsaw

Operative foreign branches
Amsterdam, Barcelona, Bratislava, Beijing, Brno (office), Brussels, Dubai, Hong Kong, London, Luxembourg, Madrid, Milan, New York, Paris, Prague, Shanghai, Singapore, Tokyo, Vienna, Zurich

Representative Offices and Financial Institutions Desks
Abidjan, Addis Ababa, Almaty, Ashgabat, Baghdad, Bangkok, Beijing (FI Desk), Beirut, Belgrade, Brussels (Liaison Office to the European Union), Buenos Aires, Cairo, Caracas, Dhaka, Dubai (FI Desk), Ho Chi Minh City, Hong Kong (FI Desk), Istanbul, Jakarta, Johannesburg, Kiev, Kuala Lumpur, Lagos, Luanda, Melbourne, Milan (FI Desk), Minsk, Moscow (FI Desk), Mumbai, New York (FI Desk), Panama City, São Paulo (FI Desk), Seoul, Shanghai (FI Desk), Singapore (FI Desk), Taipei, Tashkent, Tblisi, Tokyo (FI Desk), Zagreb

2021 Financial calendar

12 May 2021	Interim financial information as at 31 March 2021
4 August 2021	Interim Report as at 30 June 2021
4 November 2021	Interim financial information as at 30 September 2021

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