COMMERZBANK

Annual Report 2020

The bank at your side

Key figures

Income statement	1.1.–31.12.2020	1.1.–31.12.2019[1]
Operating profit (€m)	–233	1,235
Operating profit per share (€)	–0.19	1.00
Pre-tax profit or loss (€m)	–2,626	1,124
Consolidated profit or loss[2] (€m)	–2,918	585
Earnings per share (€)	–2.33	0.47
Operating return on equity based on CET1[3] (%)	–1.0	5.2
Return on equity of consolidated profit or loss[8] (%)	–11.7	2.2
Cost/income ratio in operating business (excl. compulsory contributions) (%)	75.2	73.1
Cost/income ratio in operating business (incl. compulsory contributions) (%)	81.5	78.3
Balance sheet	**31.12.2020**	**31.12.2019[1]**
Total assets (€bn)	506.9	463.5
Risk-weighted assets (€bn)	178.6	181.8
Equity as shown in balance sheet (€bn)	28.6	30.5
Total capital as shown in balance sheet (€bn)	36.6	38.6
Regulatory key figures	**31.12.2020**	**31.12.2019**
Tier 1 capital ratio (%)	15.0	14.3
Common Equity Tier 1 ratio[4] (%)	13.2	13.4
Common Equity Tier 1 ratio[4] (fully loaded, %)	13.2	13.4
Total capital ratio (%)	17.7	16.8
Leverage ratio (%)	4.9	5.3
Leverage ratio (fully loaded, %)	4.9	5.1
Staff	**31.12.2020**	**30.9.2020**
Germany	33,551	33,739
Abroad	14,167	14,173
Total	47,718	47,912
Ratings[5]	**31.12.2020**	**30.9.2020**
Moody's Investors Service, New York[6]	A1/A1/P-1	A1/A1/P-1
S&P Global, New York[7]	A–/BBB+/A–2	A–/BBB+/A–2
Fitch Ratings, New York/London[6]	BBB+/BBB/F2	BBB+/BBB/F2

[1] Prior-year figures restated.
[2] Insofar as attributable to Commerzbank shareholders. Details see note 24.
[3] Average Common Equity Tier 1 (CET1) capital fully loaded.
[4] The Common Equity Tier 1 ratio is the ratio of Common Equity Tier 1 (CET1) capital (mainly subscribed capital, reserves and deduction items) to risk-weighted assets. The fully loaded basis anticipates full application of the new regulations.
[5] Further information can be found online at www.commerzbank.com.
[6] Counterparty rating and deposit rating/issuer credit rating/short-term liabilities.
[7] Counterparty rating/deposit rating and issuer credit rating/short-term liabilities.
[8] Ratio of net income attributable to Commerzbank shareholders after deduction of potential (completely discretionary) AT-1-Coupon and average IFRS equity before minority after deduction of goodwill and other intangible assets.

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

Contents

Letter from the Chairman of the Board of Managing Directors
Frankfurt/Main, March 2021

Dear shareholders,

I took over as Chairman of the Board of Managing Directors of Commerzbank Aktiengesellschaft at the beginning of the year, and this letter is my first opportunity to speak to you directly. I am honoured to have been given the responsibility of leading a bank with such a long and proud tradition. I came here to make things happen, put Commerzbank back on a successful path and help ensure that the Bank has an independent future. To this end, we presented our "Strategy 2024" programme on 11 February. Our goal is to transform Commerzbank into a customer-focused, digital, sustainable and profitable organisation. My personal commitment to you is to leave no stone unturned in achieving this goal.

Everyone at the Bank – myself included – is well aware that the forthcoming restructuring will be a huge challenge. The last financial year has underlined this for all to see. It was one of the toughest in recent decades, and not just for Commerzbank. Like many other companies across all sectors of the economy, we were affected in multiple ways by the economic and social impact of the coronavirus pandemic. It left a visible mark on our results for 2020. More than half of the risk result of €–1.75bn was coronavirus-related. The pandemic was ultimately one of the main reasons why we ended the financial year with an operating loss of €–233m, albeit with only slightly lower adjusted income and reduced costs. Because we also wrote off our goodwill in its entirety and recognised provisions for almost half of the total restructuring expenses of €1.8bn, the Bank recorded a loss for the year of €–2.9bn overall – its first loss for many years. Despite this sizeable deficit, the Common Equity Tier 1 ratio of 13.2% reported as at the end of December 2020 remained around 370 basis points above the minimum regulatory requirement.

Dear shareholders, this annual report contains detailed information on the Bank's business performance and on all key financial indicators. I would like to emphasise one thing above all. After the loss suffered by the Bank in 2020, it is clear that immediate action is required at all levels. We need to tackle the challenges facing us with the utmost consequence and consistency. From now on, we are only looking forward. Our "Strategy 2024" programme maps out the path to a sustainably profitable future, targeting a return on equity of around 7% after tax.

We will achieve this goal by significantly paring back costs and capacities. In concrete terms, we plan to reduce costs by €1.4bn or around 20% while keeping income largely stable. Downsizing and cutting costs is of course not enough in itself, however. We are also realigning our business model. 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 want to become *THE* digital advisory bank in Germany. For private customers this means being a modern digital bank for all our customers, while providing tailored services for premium customers and those with complex advisory needs. This also applies to our small-business customers. In corporate client business we will focus on German SMEs and companies who have business links with Germany. We will also serve international corporate clients in selected future-oriented sectors.

Our priority is to make Commerzbank a sustainably profitable bank. Going forward, the Bank will clearly put profitability before growth. We will focus on the changing needs of our customers while also maximising efficiency. This will enable us to consolidate our position as the leading bank for German SMEs and a strong partner to some 11 million private and small-business customers – and ultimately to shape our own future as an independent force in the German banking market.

The key prerequisite for this is maximum customer satisfaction! We know what our customers want. Private customers demand low-cost digital solutions. Wealthy private individuals want high-performing, intelligent investment and financing management. Corporate clients and SME customers expect a deep understanding of their business model and excellent, reliable service tailored to their needs. All of this is achievable as long as we concentrate fully on these core tasks and bring our structures, processes and products into even closer alignment with them. Commerzbank is in need of a far-reaching restructuring and transformation to bring out all the good and positive aspects it has within it.

The Bank's transformation journey will not be a comfortable one and will ask a lot of us. We have formulated a clear plan, which we are now implementing with urgency and determination. The Bank will significantly streamline its branch network and massively expand the range of digital services for customers. The number of branches is to be reduced to 450 nationwide from the current figure of around 800. At the same time, the Bank will digitalise and automate its business processes across the board. In corporate client business, we will increase the efficiency of risk-weighted assets. We will scale back certain services for which there is lower customer demand, thereby also further reducing the complexity of our product portfolio. The number of international locations will be reduced, but we will remain active in the economic corridors that are relevant for the German economy.

The restructuring of the Group will involve a considerable number of job losses. This is unavoidable if we are to protect as many jobs as possible over the longer term. Commerzbank will eliminate around 10,000 full-time positions in gross terms by 2024. The net figure will be around 7,500 full-time positions, as we plan to significantly scale back our use of external service providers; their work will be performed more cost-effectively by internal staff.

In Germany, the planned headcount reduction will affect around one in three jobs. We will do everything we can to find fair solutions for this in consultation with the employee representatives.

Everyone connected with the Bank knows that there is no time to lose. We have therefore set clear targets for 2021. We want to reach agreement with the works council on the framework regulations for the headcount reduction by the Annual General Meeting on 5 May. We have already agreed the process. I am delighted that both sides have agreed to work towards this ambitious target date. We want to create clarity for our employees here in Germany as quickly as possible. We are also planning to start scaling back and significantly downsizing the head office this year and will permanently close another 200 or so branches.

A further 150 branches are scheduled to close in 2022 and 2023, which will enable us to reach our target of 450 branches. At the same time, we are expanding our direct banking capabilities and making a comprehensive digital offering available to our customers in both segments. We are also planning to withdraw from 15 international locations. Our aim is to complete the majority of the headcount reduction by the end of 2023 and then achieve all our targets in full by the end of 2024. We are targeting a return on equity of around 7% in 2024. It is important to stress here that despite the restructuring, the Common Equity Tier 1 ratio will consistently be at least 200 to 250 basis points above the minimum regulatory requirements over the coming years. This will enable Commerzbank to remain robust and resilient in the future while still managing its capital efficiently.

The 2021 financial year is an important first step on this journey. Commerzbank expects income to fall slightly in 2021 as a result of the restructuring and a stronger focus on making more efficient use of equity capital. While boosting investment, the Bank is aiming to reduce costs to around €6.5bn through initial cost-cutting measures in connection with the transformation process. We are anticipating a risk result of between €–0.8bn and €–1.2bn depending on how the coronavirus pandemic unfolds. Nonetheless, we expect to post an operating profit again in 2021. Taking into account the planned recognition of around €0.9bn in additional restructuring expenses, Commerzbank is expecting a CET1 ratio of over 12% at year-end.

Dear shareholders, the future of Commerzbank begins today. Our strategy is ambitious but realistic. It calls for a comprehensive restructuring, but also represents a new departure. This strategy will transform Commerzbank into a strong and modern bank – the kind of bank that both our customers and our employees want. On behalf of the entire Board of Managing Directors, I would like to take this opportunity to express my particular thanks to our employees both for their tireless efforts and commitment during the challenges of 2020 and for their willingness to accompany us on our new path and embrace the changes we need to make.

My fellow Board members and I will do everything in our power to live up to our responsibility to all stakeholders. With the appointment of Michael Kotzbauer, who assumed responsibility for the Corporate Clients segment at the beginning of the year, the Board of Managing Directors is now back to full strength and well-placed to deal with the challenges that lie ahead. Rest assured: we will deliver!

We sincerely hope that you will continue supporting Commerzbank on its new path. I am pleased to invite you to our virtual Annual General Meeting on 5 May 2021 and I look forward to your participation. Stay safe and healthy during these exceptional times.

Yours,

Dr. Manfred Knof
Chairman of the Board of Managing Directors

The Board of Managing Directors

Dr. Manfred Knof

Age 55, Chairman
Member of the Board of Managing Directors since 1 January 2021

Michael Kotzbauer

Age 52, Corporate Clients
Member of the Board of Managing Directors since 14 January 2021

Dr. Marcus Chromik

Age 48, Chief Risk Officer
Member of the Board of Managing Directors since 1 January 2016

Dr. Bettina Orlopp

Age 50, Chief Financial Officer
Member of the Board of Managing Directors since 1 November 2017

Jörg Hessenmüller

Age 50, Chief Operating Officer
Member of the Board of Managing Directors since 15 January 2019

Sabine Schmittroth

Age 55, Private and Small-Business Customers,
Member of the Board of Managing Directors since 1 January 2020

Report of the Supervisory Board
Frankfurt/Main, March 2021

Dear shareholders,

Commerzbank tackled a range of challenges in the 2020 financial year and prepared the ground for a far-reaching transformation. The Supervisory Board advised the Board of Managing Directors on its conduct of the Bank's affairs and supervised and monitored the way in which Commerzbank was managed. The Board of Managing Directors reported to the Supervisory Board at regular intervals, promptly and extensively, in both written and verbal form, on all the major developments at the Bank, including in the periods between meetings. The Supervisory Board received frequent and regular information on the Bank's business position and economic situation, particularly against the backdrop of the coronavirus crisis, and on considerations relating to the Bank's strategic realignment, its corporate planning, the performance of the share price, compliance issues, loan loss provisions and the Bank's risk strategy, and advised the Board of Managing Directors on these topics. The Supervisory Board and its committees held a total of 62 meetings in the past financial year. Between meetings, the Chairman of the Supervisory Board, was also continually in touch with the Chairman and other members of the Board of Managing Directors according to a set timetable and kept him up to date with the current business progress, strategic considerations, the risk situation, risk management, compliance issues and major business transactions within both the Bank and the Group.

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

Meetings of the Supervisory Board

A total of 14 Supervisory Board meetings were held during the financial year. In preparation for these meetings, the shareholder representatives and employee representatives regularly held separate preparatory meetings. One particular focus of the Supervisory Board's work was monitoring strategic decisions; the Supervisory Board was involved in the development of the new strategy in an advisory capacity and kept fully informed by the Board of Managing Directors. The Supervisory Board and the Board of Managing Directors examined the Bank's strategic direction in depth in two full-day strategy meetings. Selected members of the Supervisory Board also discussed key strategic issues in detail with the relevant members of the Board of Managing Directors in several strategy workshops.

Another focus of the Supervisory Board's work this year was the impact of the coronavirus pandemic on the Bank. The Supervisory Board has been monitoring the Bank's financial and business performance and risk situation more closely since the outbreak of the pandemic. It also advised the Board of Managing Directors on the impact of the coronavirus pandemic on the economy and the Bank.

Finally, the Supervisory Board also focused intensively on personnel issues in 2020, in particular the appointment of successors to the Chairman and two further members of the Board of Managing Directors, and to the Chairman and three further members of the Supervisory Board.

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

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

The Supervisory Board conducted its business in two different ways in 2020: Prior to the outbreak of the coronavirus pandemic, the meetings of the Supervisory Board were mainly held in person. Due to coronavirus restrictions, from mid-March onwards meetings were primarily held as video conferences and conference calls and in some cases as hybrid events.

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

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

At the meeting on 12 February 2020, the Board of Managing Directors reported in detail on the current business situation, the preliminary results for the 2019 financial year, the implementation status of the strategy for the Private Customers segment and issues relating to Brexit. The Supervisory Board also discussed and resolved the variable remuneration of the members of the Board of Managing Directors for the 2019 financial year and was informed about the status of various regulatory audits. It also addressed the risk strategies for 2020, the status of efforts to sell the stake in mBank, and the squeeze-out and integration of comdirect. In addition, the Supervisory Board dealt with the report of the Supervisory Board and with the declaration on corporate governance and corporate governance report. Finally, the Supervisory Board discussed the adjustment of the remuneration system for the Board of Managing Directors due to the legal changes resulting from the Second Shareholders' Rights Directive ("ARUG II").

At the accounts review meeting on 18 March 2020, the Supervisory Board reviewed the 2019 financial statements for the parent company and the Group and approved them on the Audit Committee's recommendation. The Supervisory Board addressed the impact of the emerging coronavirus pandemic in depth. It approved the proposed resolutions for the agenda of the 2020 Annual General Meeting, including the proposal for the appropriation of profit, subject to any changes in light of the coronavirus pandemic. The Supervisory Board also discussed the remuneration report and the 2019 combined separate non-financial report for the Annual Report. In addition, the Supervisory Board was informed about the current status of compliance and tax issues and of the process regarding the sale of the stake in mBank. The Supervisory Board also discussed the goals and measures presented by the Board of Managing Directors to promote sustainability. The results of the evaluation and self-assessment of the Supervisory Board for the 2019 financial year, which was carried out by Pricewaterhouse Coopers GmbH Wirtschaftsprüfungsgesellschaft, were presented and discussed. Finally, the Supervisory Board resolved to adjust the remuneration system for the Board of Managing Directors in accordance with ARUG II.

At the extraordinary meeting on 9 April 2020, the Supervisory Board approved the proposal to hold the 2020 Annual General Meeting as a virtual Annual General Meeting, the details of how the virtual Annual General Meeting was to take place and the notice convening the Meeting and the agenda, including the proposed resolutions to the Annual General Meeting contained therein.

At an extraordinary meeting on 15 May 2020, the Board of Managing Directors provided a report to the Supervisory Board on the current business situation, in particular the preliminary results for the first quarter of 2020, the Private and Small-Business Customers segment and the termination of the mBank sale process. The Board of Managing Directors also informed the Supervisory Board about developments regarding the coronavirus crisis and its impact on the Bank, and about the launch of a project to carry out a fundamental review of Commerzbank's business model. The Board of Managing Directors and the Supervisory Board discussed the Supervisory Board's involvement in the strategy project and the strategy process. The Supervisory Board appointed the shareholder representatives newly elected by the 2020 Annual General Meeting, Dr. Jutta A. Dönges and Dr. Frank Czichowski, to the Supervisory Board committees. Finally, the Supervisory Board members shared their views and experiences on how Commerzbank's first virtual Annual General Meeting went.

At the meeting on 10 June 2020, the Board of Managing Directors reported on the current business situation, developments in the coronavirus pandemic and the impact on the Bank's credit risk, and on compliance issues and regulatory audits. The topic of cyber risk was examined and discussed in depth. The Supervisory Board also discussed the implementation of various measures identified on the basis of the results from the evaluation and self-assessment of the Supervisory Board for the 2019 financial year. The Supervisory Board resolved to merge the Presiding and Nomination Committees and to amend the Supervisory Board's rules of procedure accordingly. Against the backdrop of the coronavirus crisis and the termination of the sale process regarding the stake in mBank, the Supervisory Board reviewed whether the 2020 targets for the members of the Board of Managing Directors should be adjusted during the year, before deciding that they should not. The Supervisory Board also dealt with the letter it received from the major shareholder Cerberus criticising Commerzbank's financial situation and strategic direction.

On 19 June, the Supervisory Board held an extraordinary meeting to discuss the activities of Cerberus in relation to Commerzbank. The Chief Risk Officer also reported on the accounting scandal at Wirecard and Commerzbank's exposure to Wirecard.

At an extraordinary meeting of the Supervisory Board on 8 July 2020, the Supervisory Board resolved to terminate the appointment of Martin Zielke and his employment contract by mutual consent by concluding a termination agreement. Dr. Stefan Schmittmann also informed the Supervisory Board that he wished to resign his position and discussed the process for finding a successor and filling the resulting vacancies with the other members of the Supervisory Board. The main focus of the full-day meeting was the discussion of the new strategy presented by the Board of Managing Directors. The Supervisory Board discussed strategic issues in detail with the Board of Managing Directors and provided suggestions on strategic considerations.

In another extraordinary meeting of the Supervisory Board on 3 August 2020, the Supervisory Board discussed the appointment of a successor to Dr. Stefan Schmittmann and resolved to ask the Board of Managing Directors to apply for Hans-Jörg Vetter to be appointed by a court as a member of the Supervisory Board. Subject to appointment by a court, he was elected Chairman of the Supervisory Board by the Supervisory Board.

At the meeting on 2 September 2020, the Board of Managing Directors explained the business situation and reported on topics including the profitability of the individual business units and the development of earnings and operating profit in the Private and Small-Business Customers segment broken down by business unit. The Supervisory Board was also informed about the latest impact and developments relating to the coronavirus pandemic and about various tax and compliance issues. The Supervisory Board determined the key audit matters for 2020 and appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, to audit the combined separate non-financial report for Commerzbank Aktiengesellschaft and the Group as at 31 December 2020. The Supervisory Board discussed the challenges facing Commerzbank with representatives of the senior management of the European Central Bank's Single Supervisory Mechanism and exchanged views with them on various topics. Furthermore, as proposed by the Audit Committee the Supervisory Board resolved to seek a change of auditor for the 2022 financial year. Finally, the Supervisory Board was informed about the status of the integration of comdirect into Commerzbank Aktiengesellschaft.

At an extraordinary meeting on 17 September 2020, the Supervisory Board resolved to terminate the appointment of Michael Mandel and his employment contract by mutual consent by concluding a termination agreement. The members of the Supervisory Board also held further in-depth discussions with the Board of Managing Directors on the Bank's future strategic direction.

At the extraordinary meeting on 26 September 2020, the Supervisory Board discussed the successor to Martin Zielke and appointed Dr. Manfred Knof as a member and Chairman of the Board of Managing Directors with effect from 1 January 2021.

At the meeting on 4 November 2020, the Board of Managing Directors reported on the Bank's business situation, providing information on topics including the results for the third quarter of 2020, coronavirus-related branch mergers, resolution planning and the current status of various compliance issues. The Supervisory Board was also informed about the developments and impact of the coronavirus pandemic. Other topics covered at this meeting included the Bank's corporate governance; in particular, the Supervisory Board approved the annual declaration of compliance with the German Corporate Governance Code pursuant to Art. 161 of the German Stock Corporation Act, looked at the independence of the members of the Supervisory Board, set objectives for the composition of the Supervisory Board, resolved diversity policies for the composition of the Board of Managing Directors and the Supervisory Board, and discussed the future structure of the 2020 remuneration report. More details on corporate governance at Commerzbank can be found on pages 27 to 34 of this Annual Report. The Supervisory Board discussed the issue of related party transactions and decided on a procedure for dealing with them. The shareholder representatives on the Supervisory Board also discussed the appointment of a successor to Nicholas Teller and advocated that Andreas Schmitz be appointed by a court. Finally, the Supervisory Board adopted amendments to the organisational guideline on the Executive Board remuneration system following the approval of the remuneration system by the 2020 Annual General Meeting.

At an extraordinary meeting on 27 November 2020, the Supervisory Board resolved to terminate the appointment of Roland Boekhout as a member of the Board of Managing Directors of Commerzbank and his employment contract by mutual consent with effect from 31 December 2020 by concluding a termination agreement. Michael Kotzbauer was also appointed as a member of the Board of Managing Directors.

At the last meeting of the year on 2 December 2020, the planning for the period up until 2024 and the risk, digital and outsourcing strategy were presented to and noted by the Supervisory Board. The Board of Managing Directors reported on developments in the coronavirus pandemic and its impact on the Bank. The Supervisory Board also approved the proposal to hold the 2021 Annual General Meeting as a virtual Annual General Meeting. The Supervisory Board was also informed about the design and suitability of Commerzbank's remuneration systems. Finally, the Supervisory Board discussed the implementation status of the measures determined on the basis of the results of the 2019 evaluation of the Board of Managing Directors and Supervisory Board and the Supervisory Board's self-assessment.

Committees

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

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

The Audit Committee held six ordinary and four extraordinary meetings in the 2020 financial year. It held discussions with the CFO on the financial statements for the parent company and the Group, as well as on the interim reports, the development of the key financial indicators, the major business transactions, the principles of accounting and the accounting process, and the outlook for business performance. On the basis of these discussions, the committee decided on the recommendations to the Supervisory Board about the approval of the annual financial statements, the approval of the Group financial statements and the appropriation of profit.

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

In three meetings, the committee discussed the Wirecard issue in detail, including how it affected the Bank's current auditor EY, which was also the auditor of the Wirecard companies. As a result of these discussions, the committee proposed to the Supervisory Board that the procedure for selecting and appointing a new auditor be carried out in accordance with Art. 16 of the EU Audit Regulation. Following the approval of the Supervisory Board, the committee commissioned Group Finance to prepare the procedure. It received reports on the preparation and main details of the procedure and noted the results produced by the working group set up for this purpose. The committee reviewed these results in detail and decided at its meeting in January 2021 to recommend that the Supervisory Board propose either KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, or PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft to the Annual General Meeting for the 2022 financial year. The committee expressed a preference for KPMG AG Wirtschaftsprüfungsgesellschaft.

The committee also discussed the work of the Bank's Group Audit and Group Compliance units in detail. Both presented regular (at least quarterly) reports on the results of their work, measures to optimise it and the planning of their future activities, and presented their annual reports to the committee. The committee also kept itself informed about the status of efforts to further develop compliance through the compliance business reports prepared by the segments and numerous reports on special issues. In addition, the committee had Group Tax explain the current status and measures for the further development of tax compliance.

In particular, the Audit Committee received regular reports on the results of various internal and external reviews of compliance with the local regulations that have to be observed by Commerzbank's branches and subsidiaries worldwide. The committee also obtained an overview of the status of efforts to remedy any deficiencies identified in this area by means of regular (at least quarterly) reports from the business units concerned and from Group Audit and Group Compliance.

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

In addition to the ten meetings mentioned above, the members of the Audit Committee also participated in a joint meeting with the members of the Digitalisation and Technology Committee. Discussions at this meeting focused in particular on the results of the audit with respect to the stability of the IT function. The Audit Committee also held an extraordinary meeting with the Risk Committee, primarily to discuss the risks for Commerzbank arising from mBank's Swiss franc loan portfolio.

In addition to this extraordinary joint meeting with the Audit Committee, the Risk Committee held five ordinary and two extraordinary meetings in the past financial year. At these meetings, it dealt intensively with the Bank's risk situation and risk management, particularly against the backdrop of the coronavirus pandemic. The main topics discussed in this regard were the impact of the economic crisis triggered by the pandemic on Commerzbank's loan portfolio, its loan loss provisions and risk result, and its capital ratios. Other important topics included the risks for Commerzbank arising from mBank's Swiss franc loan portfolio, the Wirecard scandal and Commerzbank's Italy-related portfolio. The Risk Committee also examined the overall risk strategy for 2020, the sub-risk strategies for 2020 and credit, market, liquidity, counterparty and operational risks. It also discussed reputational, compliance, cyber and regulatory risks. Significant individual exposures of the Bank were also discussed in detail with the Board of Managing Directors, as were portfolios and sub-portfolios. The Risk Committee also considered major corporate transactions and the development of equity holdings. Furthermore, it was informed about the Bank's recovery plan and approved changes in the thresholds of certain recovery plan indicators. The Risk Committee also reviewed whether terms and conditions in customer business are compatible with the Bank's business model and risk structure, and discussed various stress tests and their results. The meetings included consideration of the employee remuneration system and the audits and risk assessment of Commerzbank by its regulators. The Risk Committee also examined Commerzbank's risk-bearing capacity, major loans to Commerzbank Group companies, loans to officers at those parties and high-risk exposures.

The Presiding Committee met five times in the year under review until it was merged with the Nomination Committee on 10 June 2020. The discussions of the Presiding Committee were devoted to preparing the plenary Supervisory Board meetings and in-depth treatment of the meeting deliberations, especially with regard to business and capital market conditions and Commerzbank's strategic direction. The committee approved requests for members of the Board of Managing Directors to take up board mandates with other companies and the anticipatory resolution for loans to officers pursuant to Art. 15 of the German Banking Act (KWG). Furthermore, the Presiding Committee approved the establishment of an AT-1 issuance programme with regard to the exclusion of subscription rights for the individual issues under the AT-1 issuance programme. The committee also approved the determination of various terms and conditions for the issuance of subordinated debt securities under the AT-1 issuance programme that were relevant to the exclusion of shareholders' subscription rights.

The Nomination Committee met three times until it was merged with the Presiding Committee. It considered the collective suitability of the Supervisory Board and Board of Managing Directors and the suitability of the individual members of each board, and agreed suitability matrices for both the Board of Managing Directors and the Supervisory Board. In addition, the committee discussed the results of the evaluation of the Board of Managing Directors and Supervisory Board conducted by an external consultant and the Supervisory Board's self-assessment for the 2019 financial year. It also examined the individual and collective suitability of Dr. Jutta A. Dönges and Dr. Frank Czichowski, taking into account the skills and expertise profile for the Supervisory Board, the objectives adopted by the Supervisory Board with regard to its composition and the suitability matrix for the Supervisory Board. The committee recommended that the plenary Supervisory Board propose to the 2020 Annual General Meeting that Dr. Jutta A Dönges and Dr. Frank Czichowski be elected to the Supervisory Board as shareholder representatives and successors to Anja Mikus and Dr. Markus Kerber. Finally, the committee addressed the principles and process used to nominate and appoint Commerzbank's first and second levels of management.

The Presiding and Nomination Committee met seven times following the merger of the two separate committees on 10 June 2020. It focused intensively on the appointment of the successors to Dr. Stefan Schmittmann, Nicholas Teller, Martin Zielke, Michael Mandel and Roland Boekhout. The committee took account of the balance and diversity of knowledge, skills and experience of all members of the body concerned, drafted job descriptions with candidate profiles and, where it deemed it necessary, sought support from external recruitment consultants. It also examined the individual and collective suitability of the new candidates, taking into account the relevant skills and expertise profiles and suitability matrices, and made corresponding recommendations for resolutions to the plenary Supervisory Board. The committee also dealt with the terms of the amicable termination of Michael Mandel's term of office and employment contract.

The discussions of the Presiding and Nomination Committee were also devoted to preparing the plenary Supervisory Board meetings and in-depth treatment of the meeting deliberations, especially with regard to business and capital market conditions and Commerzbank's strategic direction.

In addition, the committee approved the determination of the interest rate for the issue of subordinated debt securities under the AT-1 issuance programme, subject to the exclusion of shareholders subscription rights, and requests for members of the Board of Managing Directors to take up board mandates with other companies.

The Presiding and Nomination Committee also held three joint meetings with the Compensation Control Committee. At these meetings, the committees discussed the terms of the agreements on the termination by mutual consent of the appointments and employment contracts of Martin Zielke and Roland Boekhout and the terms of the contracts governing Dr. Manfred Knof's appointment to the Board of Managing Directors and pension arrangements.

In addition to the above-mentioned joint meetings of the Presiding and Nomination Committee and Compensation Control Committee, the Compensation Control Committee met five times. It considered the target achievement of the Board of Managing Directors for 2019 and reviewed the setting of the total amount of variable remuneration for employees in respect of 2019. In light of the provisions of ARUG II on managing board remuneration, the committee discussed the remuneration system for the Board of Managing Directors and recommended to the Supervisory Board that the remuneration system be adjusted in accordance with ARUG II. Against the backdrop of the coronavirus crisis and the termination of the sale process regarding the stake in mBank, the committee reviewed whether the 2020 targets for the members of the Board of Managing Directors should be adjusted during the year and recommended to the Supervisory Board that they should not. The committee also discussed the structure of the 2020 remuneration report and the update to the organisational guideline for the remuneration of the Board of Managing Directors of Commerzbank Aktiengesellschaft. It also discussed the compensation control report prepared by the compensation officer. The committee reviewed the appropriateness of the structure of the remuneration system for the Board of Managing Directors and examined the structure and appropriateness of the employee remuneration systems for Commerzbank Aktiengesellschaft.

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

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

In addition to the joint meeting with the members of the Audit Committee mentioned above, the Digitalisation and Technology Committee held four meetings, during which it regularly scrutinised the status of the progress made with digitalisation at the Bank in the context of the “Commerzbank 5.0” strategy and “Campus 2.0” and closely examined aspects such as cultural change and cyber risks. The committee also received regular reports on the status and development of IT and looked at the Bank’s technological infrastructure investments. Another key topic discussed at the meetings was the technological integration of comdirect. Others topics addressed included the environment for banks in the area of payment transactions as well as next-generation technology and road maps for various business divisions.

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

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

Change of auditor

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

Conflicts of interest

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

Training and development measures

The members of the Supervisory Board undertook the training and development measures required for their duties at their own initiative, with appropriate support from Commerzbank. Further training and development took place on a regular basis. In 2020, the plenary Supervisory Board received detailed presentations on sustainability, ESG (environmental, social and governance) criteria and cyber risk. The topic "current developments in fintech" was discussed in depth in the Digitalisation and Technology Committee, and a workshop on the topic "modelling deposits and loans and the impact on the refinancing model" was held with the members of the Risk Committee.

Onboarding events were also held in 2020 for the new members of the Supervisory Board. In addition, the new Supervisory Board members were offered individually tailored internal training and induction measures. Various Supervisory Board members also took part in inhouse and external training. Divisions such as Risk and Compliance provided individual Supervisory Board members with an in-depth insight into their activities and organisation. The Supervisory Board members attended external training events on topics such as Covid-19 from a Supervisory Board perspective and ESG. Supervisory Board members were also offered the opportunity to take part in a separate meeting with the auditor on the annual financial statements in advance of the Board's accounts review meeting. Regular events were also organised to facilitate exchanges between Supervisory Board members and various persons from top management.

Due to the coronavirus pandemic, various events were held in the form of video conferences or conference calls.

Participation in meetings

The following table shows the number of meetings of the Supervisory Board and its committees attended by each individual member in the financial year 2020. If Supervisory Board members were unable to attend a meeting, they announced their absence in advance, explained the reasons and generally issued voting instructions:

	Meetings (incl. committees)	Meetings (plenary)	Participation (plenary)	Meetings (committees)	Participation (committees)	Partici-pation (all meetings)	
Hans-Jörg Vetter	16	6	6	10	10	16	100%
Dr. Stefan Schmittmann	24	8	8	16	16	24	100%
Uwe Tschäge	39	14	14	25	24	38	97%
Heike Anscheit	19	14	14	5	4	18	95%
Alexander Boursanoff	14	14	14	0	0	14	100%
Gunnar de Buhr	30	14	13	16	16	29	97%
Stefan Burghardt	24	14	14	10	10	24	100%
Dr. Frank Czichowski	18	11	11	7	7	18	100%
Sabine U. Dietrich	21	14	14	7	7	21	100%
Dr. Jutta A. Dönges	34	11	11	23	22	33	97%
Monika Fink	26	14	14	12	11	25	96%
Dr. Tobias Guldimann	33	14	14	19	19	33	100%
Dr. Rainer Hillebrand	27	14	14	13	13	27	100%
Christian Höhn	37	14	14	23	23	37	100%
Kerstin Jerchel	14	14	14	0	0	14	100%
Dr. Markus Kerber	13	3	3	10	9	12	92%
Alexandra Krieger	14	14	14	0	0	14	100%
Anja Mikus	12	3	3	9	9	12	100%
Dr. Victoria Ossadnik	19	14	14	5	5	19	100%
Robin J. Stalker	33	14	14	19	18	32	97%
Nicholas Teller	35	14	14	21	20	34	97%
Dr. Gertrude Tumpel-Gugerell	28	14	14	14	13	27	96%
Stefan Wittmann	16	14	14	2	2	16	100%

Parent company and Group financial statements

The auditor and Group auditor appointed by the Annual General Meeting – Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), based in Eschborn/Frankfurt am Main – audited the parent company and Group financial statements of Commerzbank Aktiengesellschaft and the management reports of the parent company and the Group, issuing an unqualified auditor's report thereon. The parent company financial statements were prepared according to the rules of the German Commercial Code (HGB), and the Group financial statements according to International Financial Reporting Standards (IFRS). The financial statements and audit reports were sent to all members of the Supervisory Board in good time. In addition, the members of the Audit Committee received the complete annexes and notes relating to the audit reports, and all members of the Supervisory Board had the opportunity to inspect these documents. The Audit Committee dealt at length with the financial statements at its meeting on 17 March 2021. At the meeting on 18 March 2021, the Supervisory Board examined the parent company and Group financial statements of Commerzbank Aktiengesellschaft as well as the management reports of the parent company and the Group. Representatives of the auditor attended the above-mentioned meetings of the Audit Committee and the plenary Supervisory Board, where they explained the main findings of the audit and answered questions. At both meetings, the financial statements were discussed at length with the Board of Managing Directors and the auditor representatives.

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

Non-financial report

The Supervisory Board discussed sustainability issues in the meetings on 18 March 2020 and on 3 February 2021.

The Audit Committee and the Supervisory Board also reviewed the combined separate non-financial report as at 31 December 2020 for Commerzbank Aktiengesellschaft and the Group, as prepared by the Board of Managing Directors. EY conducted an audit to obtain limited assurance and issued an unqualified report. The documents were carefully reviewed by the Audit Committee at its meeting on 17 March 2021 and by the Supervisory Board at its meeting on 18 March 2021, and the plausibility of the audit result was verified. The Board of Managing Directors provided an in-depth explanation of the reports at both meetings. Auditor representatives took part in both meetings. They reported on the main results of their audit and answered further questions from the members of the Supervisory Board. The Supervisory Board raised no objections following its review.

Shareholder communications

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

Changes in the Supervisory Board and the Board of Managing Directors

Anja Mikus and Dr. Markus Kerber stepped down from the Supervisory Board of Commerzbank at the end of the Annual General Meeting on 13 May 2020. The Annual General Meeting elected Dr. Jutta A. Dönges and Dr. Frank Czichowski as their successors on the Supervisory Board of Commerzbank with effect from the end of the Annual General Meeting on 13 May. Dr. Stefan Schmittmann also stepped down from the Supervisory Board at the close of 3 August 2020. At the request of the Board of Managing Directors of Commerzbank, Hans-Jörg Vetter was appointed by a court as a member of the Supervisory Board by resolution dated

4 August 2020 and with effect from the aforementioned date. Finally, Nicholas Teller stepped down from the Supervisory Board at the close of 31 December 2020. His successor, Andreas Schmitz, was appointed by a court as a member of the Supervisory Board with effect from 1 January 2021, at the request of the Board of Managing Directors. On 16 March 2021 Hans-Jörg Vetter has informed the Supervisory Board that he will resign from the Supervisory Board of Commerzbank Aktiengesellschaft by the end of 16 March 2021 due to health reasons.

There were also some changes on the Board of Managing Directors: Stephan Engels stepped down from the Board of Managing Directors at the close of 31 March 2020, Michael Mandel stepped down at the close of 30 September 2020, and Martin Zielke and Roland Boekhout both stepped down at the close of 31 December 2020. Dr. Manfred Knof has been the new Chairman and a new member of the Board of Managing Directors of Commerzbank since 1 January 2021. Michael Kotzbauer has also been a member of the Board of Managing Directors since 14 January 2021.

We would like to thank Stephan Engels, Michael Mandel and Roland Boekhout, and particularly Martin Zielke, the former Chairman of the Board of Managing Directors, who displayed a huge level of personal commitment during an almost 30-year career at Commerzbank in a variety of roles, for their fantastic service and dedication to Commerzbank.

We would also like to express our sincere thanks to Anja Mikus, Dr. Markus Kerber, who was associated with Commerzbank for many years, and Nicholas Teller, who worked for Commerzbank for over 30 years, for their dedicated work and their outstanding efforts on the Supervisory Board of Commerzbank. We would also like to pay special tribute to Dr. Stefan Schmittmann, who worked for Commerzbank for almost a decade in total, for his great personal commitment and his achievements as Chairman of the Supervisory Board. We would like to express our sincere thanks to Hans-Jörg Vetter for his commitment as Chairman of the Supervisory Board. We wish him all the best for his future.

We would also like to thank the Board of Managing Directors and all our employees for their outstanding commitment and performance in 2020, a truly extraordinary and challenging financial year.

For the Supervisory Board

Yours

Uwe Tschäge

Uwe Tschäge
Deputy Chairman

Committees of the Supervisory Board

Compensation Control Committee

N. N.

Dr. Jutta A. Dönges

Christian Höhn

Uwe Tschäge

Presiding Committee
Nomination Committee

N. N.

Dr. Jutta A. Dönges

Christian Höhn

Andreas Schmitz

Uwe Tschäge

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

N. N.

Dr. Jutta A. Dönges

Christian Höhn

Uwe Tschäge

Audit Committee

Dr. Tobias Guldimann
Chairman

Gunnar de Buhr

Dr. Jutta A. Dönges

Monika Fink

Robin J. Stalker

Dr. Gertrude Tumpel-Gugerell

Social Welfare Committee

Dr. Gertrude Tumpel-Gugerell
Chairwomen

Stefan Burghardt

Dr. Frank Czichowski

Sabine U. Dietrich

Uwe Tschäge

Stefan Wittmann

Risk Committee

Andreas Schmitz
Chairman

Stefan Burghardt

Dr. Frank Czichowski

Dr. Tobias Guldimann

Dr. Rainer Hillebrand

Robin J. Stalker

Committee for Digitalisation and Technology

Sabine U. Dietrich
Chairwomen

Heike Anscheit

Gunnar de Buhr

Dr. Frank Czichowski

Dr. Rainer Hillebrand

Dr. Viktoria Ossadnik

Members of the Supervisory Board of Commerzbank Aktiengesellschaft

N. N.

Chairman of the Supervisory Board

Uwe Tschäge[1]

Age 53, Deputy Chairman of the Supervisory Board since 30 May 2003, banking professional

Heike Anscheit[1]

Age 50, Member of the Supervisory Board since 1 January 2017, banking professional

Alexander Boursanoff[1]

Age 57, Member of the Supervisory Board since 8 May 2018, banking professional

Gunnar de Buhr[1]

Age 53, Member of the Supervisory Board since 19 April 2013, banking professional

Stefan Burghardt[1]

Age 61, Member of the Supervisory Board since 19 April 2013, Branch Manager Mittelstandsbank Bremen

Dr. Frank Czichowski

Age 61, Member of the Supervisory Board since 13 May 2020 former Senior Vice President/Treasurer of KfW Bankengruppe

Sabine U. Dietrich

Age 60, Member of the Supervisory Board since 30 April 2015, former member of the Management Board of BP Europa SE

Dr. Jutta A. Dönges

Age 47, Member of the Supervisory Board since 13 May 2020, Member of the Executive Board Bundesrepublik Deutschland – Finanzagentur GmbH

Monika Fink[1]

Age 51, Member of the Supervisory Board since 8 May 2018, banking professional

[1] Elected by the Bank's employees.
Detailed CVs of the members of the Supervisory Board are available on our Group website under "Management".

Dr. Tobias Guldimann

Age 59, Member of the Supervisory Board since 3 May 2017, independent consultant in the financial sector

Dr. Rainer Hillebrand

Age 64, Member of the Supervisory Board since 8 May 2018, former Vice Chairman of the Board of Managing Directors of the Otto Group

Christian Höhn[1]

Age 59, Member of the Supervisory Board since 8 May 2018, banking professional

Kerstin Jerchel[1]

Age 49, Member of the Supervisory Board since 8 May 2018, Divisional Head for Co-determination, ver.di National Administration

Alexandra Krieger[1]

Age 50, Member of the Supervisory Board since 15 May 2008, Divisional Head for Controlling Industrial Union Mining, Chemical and Energy (Industriegewerkschaft Bergbau, Chemie, Energie)

Dr. Victoria Ossadnik

Age 52, Member of the Supervisory Board since 8 May 2018, Chief Executive Officer of E.ON Energie Deutschland GmbH and E.ON Energie Holding GmbH

Andreas Schmitz

Age 61, Member of the Supervisory Board since 1 January 2021, former Member of the Board of Managing Directors of HSBC Trinkaus & Burkhardt AG

Robin J. Stalker

Age 63, Member of the Supervisory Board since 8 May 2018, former Member of the Board of Managing Directors of adidas AG

Dr. Gertrude Tumpel-Gugerell

Age 68, Member of the Supervisory Board since 1 June 2012, former member of the Executive Board of the European Central Bank

Stefan Wittmann[1]

Age 52, Member of the Supervisory Board since 8 May 2018, Trade Union Secretary, ver.di National Administration

Our share

Development of equity markets and performance indices

Events on the international stock markets in 2020 were dominated by the coronavirus pandemic, pushing other risk factors, including the trade conflict between the USA and China, somewhat into the background. Uncertainties about the course of the pandemic and the impact of strict lockdowns in many parts of the world led to a considerable slump in interest rate and economic expectations worldwide.

In mid-March, the European Central Bank (ECB) responded to the coronavirus with a pandemic emergency purchase programme (PEPP), which it increased to a total volume of €1,850bn over the course of the year. The US Federal Reserve, in turn, cut the US base rate in two increments to a range of 0 to 25 basis points, causing the euro to appreciate significantly against the US dollar over the year. The European Union introduced a €750bn economic stimulus package designed to limit the economic impact of the pandemic.

In Germany, extensive coronavirus assistance was approved, liability guarantees for banks were issued and short-time working allowances for affected industries were granted. Following a historic equity and commodity market slump in the first quarter of 2020, in which yields on ten-year German Bunds fell to a record low of −85 basis points, the equity markets in particular rallied as the year progressed, benefiting directly from the monetary and fiscal policy measures. A decline in new infections in the second and third quarters of 2020, relatively restrained case numbers in Germany and the development of vaccines fostered confidence that the coronavirus pandemic could be contained. However, another sharp rise in new infections early in the fourth quarter of 2020 meant that the country had to introduce a second lockdown in November. With the preparation of a vaccination strategy, vaccine approvals and the administration of the first inoculations at the end of the year, broad confidence has in the meantime returned among investors. A long-awaited Brexit agreement with the UK at the end of the year met with widespread relief, putting an end to months of deadlock between the two sides and heightened uncertainty. The leading German index, the DAX, rose by 3.6% over the year, while the EURO STOXX 50 ended 2020 down 5.2%.

The Commerzbank share

For the European banking sector, the year under review was dominated by the coronavirus pandemic and its knock-on effects. Heightened uncertainty over the impacts to be expected for the sectors and industries affected, coupled with rises in loan defaults in certain areas, significantly increased the need for loan loss provisions and weighed on earnings, while interest rate expectations came under increasing pressure. The ECB's recommendation that European banks agree to suspend dividends in order to stabilise the system's overall risk-bearing capacity came as an unexpected blow for some investors.

The relatively restrained pandemic numbers in Germany, along with rapid and very comprehensive coronavirus support from the federal government, limited the severity of the economic downturn. The Commerzbank share gradually rallied from its March low over the course of the year. This also reflected the fact that the Bank further bolstered its capital cushion by means of two Additional Tier 1 capital (AT1) issues, giving it a Common Equity Tier 1 ratio of 13.2% at year-end. As a result, the buffer for the maximum distributable amount (MDA) was around 370 basis points. Changes of personnel on the Board of Managing Directors and Supervisory Board also triggered share price movements. The focus of some analysts turned towards expectations associated with a comprehensive cost-cutting and strategy programme. Unlike in the previous year, there were only isolated hopes of consolidation in the market following mergers in Italy and Spain; these played a comparatively minor role in the year as a whole.

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

Share prices in the banking sector fell sharply in response to weaker earnings, significantly higher loan loss provisions overall and the cancellation of dividends. The EURO STOXX Banks Index ended the year down 23.7%, while the Commerzbank share price fell by 4.6% during 2020. Commerzbank shares were trading at €5.27 at year-end. This put Commerzbank's market capitalisation at €6.6bn (maximum €8.5bn, minimum €3.6bn), compared with €6.9bn in the previous year.

The price-to-book ratio ranged between 0.13 and 0.30 during the year under review. By way of comparison, the figure for the European banking index ranged between 0.31 and 0.64. The average daily turnover of Commerzbank shares – i.e. the number of shares traded – was 11.7 million, higher than the previous year's figure of 8.2 million.

Commerzbank share – key figures

With an unchanged number of shares, the earnings per share amounted to €–2.33 in 2020. This was mainly due to an increased risk result, write-downs of goodwill and restructuring expenses.

Highlights of the Commerzbank share	2020	2019
Shares issued in million units (31.12.)	1,252.4	1,252.4
Xetra intraday prices in €		
High	6.83	8.26
Low	2.80	4.66
Closing price (31.12.)	5.27	5.52
Daily trading volume[1] in million units		
High	38.1	21.6
Low	3.2	2.8
Average	11.7	8.2
Index weighting in % (31.12.)		
MDAX	1.4	2.1
EuroStoxx Banks	0.3	0.5
Earnings per share in €	–2.33	0.47
Book value per share[2] in € (31.12.)	19.85	22.61
Net asset value per share[3] in € (31.12.)	19.82	21.40
Market value/Net asset value (31.12.)	0.27	0.26

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

Commerzbank's weight in the MDAX was around 1.4%, compared with around 2.1% in the previous year.

In addition, being a constituent of the European sector index EURO STOXX Banks, Commerzbank also featured in 2020 in several sustainability indices, which place particular emphasis on environmental and ethical criteria alongside economic and social factors.

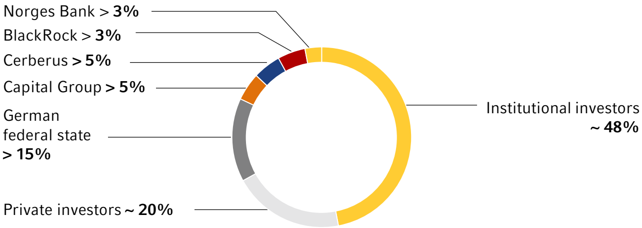
Selected indices containing the Commerzbank share
Blue chip indices
MDAX
EURO STOXX Banken
Sustainability indices
DAX 50 ESG
FTSE4GOOD EUROPE INDEX
FTSE4GOOD DEVELOPED INDEX
ECPI EMU Ethical Equity
ECPI Euro ESG Equity
ECPI World ESG Equity
Euronext Eurozone ESG Large 80 Index

Shareholder structure and analyst recommendations

As at 31 December 2020, around 35% of Commerzbank shares were held by the Federal Republic of Germany and our mostly German-based private shareholders.

Roughly 65% of all Commerzbank shares were in the hands of institutional investors, including in particular Capital Group, Cerberus, BlackRock and the Norwegian state, which holds a stake via Norges Bank. The free float stood at just under 80%.

Shareholder structure
As at 31. December 2020



Some 27 analysts provided regular coverage of Commerzbank during 2020. At the end of 2020, the proportion of buy recommendations was 18%, compared with 19% in the previous year. A further 56% of analysts recommended a hold, while 26% of analysts recommended selling our shares, compared with 31% in the previous year. The analysts' average price target at the end of the year was €5.15, compared with €5.97 at the end of the previous year.

Commerzbank's ratings

The rating agencies see significant drags for the global banking markets from the coronavirus pandemic and are taking an increasingly critical view of their prospects. A large number of rating downgrades were therefore made around the world in 2020. For German banks, the rating agencies see considerable drags from the performance of the economy and a prolonged period of low interest rates. In the case of Commerzbank, they expect weaker earnings, higher risk costs and increased implementation risks due to planned restructuring measures. Overall, this could have a temporary negative impact on profitability. The Bank's capitalisation is judged to be solid, and its liquidity situation stable. Its refinancing options via deposits, Pfandbriefe and the capital markets are still considered good.

Rating events in 2020

Moody's issuer rating = "A1"
The outlook for the long-term issuer rating (preferred senior unsecured debt) was moved from stable to negative in September 2020. In Moody's view this reflects uncertainties over the Bank's future refinancing structure, such as the volume of medium-term funding and the future shape of the balance sheet – also in view of the bank's repayment plan for participation in the ECB's targeted longer-term refinancing operations, via which the ECB has injected additional liquidity into the banks. This could have implications for the loss-given-failure analysis applied by the agency, which currently provides an additional three notches of rating support. The outlook for the "A1" deposit rating remained unchanged at "stable". The mortgage and public-sector Pfandbriefe enjoy ratings of "AAA".

S&P issuer rating = "BBB+"
S&P conducted a comprehensive rating action for banks in various European countries in spring 2020 in connection with the global coronavirus pandemic. Commerzbank's long-term issuer rating (preferred senior unsecured debt) was downgraded by one notch to "BBB+" in April 2020, with the negative outlook on the rating left unchanged. The stand-alone rating was also cut by one notch to "bbb", as were the issue ratings for unsecured issues linked to the stand-alone rating, such as non-preferred senior unsecured debt ("BBB–"), subordinated debt ("BB+") and additional Tier 1 debt ("BB–"). The resolution counterparty rating was downgraded by one notch to "A–". The short-term rating of "A-2" was confirmed. S&P expects the deteriorating macroeconomic conditions amid the coronavirus pandemic to make it harder for Commerzbank to successfully implement the restructuring programme and sees risks in the main markets in which the Bank operates. The agency is also concerned that the Bank's capitalisation could weaken as credit and market risks rise.

Fitch issuer rating = "BBB"
Fitch undertook a rating action for German banks in March 2020 because of the uncertainties stemming from the coronavirus crisis. Commerzbank's issuer rating was downgraded by one notch to "BBB", while the rating's negative outlook remained in place. The stand-alone rating fell in parallel, down one notch to "bbb". The derivative counterparty and deposit ratings, along with the preferred senior unsecured debt rating, were also cut by one notch to "BBB+". The Tier 2 rating was downgraded by two notches to "BB+", as a new rating methodology was implemented at the same time, providing for a two-notch gap versus the stand-alone rating. Commerzbank ended its contractual relationship with Fitch when the agreement expired on 31 December 2020. At the beginning of March 2021 Fitch had officially discontinued its published unsolicited rating of Commerzbank.

Corporate responsibility

› We acknowledge the principles of responsible, transparent management as laid down in the German Corporate Governance Code and adhere to all the suggestions and virtually all of the recommendations it makes. Pages 27 to 34 give details of this aspect of our corporate responsibility.

› The term "corporate social responsibility" describes the extent to which a company is conscious of its responsibilities whenever its business activities affect society, staff or the natural or economic environment. We accept this responsibility, and report on it on pages 68 to 86.

Contents

Declaration on corporate governance

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

In addition to complying with the statutory requirements pursuant to Art. 315d in conjunction with Art. 289f of the German Commercial Code (HGB), the Board of Managing Directors and Supervisory Board must report on the 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 Aktiengesellschaft 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 Aktiengesellschaft and its subsidiaries that are required by law to do so declare every year whether the recommendations made by the Commission have been and are being complied with and explain why individual recommendations are not being implemented. These declarations of compliance by the Board of Managing Directors and Supervisory Board are published on the websites of the individual companies. Commerzbank Aktiengesellschaft's declarations can be found at https://www.commerzbank.de/en/hauptnavigation/aktionaere/governance_/corporate_governace_1.html. There is also an archive of all the declarations of compliance made since 2002. The latest declaration was made in November 2020.

Commerzbank Aktiengesellschaft 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:

- 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/vorstand/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, in order 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. Under Art. 25d (11) sentence 2 No. 1 of the German Banking Act, the Nomination Committee is also assigned tasks for which the involvement of employee representatives is customary and necessary. For example, the Nomination Committee is tasked with assisting the Supervisory Board in identifying candidates to fill management positions at banks. 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:

- 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 recommenddation 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 that decides on the discharge 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 paid 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 Aktiengesellschaft 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, identifying candidates for management posts).

Suggestions of the German Corporate Governance Code

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

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

Commerzbank Aktiengesellschaft and its subsidiaries are committed to their corporate, environmental and social responsibilities. To ensure sustainable corporate governance, extensive standards were defined in various spheres of activity and published on Commerzbank Aktiengesellschaft's 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 in the Commerzbank Group.

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

Commerzbank Aktiengesellschaft has also formulated guidelines on corporate responsibility as guidance for the sustainable orientation of the Commerzbank Group's business activities. One of these 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 Aktiengesellschaft 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 Aktiengesellschaft 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 of Managing Directors manages the Commerzbank Group as the Group executive body on the basis of uniform guidelines and exercises general control over all Group companies. 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 Commerzbank Aktiengesellschaft's other corporate bodies, the employee representatives and the corporate bodies of other Group companies.

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

Extensive details of the remuneration paid to the members of the Board of Managing Directors are given in the remuneration report on pages 35 to 59.

Supervisory Board

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

The composition of the Supervisory Board and the members of its committees are presented on pages 19 to 21 of this Annual Report, in accordance with recommendation D.2 of the Code. Details of the work of this body, its structure and its control function can be found in the report of the Supervisory Board on pages 6 to 18. Further details on how the Supervisory Board and its committees work can be found in the rules of procedure of the Supervisory Board, available on Commerzbank Aktiengesellschaft's website at https://www.commerzbank.de/en/hauptnavigation/aktionaere/governance_/aufsichtsrat_1/Aufsichtsrat.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 Aktiengesellschaft 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 Aktiengesellschaft. 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 Commerzbank Aktiengesellschaft's website at https://www.commerzbank.de/en/hauptnavigation/aktionaere/governance_/aufsichtsrat_1/Aufsichtsrat.html.

The Supervisory Board takes account of the targets and requirements set out there in its election proposals to the Annual General Meeting and in 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 the Supervisory Board of Commerzbank Aktiengesellschaft can be found in their CVs, which are available on Commerzbank Aktiengesellschaft's website at https://www.commerzbank.de/en/hauptnavigation/aktionaere/governance_/aufsichtsrat_1/Aufsichtsrat.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 serving on the Supervisory Board and the names of these members. According to recommendation C.6 of the Code, a Supervisory Board member is considered 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 the Commerzbank Aktiengesellschaft Supervisory Board are provided on pages 59 to 61 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 Aktiengesellschaft'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 remuneration system for members of the Supervisory Board pursuant to Art. 113 (3) sentence 1 of the German Stock Corporation Act is published on Commerzbank Aktiengesellschaft's website at https://www.commerzbank.de/media/aktionaere/haupt/2020_7/englisch/Abstimmungsergebnisse_englisch_final.pdf.

Diversity

Both Commerzbank Aktiengesellschaft and the Group companies take diversity into account in the composition of the Board of Managing Directors, appointments to management and recommendations for the election of Supervisory Board members (recommendations A.1, B.1 and C.1 of the Code). The aim is to reduce the risk of prejudice and "groupthink". In addition, diversity 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 Aktiengesellschaft consists of 20 members. As already mentioned in the description of the targets for the composition of the Supervisory Board, the Supervisory Board is supposed to always have at least eight members elected by the Annual General Meeting who are independent (shareholder representatives) as defined in recommendations C.6, C.7 and C.8 of the Code and – in accordance with recommendation C.11 – not more than two former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft. The 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 the 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 situation in the Group companies is similar. Where required by law, they have also set their own targets for the proportion of women on their supervisory boards.

The members of the Supervisory Board of Commerzbank Aktiengesellschaft are between 47 and 68 years old; the average age is 56.7. The educational and professional backgrounds of the Supervisory Board members are varied: there are members of the Supervisory Board with banking training, lawyers, members with business degrees, 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 Aktiengesellschaft'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 target was met ahead of schedule with Dr. Bettina Orlopp's appointment to the Board of Managing Directors of Commerzbank Aktiengesellschaft on 1 November 2017. Since 1 January 2020, the Board of Managing Directors of Commerzbank Aktiengesellschaft has had a second female member, Sabine Schmittroth. The proportion of women on Commerzbank Aktiengesellschaft's Board of Managing Directors was therefore 33.3% as at 31 December 2020.

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

Targets for the first and second levels of management

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

The full Board of Managing Directors last set new targets for female representation in the first and second management levels of Commerzbank Aktiengesellschaft (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 Aktiengesellschaft 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 the Board of Managing Directors at Commerzbank Aktiengesellschaft 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%.

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

In the Group, the first management level below the Board of Managing Directors consisted of 44 people, of whom 36 were male and 8 female. The percentage of women at the first level of management below the Board of Managing Directors as at the reporting date was therefore 18.2%.

The second management level below the Board of Managing Directors consisted of 402 people, of whom 333 were male and 69 female. The percentage of women in the second level of management below the Board of Managing Directors was therefore 17.2%.

Accounting

Accounting at the Commerzbank Group and Commerzbank Aktiengesellschaft gives a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with the respective accounting standards. The Group financial statements and Group Management Report are prepared in accordance with International Financial Reporting Standards (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 Group Management Report also includes a detailed risk report, providing information on the Bank's responsible handling of the various types of risk. It may be found on pages 121 to 162 of this Annual 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 Commerzbank Aktiengesellschaft's website at https://www.commerzbank.de/media/en/konzern_1/konzerninfo/vorstand/Vorstandsverg uetung_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 Aktiengesellschaft as a shareholder. At the Annual General Meeting, the Board of Managing Directors or the Supervisory Board comment or reply directly. Shareholders may codetermine the course of the Annual General Meeting by submitting countermotions or supplementary motions to the agenda. Shareholders may also request an Extraordinary General Meeting be convened. The reports and documents required by law for the Annual General Meeting, including the Annual Report, as well as the agenda for the Annual General Meeting and any countermotions or supplementary motions may be downloaded from the internet.

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

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

Remuneration report

The following remuneration report is also part of the Group Management Report.

This report follows the recommendations of the German Corporate Governance Code and complies with the requirements of International Financial Reporting Standards (IFRS).

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. 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%.

Component	Description
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 departments 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.

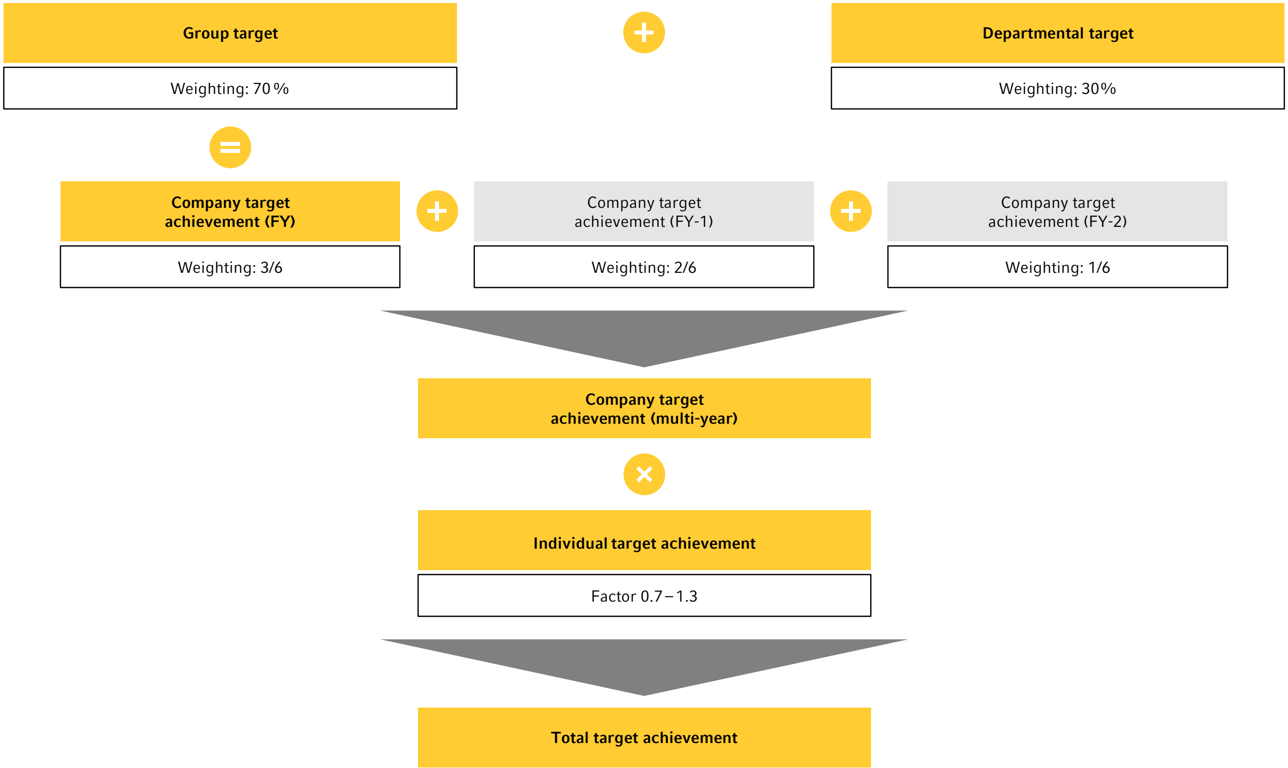
- **Group target** The Supervisory Board sets the Group target for all members of the Board of Managing Directors uniformly as a performance curve. As in previous years, the target for the 2020 financial year was set on the basis of EVA values. Weighted at 70% of company target achievement, the Group 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 the respective 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 a recommendation of 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 may 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 consolidated companies counts towards the total remuneration paid to the Board member in question. Where a member serves on the boards of non-consolidated 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. This was 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

[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.

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 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 at a pensionable age of 62 for active members of the Board of Managing Directors as at 31 December 2020, the corresponding actuarial net present values on 31 December 2020, the service costs for 2020 contained in the net present value 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.	Service costs
Martin Zielke[1]	2020	357	11,794	1,177
	2019	317	9,488	1,065
Frank Annuscheit[2]	2020	–	–	–
	2019	263	7,715	494
Roland Boekhout[3]	2020	15[9]	343	333
	2019	–	–	–
Dr. Marcus Chromik	2020	90[9]	2,094	383
	2019	77[9]	1,547	350
Stephan Engels[4]	2020	123[9]	2,841	84
	2019	127[9]	2,760	331
Jörg Hessenmüller[5]	2020	33[9]	770	371
	2019	17[9]	345	314
Michael Mandel[6]	2020	70[9]	1,596	267
	2019	62[9]	1,288	337
Dr. Bettina Orlopp	2020	55[9]	1,273	374
	2019	40[9]	813	347
Michael Reuther[7]	2020	–	–	–
	2019	304	8,961	570
Sabine Schmittroth[8]	2020	16[9]	388	352
	2019	–	–	–
Total	**2020**		**21,099**	**3,341**
	2019		**32,917**	**3,808**

[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.

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

As at 31 December 2020, defined benefit obligations for members of the Commerzbank Aktiengesellschaft Board of Managing Directors serving in the 2020 financial year totalled €21.1m (previous year: €32.9m). 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 from 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 was 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

[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.

instalments. This total amount is significantly lower than the cap 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 be 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 particular 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 cost 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 target achievement for 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 • Targets relating to customer satisfaction • Targets relating to the definition of the Bank's branding • 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
Roland Boekhout	
Dr. Marcus Chromik	
Stephan Engels	
Jörg Hessenmüller	
Michael Mandel	
Dr. Bettina Orlopp	
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. 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.

		Fixed components			Performance-related components				
€1,000					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 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.

Further mandatory disclosures in accordance with IFRS 2

Owing to the three-year period that underlies the remuneration system and is used to calculate target achievement, pro-rated expenses for share-based remuneration in future financial years were disclosed in the last financial year in compliance with IFRS 2. The expenses disclosed below for 2020 do not, therefore, reflect either the amounts to be disclosed under DRS 17 or actual expectations or payouts.

Chiefly because the members of the Board of Managing Directors will not receive any variable remuneration for the 2020 financial year, the corresponding pro-rated expenses for share-based remuneration already disclosed in the two previous years are to be reduced again for the 2020 financial year. This will result in negative expenses this year.

The share-based remuneration recorded as expenses under IFRS 2 for the 2020 financial year totalled €–688,000, of which €–415,000 was for Martin Zielke, €–245,000 for Stephan Engels, €–233,000 for Michael Mandel, €–10,000 for Dr. Marcus Chromik, €–9,000 for Dr. Bettina Orlopp, €33,000 for Jörg Hessenmüller and €191,000 for Sabine Schmittroth.

In 2019, the share-based remuneration recorded as expenses under IFRS 2 totalled €1,595,000, of which €433,000 was for Jörg Hessenmüller, €327,000 for Martin Zielke, €247,000 for Dr. Bettina Orlopp, €202,000 for Dr. Marcus Chromik, €198,000 for Stephan Engels, €163,000 for Michael Mandel, €42,000 for Michael Reuther and €–17,000 for Frank Annuscheit.

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 Group companies 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 serving on either the Audit Committee or the Risk Committee. Members also receive an additional €20,000 annually for serving 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 Group companies 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 | €
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. 315a (1) and Art. 315 (4) of the German Commercial Code (HGB)

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

Share capital structure

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

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

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

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

Shares with special rights granting powers of control

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

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

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

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

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

The Board of Managing Directors is authorised, subject to the detailed provisions of Art. 4 (3) and (4) of the Articles of Association in effect on 31 December 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 offsetting rules set out in the Articles of Association apply.

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

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

At the discretion of the Board of Managing Directors, the shares may be acquired on the stock exchange or by means of a public purchase offer addressed to all shareholders. The permissible consideration for the acquisition of the shares (excluding ancillary costs) is subject to certain limits specified in the authorisation for both acquisition options. If, in the event of a public purchase offer, the volume of shares offered exceeds the intended repurchase volume, acceptance may be made in proportion to the respective shares offered. Provision may be made for preferential acceptance of small numbers of up to 50 shares of the 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 offsetting 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, as a component of remuneration by providing shares to members of the Board of Managing Directors, members of management or employees and for the issue of treasury shares in return for non-cash contributions to members of the Board of Managing Directors, members of management or employees by means of the contribution of claims to variable remuneration components, bonuses or similar claims against the Bank or its Group companies only up to a total maximum of 3% of the share capital existing at the time the resolution is adopted by the Annual General Meeting. For the determination of this 3% limit, the offsetting rules set out in the authorisation apply.

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

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

In addition to the authorisation described above, the Board of Managing Directors was authorised by the Annual General Meeting on 13 May 2020, pursuant to Art. 71 (1) No. 8 of the German Stock Corporation Act, to acquire own shares by using put or call options and forward purchase contracts too. Accordingly, the Bank may sell put options to third parties and purchase call options from third parties for physical delivery as well as enter into forward purchase agreements for which there are more than two trading days between the conclusion of the purchase agreement for the own shares and the settlement by delivery of the shares (hereinafter collectively "Derivatives"). The terms and conditions of these derivatives must ensure that the derivatives entail delivery 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. 315 (4) of the German Commercial Code (HGB)

The aim of the internal control and risk management system over financial reporting is to ensure that the annual financial statements of Commerzbank Aktiengesellschaft and the Commerzbank Group provide a true and fair view of the assets, liabilities, financial position and financial performance in accordance with the applicable accounting standards under the German Commercial Code and IFRS. The internal control system and the risk management system at Commerzbank are linked with each other, both with 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 on pages 124 and 125 of the risk report.

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

Legal basis and guidelines

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

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

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

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

Organisation

The written rules of procedure form a sound basis for good corporate governance that provides strategic direction for the Group as a whole while taking account of risk elements. These rules are defined as the transparent description, to be updated on an ongoing basis, of the organisational structure and processes of a company, including powers. The binding standard required by regulation for the organisational structure is set down in the policy on the written rules of procedure and the process framework. These form the framework for descriptions and documentation of instructions, including processes. Documenting and updating the organisational structure is seen as part of the written rules of procedure and sets consistent and binding minimum requirements as a governance framework for all corporate units. The primary feature is the principle of clear allocation of responsibility, starting with the schedule of business responsibilities for the 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 AG. The three lines of defence model is a central element in Commerzbank's corporate constitution. In addition, where tasks in the Bank by their nature cannot be combined, they are organised into different areas applying the principle of separation of functions. Strict checks are also carried out using the dual-control principle to minimise risks in financial reporting.

In accordance with MaRisk, responsibility for implementing, executing, applying, refining and reviewing the Bank-wide ICS lies with the 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.

Combined separate non-financial report

The success of the Commerzbank Group is also shaped by non-financial factors. We report on these factors for the Group and for Commerzbank Aktiengesellschaft in this "combined separate non-financial report" (hereinafter the "non-financial report") according to the requirements of the German Act on Strengthening Corporate Non-Financial Reporting (CSR-Richtlinie-Umsetzungsgesetz (CSR-RUG)). According to the law, information is required as a minimum on environmental protection, treatment of employees, social responsibility, respect for human rights and the fight against corruption and bribery. Commerzbank has also decided to report on a sixth, essential topic, the treatment of customers, as the Group's customer focus is a key non-financial success factor for the Group. The issues that are material for an understanding of the business performance and situation of Commerzbank Aktiengesellschaft and the Group and which have a significant impact on our business activities have been identified in a materiality analysis. Details on the legal requirements and the reporting format can be found in the section "About this report" on page 85 f.

Our responsibility

Companies can have economic success only if their daily actions are accepted by society. Commerzbank also emphasises this in its strategic objectives. We want to live up to this responsibility. We have long defined binding rules for handling environmental and social risks. That is why we have adopted a clear stance on controversial issues 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 – even and especially at times of great upheaval and economic challenges. The far-reaching restructuring scheduled to begin in 2021 will lead to a further loss of jobs. Here, too, Commerzbank Aktiengesellschaft will do everything it can to agree fair solutions for the headcount reduction in consultation with the employee representatives.

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 includes, among other things, the temporary closure of many branches, the restriction of business trips and a split business operation. A large part of the workforce is working from home on a mobile basis in order to avoid contact with others. In recognition of additional burdens, all active employees and junior staff of Commerzbank Aktiengesellschaft in Germany and abroad received a lump-sum special payment of €500 at the end of the year. At the same time, we have made it possible to continue to stand by our customers' side during this stressful period.

Further developing the strategy

With the strategic measures published in mid-February 2021, we have anchored sustainability even more firmly in our business model. As a bank, we are committed to the Paris Agreement's goal of limiting global warming to well below two degrees Celsius and are aiming for the 1.5-degree target.

The "Sustainability 5.0" project, which was launched in 2019, has been incorporated into the new strategy and Group and divisional management boards have assumed responsibility for it. The customer segments, risk management and numerous other Group divisions are involved in the Group-wide project. The project team has developed three overarching thrusts: First, we will support our customers in becoming more climate-friendly. This includes the promotion of emission-reducing technologies through suitable financing solutions, for example. Because at Commerzbank we are convinced that we can do the most to achieve climate targets when we work together with our customers. Secondly, we aim to simultaneously reduce CO_2 emissions from the loan portfolio by managing it in line with climate targets. Overall, we will continue to expand our range of environmentally friendly products. And thirdly, we will also set a good example as a company and consistently continue to reduce our ecological footprint.

Specific targets have been defined for all segments and divisions, which provide guidance and are to be implemented in the coming years. The 100-goal sustainability programme adopted in 2017 was completed on schedule after three years with a final status report. The new objectives will follow the programme, including, for example, the new climate target: Compared to 2018, greenhouse gas emissions at Commerzbank Aktiengesellschaft are to be reduced by a further 15% by 2025. For the first time, the new climate target will apply to international locations in around 20 countries. The management of the loan portfolio will also be implemented in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

In December 2020, the new Group Sustainability Management division was established, which reports to the Chairman of the Board of Managing Directors. In this way, Commerzbank is underscoring the strategic importance of the issue and taking into account the requirements of relevant stakeholder groups such as customers and investors. In continuation of the previous sustainability management, the new division will in the future act as a hub for coordinating existing sustainability activities, developing them further and initiating new ones. One of the aims is to establish comprehensive governance alongside a holistic and long-term sustainability strategy and thus to further promote internal networking on the subject.

In 2020, Commerz Real adopted a company-wide sustainability strategy with long-term goals and measures aimed, among other things, at reducing CO_2 and contributing to the overarching goals of the Commerzbank strategy.

In December 2019, mBank – in its capacity as an independent institution – also published its new strategy "Growth fuelled by our clients" for the years 2020 to 2023. mBank incorporates sustainability issues into its business strategy and conducts its business in accordance with the relevant United Nations Sustainable Development Goals. It aims to become one of the top three social responsibility leaders in the banking sector by 2023 by continuing to raise awareness, promote prosperity, advocate education, and directly and indirectly address climate and environmental protection.

Joining forces

In June 2020, Commerzbank Aktiengesellschaft signed a climate commitment together with 15 other players in the German financial sector. In it, the Bank undertakes to align its credit and investment portfolios with the targets of the Paris Agreement. In addition, the Bank has supported the TCFD since September 2020 and joined the Science Based Targets Initiative (SBTi) at the same time. The TCFD recommendations provide the framework for addressing and reporting on climate change in the future. In addition, as an SBTi member, the Bank is committed to a science-based reduction of CO_2 in its loan portfolio.

The Asset Management areas of Commerzbank Aktiengesellschaft and Commerz Real also pledged in September to uphold the Principles for Responsible Investment (PRI). These are just a few current examples from a host of initiatives underlining Commerzbank's commitment to sustainable development. Commerzbank Aktiengesellschaft and mBank are also signatories to the UN Global Compact and as such respect its ten principles covering human rights, labour standards, the environment and anti-corruption.

Measuring success

Our sustainability ratings and our inclusion in the relevant indices demonstrate that we are on the right track. In 2020, major rating agencies for sustainability gave Commerzbank Aktiengesellschaft a rating above the sector average: a "C" rating and thus Prime status from ISS ESG (ESG stands for "environmental, social and governance"), an "A" from MSCI, a "B" from CDP and a "medium risk" rating from Sustainalytics (23.3 points). In 2020, Commerzbank Aktiengesellschaft was added to the new DAX 50 ESG index as well as two Euronext ESG indices. It continues to be included in the FTSE4Good sustainability index and three of ECPI's ethical and ESG-equity indices. In the year under review, MSCI ESG Ratings also rated mBank as "A". Furthermore, Sustainalytics rated mBank's risk profile as "low" and attested to no material controversies. In the Warsaw Stock Exchange's WIG-ESG index, mBank belongs to the group of companies considered to be socially responsible. mBank is also a member of the FTSE4Good index. The rating agency Scope gave Commerz Real an A-ESG in its ESG capability rating and gave its open-ended real estate fund hausInvest an ESG compliance rating.

Commerzbank repeatedly receives awards for its commitment to the environment and society. For example, in 2021 the Canadian organisation Corporate Knights once again included Commerzbank Aktiengesellschaft in the Global 100 Most Sustainable Corporations in the World Index. It is ranked 67th and is one of the top ten most sustainable banks.

Below we explain the specific details of how we fulfil our responsibility to the environment and society and to our customers and employees. The successes we have achieved to date, and what we are still working on. What we stand for, and what we are involved in.

Our contribution to sustainable finance

Financial institutions play an important role when it comes to limiting global warming, an objective which the international community has committed itself to with the 2015 Paris Agreement. One of the three goals agreed was to bring global financial flows in line with climate targets. New projects and technologies are intended to reduce greenhouse gas emissions and promote climate-resistant developments. The aim is a gradual decarbonisation of industry with the aid of financial instruments. This can be done, for example, by promoting renewable energies or forgoing certain transactions such as financing new coal mines or coal-fired power stations.

This financial industry contribution to sustainable development, known as “sustainable finance”, offers numerous opportunities for us as a bank: the energy revolution and reduction in CO_2 emissions are creating a need for new technologies and products requiring large investments. Moreover, there is growing interest from investors and customers in sustainable investment opportunities. That is why we are developing products and services that take account of these changes while offering an environmental or social benefit. At the same time, we want to prevent our business activities from having a negative impact on the environment and on society and avoid or mitigate any resultant risks.

Holistic risk management

The integration of non-financial aspects into the Bank’s risk management processes is very important for sustainable finance. In particular, these include risks resulting from climate change. We do not see climate risks as a separate, “new” type of risk, but as drivers that will materialise in the known types of risk – especially in credit risk. Climate risks will hit us no matter what. The reorientation of companies and society gives rise to transitory risks (transition risks). Physical risks will increase if the shift to a climate-neutral future is not made quickly and consistently enough. Physical risks include rising sea levels and flooding for the real estate sector, along with crop failures in agriculture or low water levels in rivers, with implications for the transport and chemical industries. Companies encounter transition risks, for example, as a result of changes in energy policy, price changes or technological changes.

In 2020, we examined the possible future impact of physical and transitory risks on the loan portfolio as part of a scenario analysis. To this end, we tested our portfolio in various scientific climate scenarios of the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). As a result, we were able to identify the industries that are likely to be particularly affected by climate risks. We then examined the chain of effects for these sectors in greater detail.

Credit risk management already incorporates climate issues in country and sector analysis. Lending decisions for companies and institutional customers therefore take into account not only an individual risk assessment but also – where relevant – the extent to which they involve climate risks and the level of resistance to them. In the future, we will incorporate the specific findings from the scenario analyses.

We have started with the climate risk analysis, especially for larger companies in particularly affected sectors, and will continue to gradually systematise it in the future and embed it in the processes in a standardised manner. The aim is to quantitatively integrate climate risks into the credit risk analysis wherever possible in the future.

Taking a position

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

mBank has also formulated its own exclusion criteria for various sectors, including mining, energy and transport, based on the EU’s climate and energy policy. When assessing sustainability risks, Commerzbank Aktiengesellschaft does not limit itself to what is legally required, but also raises the question of legitimacy in legal transactions. One example of this is the arms policy. We recognise the basic right of states to defend themselves, and do not question the need for the German armed forces or NATO partners to be adequately equipped. However, our financing of military equipment is dependent on the countries involved and the type of weapons to be financed. We generally do not involve ourselves in financial transactions related to “controversial weapons”. Our arms policy also excludes arms exports to conflict zones or areas of tension. The policy is more restrictive than is required by law, and our exclusion list also includes countries that are not affected by sanctions or embargoes. The list of countries is reviewed and adjusted quarterly and on an ad hoc basis.

Setting limits

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

- Key figure: In 2020, Commerzbank Aktiengesellschaft's Reputational Risk Management department assessed around 4,500 transactions, business relationships and products relating to specific environmental, social and ethical issues (2019: 5,450 votes, 2018: 5,900 votes).

The decline in votes resulted in particular from a further focus on business relationships. In view of the special risks associated with the coal and arms sectors, the Board of Managing Directors of Commerzbank Aktiengesellschaft has passed its own directive that defines many of the relevant transactions and business relationships in these areas as being subject to assessment. For example, Reputational Risk Management performs a critical, case-by-case review of all transactions relating to the delivery of individual coal-fired power plant components. Financing of arms supplies is also assessed on a case-by-case basis in accordance with the arms policy.

Breakdown of 2020 risk assessment by sector

Sector	Number of Votes
Oil and gas	870
Energy	939
Arms	984
Agriculture and forestry	392
Mining	405
Textiles	304
Other sectors	573
Total	**4,467**

As a department within the Group Communications division, Reputational Risk Management falls under the direct responsibility of the Chairman of the Board of Managing Directors. The management of reputational risk also forms part of Commerzbank's overall risk strategy. If Reputational Risk Management identifies a material reputational risk in the course of an assessment, a member of the Divisional Board is always notified. In serious cases, the matter can be escalated to the Group executive body. In order to raise awareness for and identify risk concentrations at an early stage, all material and high reputational risk votes are presented to the full Board of Managing Directors and the Risk Committee of the Supervisory Board in a quarterly report.

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

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

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

Sustainability effects of lending

Global efforts to combat climate change require not only favourable political conditions and new technologies, but also adequate financial resources. This entails business opportunities for Commerzbank. At the same time, the financing of green technologies and business ideas that could mitigate climate change also makes a concrete contribution towards the successful transition to a low-carbon, sustainable future economy.

In addition, we have begun to examine Commerzbank Aktiengesellschaft's loan portfolio in view of sustainability considerations in order to manage it accordingly in future. Our focus is on the CO_2 emissions associated with our business activities. The CO_2 intensity of the Bank's loan portfolio is to be steered towards the requirements of the Paris Agreement via sector-specific target values. In order to make this procedure comprehensible and to place it on a scientifically sound basis, Commerzbank Aktiengesellschaft has joined the SBTi. It advocates for the reduction of greenhouse gases on the basis of scientifically calculated targets. This enables companies to align their climate policy with the goals of the Paris Agreement and effectively counteract climate change. We will use the SBTi method to calculate and reduce the CO_2 emissions associated with our loan portfolio ("financed emissions"). As a concrete first step, we have identified the CO_2-intensive industries in our overall portfolio and are gradually determining the level of CO_2 pollution associated with these sub-portfolios.

Promoting renewable energies

Commerzbank Aktiengesellschaft has extensive experience with renewable energies. Corporate and project financing along the value chain have been part of our portfolio since the 1980s and will continue to be a growth area for us in the future. The core business of the Competence Center Energy (CoC Energy) with its sites in Hamburg and New York is the global provision of finance to wind and solar parks operated in particular by independent power producers, project developers, institutional investors and utilities. We are now one of the main financers of renewable energies in Europe and are also increasingly driving internationalisation forward in the rest of the world. Among the new deals in 2020, onshore wind and photovoltaic financing in the USA, Spain, France and the Netherlands are particularly noteworthy. As in previous years, offshore wind was once again a core topic.

- Key figure: CoC Energy's loan exposure (exposure at default) came to around €5.1bn in 2020 (2019: €5.1bn, 2018: €4.6bn).

mBank in Poland continues to step up its commitment to environmentally friendly product solutions and is therefore steadily increasing its share of financing for renewable energy projects. In March 2020, the funding limit was increased to around €441m (PLN2bn). In December, there was a further increase to about €882m (PLN4bn). As a result, the Bank has quadrupled its funds compared with the previous year.

Commerz Real makes a direct contribution to shaping the energy revolution through sustainable investment opportunities and ensures that electricity is obtained from renewable energy sources when managing its real estate assets.

Sustainable solutions for customers

Commerzbank Aktiengesellschaft also incorporates sustainability aspects into the development of traditional financing solutions by advising corporate customers about the advantages of public promotional loans such as KfW's energy efficiency programmes or its climate protection initiative for small and medium-sized enterprises. With a share of around 8% in KfW's sustainability programmes, we are one of the leading banks in Germany in using this type of funding for such investments by small and medium-sized enterprises. Private and small-business customers also receive attractive financing conditions for energy-efficient buildings: The green mortgage loans scheme, for example, offers preferential financing conditions for the construction, modernisation or acquisition of buildings – for personal or third-party use – whose final energy demand is less than 75 kWh per square metre of usable floor space.

Avoiding overindebtedness

Responsibility in lending business goes even further for the Private Customers segment, however: responsible lending is a holistic advisory approach that also takes account of potential changes in a customer's economic situation. In line with this approach, the Bank's Risk division has special units dedicated to early risk detection. Their tasks include identifying customers with signs of financial problems early on – and thus before the emergence of problems threatening their existence, if possible – and reaching a joint agreement on measures to be taken which will, ideally, lead to a regular repayment process. For example, in 2020, due to the coronavirus pandemic, we enabled our private customers to temporarily suspend their loan instalments over and above the statutory regulation. We also informed our customers in good time about the end of the suspension.

Sustainable investments and capital market products

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

Developing sustainable bonds and loans

Back in 2007, the former investment banking firm Dresdner Kleinwort played a leading role in the world's first green bond. Since then, we have supported a large number of customers in preparing and issuing sustainable bonds. In the year under review alone, Commerzbank Aktiengesellschaft acted as lead manager for the issue of 31 sustainable bonds with a total volume of more than €46bn. We are also active in various industry associations and similar interest groups, thus helping to actively develop the market for sustainable bonds. Commerzbank Aktiengesellschaft issued its own green bond transaction for the second time in the year under review. The issue of €500m was once again used to finance renewable energy projects. The final order book had a volume of more than €4bn and was thus eight times subscribed. At the time of the issue in September 2020, the calculation of potential CO_2 savings from the projects financed was around 850,000 tonnes per year. We review the actual CO_2 savings annually and disclose them as part of Impact Reporting, which is reviewed by the sustainability rating agency Sustainalytics and published on the Commerzbank website.

In 2020, the Bank also acted as joint lead manager in the issue of the German federal government's first green bond. For us, the federal government's mandate is recognition of our achievements in this market, for although the market segment is still relatively young, we have extensive expertise in this area. Shortly thereafter, we assisted the European Union in issuing two social bonds under the SURE programme, with which the EU helps member states deal with the impact of COVID-19 and safeguard jobs in the EU.

- Key figure: The total volume of all green and social bonds issued under the lead management of Commerzbank Aktiengesellschaft in 2020 was €46.3bn (2019: €12bn, 2018: €11.4bn).

Commerzbank Aktiengesellschaft also arranges, structures and places sustainable promissory note loans and syndicated loans in the form of green loans or ESG-linked loans for companies in a wide range of sectors. ESG-linked loans, also known as positive incentive loans, are a comparatively new product category but one that is seeing very dynamic growth. With this type of syndicated loan, the conditions are linked to sustainability criteria such as the borrower's ESG rating. The better the criteria perform, the lower the interest rates – and vice versa. Commerzbank Aktiengesellschaft was involved in 27 green or ESG-linked loans with a total volume of €44.4bn in 2020. Since 2017, we have been participating in working groups of the Loan Market Association to actively shape the implementation of sustainability in the syndicated loan market.

Sustainability aspects are also playing an increasingly important role in the Bank's own investments. As part of its liquidity management activities, Commerzbank Aktiengesellschaft is increasingly investing in sustainable bonds and building up its own ESG portfolio. To this end, the Bank plans to invest an increasing proportion of its own assets in green and social bonds. By the end of 2020, the volume had already reached around €1bn. Commerzbank takes sustainability aspects into account in its company pension scheme in Germany, with asset managers only selected for the pension plan if they have signed the UN Principles for Responsible Investment (PRI).

Investing customers' money sustainably

Commerzbank also offers its customers an increasing range of opportunities to participate in the growing responsible investment market, for example through sustainability funds offered by various providers for private and institutional customers. Wealthy private individuals and corporate customers can agree individual sustainable asset management with Commerzbank Aktiengesellschaft where, on the equity side, investments are made in particular in individual equities with a high sustainability rating. We have set ourselves the goal of tripling the percentage of sustainable investments in the total volume of assets managed by Asset Management for retail banking by the end of 2020 versus the 2017 level. We achieved this goal back in spring 2020. The total volume now amounts to around €400m.

In addition, institutional investors who obtain their equity research from Commerzbank Aktiengesellschaft have also been receiving quantitative sustainability indicators from Arabesque S-Ray along with in-depth analyses of ESG factors on specific individual stocks. Commerzbank Research evaluates companies in terms of their compliance with the principles of the UN Global Compact and draws up an ESG score. This information is made available to customers in addition to fundamental equity votes.

comdirect's motif-investing product enables customers to make targeted investments in megatrends, including sustainability. To create a sustainability custody account, for example, comdirect makes available selected sustainable funds, exchange-traded funds (ETFs) and equities, from which customers are able to compile a custody account of their choice. comdirect customers can also choose between a number of sustainable products in other investment formats such as savings plans or ETFs. mBank is also active in this segment, having launched the first ESG investment strategy on the Polish market in September 2019. Private banking customers can now invest in ETF-based portfolios of equities and bonds that have a positive impact on the environment and society.

Commerz Real combines sustainable investment opportunities with a direct contribution to shaping the energy revolution: it invested in solar energy for the first time back in 2005, and since then it has made investments in a large number of solar plants accessible to private investors through funds. Since 2016, professional investors have also had the opportunity to invest in onshore wind energy systems. This was extended to offshore systems in 2019. With a total annual output of around 1,017 megawatts from around 51 ground-mounted solar power plants and 17 onshore/offshore wind parks, Commerz Real is now one of the biggest German asset managers in this segment. The total transaction volume in renewable energies came to around €2bn at the end of 2020.

In October 2020, Commerz Real launched the first impact fund "klimaVest" – and thus the first open-ended real asset fund in the field of renewable energies for private investors with redemption rights in the form of an ELTIF (European Long-Term Investment Fund). In this context, Commerz Real invests mainly in facilities for the generation of renewable energy and in the infrastructure of the energy revolution. The fund's investment objective is to generate attractive risk-adjusted returns for investors from long-term investments while making a measurable positive contribution to the achievement of environmentally sustainable objectives as defined by the EU taxonomy. In doing so, klimaVest shows its investors the fund's specific overall CO_2 savings and what share is attributable to each respective investor. klimaVest's volume stood at around €100m as at the end of 2020. By 2025, the total volume is expected to rise to €4.5bn, with a target of around €2.2bn in equity.

Commerz Real also attempts to improve sustainability in the management of its real estate assets, for example by obtaining electricity from renewable energy sources. For this reason, a large part of the common areas as well as the technical building systems of the German and French hausInvest real estate portfolios are supplied with green electricity. A green electricity tariff developed by Mainova AG for Commerz Real will be offered to all tenants in Germany. In addition, all German office, commercial and residential properties in the hausInvest special fund are currently being equipped with intelligent electricity metering systems. These smart meters enable individual energy management. Sustainability criteria are also integrated in the due diligence process when buying real estate and infrastructure assets. In hausInvest, which is one of the largest open-end real estate mutual funds in Germany with around €16.57bn in fund assets (as at the end of 2020), a large number of properties already have building-related sustainability certificates and/or WiredScore certificates, which certify properties as having a good digital infrastructure or sustainability, for example.

Commerz Real is currently testing an app in Warsaw and Chicago that allows contactless access to buildings by scanning a QR code. It also functions as a communication and information platform, for example on coronavirus cleaning measures.

Trading or offsetting emissions

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

Our responsibility towards customers

Customer orientation is one of the five "ComWerte" corporate values guiding us in our day-to-day activities. Commerzbank can only be successful on a sustainable basis if its customers are satisfied. We therefore design our products and services to serve the interests of customers, and we treat customer satisfaction as one of the most important metrics in evaluating our business success.

The coronavirus pandemic presents our customers – and us – with enormous challenges. Many of our customers have been affected by the coronavirus pandemic and we have responded to this. In more than 20,000 advisory meetings with our corporate and small-business customers, we have developed solutions to help them overcome the economic challenges of the coronavirus crisis. Because we stand firmly by our customers' side. And although a large number of branches had to close temporarily, our customer advisors were still available. The use of digital channels has been expanded so that customers can carry out banking transactions regardless of whether a branch is open or their personal state of health. In all regions, on-site service was continuously maintained at larger locations under special hygiene precautions. In addition, the self-service areas remained open at all locations. The implementation of protective measures is also a matter of course for the reopening of all other branches.

The protection of customer data and compliance with banking secrecy requirements are also of the utmost importance in this era of increasing digitalisation. With this in mind, data security has been included in the strategic measures as one of three key topics for responsible banking.

Data security

The Security Board determines Commerzbank's security strategy. International protection of data privacy is implemented through a governance model with defined roles and responsibilities, policies and directives, standardised processes and control mechanisms.

Preventing cyber crime

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

To adequately address both this trend and future challenges relating to the management of cyber risks, 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, 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, business continuity management and physical security. Commerzbank Aktiengesellschaft is also a founding member of the German Competence Centre against Cyber Crime (G4C) association, which cooperates with the Federal Criminal Police Office. The association's aim is to develop and optimise measures to counteract cyber crime in order to protect its members and their customers against damage.

mBank has also been warning about threats from the digital world for many years. It launched its first cyber security initiative back in 2015. Since then, the topic has been addressed in an annual campaign. In the past, mBank has received awards for its efforts in this area, and it launched another cyber security campaign in 2020.

Ensuring data protection

The Group data protection policy forms the basis for the proper handling of personal data and customer-related information. It includes principles applicable Group-wide for the collection, processing, use and international transmission of personal data. The individual companies are responsible for implementing these principles, as Group-wide collection is not permitted for data protection reasons.

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

The data protection management system at comdirect comprises an established central monitoring authority in the shape of a data protection officer in addition to a data protection management unit, which is responsible for the active management of all the company's data protection activities. In Poland, the mBank data protection officer and the associated team support the bank's business units.

In view of the fact that the Bank has around eleven million customers in Germany, around 5.7 million customers in Poland, the Czech Republic and Slovakia, as well as around 30,000 corporate client groups, multinational groups, financial service providers and institutional customers worldwide, the number of data protection complaints was again comparatively low in 2020. For example, the data protection officer of Commerzbank Aktiengesellschaft in Germany received 360 customer complaints in the year under review. In most cases, the complaint was that customer data had been subject to unauthorised use or had been obtained by third parties.

Using big data responsibly

The use of big data and advanced analytics (BDAA) is of central strategic importance for Commerzbank. Efficient and holistic data processing offers great opportunities for all segments and Group divisions: as a basis for decision-making in the management of operational processes, for more detailed and faster analyses, and for improved customer service and cross-selling. To comply with the high data protection standards, Commerzbank Aktiengesellschaft works with pseudonymisation, anonymisation and micro-segmentation. In addition, the Bank has also established a Privacy Council to ensure that it applies uniform rules for fundamental data typing issues, especially for new applications. It is made up of representatives from the front office units, Legal, Information Security and Data Protection as well as Strategy and the BDAA Group division.

Commerzbank Aktiengesellschaft offers a range of courses for customers in Germany and at selected European locations to address CEO fraud, where corporate customers are tricked into making payments.

Data security awarded

Security was one of the assessment criteria in the 2020 online banking test conducted by the specialist magazine Chip. In this category, Commerzbank Aktiengesellschaft received the second-best rating with a score of 1.1. comdirect was rated "good" in terms of security and was able to improve its overall ranking to second place. In the study conducted by the German magazine Focus Money about online and mobile banking security among German banks ("Auf Nummer sicher"), Commerzbank Aktiengesellschaft also ranked second in the "online banking" category.

Transparency and fairness in customer relationships

Many of our customers are facing enormous challenges as a result of the coronavirus pandemic. Liquidity shortfalls in particular can have far-reaching consequences, including social implications. That is why we want to support our customers quickly and efficiently, especially in such difficult times.

In addition to the federal government's lending programmes, the funds for which are made available by KfW via the respective principal bank, Commerzbank Aktiengesellschaft has also launched its own lending programme for SMEs. This means that customers can be provided with liquidity quickly and bridge the time until the KfW funds are disbursed. We also automated the KfW rapid loan and entrepreneur loan programmes from April to September 2020 with the help of smart automation technology. By eliminating many manual steps in the application process, we can process inquiries more quickly, shorten processing times, increase data quality and at the same time be more flexible in the event of a further increase in the number of KfW applications.

In order to provide financial relief to private customers who are affected by a loss of income due to the coronavirus pandemic, for example as a result of short-time working, we are offering instalment breaks for instalment loans and mortgage financing that go beyond the legally prescribed deferrals. In order to process the many applications for all products in a timely manner, the Bank has built up additional resources.

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

Measuring satisfaction

The willingness of Commerzbank customers to recommend the Bank plays an important role in the sales management of Commerzbank Aktiengesellschaft. The quality benchmark we use in the Private Customers segment is the net promoter score (NPS), an internationally recognised standard for measuring customer satisfaction. Each month, with the exception of the second quarter of 2020 due to the coronavirus lockdown, around 15,000 customers of Commerzbank Aktiengesellschaft were asked in a brief telephone interview whether they would recommend their branch or advisory unit to others. The resultant information is used to improve customer service and there-by achieve a lasting increase in customer satisfaction. The proportion of Commerzbank Aktiengesellschaft's private and small-business customers with a strong willingness to recommend the Bank (promoters) was once again above 57% in 2020. Satisfaction is also measured via other contact channels such as the Customer Centre or online banking, in order to positively influence the customer experience in these areas. The majority of comdirect customers are also promoters of their bank under the NPS benchmark (54%).

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

The high level of customer satisfaction is reflected in the growing number of new customers, even in difficult times: The Private Customers segment has grown by 1.9 million net new customers since the fourth quarter of 2016 despite branch closures.

- Key figure for the 2020 reporting year: The Private Customers segment of Commerzbank Aktiengesellschaft and comdirect gained around 375,000 net new customers in Germany (2019: 470,000, 2018: 420,000).

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

Engaging customers

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

mBank has a similar project known as the mLab, where banking experts meet with customers to design and test new services. In line with the design thinking method, customers become part of the process by supporting the development of solutions and the testing of prototypes. comdirect's customer integration activities are based around the comdirect community web platform, where customers and others with an interest in the financial markets can discuss products and other financial topics with the Bank.

The Corporate Clients segment of Commerzbank Aktiengesellschaft conducts regular customer surveys on specific topics in order to develop its range of products and services. This provides us with information on customer preferences and requirements, which can be used in the design of products and processes. The aim is to base product optimisation and innovation on the benefits provided to customers, e.g. in the field of digitalisation, and to develop new service offerings on the subject of sustainability, among other things. At Commerz Real, too, Asset Management addresses its real estate tenants directly. Their suggestions help with the optimisation of the property portfolio. In addition, a tenant guide was developed in 2020 to motivate and empower tenants to pursue sustainable living and working practices.

Removing barriers

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

Our responsibility as an employer

The corporate success of the Commerzbank Group is based on qualified and motivated employees. Our 47,718 colleagues worldwide contributed their knowledge and experience to our work processes in 2020. A fundamental appreciation of the importance of fairness, respect of others and lived diversity is anchored in our ComWerte corporate values and our code of conduct; it is our responsibility as an employer to ensure its implementation.

Employer attractiveness

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

At the same time, the Bank has to confront the challenges posed by increasing digitalisation in order to remain viable. The job cuts resulting from previous strategic measures were continued in a socially responsible manner in 2020 and almost completed. In addition, the far-reaching restructuring scheduled to begin in 2021 will lead to a further loss of jobs. Here, too, we will do everything we can to agree fair solutions for the headcount reduction in consultation with the employee representatives.

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

In 2020, Commerzbank Aktiengesellschaft launched a major recruitment drive for IT graduates. We were able to take on 100 apprentices or students combining a degree course with work placement and a further 35 trainees. They are expected to drive digitalisation forward. We had to break new ground this year due to the coronavirus pandemic. The altered circumstances required a high degree of flexibility, a willingness to innovate and speed. Since in-person selection procedures for trainees or apprentices were no longer possible for recruitment purposes, we developed remote audits. We have also resorted to remote audits or special interview procedures for our trainees. In the end, we were able to successfully complete the recruitment process and received positive feedback from our new graduates.

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

Developing employees

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

Qualification does not end with the coronavirus pandemic, but rather begins: In the trainee area, all in-person seminars required for the Chamber of Industry and Commerce (IHK) examination were converted to online formats. New non-specialist web seminars were developed and offered for professionals – topics such as virtual communication, motivation and leadership were in particularly high demand. In addition, more e-learning courses on specialist topics have been established, enabling employees to access learning content at any time.

The introduction of the development dialogue in September 2020 created an online-supported personnel development process through which the necessary skills and knowledge for current and future requirements are developed in a structured and continuous manner for all employees.

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

Commerz Real, for example, offers a model in which employees can choose between variable working hours and trust-based flexitime. It also attaches great importance to the further training of its employees on digital topics. Numerous virtual formats were offered for this purpose in 2020.

Combining work and private life

Alongside professional development, work-life balance is an important goal to remain attractive as an employer. Within Commerzbank Aktiengesellschaft this balance is ensured by concepts for different stages of life with specific offerings, such as flexible working time models, sabbaticals and the “Keep in Touch” programme, which facilitates the return to work after parental leave. We also offer advisory and support services relating to childcare, home care and care for the elderly through pme Familienservice. As in the prior year, Gruner&Jahr Verlag honoured this commitment in 2020 by once again naming the Bank best employer for women.

The partial lockdown in the spring of 2020 meant that a large proportion of childcare services could not be used in their previous form. With virtual childcare for colleagues who work on a mobile basis and virtual workshops and exchange formats, we were able to relieve the burden on many parents and offer the children a varied range of activities. There were 840 registrations for the digital Easter holiday offer alone.

With an ageing workforce, taking care of relatives is becoming increasingly important. As a result, there is higher demand for our care-related workshops and advisory services. A good work-life balance is also made available to comdirect employees, who receive support through emergency and holiday childcare and the offer of a parent-child office.

Maintaining health

Health management is another key aspect of Commerzbank Aktiengesellschaft’s HR activities: the Bank seeks to promote the mental and physical health and social well-being of its employees. In 2020, Commerzbank was not alone in facing the major challenge of reconciling employee health protection with operational requirements in the face of a global pandemic. For this purpose, a far-reaching hygiene concept was established and opportunities for mobile working were expanded. The health offerings also use digital formats to convey health knowledge that is otherwise shared in classroom training. A global exercise initiative reached all employees, including those working from home on a mobile basis, and was especially helpful during social distancing. A podcast with the head company doctor provides regular information on medical topics relating to the coronavirus.

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

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

Health has been a strategic topic at Commerzbank Aktiengesellschaft since 2006. In 2013, the Bank became the first company in Germany to have its occupational healthcare management certified by TÜV Süd according to the Corporate Health Standard. Although the principles of HR apply Group-wide, there are some company-specific particular features when it comes to how they are implemented. Commerzbank Aktiengesellschaft and Commerz Real implement most concepts jointly. comdirect works to improve its employees' health through an employee support programme delivered through specialist service providers offering advice on both physical and psychological health issues, and a company doctor service.

Consulting employees

Employee satisfaction during periods of corporate restructuring is an important yardstick for assessing whether key objectives of our strategy resonate with employees. Commerzbank Aktiengesellschaft has introduced a short survey to this end. We plan to conduct regular accompanying employee surveys as part of the new strategy. The results are intended to provide a picture of employee sentiment towards the transformation. comdirect conducted regular monthly employee surveys, and at Commerz Real employees give their managers feedback on their leadership performance, referred to as "feedforward". mBank also obtains an anonymised picture of employee satisfaction every year through its employee engagement survey.

Offering fair remuneration and attractive additional benefits

We want to create a good working environment by offering attractive additional benefits, showing recognition and positioning ourselves as an attractive employer. Commerzbank Aktiengesellschaft has for many years supplemented the statutory pension with a company pension. Employees can also take advantage of other occupational pension products at special conditions. Commerzbank Aktiengesellschaft and Commerz Real also offer their employees the opportunity to lease cars, bicycles or IT equipment for private use through the Bank. Employees in Germany have been receiving a mobility allowance for using public transport to get to work since April 2020.

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

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

Diversity and equal opportunities

A working environment that is free of prejudice, characterised by mutual respect and acceptance is a basic requirement for a climate where everyone is able to thrive. We do not tolerate discrimination at Commerzbank. Any form of discriminatory treatment on the basis of ethnicity, age, disability, gender, origin, physical ability, nationality, political activity, religion or sexual identity constitutes a violation of human dignity and personal rights. With this in mind, in 2004 Commerzbank Aktiengesellschaft and the Central Works Council concluded a works agreement prohibiting discrimination, bullying and sexual harassment. The agreement defined preventative measures, procedures for dealing with complaints, and sanctions to be applied.

In Poland, mBank is a signatory of the Responsible Business Forum's Diversity Charter. As such, the Bank also undertakes to prevent discrimination in the workplace and implement measures to create and promote diversity.

For almost 30 years, our Diversity Management unit has been working for an open and fair Group-wide environment where everyone feels appreciated. The focus is on the topics of gender equality and inclusion of people with disabilities and the promotion of cultural diversity. For us, diversity is a success factor for the Bank's performance. Worldwide, the Group employs people from around 120 nations. Their diverse origins vitalise and enrich interactions. Differences in viewpoint and experience lead to new ideas.

Promoting women

Teams characterised by diversity often perform better, and they are also indispensable for corporate success in view of internationalisation and demographic change. Although a small majority of the Commerzbank staff is female (53%), women are not yet represented at management level to the same extent. For this reason, in recent years the measures designed to promote a good work-life balance have been further improved to open up fresh career opportunities for women in particular. They include the expansion of childcare offerings, innovative part-time working models, including for managers, and a Bank-wide mentoring programme. In a study by the Boston Consulting Group on gender equality in companies, Commerzbank Aktiengesellschaft ranked tenth in the Gender Diversity Index out of almost 100 listed companies. In addition to the proportion of female managers on management boards and supervisory boards, it also takes into account the ratio of the average remuneration of both genders. With a score of 73 out of 100 points in 2020, we have shown that we are successfully implementing measures.

These measures have enabled Commerzbank to increase the proportion of women in leadership positions to more than 30% Group-wide over the past few years. The Bank has now set itself a new goal of achieving a proportion of 35% across all management levels by the end of 2021. All divisions of Commerzbank Aktiengesellschaft are explicitly tasked with actively approaching suitable female employees during the recruitment process. The aim is to further increase the proportion of female candidates for management positions when filling new positions. Conversely, male candidates should be approached if a management position attracts only female applicants.

- Key figure: The proportion of women in management positions came to 33.3% Group-wide at the end of 2020 (2019: 32.5%, 2018: 30.8%).

Driving inclusion

The inclusion of people with disabilities is another part of our diversity strategy. In 2018, Commerzbank Aktiengesellschaft became the first bank in Germany to publish an inclusion action plan based on the UN Convention on the Rights of Persons with Disabilities. Following on from this, we continued to work on implementing these measures in 2020. Barrier-free access to the workplace and to working tools is just as high a priority as the implementation of accessibility in our digital offerings for customers. In early 2020, a position was created to coordinate aids for our staff. Here, qualified colleagues ensure that employees with special needs receive the necessary aids. It is standard practice for us to test new digital products for accessibility. This also benefits a large number of customers, whom we asked about their banking preferences in a survey conducted by various social organisations.

Commerzbank Aktiengesellschaft has consistently exceeded the statutory requirement of 5% employees with disabilities in recent years. We expect to meet the quota in 2020 as well. However, the final percentage figure will not be available until March 2021. In the meantime, we are also paying more attention to the next generation: In 2020, several young people with disabilities were offered attractive apprenticeships.

Treating each other with respect

For some 20 years now, Commerzbank Aktiengesellschaft has been committed to an open approach in respect of the sexual orientation and gender identity of its customers, employees and business partners. Live events had to be cancelled in 2020 due to the coronavirus pandemic. Nevertheless, we showed initiative with many activities during “pride season”: The Commerzbank Tower and the Bank’s logo in all digital applications appeared in rainbow colours. At the branches, rainbow stickers in the entrance area signalled the Bank’s commitment to a prejudice-free society. We also conveyed this message in a variety of ways via social media.

Linking like-minded people

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

Our responsibility in corporate governance

For us, responsible corporate governance includes the promise to be “the bank by your side”. We want to be a reliable partner for our stakeholders, and our actions are guided by ethical values such as integrity and fairness. As an active part of society we want to help shape the world around us. We achieve this primarily through the positive effects of our financial services on the economy and through the role of the Bank as an employer and taxpayer. We also view the offer of high-quality financial services as an important infrastructural contribution our Bank makes to society. The Commerzbank Group and its foundations also engage in extensive voluntary work for charitable purposes, for example through numerous cooperation and sponsoring projects and the support of staff in various projects.

Integrity and compliance

Integrity is a fundamental element of our corporate culture and requires every single person to act responsibly so that their activities on behalf of the Bank are in line with the relevant laws, voluntary commitments and internal directives. The globally binding code of conduct guides our employees in correct and ethical behaviour in their everyday work. The code makes clear what Commerzbank expects from the employees in the Group: that they not only comply with laws, regulations and internal guidelines but also stay within our guiding principles.

The focus of Commerzbank's compliance activities is on preventing and uncovering money laundering, terrorist financing, market abuse (insider trading and market manipulation), fraud, corruption and other criminal activities wherever the Bank does business, as well as on protecting investors. We also ensure that insider information and other confidential data about our customers and their transactions are protected in accordance with the need-to-know principle. Commerzbank Aktiengesellschaft's Compliance division has wide-ranging authority and escalation rights, including powers to obtain information and carry out investigations, enabling it to implement its requirements throughout the Group.

Clarifying the claim

The cross-segment "culture of integrity" network has the task of promoting a culture of integrity through targeted initiatives and measuring its development. At the same time, it is important to treat compliance risks with the same relevance and professionalism as credit and market risks. We report regularly via a Bank-wide communication campaign on practical examples of correct conduct in grey areas, show where potential violations of the law may occur and indicate what the right response should be. The campaign is accompanied by posters in Germany and at the international locations. Commerz Real participates in the initiative and has developed its own management principles, which have been incorporated in the annual objective-setting process for managers. In the future, these are to be supplemented by sustainability criteria, thus improving the shared goal orientation on compliance and sustainability issues.

To promote conduct characterised by a high degree of integrity and reward employees who act as a role model, Commerzbank Aktiengesellschaft has instigated the Culture of Integrity Award. It is given to employees or teams who have distinguished themselves through their integrity and protection of customer and bank interests. The 2020 award winner was a corporate customer advisor at Commerzbank Moscow: When handling a letter of credit for the delivery of a drilling rig from an EU country to Russia, she prevented a sanction violation and saved the Bank from damages. Some 30 nominations were received from various parts of the Bank worldwide, ranging from exemplary conduct when uncovering money laundering or fraud and the prevention of sanction violations to a number of other integrity and compliance issues.

Fighting corruption

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

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

- Key figure: We are not aware of any cases of corruption in the Commerzbank Group in 2020 (2019: none, 2018: none).

Preventing money laundering

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

Commerzbank Aktiengesellschaft is a member of the Anti Financial Crime Alliance, which was founded by the Central Office for Financial Transaction Investigations together with the Federal Financial Supervisory Authority (BaFin), the Federal Criminal

Police Office and other banks in 2019. This alliance between the public and private sectors aims to establish a lasting strategic cooperation in the fight against money laundering and terrorist financing in Germany.

Observing sanctions

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

Preventing or reporting fraud

Commerzbank takes extensive precautions to prevent, uncover and respond appropriately to financial crime, with the aim of protecting the assets of our customers and the Bank. In this context, extensive measures were increasingly implemented in 2020 to inform our customers and employees about the most common fraud schemes and to protect them from these. Relevant business partners from whom the Bank purchases products and services are subject to a compliance check for indications of corruption or fraud. This check results in a risk assessment.

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

Protecting the market and customers

Market and customer protection is no less important. In addition to legal consequences, violations can harm the Bank's reputation and lead to a loss in profitability. We therefore provide information to our customers, explain risks and fulfil recording and retention requirements in order to verifiably document the fact that our actions comply with rules. We have introduced a system for managing conflicts of interest aimed at avoiding potential conflicts of interest or resolving them appropriately.

For instance, Commerzbank Aktiengesellschaft uses a conflict of interest tool in its corporate customer business. Data on relevant transactions in the corporate customer and capital markets businesses is collected worldwide in order to check the transactions for potential conflicts of interest. We counter attempts at market manipulation resolutely and work to respect the integrity of markets and the need of our customers for protection.

Managing compliance risks

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

In order to satisfy the requirements of increasingly complex national and international legislation and regulations, the Group is continually developing its compliance risk management and bringing this in line with current developments and challenges. Other central prevention systems include controls to assess the appropriateness and effectiveness of relevant processes, employee training, compliance support and advice for business units with regard to process development and transactions, compliance hotlines and committees with compliance involvement, case-by-case approvals by the compliance function, mandatory approval for securities transactions in insider-relevant areas, mandatory time away, reliability checks of potential employees, due diligence reviews of third parties, an integrity clause to be signed by all suppliers and service providers, and the BKMS whistle-blowing system.

Documenting violations

The Bank's consequence management process ensures that sanctions for violations of rules and statutory or regulatory provisions are applied as uniformly as possible throughout the Group. Misconduct by employees requiring at least a written warning is documented centrally. The anonymised evaluation of cases helps identify the types of misconduct that occur and which regulations or regulatory provisions have been violated. This transparency allows mistakes to be used as a learning opportunity and to adjust rules and processes accordingly.

Stakeholder dialogue

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

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

Fostering opinion-forming

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

We have established several event formats for dialogue with political representatives, most of which could be held only in a digital format in the year under review due to the coronavirus pandemic.

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

Highlighting customer issues

SME topics are at the heart of Commerzbank's “Unternehmerperspektiven” initiative (Business Owners' Views). Once a year it surveys 2,000 owners and managers at the first management level from companies of different sizes and industries. The focus in 2020 was on sustainability. A study entitled “Wirtschaft im Umbruch: Die Chancen des Green Deal” (“Economy in Turmoil: Opportunities of the Green Deal”) examined the sustainability strategies of SMEs between November 2019 and March 2020. Due to the coronavirus crisis, it will not be released until February 2021. A follow-up survey of 700 companies was conducted from July to October 2020 to determine the impact of the pandemic on sustainability strategies. The interactive events will take place after its publication in 2021. We are initially focusing on digital formats in which participants have the opportunity to discuss the study results with experts from business, associations, politics and science. The aim is to develop ideas on how the topic of sustainability can be a successful component of corporate strategy. As soon as crisis-related conditions allow, dialogue events are planned throughout Germany at which entrepreneurs can exchange ideas in person and make new contacts.

The 2020 small-business customers survey focuses on how entrepreneurs handled the coronavirus pandemic and crisis management. The survey covered around 3,500 freelancers, craftspeople and tradespeople throughout Germany with annual turnover of up to €15m. These included both Commerzbank customers and customers of other banks. The results show that almost half of all entrepreneurs in Germany were hit hard by the coronavirus crisis. One in four took advantage of government support in the form of subsidies from a state development bank during the crisis – in most cases this was less than €10,000. However, companies can also take away something positive from the coronavirus crisis: Just under 40% said that their innovative strength increased, and at least one in three is using new technologies.

In another study, small-business customers from Commerzbank's own customer panel were surveyed at the beginning of November 2020. At the time, three-quarters of them were convinced that the worst of the pandemic was not over and things were not yet looking up. To keep their businesses afloat, small-business customers are expanding their online and remote offerings, restructuring their companies, increasing their advertising spending and taking steps to manage liquidity.

Social commitment

In terms of social commitment, Commerzbank engages with its environment in a variety of ways. Numerous projects and initiatives developed together with partners from business and society contribute to resolving current problems. Here, Commerzbank Aktiengesellschaft focuses on education and sports. One example is the environmental internship launched with the German national parks in 1990. Every year, the internship gives up to 75 students practical experience in the areas of environmental education and PR work in German national parks. The environmental internship is organised and financed by Commerzbank, with the national parks providing technical support and assistance for students. More than 1,800 students have taken part in the programme since it began. After completing the programme, the graduates then bring their experience to bear in business, politics, society and environmental protection.

The Green Band initiative for outstanding contributions to promoting talent in sport ("Das Grüne Band für vorbildliche Talentförderung im Verein") has been going even longer – for over 30 years. Together with the German Olympic Sports Confederation, Commerzbank Aktiengesellschaft awards a prize of €5,000 to 50 sports clubs annually that have made extraordinary efforts to promote young talent in competitive sport. To date, more than 2,000 German sports clubs have benefited from the initiative. The German Football Association's DFB Junior Coaches cooperation project is designed to support grass-roots sport. While the DFB trains young people from the age of 15 in schools to become junior football coaches, Commerzbank mentors provide support in preparing the young people for working life by organising job application training and providing work experience for school students in Commerzbank branches. Since the project was launched in 2013, around 3,000 young people are trained as DFB Junior Coaches at around 200 schools nationwide every year.

Commerz Real has been committed for many years to helping disadvantaged children, digital education, the environment, sports and culture. In 2020, its focus was on promoting home schooling as a result of the coronavirus crisis. A partner secondary school in Wiesbaden and "die Arche" ("the Ark"), a foundation that supports disadvantaged children and young people, received notebooks and smartphones for underprivileged children. In addition, Commerz Real in 2020 donated a total of around €136,000 to various institutions. In the year under review, it also continued its cooperation with the Pacemaker initiative, which promotes digital literacy among schoolchildren in Germany.

In 2020, mBank was for the third time the exclusive bank partner and sponsor of the 28th edition of Poland's biggest charity event, the Great Orchestra of Christmas Charity Foundation. For each day between Christmas 2019 and the Grand Finale fundraiser in mid-January 2020 on which there were at least 100 payments made to the foundation by mBank customers, the bank donated additionally about €22,400 (PLN100,000). Because so many of its customers were willing to donate, mBank donated an additional amount of around €449,000 (PLN2m). The bank also donated more than 70 works of art from its own collection, which were auctioned off for around €224,000 (PLN1m). Furthermore, the Bank introduced an offer for new corporate customers, whereby an amount equivalent to the account opening fees can be transferred to the foundation during the first six months.

Promoting employee engagement

Commerzbank also places emphasis on corporate volunteering as part of its social commitment. Staff are encouraged and enabled to perform voluntary charity work, with the Bank granting leave and providing the necessary infrastructure. This personal commitment benefits society and improves the living conditions of disadvantaged people. The projects also have a positive effect on the colleagues participating in them and promote mutual understanding. Our employees are able to get involved in a wide range of projects. Opportunities in Germany include the Commerzbank educational mentorship programme for disadvantaged young people, non-profit sports projects, the business@school initiative and various Christmas campaigns for welfare institutions. Commerzbank Aktiengesellschaft also donated a total of around €212,000 to various institutions and organisations over the past year.

Foundations shape the future

Various foundations supported by the Group also make an important contribution to society. As a corporate foundation, the Commerzbank Foundation stands for the social responsibility of its founder. Its motto is: "Participation creates the future". With its independent foundation, Commerzbank takes responsibility for its sustainable commitment to be a "good citizen" of the community that goes beyond its actual business activities. Since its establishment in 1970, the Commerzbank Foundation has built up many sustainable partnerships and has thus established itself as a permanent sponsor in Germany. In the 50 years of its existence, it has supported well over 1,000 projects related to cultural, social and scientific activities with a total of around €35m. Its partnership network ranges from museums and theatres to non-profit social agencies and scientific institutions. The funding supports cultural mediation, social participation for disadvantaged people and incentives for young researchers.

In addition, six social foundations have been established to provide financial support to the Bank's employees and pensioners in unforeseeable emergencies. The common aim of all the foundations is to make a long-term and sustainable contribution to the future viability of society. Commerzbank Aktiengesellschaft provided a total of €707,000 in funding for these foundations in 2020, covering expenses such as staff, workplaces and other operating costs.

As founder of the foundation, comdirect is involved together with the Stuttgart stock exchange in the "Stiftung Rechnen" maths foundation. The foundation promotes the importance of mathematics as a fundamental science and the improvement of maths skills in Germany. Since April 2020, "Stiftung Rechnen" has been promoting a responsible approach to money and financial self-responsibility among young people with its financial education programme "fiuse". The mFoundation in Poland has a similar objective. In 2020, it allocated more than €500,000 (PLN2.4m) to promote mathematics education. Students, teachers and undergraduates were further supported through the mPower scholarship programme and a competition for student projects. The first half of the year also saw the publication of the foundation's new children's mathematics book entitled "KinderSpiel Mathematik", aimed at parents of children aged zero to six. The foundation also focuses its support on artists, which is why mBank established the "M wie Malerei" ("M as in Masterpiece") fund in June 2020 to support young painters in Poland. In a first step, mBank auctioned 30 of more than 150 works for this purpose, raising more than €1m (PLN5.1m). In addition, an auction was held at the end of October to sell the bank's own sculpture "Ikaria". The proceeds of €600,000 (PLN2.7m) were then presented to the fund. mBank also provides financial help to staff, retirees and their family members in health emergencies through its employee benefits fund.

About this report

Under the German Act on Strengthening Corporate Non-Financial Reporting (CSR-Richtlinie-Umsetzungsgesetz, CSR-RUG), Commerzbank is required to prepare a non-financial report for Commerzbank Aktiengesellschaft pursuant to Art. 340a (1a) of the German Commercial Code (HGB) and for the Group pursuant to Art. 340i (5) HGB. With this combined separate non-financial report for Commerzbank Aktiengesellschaft and the Group, we satisfy this requirement pursuant to Art. 340i (5) in conjunction with Art. 315b (3) HGB and Art. 340a (1a) HGB in conjunction with Art. 298 (2) to (4) and Art. 289c to 289e HGB. Alongside the parent company, Commerzbank Aktiengesellschaft, the main subsidiaries comdirect bank AG (until its merger with the parent company on 2 November 2020), Commerz Real AG, mBank S. A. and Commerzbank Finance & Covered Bond S. A. were also included.

Under HGB, information is required as a minimum on environmental protection, treatment of employees, social responsibility, respect for human rights and the fight against corruption and bribery. Commerzbank also reports on a sixth essential aspect, the treatment of customers, as we view customer focus as a key non-financial success factor for both Commerzbank Aktiengesellschaft and the Group. To identify relevant topics, we conducted a materiality analysis for ten non-financial issues that are key to understanding the business performance and situation of both Commerzbank Aktiengesellschaft and the Group and that are significantly impacted by our business activities (see table "Content of the non-financial report"). The legally required description of the business model can be found in the "Structure and organisation" chapter of the (Group) Management Report.

In many areas – compliance, HR management and reputational risk management, for example – the guidelines of Commerzbank Aktiengesellschaft apply to the entire Group by way of the "global functional lead" role. If arrangements in the subsidiaries differ from those of the parent company, this is indicated in the report. Commerzbank Finance & Covered Bond S. A., which as at the end of 2020 had just ten remaining employees and was exclusively managing a run-off portfolio, did not have any additional information to contribute on material non-financial issues in 2020.

The option provided by law of using a reporting framework has not been adopted in the interest of providing focused information for the readership of our financial reporting. Nevertheless, the non-financial report is guided by the standards of the Global Reporting Initiative (GRI) where relevant for the ten issues. Detailed information on Commerzbank Aktiengesellschaft's corporate responsibility strategy, the objectives of its sustainability programme and other non-financial indicators can be found in the comprehensive GRI report and the declaration of compliance with the German Sustainability Code published on the Group's corporate responsibility website (http://www.sustainability.commerzbank.com). Apart from the description of the business model, references to further information in the Management Report and elsewhere do not form part of this non-financial report.

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

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

Content of the non-financial report

Material aspects in accordance with the CSR-RUG	Associated issues according to the materiality analysis	Included in chapter
Environmental protection Respect for human rights	• Holistic risk management • Sustainability effects in lending • Sustainable investments and capital market products	Our contribution to sustainable finance
Treatment of customers	• Data security • Transparency and fairness in customer relationships	Our responsibility towards customers
Treatment of employees	• Employer attractiveness • Diversity and equal opportunities	Our responsibility as an employer
Anti-corruption	• Integrity and compliance	Our responsibility in corporate governance
Social responsibility	• Stakeholder dialogue • Social commitment	

Group Management Report

› In the Group Management Report, we provide in-depth information about the Commerzbank Group's performance in the 2020 financial year and about the macroeconomic and sector-specific conditions and their impact on Commerzbank's business activities. We also describe the outlook for the anticipated performance of the Commerzbank Group in 2021 and overall conditions expected.

› 2020 was a challenging year. The coronavirus pandemic had a huge impact on Commerzbank's earnings performance. Business with our customers proved to be definitely robust, and we were able to increase net fee and commission income thanks to strong securities business throughout the year, more than offsetting the adverse impact of the interest rate environment. We also laid some important foundations for the upcoming transformation.

Contents

Basis of the Commerzbank Group

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 Polish subsidiary mBank is an innovative digital bank. It serves around 5.7 million private and small-business customers, mainly in Poland but also in the Czech Republic and Slovakia.

The two segments Private and Small-Business Customers and Corporate Clients are each managed by a member of the Board of Managing Directors. All staff and management functions are contained in Group Management: Group Audit, Group 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.

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

Objectives and strategy

Commerzbank adopted its new "Strategy 2024" programme in February 2021. The measures announced mark the start of an in-depth restructuring process 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. The key elements are described below.

Private and Small-Business Customers: transferring the strengths of comdirect to the entire segment

Commerzbank is to radically restructure its business with private and small-business customers. The objective is to create an attractive combination of highly efficient direct banking and first-class advisory services by merging the digital and innovative strengths of comdirect with Commerzbank's advisory expertise.

Services will be geared to customers' individual needs. The digital services of a direct bank will in future be available to all 11 million private and small-business customers in Germany. Efficient use of data will ensure that customers receive solutions tailored to their specific requirements – at the right time and through the right channel. The Bank will offer personal advice at branches and through 24-hour advisory centres.

Commerzbank will reduce the number of branches from the current number of 790 to 450 locations nationwide, where customers will be able to seek advice on topics such as accounts, cards and instalment loans and the use of the Bank's digital services. At 220 of these locations, affluent clients and small-business customers requiring more in-depth advisory services will receive comprehensive, personal advisory support and individual solutions for all issues relating to wealth management and financing. Commerzbank intends to significantly expand its business with affluent clients and small-business customers in Private Banking and Wealth Management.

At the 24-hour advisory centres, personal banking advisors will support customers' digital, mobile and telephone banking service requirements. Customers will also be able to obtain comprehensive advice on topics such as securities investment and real estate financing.

Corporate Clients: focus on customers with a clear connection to Germany and future-oriented sectors

Commerzbank is the leading bank for SMEs. During the coronavirus crisis, it reaffirmed its role as a strong and reliable financing partner for the German economy. Going forward, the Bank will continue to serve German SMEs and large companies, along with international customers who have business links with Germany. Commerzbank will only serve other international corporate clients if they operate in selected future-oriented sectors. The Bank will remain true to its responsibilities as a strong financing and hedging partner for German companies engaging in import and export business throughout the world.

Commerzbank will adopt a more nuanced approach to advisory services for corporate clients and align them more directly with individual needs. Corporate clients will continue to receive personal advisory support and will have access to a network of regional branches. However, individual services for companies will focus on customers who require sophisticated advisory support that can be delivered on a profitable basis. At the same time, an innovative direct banking offering will gradually be established for corporate clients who require standard products and advisory services. Profitability is to be significantly increased by digitalising processes, optimising pricing and, in particular, making greater use of data-driven services.

The product range is to be streamlined and further digitalised, while investment banking activities will be geared even more strongly to the requirements of corporate clients. This applies in particular to the equity capital markets (ECM) business and support for mergers and acquisitions (M&A). In future, these services will only be offered to corporate clients of the Bank whose advisory needs warrant it (e.g. in connection with business succession). Cooperations are being examined for equity trading and sales and for equity research.

Commerzbank will remain a strong partner for its customers both in Germany and abroad. Its local presence will be structured more efficiently, however, for instance by bundling back office functions in regional service units and optimising the correspondent bank portfolio. As a result, the Bank is planning to exit 15 international locations and convert two branches into local representative offices. This means the Bank will have a presence in nearly 40 countries going forward.

Cost savings

Following the restructuring, Commerzbank is targeting a return on equity (RoTE) of around 7% for the 2024 financial year. Costs will be reduced by €1.4bn or around 20% by 2024 compared with the figures for 2020. Income, on the other hand, is expected to remain largely stable, the exception being mBank, where further growth should be seen. Commerzbank is anticipating total restructuring expenses of €1.8bn, which will be financed entirely from its own funds. The restructuring expenses are due to be fully recognised in the balance sheet by the end of the current financial year. Provisions of €0.8bn were already recognised in 2020 to cover a significant portion of these restructuring expenses. A provision of €0.1bn had already been recognised in 2019. Overall, Commerzbank is aiming to eliminate around 10,000 full-time positions (FTEs) in gross terms by 2024.

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

mBank will continue to press ahead with its growth strategy as part of the Group.

Full details of the “Strategy 2024” programme can be found on the Commerzbank website at https://www.commerzbank.com.

Corporate management

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

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

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

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

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

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

The calculation of the capital cost rate is based on the capital-market-oriented Capital Asset Pricing Model (CAPM) and is subject to an annual review.

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

Remuneration report

The remuneration report is part of the "Corporate responsibility" section. It forms part of the Group Management Report.

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

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

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

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

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

Details pursuant to Art. 315d in conjunction with Art. 289f of the German Commercial Code (HGB), "Declaration on corporate governance", can be found in the section on corporate responsibility. They form part of the Group Management Report. The declaration on corporate governance can be found at https://www.commerzbank.de/geschaeftsbericht2020.

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

Details pursuant to Art. 340i (5) in conjunction with Art. 315b (3) of the German Commercial Code (HGB) can be found in the section on corporate responsibility as a combined separate non-financial report and online at www.commerzbank.com/NFR2020.

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 can be found in "Objectives and strategy" on page 89 f.

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 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 http://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. Post-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 risks and on integrity and compliance at Commerzbank, please see page 156 ff. of the Group Risk Report and page 81 ff. of the combined separate non-financial report.

Economic report

Economic 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.

In Poland, macroeconomic performance fell far less sharply overall than in either the eurozone or Germany. Although the country's economy has thus weathered the coronavirus pandemic relatively well so far, there is still considerable uncertainty due chiefly to the smouldering conflict with the EU over policy issues. On top of this, interest rates in Poland are now also close to zero and thus at an all-time low. With the exception of mortgage loans, demand for credit fell over the last few months, while deposit business recorded high inflows of liquidity. This put considerable pressure on interest margins in the Polish banking sector, although this was offset by higher commission income and thus limited the overall pressure on bank results over the course of 2020.

Financial performance, assets, liabilities and financial position

The coronavirus pandemic had a major impact on the German economy and the global economy as a whole in the 2020 financial year and has therefore also affected Commerzbank's Group financial statements. The effects of the pandemic on the different divisions of the Commerzbank Group were reviewed in various working groups and projects, and appropriate measures were decided upon. Explanations of these effects and of amendments to the accounting and measurement methods can be found in Notes 2 and 4 to the Group financial statements.

The Commerzbank Group recorded an operating loss of €–233m for the year under review, significantly lower than the prior-year figure. The consolidated loss attributable to Commerzbank shareholders for the period under review was €–2,870m.

Total assets of the Commerzbank Group as at 31 December 2020 were €506.9bn, compared with €463.5bn at the end of 2019. The significant growth of 9.4% was due in particular to the Bank's participation in the targeted longer-term refinancing operations III programme (TLTRO III) of the European Central Bank (ECB).

The decline in risk-weighted assets (RWA) to €178.6bn was mainly due to the change in credit risk, which was chiefly attributable to declines relating to two new securitisations and to lower volumes as a result of active RWA management and reduced drawdowns of credit lines. There was also a slight decline in risk-weighted assets from operational risks. By contrast, risk-weighted assets from market price risks increased.

Common Equity Tier 1 capital was €23.6bn and the corresponding Common Equity Tier 1 ratio 13.2%.

Income statement of the Commerzbank Group

The individual items in the income statement were as follows in 2020:

At €4,975m, net interest income in the period under review was 1.9% below the prior-year level. Net interest income in the Private and Small-Business Customers segment 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. It was a similar picture at mBank following several interest rate cuts by the Polish central bank in the first half of 2020. The pressure on margins in deposit business was offset by higher income from lending business. The Corporate Clients segment also recorded a year-on-year decline in net interest income, with the impact of the low interest rate environment and intense price competition resulting in lower income. This was particularly true for lending business, which was hit by falling margins. Others and Consolidation recorded a significant increase in net interest income, due mainly to improved interest rate risk management for the commercial segments.

Net commission income rose by 8.6% year on year to €3,317m. In the Private and Small-Business Customers segment, a marked increase in net commission income was the main income driver in the reporting period. In Germany, this income figure benefited from the strong revival of the domestic securities business, with online banking in particular seeing record transaction volumes. Net commission income at mBank also increased significantly due to a marked rise in income from securities business. In the Corporate Clients segment, net commission income was also up compared with the prior-year period.

The net income from financial assets and liabilities measured at fair value through profit or loss was €66m in the period under review, after €244m in the prior-year period. The decline was mainly attributable to valuation fluctuations in connection with the coronavirus pandemic that were only partially offset by positive remeasurement effects, especially in relation to CommerzVentures investments.

Statement of comprehensive income I €m	**2020**	**2019**[1]	**Change**
Net interest income	4,975	5,070	–95
Dividend income	37	35	2
Risk result	–1,748	–620	–1,129
Net commission income	3,317	3,056	261
Gain or loss from financial assets and liabilities measured at fair value through profit and loss and net income from hedge accounting	273	348	–75
Other profit or loss from financial instruments, income from at-equity investments and other net income	–416	130	–546
Operating expenses	6,160	6,313	–153
Compulsory contributions	512	453	59
Operating profit/loss	**–233**	**1,253**	**–1,486**
Impairments of goodwill and other intangible assets	1,578	28	1,551
Restructuring expenses	814	101	713
Pre-tax profit or loss from continuing operations	**–2,626**	**1,124**	**–3,751**
Taxes on income	264	421	–157
Consolidated profit or loss from discontinued operations	30	–18	48
Consolidated profit/loss	**–2,861**	**685**	**–3,545**
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components	–2,870	585	–3,455

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

The other net income figure of €–357m includes allocations of €229m to provisions for legal risks in connection with mortgage loans issued in foreign currencies at mBank and a penalty payment of €41m to the UK financial conduct regulator in the second quarter of 2020.

The corresponding prior-year figure of €93m included the gain on the sale of the interest in ebase.

The risk result was €–1,748m in the reporting period, compared with €–620m a year earlier. The significant increase was mainly attributable to the effects of the coronavirus pandemic. The risk result includes a top-level adjustment (TLA) of €–505m that anticipates the potential impact of the coronavirus pandemic, including the second lockdown, based on information as at the turn of the year. Further information on the TLA can be found in the Risk Report on page 138 ff. and in Note 36 of the notes to the financial statements. The risk result in the Private and Small-Business Customers segment was significantly higher than in the previous year. The increase was largely due to effects from the coronavirus pandemic. The TLA charge for the period under review amounted to €–129m. In the Corporate Clients segment, the increase in the risk result compared with the previous year was also due to impacts of the coronavirus pandemic, such as larger individual counterparties where the crisis was the main reason for default or made it necessary to increase existing risk provisions. The risk result was also affected by the default of a large exposure in the second quarter of 2020. The TLA charge for the period under review amounted to €–373m.

Thanks to continued systematic cost management, operating expenses for the reporting period were 2.4% lower year on year at €6,160m. Personnel expenses were 1.2% below the prior-year level at €3,500m, in part due to further progress in headcount reduction, while administrative expenses, including depreciation on fixed assets and amortisation of other intangible assets, were reduced by 4.0% to €2,660m. The significant decline was primarily due to a reduction in advertising costs and lower expenses for business travel, external staff and depreciation.

Compulsory contributions, which include the European banking levy, contributions to the Deposit Protection Fund and the Polish bank tax, were reported separately and were significantly above the previous year's level at €512m. The rise was mainly attributable to a higher target volume for the European banking levy and an increase in covered deposits.

Due to deteriorating market parameters, including the level of interest rates in the eurozone and in Poland, impairments of €1,578m were recognised on goodwill and other intangible assets in the Private and Small-Business Customers segment in the period under review.

Restructuring expenses of €814m during the reporting period also affected earnings performance. These mainly related to the recognition of restructuring provisions. 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 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.

The pre-tax loss from continuing operations was €–2,626m, compared with a pre-tax profit of €1,124m in the prior-year period.

Tax expense on continuing operations for the period under review was €264m, compared with €421m in the previous year. Group tax expense mainly comprised taxes on taxable income in foreign units and tax expenses relating to other periods.

The loss from continuing operations after tax was €–2,890m, compared with a profit of €703m in the prior-year period. Discontinued operations posted a profit after tax of €30m. This includes the income and expenses of the Equity Markets & Commodities (EMC) division sold to Société Générale.

Net of non-controlling interests, a consolidated loss of €–2,870m was attributable to Commerzbank shareholders and investors in additional equity components for the 2020 financial year, compared with a consolidated profit of €585m in the previous year.

Despite Commerzbank Aktiengesellschaft also reporting significantly negative results for the 2020 financial year in accordance with the German Commercial Code (HGB), the plan is to service all capital instruments issued by Commerzbank Aktiengesellschaft for the 2020 financial year. We will not be proposing a dividend distribution at the Annual General Meeting.

Total comprehensive income, which includes both consolidated profit/loss and other comprehensive income for the period, showed a net total of €–3,235m in 2020.

Other comprehensive income of €–375m consists of the sum of changes in the revaluation reserve (FVOCImR) (€94m), the cash flow hedge reserve (€67m) and the currency translation reserve (€–522m), changes in companies accounted for using the equity method (€1m), changes from the remeasurement of defined benefit plans not recognised in the income statement (€29m), changes in the measurement of equity instruments (FVOCIoR) (€–4m) and in own credit spreads of liabilities FVO not recognised in the income statement (€–42m), and the change in remeasurement effects from net investment hedges (€3m). Further information on other comprehensive income can be found on page 168 of the Group financial statements.

Operating profit per share was €–0.19 and earnings per share €–2.33. The comparable figures in the prior-year period were €1.00 and €0.47 respectively.

Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 31 December 2020 were €506.9bn, up 9.4% compared with year-end 2019.

Cash on hand and cash on demand rose by €34.4bn to €75.6bn. 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.

Financial assets at amortised cost fell slightly by €1.3bn to €292.4bn compared with the end of 2019. While there was growth in lending to private customers, particularly in retail mortgage financing, there were corresponding declines in business with domestic corporate clients and international customers.

Financial assets in the fair value OCI category were €42.9bn, up €11.9bn from the end of 2019. This 38.5% rise resulted from an increase in debt securitised.

At €28.7bn, financial assets mandatorily measured at fair value through profit or loss were €1.5bn lower than at the end of the previous year. The decline was mainly caused by a fall in the volume of secured money market transactions in the form of reverse repos and cash collateral.

Financial assets held for trading were €52.2bn at the reporting date, up €7.3bn on the figure at the end of 2019, due largely to higher positive fair values of derivative financial instruments. While positive fair values of interest-rate-related and currency-related products rose significantly by a total of €5.8bn, debt securitised increased by €0.3bn.

Non-current assets held for sale and disposal groups were €2.0bn, compared with €8.0bn at the end of 2019. The decline resulted from portfolio transfers in connection with the sale of the EMC business to Société Générale.

Assets I €m	**31.12.2020**	**31.12.2019**[1]	**Change in %**
Financial assets – Amortised cost	292,420	293,676	–0.4
Financial assets – Fair value OCI	42,862	30,942	38.5
Financial assets – Mandatorily fair value P&L	28,677	30,196	–5.0
Financial assets – Held for trading	52,176	44,840	16.4
Other assets	90,781	63,796	42.3
Total	**506,916**	**463,450**	**9.4**

Liabilities and equity I €m	**31.12.2020**	**31.12.2019**[1]	**Change in %**
Financial liabilities – Amortised cost	397,725	351,909	13.0
Financial liabilities – Fair value option	20,104	19,964	0.7
Financial liabilities – Held for trading	42,843	39,366	8.8
Other liabilities	17,644	21,711	–18.7
Equity	28,600	30,500	–6.2
Total	**506,916**	**463,450**	**9.4**

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

On the liabilities side, financial liabilities at amortised cost were up €45.8bn to €397.7bn compared with the end of 2019. The growth compared with the end of 2019 was driven by a significant increase in money market transactions with central banks, which was attributable in particular to the Bank's participation in the targeted longer-term refinancing operations III programme (TLTRO III) of the European Central Bank (ECB) and high cash inflows from private customers and corporate clients.

Financial liabilities under the fair value option were at almost the same level as at year-end 2019 at €20.1bn. Debt securities issued increased by €1.3bn, while deposits and other financial liabilities decreased by €1.2bn. The decrease was mainly attributable to the seasonal decline in secured money market transactions with central banks.

Financial liabilities held for trading were €42.8bn, up €3.5bn compared with the end of 2019. The increase was due to the negative fair values of derivative financial instruments, especially interest-rate-related derivative transactions, which rose by €3.3bn.

Liabilities from disposal groups were €2.1bn, compared with €8.5bn at the end of 2019. The decline resulted from portfolio transfers in connection with the sale of the EMC business to Société Générale.

Equity

The equity capital attributable to Commerzbank shareholders reported in the balance sheet on 31 December 2020 was €24.9bn, down 12.2% compared with year-end 2019. Further information on the change in equity can be found on page 171 ff. of the Group financial statements.

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 draw-downs 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.

Funding and liquidity of the Commerzbank Group

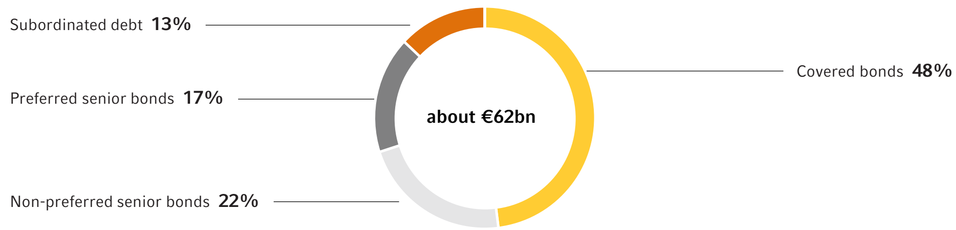
The liquidity management of the Commerzbank Group is the responsibility of Group Treasury, which is represented in all major Group locations in Germany and abroad and has reporting lines in all subsidiaries.

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

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

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

Capital market funding structure[1]
As at 31 December 2020



[1] Based on reported figures.

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

The Commerzbank Group raised a total of around €7bn in long-term funding on the capital market in 2020. The average term of the issues made during the period under review was around eight years for unsecured issues and Pfandbriefe.

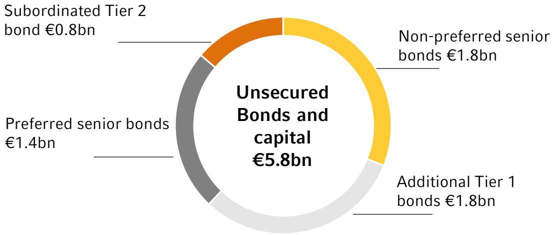
Following the uncertainty in the second quarter caused by the coronavirus pandemic, the capital markets were stable over the second half of the year. Commerzbank used the positive issue windows to implement planned issues.

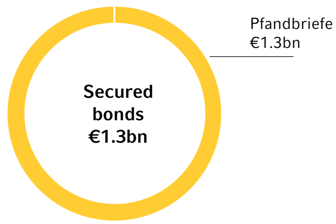
At the end of May 2020, Commerzbank launched an issuance programme for Additional Tier 1 capital (AT1 capital) that will enable it to issue successive subordinated debt securities with a total nominal value of up to €3bn over the next few years. Commerzbank Aktiengesellschaft issued the first AT1 bond under its new issuance programme, with a volume of €1.25bn and a fixed coupon of 6.125% per annum, in June. It has a perpetual maturity and the first call date is in the period from October 2025 to April 2026. This was followed in September by a second AT1 bond with a volume of €500m and a fixed coupon of 6.5% per annum. This issue 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%. In addition, a subordinated bond (Tier 2) with a volume of €750m was issued in May. This bond has a term of 10.5 years with the first call date being in the period from September to December 2025 and a fixed coupon of 4% per annum. The three capital issues were heavily oversubscribed and attracted great interest from foreign investors, who accounted for over 90% of demand. With the issue of the bonds, Commerzbank is further strengthening and optimising its capital structure.

In the unsecured area, Commerzbank very successfully issued its second green bond in September with a volume of €500m. The non-preferred senior bond has a term of 5.5 years with a call date in March 2025 and a coupon of 0.75% per annum. The bond attracted an exceptional level of investor interest, particularly from France, the Benelux countries and Scandinavia. 55% of the issue was placed in these countries. The green bond has enabled Commerzbank to significantly expand its investor base. Two non-preferred senior bonds were also placed, one for €750m and for the first time one for GBP 400m, with terms of seven and five years respectively. In the area of preferred senior bonds, a benchmark bond with a volume of €750m was issued at the end of August, and a benchmark bond issued in 2019 was increased by €500m at the beginning of the year. Both bonds have a term of seven years. Around €260m in private placements were also issued.

In the secured area, a ten-year mortgage Pfandbrief for €1.25bn was issued in March.

Group capital market funding 2020
Volume €7.0bn





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

In view of this, the ECB is implementing the comprehensive measures it decided on in March 2020 to counter the economic down-turn in the eurozone and the resulting impact on the financial sector. According to the ECB Governing Council, there have not yet been any significant tensions in the money market or liquidity shortfalls in the banking system, but additional long-term refinancing operations have nonetheless been made available to the banks, mainly for the purpose of supporting lending to small and medium-sized enterprises.

Under TLTRO III (targeted longer-term refinancing operations), the ECB provided banks with additional liquidity of around €1,300bn. Commerzbank participated in this programme with a volume of €32.3bn. The resulting further increase in excess liquidity would also make it possible to raise the tiering system for central bank balances, which exempts part of the excess liquidity from negative interest rates. The interest rates for the main refinancing operations, the marginal lending facility and the deposit facility were unchanged.

At the end of 2020, the Bank had a liquidity reserve of €94.8bn in the form of highly liquid assets. The liquidity reserve portfolio works as a buffer in stress situations. It is funded in line with the liquidity risk appetite to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors. Part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Group Treasury to cover liquidity out-flows should a stress event occur and to ensure solvency at all times.

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

At 135.68% (average of the last 12 month-end values), Commerzbank was well above the minimum 100% level required for the liquidity coverage ratio (LCR). Further information on the LCR can be found in Note 65 to the Group financial statements. Commerzbank's liquidity situation therefore is comfortable given its conservative and forward-looking funding strategy.

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.

The massive impact of the coronavirus pandemic can be seen in Commerzbank's business performance. The first lockdown in spring 2020 had already altered the market environment so markedly that in our interim report as at 30 June 2020 we adjusted our guidance regarding the Bank's earnings performance given in the Annual Report 2019. We had previously assumed that we would be able to report a profit for 2020, but had to revise our profit expectations in view of the ongoing difficult market environment and risk factors, the higher risk result due to provisioning for a specific case in the first half of the year, and the planned provisions for restructuring expenses. Under the revised guidance, a consolidated loss was expected for the 2020 financial year. This forms the basis for the following comments.

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 specual 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.

At Group level, the Bank laid some important foundations for the upcoming restructuring in the 2020 financial year, and this was reflected in significant charges against earnings. Substantial restructuring expenses were recognised for the year under review. In addition to the provisions recognised for the forthcoming restructuring, the goodwill write-down and amortisation of other intangible assets also affected earnings, although this had no impact on the regulatory capital base. At operating level, the coronavirus pandemic was the most significant negative factor in the past financial year. Commerzbank recognised a top-level adjustment (TLA) of €–505m that anticipates the potential impact of the coronavirus pandemic, including the second lockdown, based on information as at the turn of the year. The provision for legal risks in connection with foreign-currency loans at mBank was also significantly increased. Together with negative remeasurement effects, this resulted in an operating loss in 2020. Higher charges for compulsory contributions were more than offset through strict cost management. Total operating expenses including compulsory contributions were lower than in the previous year. The net return on equity of –11.7% was markedly lower than the prior-year level of 2.2%, while the cost/income ratio including compulsory contributions increased by 3.2 percentage points to 81.5%.

Despite the consolidated loss, the Common Equity Tier 1 ratio of 13.2% reported as at the end of December 2020 remained around 370 basis points above the minimum regulatory requirement of 9.5% (MDA threshold). We have cleaned up our balance sheet and recognised provisions for what remains an uncertain economic environment. Our comfortable capital position gives us sufficient financial leeway to implement the "Strategy 2024" programme over the coming years.

Segment performance

The comments on the segments' results are based on the segment structure described on pages 276 ff. of the Group financial statements.

More information and explanations regarding restatements of prior-year figures can be found in Notes 4 and 61 to the Group financial statements.

Private and Small-Business Customers

The Private and Small-Business Customers segment encompasses branch business in Germany, the comdirect brand, Commerz Real and the mBank Group. The segment again saw growth in net new customers and assets under management in 2020. With around 11 million customers in Germany and roughly 5.7 million in Poland, the Czech Republic and Slovakia, Commerzbank is one of the leading banks for private and small-business customers in these markets.

Performance

€m	2020	2019[1]	Change in %/%-points
Income before risk result	4,776	4,876	–2.0
Risk result	–562	–254	.
Operating expenses	3,515	3,506	0.3
Compulsory contributions	331	285	16.2
Operating profit/loss	**368**	**831**	**–55.7**
Average capital employed	5,680	5,329	6.6
Operating return on equity (%)	6.5	15.6	–9.1
Cost/income ratio in operating business (%) – excl. compulsory contributions	73.6	71.9	1.7
Cost/income ratio in operating business (%) – incl. compulsory contributions	80.5	77.7	2.8

[1] Figures adjusted due to restatements (see Group financial statements, Notes 4 and 61).

The Private and Small-Business Customers segment slightly increased its operating income year on year – excluding the gain on the sale of the interest in ebase – and thus performed well despite the difficult market environment. It also kept operating expenses at the prior-year level. The operating profit was more than halved in the year under review, falling to €368m compared with €831m in the prior-year period, with the decline caused primarily by the extremely weak economic environment. This is clear from the significantly higher risk result of €–562m.

Total segment income before risk result was €4,776m in the year under review, down €100m year on year. Allocations to provisions for legal risks in connection with mortgage loans issued in foreign currencies at mBank increased by €150m year on year, while the prior-year result was boosted by the gain of €103m on the sale of the comdirect subsidiary ebase GmbH.

Net interest income decreased by €107m to €2,576m year on year. 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. It was a similar picture at mBank following several interest rate cuts by the Polish central bank in the first half of 2020. The pressure on margins in deposit business was offset by higher income from lending business.

Net commission income was the main earnings driver in the year under review, rising significantly in both core regions by a total of €237m to €2,151m. In Germany, this income figure benefited from the strong revival of the domestic securities business, with online banking in particular seeing record transaction volumes. Net commission income at mBank also increased significantly due to a marked rise in income from securities business.

The other net income figure of €–237m includes allocations of €229m to provisions for legal risks in connection with mortgage loans issued in foreign currencies at mBank. The prior-year figure of €23m also included an allocation of €79m to these provisions and the gain of €103m on the sale of the interest in ebase.

The sharp increase in the risk result, which grew by €–308m to €–562m, is largely attributable to effects from the coronavirus pandemic. The associated TLA for the period under review amounted to €–129m.

Operating expenses for the period under review were on a par with the prior-year level at €3,515m. While operating expenses were slightly higher in Germany, at mBank they were slightly lower year on year due to exchange rate effects. The total cost of compulsory contributions amounted to €331m, an increase of €46m compared with the prior-year period. The largest increase related to costs for deposit protection funds.

Impairments of €1,578m were recognised on intangible assets due to the deteriorating market parameters, including the level of interest rates in the eurozone and in Poland.

Overall, the Private and Small-Business Customers segment posted a pre-tax loss of €–1,210m in the period under review, compared with a pre-tax profit of €831m in the previous year.

Corporate Clients

The Corporate Clients segment comprised four reporting areas in 2020. The Mittelstand, International Corporates and Institutionals divisions are responsible for business with our core customers: the Mittelstand division covers Mittelstand (SME) customers and domestic large corporates with the relevant products they require. The International Corporates division looks after corporate clients headquartered abroad and large German multinational companies. The Institutionals division is responsible for managing relationships with banks in Germany and abroad, as well as those with central banks and selected non-bank financial institutions (NBFIs) such as insurance companies and pension funds.

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

Performance

€m	2020	2019[1]	Change in %/%-points
Income before risk result	3,120	3,274	–4.7
Risk result	–1,081	–342	.
Operating expenses	2,380	2,478	–3.9
Compulsory contributions	117	118	–0.5
Operating profit/loss	**–458**	**336**	**.**
Average capital employed	11,544	11,927	–3.2
Operating return on equity (%)	–4.0	2.8	–6.8
Cost/income ratio in operating business (%) – excl. compulsory contributions	76.3	75.7	0.6
Cost/income ratio in operating business (%) – incl. compulsory contributions	80.1	79.3	0.8

[1] Figures adjusted due to restatements (see Group financial statements, Notes 4 and 61).

The performance of the Corporate Clients segment was affected by the difficult market environment in the year under review, particularly the high level of customer and market uncertainty stemming from the coronavirus pandemic. Although individual sectors and companies suffered severe economic consequences despite extensive coronavirus aid and the provision of credit lines, the capital markets continued to recover over the course of the year thanks above all to a decline in new coronavirus infections and the development of vaccines.

In particular, significantly higher valuation allowances for credit risks meant that the Corporate Clients segment recorded an operating loss of €–458m in the year under review, compared with an operating profit of €336m in the previous year. This figure also included negative remeasurement effects of €–55m due to spread widening, which primarily reflects higher credit risk with counterparties in derivatives business and lower contributions from fair value items caused in part by the coronavirus crisis.

Despite solid contributions from capital market business, the Mittelstand division recorded lower income overall, including from lending business, which struggled with declining margins. Commercial business was also hit by the consequences of the coronavirus pandemic, which resulted in lower income from cash management and trade finance. The International Corporates division recorded a positive performance, benefiting in particular from increased hedging in customer business and a significant contribution from primary market business with bonds. In the Institutionals division, however, higher income from capital market business did not offset the decline in income from trade finance and cash management. The Others division was affected by a significant widening of credit spreads caused by the coronavirus pandemic, which resulted in negative remeasurement effects in counterparty business. Lower contributions from fair value items and wind-down portfolios also affected the result, as did a penalty payment of around €41m to the UK financial conduct regulator recorded in the second quarter of 2020.

In the year under review, income before risk result was €153m lower than in the prior-year period at €3,120m. At €1,799m, net interest income was below the prior-year level of €1,895m, while net commission income was up to €1,205m, just above the prior-year level of €1,176m. Net income from financial assets and liabilities measured at fair value through profit or loss fell to €146m, however. This was €37m lower than the figure for the prior-year period, which included income from successful restructuring measures.

The risk result in the Corporate Clients segment was €–1,081m in the period under review, compared with €–342m in the prior-year period. The increase was due in part to impacts of the coronavirus pandemic, such as larger individual counterparties where the crisis was the main reason for default or made it necessary to increase existing risk provisions. The risk result was also affected by the default of a large exposure in the second quarter of 2020. The TLA charge for the period under review amounted to €–373m.

Operating expenses were €2,380m, down €97m on the prior-year figure. The decline resulted from lower personnel and administrative expenses achieved through strict cost management. The reported compulsory contributions of €117m relate primarily to the European banking levy. Compulsory contributions of €118m were recorded in the previous year.

Overall, the segment posted a pre-tax loss of €–458m, compared with a pre-tax profit of €309m in the prior-year period.

Others and Consolidation

The Others and Consolidation segment contains the income and expenses which are not attributable to the business segments. Others covers, for example, Group Treasury, equity holdings not allocated to the business segments and overarching specific individual matters such as expenditure on regulatory fees. Consolidation reconciles the figures shown in segment reporting with the Group financial statements in accordance with IFRS. Others and Consolidation also covers staff, management and support functions, which are likewise charged to the segments. For these units, restructuring costs are an exception to transfer charging, as they are reported centrally in the division.

The Others and Consolidation segment reported an operating loss of €–143m for 2020, compared with an operating profit of €55m in the prior-year period. The decline was primarily attributable to net negative effects from the recognition and reversal of provisions, consolidation adjustments, a change in the estimate of the remaining term of a liability and higher net loan loss provisions for a residual portfolio in the dissolved Asset & Capital Recovery segment. This was offset by net positive remeasurement effects, especially from investments held by CommerzVentures. Group Treasury also recorded a higher result year on year despite an increase in bank levies. The improvement was mainly due to better interest rate risk management for the commercial segments. Others and Consolidation recorded a pre-tax loss of €–958m for 2020, which included restructuring expenses of €814m. 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. The prior-year figure included restructuring expenses of €101m relating to the implementation of the strategy.

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 USD 1,500bn 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. 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 Polish banking sector has so far proved itself to be comparatively robust in assessments of financial stability, and this continued to be the case during the coronavirus pandemic. The country's big banks still have a strong capital position and are well above the minimum requirements set by the supervisory authorities. There are risks, however, from unsecured consumer loans and mortgage loans in zloty. There are currently numerous lawsuits from private customers pending in Poland relating to Swiss franc real estate loans with indexing clauses. Case law on such lawsuits is inconsistent, but the majority of rulings currently favour consumers. To date, neither the Polish courts nor the European Court of Justice have come up with a clear and conclusive solution to the issue of foreign currency loans. As a result, since the end of 2019 the banks concerned have been recognising increasingly large provisions to cover the growing number of lawsuits and the rise in the total value of disputed claims, which is weighing on their earnings.

In December 2020, the Polish banking regulator proposed that foreign currency loans issued by Polish banks be converted into zloty on the basis of voluntary agreements between the banks and their affected customers and that interest be charged based on Poland's WIBOR reference rate. As the Polish zloty has depreciated considerably against the Swiss franc over the past few years, such a conversion based on historical rates is likely to have a significant negative impact on the earnings of the banks concerned.

All in all, the situation may result in considerable costs for the banking sector in Poland – and thus also for Commerzbank through its subsidiary mBank – particularly for litigation. The provisions for these risks may also need to be adjusted significantly in the future.

The decision by the Polish central bank (NBP) to cut its key interest rate to just above zero in response to the coronavirus crisis will also pose major challenges for the Polish banking sector over the coming months, with the central bank set to maintain its expansive monetary policy until at least the end of 2021. At the same time, the ongoing high inflows of liquidity in deposit business are likely to continue to outstrip demand for credit, while a decline in the quality of the loan portfolio will lead to significantly higher risk costs and increased loan defaults. Bank earnings will therefore remain under pressure over the coming months, which is likely to result in further increases in bank fees and a continuation of the trend towards consolidation in the Polish banking market.

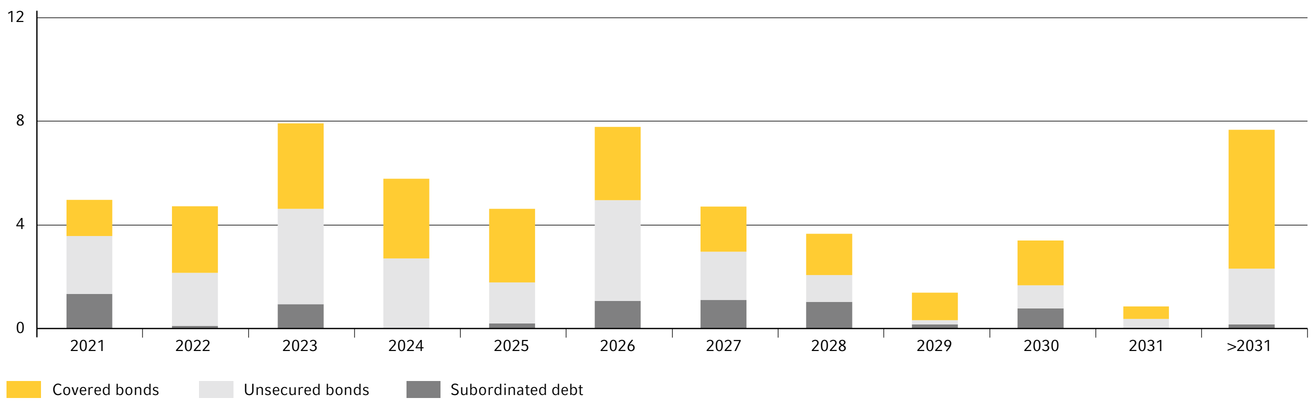
The trade agreement recently agreed between the EU and the UK is in principle intended to avoid tariffs in bilateral trade. Since the UK is no longer bound by EU rules, goods will now only be granted tariff-free access to the EU if UK companies do not benefit from any unfair competitive advantages in 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.

Financial outlook for the Commerzbank Group

Planned funding measures

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 sub-ordinated 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.

Group maturity profile of capital market issues as at 31 December 2020
€bn



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

Planned investments

Commerzbank is planning a total of €1.7bn in direct costs for IT investments under "Strategy 2024", €0.6bn of which relates to the 2021 financial year. Just under half of the investment for the current year relates to the restructuring of the business model and the digitalisation of retail banking business, which also encompasses the integration of our direct banking subsidiary comdirect. The other half will be invested in the further digitalisation of processes in corporate client business, the IT infrastructure and regulatory measures.

Private and Small-Business Customers
The main investment targets for the branch bank in 2021 are the central initiatives relating to the "Strategy 2024" programme and the integration of comdirect.

In the Private and Small-Business Customers segment, Commerzbank is building on the existing strategic thrusts of the previous strategy while at the same time using the integration of comdirect to further develop the digital and personal aspects of the business model. The main focus is on creating the most efficient digital bank – complete with comprehensive mobile offerings – and achieving greater penetration of customer segments. A large portion of the investments will support the ongoing digitalisation of lending platforms in order to optimise customer service during the application process. Commerzbank also plans to digitalise further products and processes, while progress towards completion of the ONE digital platform will continue in 2021. Other key sales and product-relevant functions will also be implemented in the areas of accounts, cards, securities and deposits, along with functions relating to the creation and management of personal data.

Another large portion of the investments will be used to expand the online banking channel. The focus here is on implementing a completely new technological base and a new customer experience. The Bank will also invest in the systematic expansion of the banking app to create an additional sales channel, implementing a host of new functions such as the ability to create and delete securities savings plans or display third-party bank accounts. The technological foundations laid in 2020 will be further expanded in 2021 to ensure a more targeted customer approach across all sales channels. Interaction between individual channels and touchpoints will also be stepped up to consolidate the initial effects of profitable growth.

As well as establishing a digital bank in the German market, Commerzbank will also focus on improving the efficiency of its branch business in 2021. The Customer Centre is becoming increasingly important and is gradually being expanded to create an efficient and effective remote sales channel.

The implementation of various regulatory requirements will continue to be a challenging task in 2021 and will entail corresponding investments. The objective is still to reduce compliance risks to the lowest possible level by driving the development of innovative digital solutions for the effective and resource-efficient management of compliance risks. The main focus in this regard remains the digitalisation of the “know-your-customer” process. Other areas of investment include the ongoing restructuring of processes subject to the German Securities Trading Act (WpHG) in order to meet regulatory requirements under the suitability and sustainability rules, and work relating to the technical integration of comdirect. The Bank is also investing in process automation and the harmonisation of technical applications to ensure tax compliance both in Germany and abroad.

mBank is planning investments in the 2021 financial year to strengthen its competitive position, continue the optimisation and automation of customer-related and internal processes and hence improve its cost efficiency. Initiatives at business unit level will also be supported in order to participate in future market potential and opportunities. New applications include the standardisation of interfaces (OpenAPI), biometric authorisation procedures, integrated payment transactions, voice assistants and chatbots.

The planned investments are set to include a review of the positioning and service scope of the mKiosk service points for retail customers in mBank’s sales network. These mKiosks will in future offer customers individual financial advice via a separate additional channel, thereby enhancing customer service and sales performance.

mBank also plans to optimise its existing sales network in respect of all branch models. In Warsaw, the existing mBank headquarters locations are due to be brought together in the Mennica Legacy Tower by the beginning of 2021. There are also plans to optimise the various locations in the Czech Republic and Slovakia.

mBank is also planning further investment in the optimisation of corporate client processes in 2021, for example to improve cash services and the processes for handling payment transaction requests from third-party banks. It will also further optimise the mobile app for corporate clients developed in 2020 and press ahead with the automation and digitalisation of back office processes such as digital account opening for corporate clients. Advisors in the Customer Centre will be equipped to support corporate clients directly online via remote access.

Key regulatory projects such those concerning the new definition of default, the standard initial margin model (SIMM) and the Benchmarks Regulation (BMR) will be continued.

Corporate Clients

Investments in the Corporate Clients segment in 2021 will focus on the implementation of Commerzbank’s strategic realignment. The aim behind the new strategy is to create a fully digitalised bank that offers personalised advisory services, maintains an unwavering customer focus and is geared to sustainability. To achieve this, the Bank will in future focus on serving corporate clients with a clear connection to Germany, along with international corporate clients who have business links with Germany or operate in selected future-oriented sectors. Investments are planned in the sales organisation and back office areas to support growth there. The programme will aim to expand the Bank’s market position in Germany and with its customers in other European countries.

Commerzbank will remain a strong partner for its customers both in Germany and abroad and will continue to expand its service offering through a nuanced relationship management model. Its local presence will be structured more efficiently, for instance by bundling back office functions in regional service units and optimising the correspondent bank portfolio. Further harmonisation of European IT systems will drive the ongoing development of competitive products.

Extensive digitalisation projects will further increase the degree of digitalisation, creating additional customer care time by reducing administrative tasks in sales.

Profitability will be significantly increased, for instance by digitalising processes, optimising pricing and, in particular, making greater use of data-driven services. An innovative direct banking offering will gradually be established for corporate clients who require specific products and advisory services. The product range will be streamlined and further digitalised.

The importance of mobile applications for corporate clients is also set to increase. With this in mind, the Bank's plans for 2021 also include the rollout of additional functions to further expand the cash management app. Open Banking/API (Application Programming Interface) will also be a key area of focus. Improved communication between IT systems will ultimately enable us to work even more closely with our customers and partners.

There will also be continued development of compliance-related processes in order to actively and efficiently manage compliance risks.

IT & Operations

Commerzbank will continue the ongoing optimisation of its IT structure in 2021. There will also be further significant investment in payment transactions and securities processing. In mid-2018, Commerzbank entered into a strategic partnership in payments processing with the payment processing provider equensWorldline. Elements of the planned integration of the direct banking subsidiary comdirect will be implemented as part of the partnership with HSBC Transaction Services GmbH, which is currently being set up. Through these two IT infrastructure projects, Commerzbank is continuing to streamline its operations so that it can concentrate fully on the strategic restructuring. On the IT side, the focus is on modernising the IT architecture and putting the technological base on a more professional footing. Investments to increase automation and boost IT and operational stability are also planned.

Anticipated liquidity trends

Owing to the high excess liquidity in the market, the volume of longer-term securities repo transactions will remain restricted. The short-term repo market in high-quality securities such as government bonds, supranational bonds and covered bonds (high-quality liquid assets or HQLA) is still functioning smoothly, however, even in the face of the coronavirus pandemic, and it plays an important role in servicing the bond and cash markets.

The volume of securities has increased since the beginning of the coronavirus pandemic due to the increase in the German federal government's liquidity and financing requirements and its special funds. Following a general reduction in repo rates across all HQLA markets since March, initially due to the increased securities volume, after which they trended sideways around the ECB's deposit facility, repo rates became more expensive again towards the end of the year when – as usual – market participants became less willing to act and securities liquidity was therefore reduced. We expect demand for collateral via the repo markets to remain high due to the increase in the TLTRO volume from March 2021 and the general attractiveness of TLTROs.

The situation in the bond markets is still being influenced by the ECB's securities purchase programme and high surplus liquidity, as well as by ongoing trade conflicts and political uncertainties. This is resulting in ongoing steady demand for good-quality borrowers. With interest rates set to remain in negative territory, additional demand will come from financial investors in search of returns.

Liquidity in the secondary markets, which in this context is already significantly reduced, will thus remain low. Despite rising government debt, we expect German government bond yields to remain very low, even in the long-term segment (yields are currently negative up to over 30 years), and we anticipate persistently high demand from investors for high-quality securities. In view of this, we believe credit spreads will remain tight.

Managing opportunities at Commerzbank

The demands placed on modern, sustainable banking business and the overall framework conditions have changed markedly in the past few years. Whereas personal customer relationship management was formerly a key element of banking, these days customers expect multi-channel advisory services, digital financial offerings and individual, tailor-made products. 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.

Anticipated performance of the Commerzbank Group

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 will build on its strengths in order to boost the return on equity, which has been unsatisfactory in recent years, to the considerably higher target of around 7% in 2024. These include the extensive portfolio of attractive relationships with both private customers and corporate clients, with strong positions in the affluent clients and SME segments, and the already high level of digital expertise in many areas of the Bank. For instance, following the integration of the subsidiary comdirect, which was merged with Commerzbank Aktiengesellschaft last autumn, its extraordinary expertise in direct banking and securities business will in future be made available to all private customers.

The Bank's solid capital position will enable it to cover the cost of restructuring measures and investments in the comprehensive modernisation of the IT infrastructure entirely from its own funds. This will pave the way for a substantial reduction of €1.4bn or around 20% in the cost base by the end of 2024, leading to a marked improvement in the cost/income ratio to 61% (2020: 81%). The first substantial steps towards the comprehensive and sustainable adjustment of the business model are planned on an ongoing basis over the rest of the year, with a particular focus on maximising the speed of implementation and constantly monitoring the progress made.

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.

The extraordinarily challenging environment, which is characterised by a high degree of uncertainty, is reflected in expectations of a slight decline in operating income. This in part reflects the subdued demand for credit among corporate clients in particular. At the same time, the capital market and securities business is unlikely to be able to match the at times extraordinarily strong overall performance of the past financial year. Commerzbank expects the risk result to remain substantial, in a broad range between €–0.8bn and €–1.2bn due to the unusually high level of uncertainty.

As for total operating expenses (including compulsory contributions), which are expected to be lower year on year at €6.5bn, initial cost-saving potential is set to be realised despite the significantly higher investments required in connection with the far-reaching transformation of the business model. Overall, Commerzbank is aiming to post an operating profit again in the 2021 financial year. It is 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.

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 assuming 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

Private and Small-Business Customers

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.

Corporate Clients

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

Commerzbank is aiming to post an operating profit in the 2021 financial year. It is 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 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.

Nonetheless, there are numerous risk factors that could 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; these may manifest themselves in 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 Group Risk Report, page 121 ff.

Group Risk Report

The Group Risk Report is a separate reporting section in the Annual Report. It forms part of the Group Management Report.

Group Risk Report

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

Contents

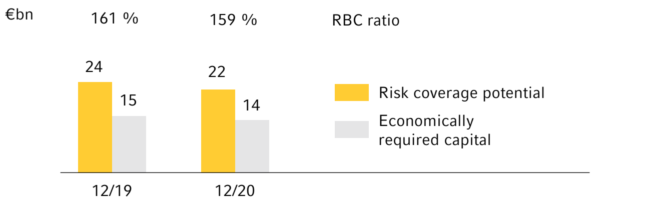
Executive summary 2020

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

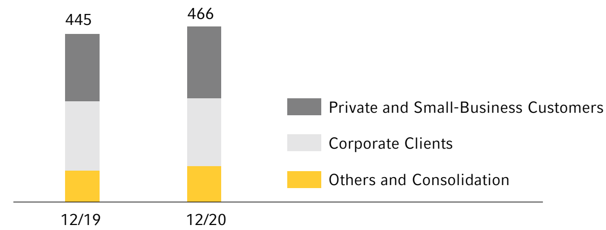


The Group's exposure at default increased

- 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.

EaD

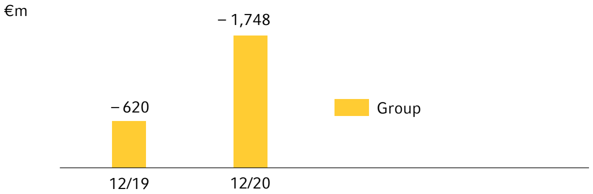
€bn



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.

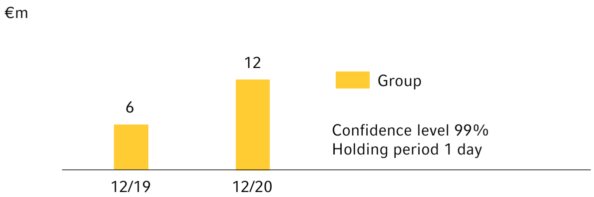
Risk result



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.

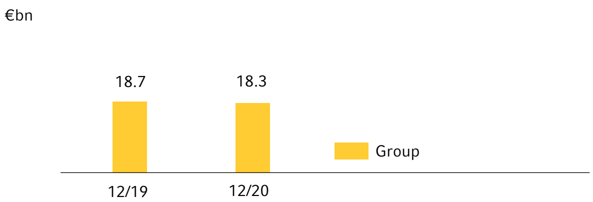
VaR



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

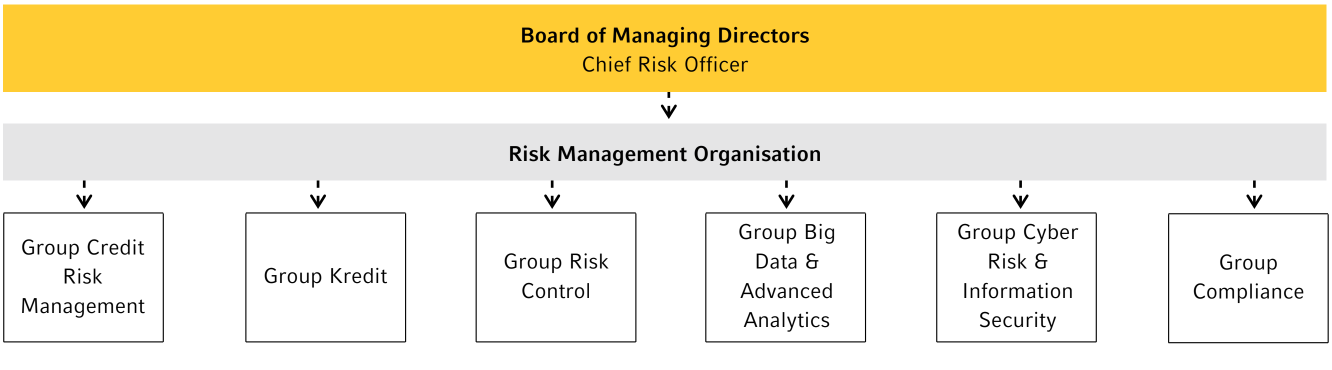
Commerzbank regards risk management as a task for the whole Bank. The Chief Risk Officer (CRO) is responsible for developing and implementing the Group's risk policy guidelines for quantifiable risks, laid down by the Board of Managing Directors, as well as for measuring these risks. The CRO regularly 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 management. 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**	**Operatio-nal risk**	**Total**	**Default risk**	**Market risk**	**Operatio-nal 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 economic report and in the outlook and opportunities report in the Group 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.

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.

When the coronavirus pandemic began, 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.

Management of economic capital commitment

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

Rating classification

The Commerzbank rating method comprises 25 rating classes for customers not in default (1.0 to 5.8) and 5 default classes (6.1 to 6.5). The Commerzbank master scale allocates precisely one rating class, stable over time, to each probability of default. The rating methods are validated annually and recalibrated where necessary so that they reflect the latest assessment based on all actual observed defaults. However, this is possible and expedient amid a pandemic only to a limited extent, which is why the associated negative developments will become apparent only with a time lag 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	VI	
5.4	16.15	14.48 – 18.01	CCC, CCC–			
5.6	20.09	18.01 – 22.41	CC, C	CC, C		
5.8	47.34	22.41 – 99.99				
6.1		> 90 days past due	D			Default
6.2		Imminent insolvency				
6.3	100	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. In Note (32) of the Group financial statements (credit risks and credit losses) details regarding the stages can be found; in Note (11) (risk result) the definition of the risk result can be found.

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

	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, Commerzbank 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 (for details on the adjustment, see also Note 32 of the Group financial statements (Credit risks and credit losses)).

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

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 (for details, see Note 32 (Credit risks and credit losses)).

	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.

	31.12.2020			31.12.2019		
FI portfolio by region	**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.

	31.12.2020			31.12.2019		
NBFI portfolio by region	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	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 | €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 standalone basis. In order to provide a consistent presentation in this report, all figures relating to VaR are based on a confidence level of 99%, a holding period of one day, equally weighted market data and a 254-day history.

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 it 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. Further information on the IBOR reform can be found in Note 1 to the Group financial statements (Initially applicable, revised and new standards).

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

Market liquidity risk

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

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

Liquidity risk

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

Strategy and organisation

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

The 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. Additional information on this subject can be found in the "Funding and liquidity of the Commerzbank Group" section of the 2020 Group Management Report. Liquidity risk is monitored on the basis of the Bank's own liquidity risk model by the independent risk function.

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

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

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

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

In the event of a 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 Group 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. Further information on the composition of the LCR is given in Note 65 (liquidity coverage ratio) of the Group financial statements.

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 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 in 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.

Further information on legal proceedings may be found in Note 58 regarding provisions and Note 60 regarding contingent liabilities and lending commitments in the Group financial statements.

Compliance risk

Compliance risk falls within the definition of operational risk according to the Capital Requirements Regulation (CRR). Commerzbank 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 interacting 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 implement-tation 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 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.

Group Financial Statements

› Our Group Accounts are drawn up in accordance with International Financial Reporting Standards (IFRS) and their interpretation by the IFRS Interpretations Committee. We have taken account of all the standards and interpretations that are binding in the European Union for the 2020 financial year.

Financial Statements of the Commerzbank Group as at 31 December 2020

Contents

Statement of comprehensive income

Income statement

€m	Notes	1.1.-31.12.2020	1.1.–31.12.2019[1]	Change in %
Interest income accounted for using the effective interest method	(9)	6,636	7,555	– 12.2
Interest income accounted for not using the effective interest method	(9)	949	1,216	– 22.0
Interest income	(9)	7,585	8,772	– 13.5
Interest expenses	(9)	2,610	3,702	– 29.5
Net interest income	(9)	4,975	5,070	– 1.9
Dividend income	(10)	37	35	6.1
Risk result	(11)	–1,748	–620	.
Commission income	(12)	3,909	3,706	5.5
Commission expenses	(12)	592	650	– 9.0
Net commission income	(12)	3,317	3,056	8.6
Net income from financial assets and liabilities measured at fair value through profit or loss	(13)	66	244	– 72.8
Net income from hedge accounting	(14)	207	105	98.0
Other sundry realised profit or loss from financial instruments		2	32	– 93.1
Gain or loss on disposal of financial assets – Amortised cost		–68	–5	.
Other net income from financial instruments	(15)	– 65	27	.
Current net income from companies accounted for using the equity method	(16)	6	10	– 38.4
Other net income	(17)	–357	93	.
Operating expenses	(18)	6,160	6,313	– 2.4
Compulsory contributions	(19)	512	453	13.0
Impairments on goodwill and other intangible assets	(20)	1,578	28	.
Restructuring expenses	(21)	814	101	.
Pre–tax profit or loss from continuing operations		**– 2,626**	**1,124**	**.**
Taxes on income	(22)	264	421	– 37.3
Consolidated profit or loss from continuing operations		**– 2,890**	**703**	**.**
Consolidated profit or loss from discontinued operations		30	–18	.
Consolidated profit or loss		**– 2,861**	**685**	**.**
Consolidated profit or loss attributable to non-controlling interests		9	100	– 90.6
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components		– 2,870	585	.

[1] Prior-year figures adjusted due to restatements (see Note 4).

€		1.1.–31.12.2020	1.1.–31.12.2019[1]	Change in %
Earnings per share	(24)	–2.33	0.47	.

[1] Prior-year figures adjusted due to restatements (see Note 4).

The earnings per share, calculated in accordance with IAS 33, are based on the consolidated profit or loss attributable to Commerzbank shareholders. No conversion or option rights were outstanding either in the previous or current financial year. The figure for diluted earnings per share was therefore identical to the undiluted figure.

Condensed statement of comprehensive income

€m	1.1.–31.12.2020	1.1.–31.12.2019[1]	Change in %
Consolidated profit or loss	– 2,861	685	.
Change from remeasurement of defined benefit plans not recognised in income statement	29	– 141	.
Change from remeasurement of equity instruments (FVOCIoR)			
Reclassified to retained earnings	– 1	– 0	.
Change in value not recognised in income statement	– 3	8	.
Change in own credit spreads (OCS) of Liabilities FVO not recognised in income statement	– 42	– 75	– 44.9
Items not recyclable through profit or loss	**– 17**	**– 208**	**– 91.8**
Change in revaluation reserve (FVOCImR)			
Reclassified to income statement	– 45	– 33	37.1
Change in value not recognised in income statement	139	48	.
Change in cash flow hedge reserve			
Reclassified to income statement	2	4	– 50.2
Change in value not recognised in income statement	65	9	.
Change in currency translation reserve			
Reclassified to income statement	2	– 2	.
Change in value not recognised in income statement	– 524	108	.
Valuation effect from net investment hedge		–	
Reclassified to income statement	–	–	.
Change in value not recognised in income statement	3	–	.
Change from non-current assets held for sale and disposal groups			
Reclassified to income statement	–	–	.
Change in value not recognised in income statement	–	–	.
Change in companies accounted for using the equity method	1	– 4	.
Items recyclable through profit or loss	**– 358**	**130**	**.**
Other comprehensive income	– 375	– 79	.
Total comprehensive income	**– 3,235**	**606**	**.**
Comprehensive income attributable to non-controlling interests	– 42	111	.
Comprehensive income attributable to Commerzbank shareholders and investors in additional equity components	– 3,193	495	.

[1] Prior-year figures adjusted due to restatements (see Note 4).

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Other comprehensive income I €m	**1.1.–31.12.2020**		
	Before taxes	**Taxes**	**After taxes**
Change in own credit spread (OCS) of liabilities FVO	– 66	24	– 42
Change from remeasurement of equity instruments (FVOCIoR)	– 5	0	– 4
Change from remeasurement of defined benefit plans	43	– 14	29
Change in revaluation of debt securities (FVOCImR)	124	– 30	94
Change in cash flow hedge reserve	82	– 16	67
Change from net investment hedge	4	– 2	3
Change in currency translation reserve	– 523	1	– 522
Change from non-current assets held for sale and disposal groups	–	–	–
Change in companies accounted for using the equity method	1	–	1
Other comprehensive income	**– 339**	**– 36**	**– 375**

Other comprehensive income I €m	**1.1.–31.12.2019**		
	Before taxes	**Taxes**	**After taxes**
Change in own credit spread (OCS) of liabilities FVO	– 75	0	– 75
Change from remeasurement of equity instruments (FVOCIoR)	8	0	8
Change from remeasurement of defined benefit plans	– 137	– 4	– 141
Change in revaluation of debt securities (FVOCImR)	25	– 9	15
Change in cash flow hedge reserve	16	– 4	13
Change from net investment hedge	–	–	–
Change in currency translation reserve	106	0	106
Change from non-current assets held for sale and disposal groups	–	–	–
Change in companies accounted for using the equity method	– 4	–	– 4
Other comprehensive income	**– 61**	**– 18**	**– 79**

Balance sheet

Assets | €m	Notes	31.12.2020	31.12.2019[1]	Change in %
Cash on hand and cash on demand		75,603	41,164	83.7
Financial assets – Amortised cost	(25)	292,420	293,676	– 0.4
of which pledged as collateral		1,037	1,814	
Financial assets – Fair value OCI	(27)	42,862	30,942	38.5
of which pledged as collateral		2,299	1,355	
Financial assets – Mandatorily fair value P&L	(29)	28,677	30,196	– 5.0
of which pledged as collateral		–	0	
Financial assets – Held for trading	(30)	52,176	44,840	16.4
of which pledged as collateral		715	842	
Value adjustment on portfolio fair value hedges		1,752	959	82.6
Positive fair values of derivative hedging instruments	(43)	1,878	1,992	– 5.7
Holdings in companies accounted for using the equity method	(44)	169	177	– 4.6
Intangible assets	(45, 46)	1,420	3,053	– 53.5
Fixed assets	(47)	3,208	3,487	– 8.0
Investment properties	(48)	13	13	2.3
Non-current assets held for sale and disposal groups	(49, 50)	2,040	7,955	– 74.4
Current tax assets	(52)	130	439	– 70.3
Deferred tax assets	(52)	2,693	2,820	– 4.5
Other assets	(54)	1,877	1,739	8.0
Total		**506,916**	**463,450**	**9.4**

[1] Prior-year figures adjusted due to restatements (see Note 4).

Liabilities and equity | €m	Notes	31.12.2020	31.12.2019[1]	Change in %
Financial liabilities – Amortised cost	(26)	397,725	351,909	13.0
Financial liabilities – Fair value option	(28)	20,104	19,964	0.7
Financial labilities – Held for trading	(31)	42,843	39,366	8.8
Value adjustment on portfolio fair value hedges		1,412	1,212	16.5
Negative fair values of derivative hedging instruments	(43)	5,893	4,402	33.9
Provisions	(58, 59)	3,396	2,672	27.1
Current tax liabilities	(53)	448	452	– 0.8
Deferred tax liabilities	(53)	10	27	– 64.4
Liabilities of disposal groups	(49, 51)	2,051	8,528	– 76.0
Other liabilities	(55)	4,434	4,418	0.4
Equity	(62)	28,600	30,500	– 6.2
Subscribed capital		1,252	1,252	–
Capital reserve		11,484	17,192	– 33.2
Retained earnings		12,602	10,045	25.5
Other reserves (with recycling)		– 476	– 169	.
Equity attributable to Commerzbank shareholders		24,862	28,320	– 12.2
Additional equity components		2,619	885	
Non-controlling interests		1,119	1,296	– 13.6
Total		**506,916**	**463,450**	**9.4**

[1] Prior-year figures adjusted due to restatements (see Note 4).

Statement of changes in equity

€m	Subscribed capital	Capital reserve	Retained earnings[1]	Other reserves			Equity attributable to Commerzbank shareholders[1]	Additional equity components[2]	Non controlling interests	Equity
				Revaluation reserve	Cash Flow Hedge reserve	Currency translation reserve				
Equity as at 31.12.2018 (after restatements)	**1,252**	**17,192**	**10,054**	**–9**	**–15**	**–264**	**28,211**	**–**	**1,200**	**29,411**
Changes due to retrospective restatements	–	–	–138	–	–	0	–138	–	– 3	–141
Equity as at 1.1.2019	**1,252**	**17,192**	**9,916**	**–9**	**–15**	**–264**	**28,073**	**–**	**1,197**	**29,270**
Total comprehensive income	–	–	376	19	10	90	495	–	111	606
Consolidated profit or loss			585				585	–	100	685
Change in own credit spread (OCS) of liabilities FVO			–75				–75	–	–	–75
Change from remeasurement of defined benefit plans			–140				–140	–	– 1	–141
Change in measurement of equity instruments (FVOCIoR)			6	–			6	–	1	8
Change in revaluation of debt securities (FVOCImR)				19			19	–	–4	15
Change in cash flow hedge reserve					10		10	–	3	13
Change in currency translation reserve						94	94	–	12	106
Valuation effect from net investment hedge						–	–	–	–	–
Change from non-current assets held for sale and disposal groups				–		–	–	–	–	–
Change in companies accounted for using the equity method						–4	–4	–	–	– 4
Dividend paid on shares			–250				–250	–	–6	–257
Transfer between equity components		–	–				–	–	–	–
Dividends paid on additional Tier 1 instruments			–				–		–	–
Changes in ownership interests			2				2	–	– 2	0
Other changes			0				0	885	–4	881
Equity as at 31.12.2019	**1,252**	**17,192**	**10,045**	**10**	**–5**	**–174**	**28,320**	**885**	**1,296**	**30,500**

[1] Prior-year figures adjusted due to restatements (see Note 4).
[2] Includes the Additional Tier 1 bond (AT1 bond), which is an unsecured subordinated bond classified as equity under IFRS.

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€m	Sub-scribed capital	Capital reserve	Retained earnings	Other reserves: Revalu-ation reserve	Other reserves: Cash Flow Hedge reserve	Other reserves: Currency transla-tion reserve	Equity attribu table to Commerz-bank share-holder	Additional equity compo-nents[1]	Non control-ling interests	Equity
Equity as at 31.12.2019 (before restatements)	**1,252**	**17,192**	**10,211**	**10**	**– 5**	**– 174**	28,487	**885**	**1,296**	**30,667**
Changes due to retrospective restatements	–	–	– 167	–	–	–	–167	–	–	**–167**
Equity as at 1.1.2020	**1,252**	**17,192**	**10,045**	**10**	**–5**	**–174**	**28,320**	**885**	**1,296**	**30,500**
Total comprehensive income	–	–	–2,886	85	47	–440	–3,193	–	–42	**–3,235**
Consolidated profit or loss	–	–	–2,870				–2,870		9	**–2,861**
Change in own credit spread (OCS) of liabilities FVO			–42				–42	–	–	**–42**
Change from remeasurement of defined benefit plans			29				29	–	– 1	**29**
Change in measurement of equity instruments (FVOCIoR)			– 4	–			–4	–	– 1	**–4**
Change in revaluation of debt securities (FVOCImR)				85			85	–	8	**94**
Change in cash flow hedge reserve					47		47	–	19	**67**
Change in currency translation reserve						– 444	–444	–	– 78	**–522**
Valuation effect from net investment hedge						3	3	–	–	**3**
Change from non-current assets held for sale and disposal groups				–		–	–	–	–	**–**
Change in companies accounted for using the equity method						1	1	–	–	**1**
Dividend paid on shares			–				–	–	– 0	**–0**
Transfer between equity components		– 5,708	5,708				–	–	–	**–**
Dividends paid on additional Tier 1 instruments			– 48				– 48		–	**–48**
Changes in ownership interests			– 216				–216		– 135	**–352**
Other changes			– 0				– 0	1,734	1	**1,735**
Equity as at 31.12.2020	**1,252**	**11,484**	**12,602**	**96**	**42**	**–614**	**24,862**	**2,619**	**1,119**	**28,600**

[1] Includes the Additional Tier 1 bond (AT1 bond), which is an unsecured subordinated bond classified as equity under IFRS.

AT1 bond

In the third quarter of 2019, Commerzbank AG issued its first Additional Tier 1 bond (AT1 bond) under the Capital Requirements Regulation (CRR). The bond has a volume of USD1bn 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%. We have classified this subordinated AT1 bond as equity in accordance with IFRS and presented it separately in the item "Additional equity components" less issuing costs of USD9m.

In the second quarter of 2020, Commerzbank Aktiengesellschaft launched an issuance programme for additional core capital (Additional Tier 1 capital, AT1), which will enable it to successively issue subordinated bonds with a nominal value of up to €3bn over the next few years. The subordinated AT1 bonds are also classified as equity in accordance with IFRS and presented separately in the item "Additional equity components" less issuing costs.

Under this issuance programme, an AT1 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 issuing costs amounted to €9m. The bond terms are otherwise the same as for the first AT1 bond.

In September 2020, Commerzbank issued a second AT1 bond under the issuance programme. 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.

Green bond

Commerzbank successfully issued a green bond with an issue volume of €500m in September 2020. This is the Bank's second green bond and follows the inaugural issue in October 2018. The callable non-preferred senior bond has a fixed interest period until March 2025 and a fixed coupon of 0.75%. A variable coupon will subsequently be payable. Commerzbank will use the proceeds to finance renewable energy projects.

Other changes

As at 31 December 2020, the subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's Articles of Association was €1,252m and was divided into 1,252,357,634 no-par-value shares (accounting value per share of €1.00).

The proposal to be put to the Annual General Meeting is not to pay a dividend for the financial year.

In its annual financial statements prepared in accordance with the German Commercial Code, Commerzbank has 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. In accordance with Art. 272 (2) of the German Commercial Code and Art. 150 of the German Stock Corporation Act, Commerzbank shows the capital reserve in the same amount in the financial statements of Commerzbank Aktiengesellschaft and the Group financial statements. As a result of the reduction in the capital reserve, the Commerzbank Group's retained earnings increased accordingly.

As at 31 December 2020, and as in the previous year, there was no material impact on "Other reserves" from non-current assets held for sale and disposal groups.

As at 31 December 2020, the portion of inactive hedging relationships in the cash flow hedge reserve was €–7m (previous year: €–9m), and the portion of active hedging relationships was €49m (previous year: €4m).

The main changes in the currency translation reserve in the current financial year were due to the US dollar, Polish zloty, British pound and Russian rouble.

Other changes primarily include changes in the group of consolidated companies and changes from taxes not recognised in the income statement.

The changes in ownership interests of €–216m (previous year: €2m) resulted from the purchase of additional interests in already consolidated companies, chiefly comdirect bank Aktiengesellschaft.

Cash flow statement

€m	Notes	2020	2019[1]
Consolidated profit or loss		**–2,861**	**685**
Non-cash positions in consolidated profit or loss and reconciliation with cashflow from operating activities:			
Write-downs, depreciation, write-ups on fixed and other assets, changes in provisions and net changes due to hedge accounting		5,150	3,558
Change in other non-cash positions		–2,294	–2,626
Net gain or loss on the sale of fixed assets	(17)	1	8
Other adjustments		–5,738	–5,257
Sub-total		**– 5,741**	**– 3,632**
Change in assets and liabilities from operating activities after adjustment for non-cash positions:			
Financial assets - Amortised cost	(25)	330	– 14,399
Financial assets - Mandatorily fair value P&L	(29)	1,302	3,706
Financial assets – Fair value OCI	(27)	– 11,919	– 4,284
Financial assets - Held for trading	(30)	– 1,548	– 3,071
Other assets from operating activities		6,210	6,378
Financial liabilities – Amortised cost	(26)	46,449	6,457
Financial liabilities – Fair value option	(28)	– 592	– 1,896
Financial liabilities – Held for trading	(31)	– 420	204
Net cash from contributions into plan assets	(58)	24	80
Other liabilities from operating activities		– 5,430	– 5,997
Interest received	(9)	7,760	8,741
Dividends received	(10)	37	35
Interest paid	(9)	– 2,810	– 3,106
Income tax paid	(22)	23	– 3
Net cash from operating activities		**33,676**	**– 10,787**
Proceeds from the sale of:			
Holdings in subsidiaries and companies accounted for using the equity method	(44)	13	30
Fixed assets and intangible assets	(47)	112	55
Payments for the acquisition of:			
Holdings in subsidiaries and companies accounted for using the equity method	(44)	– 433	– 31
Fixed assets and intangible assets	(47)	– 898	– 699
Effects from changes in the group of consolidated companies			
Cash flow from acquisitions less cash reserves acquired		–	– 7
Cash flow from disposals less cash reserves disposed of		– 15	– 192
Net cash from investing activities		**– 1,221**	**– 844**
Dividend paid on shares previous year		–	– 250
Raising/repayment of subordinated liabilities		2,553	–572
Repayment of lease liabilities		– 345	– 354
Net cash from financing activities		**2,208**	**–1,177**
Cash and cash equivalents at the end of the previous period		**41,164**	**53,914**
Net cash from operating activities		33,676	– 10,787
Net cash from investing activities		– 1,221	– 844
Net cash from financing activities		2,208	– 1,177
Effects from exchange rate changes		– 223	58
Cash and cash equivalents at the end of the period		**75,603**	**41,164**

[1] Prior-year figures adjusted due to restatements (see Note 4).

Cash and cash equivalents was comprised of the following, and is therefore identical with cash on hand and cash on demand:

€m	31.12.2020	31.12.2019	Change in %
Cash on hand	9,275	9,530	– 2.7
Balances with central banks	64,997	30,689	.
Deposits daily due on demand with banks	1,331	944	41.0
Debt issued by public-sector borrowers	–	–	.
Total	**75,603**	**41,164**	**83.7**

As at 31 December 2020, cash and cash equivalents included €0m (previous year: €0m) from companies consolidated for the first time. As at 31 December 2020, €0m (previous year: €483m) was included from deconsolidations.

The cash flow statement shows the structure of and changes in cash and cash equivalents during the financial year. It is broken down into operating activities, investing activities and financing activities.

Net cash from operating activities includes payments (inflows and outflows) relating to loans and advances and also securities and other assets. Increases and decreases in deposits, bonds and notes issued and other liabilities also belong to operating activities. The interest and dividend payments resulting from operating activities are similarly reflected in net cash from operating activities.

Changes in net cash from operating activities also resulted from disposals of consolidated companies. The tables below provide an overview of the assets and liabilities at the disposal dates.

Assets I €m	31.12.2020	31.12.2019
Financial assets – Amortised cost	3	96
Financial assets – Mandatorily fair value P&L	–	108
Financial assets – Held for trading	–	–
Fixed assets	–	9
Other assets	–	24

Liabilities I €m	31.12.2020	31.12.2019
Financial liabilities – Amortised cost	–	536
Financial liabilities – Fair value option	3	56
Financial liabilities – Held for trading	–	–
Other liabilities	–	54

Net cash from investing activities is made up of cash flows relating to payment transactions for intangible assets, fixed assets and companies accounted for using the equity method. Net cash from financing activities consists of the proceeds of capital increases as well as payments made or received on subordinated deposits and debt instruments. Dividends paid are also reported here.

The cash holdings include cash and cash equivalents which can be directly converted to liquid assets and are only subject to an insignificant value fluctuation risk. Here we include the item "Cash on hand and cash on demand", which contains cash on hand, balances held at central banks, sight deposits at banks due on demand, and debt issued by public-sector borrowers.

The cash flow statement includes both cash flows from continuing operations and cash flows from the discontinued business division (see Note 49 for details).

With regard to the Commerzbank Group, the cash flow statement is not very informative. The cash flow statement neither replaces the liquidity/financial planning for us, nor is it used as a management tool.

The following table shows the changes in net debt.

€m	2020	2019
Net debt as per 1.1.	**8,805**	**9,136**
Changes in net cash from financing activities	2,208	– 1,177
Changes in the group of consolidated companies	–	–
Exchange rate changes	– 307	90
Change in other non-cash positions	– 45	757
Net debt as per 31.12.	**10,661**	**8,805**

Notes

General information

The Commerzbank Group has its headquarters at Kaiserplatz in 60311, Frankfurt/Main, Germany. The parent company is Commerzbank Aktiengesellschaft, which is registered in the Commercial Register at the District Court of Frankfurt/Main under registration no. HRB 32000. Commerzbank is one of Germany's leading banks for private and corporate clients and an internationally active commercial bank. Our Group financial statements as at 31 December 2020 were prepared in accordance with Art. 315 e of the German Commercial Code (Handelsgesetzbuch, or "HGB") and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (the IAS Regulation). In addition, other regulations for adopting certain international accounting standards on the basis of the International Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB) and their interpretation by the IFRS Interpretations Committee have also been applied.

All standards and interpretations that are mandatory within the EU in the 2020 financial year have been applied. We have not applied standards and interpretations that are not required until the 2021 financial year or later.

The information required under IFRS 7.31 to 7.42 (nature and extent of exposure to risks arising from financial instruments) is reported partly in the notes (see Notes 33 and 34) and partly in the Group Management Report.

The Group Management Report, including the separate Group Risk Report pursuant to Art. 315 of the German Commercial Code, appears on pages 87 to 162 of this Annual Report.

The Group financial statements are prepared in euros, the reporting currency of the Group. Unless otherwise indicated, all amounts are shown in millions of euros. All items under €500,000.00 are presented as €0.00, and zero items are denoted by a dash. Due to rounding, in some cases the individual figures presented may not add up precisely to the totals provided.

(1) Initially applicable, revised and new standards

Standards to be applied for the first time

Changes IFRS 16

The amendment to IFRS 16 related to the coronavirus pandemic is intended to make it easier for lessees to recognise concessions in connection with rent payment deferrals and rent reductions granted during the coronavirus pandemic. This change has no material effects on the Group financial statements. The revised standard must be applied for reporting periods beginning on or after 1 June 2020. The amendments were endorsed by the European Commission on 9 October 2020.

IBOR reform

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. Under this programme, all relevant units of the Bank are working on the changeover to the reference interest rates. In addition to the IBOR reform programme at Commerzbank, the Bank is part of various external working groups dealing with IBOR reform.

The IFRS 9, IAS 39 and IFRS 7 standards were amended and published in IASB Interest Rate Benchmark Reform phase 1. These amended standards must be applied in the EU for financial years beginning on or after 1 January 2020 and pertain to the period up to the actual transition.

Commerzbank has taken the decisions required for the first phase of the IBOR reform project in order to make use of the relief for hedge accounting provided by the IASB in connection with the revised standards.

The following table provides an overview of derivatives in hedging relationships as of 31 December 2020, which are affected by IBOR reform and conversion to RFRs.

Currency	Reference	Tenor base	Nominal value €m
EUR	EONIA	OIS	586
EUR	EURIBOR	1 month	1,115
EUR	EURIBOR	3 months	44,865
EUR	EURIBOR	6 months	68,692
EUR	EURIBOR	12 months	591
USD	Libor	1 month	174
USD	Libor	3 months	10,862
USD	Libor	6 months	206
GBP	Libor	3 months	514
GBP	Libor	6 months	3,144
CHF	Libor	3 months	1,938
CHF	Libor	6 months	1,221
Others			1,470
Total			**135,377**

The IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 standards were amended and published in IASB Interest Rate Benchmark Reform phase 2. The amendments deal with specific issues where the reference rate has been replaced by an RFR reference interest rate. The phase 2 revisions were not applied early; their application is mandatory in the EU for financial years beginning on or after 1 January 2021.

As part of the second phase, the Bank successfully switched clearedderivatives from EONIA to €STR discounting in the third quarter of 2020. In the fourth quarter of 2020, Commerzbank anticipated the discount change from Effective Federal Fund Rate (EFFR) to Secured Overnight Financing Rate (SOFR).

From our current analyses, we do not expect any significant impact on the consolidated financial statements.

Revised standards

The revisions to IAS 1 and IAS 8 are amendments that sharpen the definition of materiality for the inclusion of information in the financial statements and harmonise it within the Conceptual Framework and the different standards. These changes have no material impact on the Group financial statements. The revised standards must be applied for financial years beginning on or after 1 January 2020.

The Amendments to References to the Conceptual Framework in IFRS Standards were endorsed in November 2019. This Commission Regulation adopts the Amendments to References to the Conceptual Framework in IFRS Standards. The amendments have impacts on the standards IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRS 2, IFRS 3, IFRS 6, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32 and must be applied for all financial years beginning on or after 1 January 2020. These changes have no material impact on the Group financial statements.

The revised standard IFRS 3 deals with more precise specifications for determining whether the acquisition of a business or the acquisition of a group of assets is involved. The endorsement process has been completed. These changes have no material impact on the Group financial statements. The amendments must be applied for all financial years beginning on or after 1 January 2020.

The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets concern the definition and content of the costs of fulfilling a contract, which a company must take into account when making judgements. Endorsement has been announced for the second half of 2021. These changes will have no material effects on future Group financial statements. The revised standard must be applied for financial years beginning on or after 1 January 2022.

The Annual Improvements to IFRS Standards 2018–2020 result in minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and IFRS 16 Leases. These changes will have no material effects on future Group financial statements. Endorsement is still pending. The revised standards must be applied for financial years beginning on or after 1 January 2022.

All standard changes not explicitly mentioned do not have a significant impact on our Group financial statements at present.

New standards

The new accounting standard IFRS 17 Insurance Contracts, which was published in May 2017, will replace the IFRS 4 standard. The new standard applies not only to insurance companies, but to all entities that issue insurance contracts within the scope of the standard. IFRS 17 aims to achieve consistent, principles-based accounting for insurance contracts. It stipulates that insurance liabilities must be measured at the current settlement amount, instead of at historical cost. The IASB’s intention in issuing IFRS 17 is to create a uniform basis for recognising, measuring, reporting and making disclosures in the notes regarding insurance contracts. The standard, which must be applied in the EU for financial years beginning on or after 1 January 2021, still needs to be transposed into EU law. Based on our current analyses, we do not expect any significant impact on the Group financial statements.

Requirements of the European Single Electronic Format (ESEF)

The EU Commission has issued a regulatory technical standard on the European Single Electronic Format (ESEF), which requires all companies to report their financial statements in a uniform format, Extensible Hypertext Markup Language (xhtml). The standard must be applied in the EU for financial years beginning on or after 1 January 2020. Commerzbank Aktiengesellschaft is currently preparing to meet these requirements and will publish its Annual Report as at 31 December 2020 in accordance with the ESEF requirements.

Accounting and measurement policies

(2) Changes in accounting and measurement policies

Coronavirus pandemic

The coronavirus pandemic had a major impact on the German economy and the global economy as a whole in the 2020 financial year and has therefore also affected the Commerzbank Group's annual financial statements. The effects of the pandemic on the different divisions of the Commerzbank Group were reviewed in various working groups and projects, and appropriate measures were decided upon. In addition to the information provided in the Management Report (see page 121 ff.), descriptions of the current effects of the pandemic can be found mainly in our note on credit risks and credit losses (see Note 32), as well as in the note on the statement of changes in equity. Further details can be found in Notes 11, 36, 63 and 65.

Beside these changes caused by the coronavirus pandemic and except for changes described in Note 1, we have applied the same accounting and measurement policies in these Group financial statements as in our Group financial statements as at 31 December 2019 (see page 149 ff. of the Annual Report 2019).

(3) Significant principles and uncertainties in estimates

Significant principles

Uniform accounting and measurement methods explained in the notes below are used throughout the Commerzbank Group in preparing the financial statements.

The Group financial statements are based on the going concern principle. Financial assets and liabilities are generally measured at amortised cost, unless a different form of measurement is required by IFRS standards. This applies in particular to certain financial instruments classified in accordance with IFRS 9, investment properties and non-current assets held for sale.

Income and expenses are accounted for on an accrual basis; they are recognised in the income statement for the period to which they are attributable in economic terms. Interest from all contractual agreements relating to financial assets or liabilities is reported in net interest income on an accrual basis. We have reported negative interest separately in net interest income (see Note 9). Dividend income is only recognised where a corresponding legal entitlement exists. Commission income and expenses are recognised on the basis of the accounting treatment of the associated financial instruments and on the basis of the nature of the activity. Commission income for services which are performed over a given period is recognised over the period in which the service is performed. Fees associated with the completion of a particular service are recognised at the time of completion of the service. Performance-related fees are recognised when the performance criteria are met. Commission income on trading transactions carried out on behalf of customers is reported in net commission income.

Borrowing costs that are directly attributable to the acquisition, construction or production of a significant tangible or intangible asset are capitalised in the balance sheet, provided that a period of at least 12 months is required to prepare the asset for its intended use.

Assets and liabilities must be posted in the balance sheet as gross (not netted). However, in accordance with IAS 32.42, financial assets and liabilities relating to the same counterparty are netted and shown in the balance sheet on a net basis if there is a legally enforceable right to net the amounts and the transactions are fulfilled on a net basis or the asset is realised simultaneously with the settlement of the liability. In addition to the netting of positive and negative fair values attributable to derivatives with clearing agreements and any variation margins payable on them, this also applies to the netting of claims and liabilities in reverse repo and repo transactions with central and bilateral counterparties, provided they have the same term.

For fully consolidated companies and holdings in companies accounted for using the equity method in the Group financial statements we have generally used financial statements prepared as at 31 December 2020. As regards companies accounted for using the equity method, in some cases we use the most recent audited financial statements under national GAAP if the company's financial statements for the current financial year are not yet available at the date the Group financial statements are being prepared.

Where there is an intention to sell the assets and liabilities of subsidiaries and companies accounted for using the equity method, as well as discontinued operations, and their sale is highly probable within one year, they are reported separately in the relevant balance sheet items and notes (see Notes 49, 50 and 51) and in the statement of changes in equity in accordance with IFRS 5 until transfer of the shares is completed.

Note 38 contains a breakdown of all balance sheet items into short-term and long-term items. The maturities for all financial instruments held as liabilities, financial guarantees and irrevocable lending commitments with contractual maturity dates are also reported in this note.

Monetary assets and liabilities denominated in foreign currencies and pending spot foreign exchange transactions are translated at the spot mid-rate on the reporting date. Realised income and expenses are normally translated using the spot rate applying on the date of realisation.

Average exchange rates may also be used to translate income and expenses, provided the prices on the reporting date have not undergone major fluctuations. Hedged expenses and income are translated using the hedging rate. The expenses and income resulting from the translation of items in the balance sheet are recognised in the net income from financial assets and liabilities measured at fair value through profit and loss.

Non-monetary items are translated using the current rate method. Gains and losses on the translation of non-monetary items are recognised either in equity or profit or loss depending on the way the net gain or loss is recognised.

Monetary and non-monetary assets and liabilities in the financial statements of consolidated subsidiaries and companies accounted for using the equity method that report in foreign currency are translated at the exchange rate prevailing on the reporting date, while income and expenses are normally translated at the exchange rate on the transaction date. For simplification purposes, a price can be used for translation which represents an approximation of the exchange rate on the transaction date, for example the average exchange rate over a given period. All differences arising on translation are recognised as a separate component of equity in the currency translation reserve. Effects arising from the translation of the capital components of subsidiaries included in the consolidation of the capital accounts are recognised in equity in the currency translation reserve. On the date of the sale or partial sale of companies reporting in foreign currency, the translation gains or losses are recognised in other net income. Even if an equity holding in a foreign currency is reduced without being fully deconsolidated, the effect of this partial reduction on the currency translation reserve is recognised in profit or loss.

Uncertainties in estimates

The Group financial statements include values which are determined, as permitted, on the basis of estimates and judgements. The estimates and judgements used are based on past experience and other factors, such as planning and expectations or forecasts of future events that are considered likely as far as we know today. The estimates and judgements themselves and the underlying estimation methods and judgement factors are reviewed regularly and compared with actual results. In our view, the parameters we have used are reasonable and appropriate. Nonetheless, the actual outturns may differ from the estimates in the instances listed below.

Uncertainties in estimates may arise, for example, in the derivation of fair value or the expected cash flows of financial instruments, and in connection with the recognition of loan loss provisions, which can also be caused by the effects of the coronavirus pandemic. For loan loss provisions, please also refer to the Group Management Report. There are also uncertainties surrounding the fair value of investment properties, in the accounting of goodwill and pension obligations, and in provisions for tax-related operational risks.

Pension obligations are measured based on the projected unit credit method for defined benefit pension plans. In measuring such obligations, assumptions have to be made, in particular regarding the discount rate, the long-term rate of increase in pensions, and average life expectancy. Changes in the underlying assumptions from year to year and divergences from the actual annual effects are reported as remeasurements without effect on income in retained earnings (see Note 58 on the impact of changes in parameters).

Provisions for tax-related operational risks are recognised taking into account the most current information from the ongoing tax audit and case law (see Note 53).

There are also uncertainties in the recognition of deferred tax assets.

The assumptions and parameters underlying the estimates we have made are based on the exercise of appropriate judgement by management. This applies in particular to the appropriate selection and use of parameters, assumptions and modelling techniques when valuing financial instruments for which there are no market prices and no comparative parameters observable on the market. Where differing valuation models lead to a range of different potential valuations, management uses its judgement to determine the choice of the model to be used.

The following items in the financial statements are also subject to the judgement of management:

- the impairment of loans and securities and the recognition of provisions for off-balance-sheet lending exposures, in particular the analysis of the borrower's financial situation and the determination of the expected cash flows including the recognition, level and timing of the realisation of collateral (see Notes 2 and 32);
- impairment testing of other financial assets such as holdings in companies accounted for using the equity method and financial instruments held for sale, in particular the choice of criteria used to determine whether an asset is impaired (see Note 50);

- the impairment test for goodwill, which must be carried out at least once a year, uses the value-in-use method. This is based on the future cash flows projected in management's latest planning figures. An analysis of the uncertainties surrounding the estimation of goodwill and fair value of financial instruments is set out in Notes 36 and 45;
- impairment testing of deferred tax assets, in particular determining the methodology used for tax planning and to assess the probability that the expected future tax results will actually occur (see Notes 52 and 53), as well as accounting for tax risk positions; the assessment of the availability of tax assets is primarily based on the potential future taxable income based on our multi-year planning;
- the recognition of provisions for uncertain liabilities (see Note 58);
- the assessment of legal risks (see Note 60).
- recognition of further interest rate discounts on targeted longer-term refinancing operations of the ECB (TLTRO III) in accordance with IAS 20 (see Note 26).

(4) Changes

In the case of one company included in the Group financial statements as a subsidiary, a retrospective adjustment was made to its compulsory contributions. As a result, compulsory contributions increased by €0m and consolidated profit or loss decreased by the same amount. These adjustments reduced retained earnings as at 1 January 2019 by €7m and non-controlling interests by €3m.

In the 2019 financial year, an error was corrected in valuation adjustments for risks from AC loans and advances associated with the systematic consideration of overly long maturities for receivables from letters of credit. As a result of this adjustment, retained earnings were higher by €12m as at 1 January 2019. This had no impact on consolidated profit or loss, the statement of comprehensive income or the earnings per share.

Furthermore, an error was corrected in the deferred taxes for a subordinated bond. Consequently, deferred tax assets as at 31 December 2019 decreased by €69m, and retained earnings declined by the same amount. Taxes on income decreased by €40m as at 31 December 2019, while consolidated profit or loss increased by €40m. Total comprehensive income therefore rose by the same amount. The earnings per share as at 31 December 2019 increased by €0.03. As a result of the adjustments, retained earnings were €135m lower as at 1 January 2019.

There was a further error correction in deferred taxes due to adjustments to the tax adjustment item in connection with provisions for contingent losses. In this context, deferred tax assets decreased by €92m as at 31 December 2019 and current tax liabilities increased by €14m, while retained earnings declined by €106m accordingly. Taxes on income increased by €85m as at 31 December 2019, while consolidated profit or loss fell by €85m. Total comprehensive income therefore decreased by the same amount. The earnings per share as at 31 December 2019 fell by €0.07. As a result of the adjustments, retained earnings were €29m lower as at 1 January 2019.

For loans and advances in the amortised cost category without a fixed maturity and without a contractually agreed repayment structure, retrospective adjustments were made to the loan loss provisions due to the correction of an erroneous parameter for transactions in stage 2. In this context, financial assets at amortised cost increased by €18m and retained earnings rose by €42m. On the other hand, deferred tax assets decreased by €8m and provisions for off-balance-sheet items fell by €32m. Taxes on income decreased by €2m, with a positive effect of €2m on the consolidated profit or loss. As a result of the adjustments, retained earnings were €40m higher as at 1 January 2019.

Moreover, a retrospective adjustment was made to retained earnings due to duplicate entries of commitment interest made in previous years. As at 31 December 2019, retained earnings were reduced by €9m, other assets by €13m and current tax liabilities by €1m. On the other hand, deferred tax assets increased by €3m. As a result of this adjustment, interest income decreased by €5m and taxes on income decreased by €1m, with a negative effect on consolidated profit or loss of €3m. These adjustments had no material effects on the earnings per share. As a result of the adjustment, retained earnings were €6m lower as at 1 January 2019.

A retrospective adjustment was made to the deferred taxes for one company included in the Group financial statements as an investment fund company. Consequently, deferred tax assets as at 31 December 2019 decreased by €25m, and retained earnings declined by the same amount. As a result of this adjustment, taxes on income increased by €13m. Accordingly, there was a negative effect of the same amount on the consolidated profit or loss. The earnings per share as at 31 December 2019 decreased by €0.01. As a result of the adjustments, retained earnings were €13m lower as at 1 January 2019.

In the presentation of gross carrying amounts values for loans and receivables for which provision adjustments have been made (Note 32), we have adjusted the changes in positions for the 2019 financial year. Due to improvements in data delivery, corrections were made for changes in positions from stage transfers, as well as for additions and disposals. The opening balance and the balance of the end of the period have not changed. This had no impact on consolidated profit or loss, the statement of comprehensive income or earnings per share.

The total change resulting from the aforementioned adjustments to our published income statement and our published balance sheet as at 31 December 2019 is summarised in the following tables:

€m	Originally reported 1.1. –31.12.2019	Adjustments according to IAS 8	Restated 1.1. – 31.12.2019
Interest income	8,776	– 5	8,772
Interest expenses	3,702	–	3,702
Net interest income	5,074	– 5	5,070
Dividend income	35	–	35
Risk result	– 620	–	– 620
Commission income	3,706	–	3,706
Commission expenses	650	–	650
Net commission income	3,056	–	3,056
Net income from financial assets and liabilities measured at fair value through profit or loss	244	–	244
Net income from hedge accounting	105	–	105
Other net income from financial instruments	27	–	27
Current net income from companies accounted for using the equity method	10	–	10
Other net income	93	0	93
Operating expenses	6,313	0	6,313
Compulsory contributions	453	0	453
Impairments on goodwill and other intangible assets	28	–	28
Restructuring expenses	101	–	101
Pre-tax profit or loss from continuing operations	**1,129**	**– 5**	**1,124**
Taxes on income	367	54	421
Consolidated profit or loss from continuing operations	**762**	**– 59**	**703**
Consolidated profit or loss from discontinued operations	– 18	–	– 18
Consolidated profit or loss	**744**	**– 59**	**685**
Consolidated profit or loss attributable to non-controlling interests	100	–	100
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components	644	– 59	585

Assets | €m	**Originally reported 31.12.2019**	**Adjustments**	**Restated 31.12.2019**
Cash on hand and cash on demand	41,164	–	41,164
Financial assets – Amortised cost	293,658	18	293,676
Financial assets – Fair value OCI	30,942	–	30,942
Financial assets – Mandatorily fair value P&L	30,196	–	30,196
Financial assets – Held for trading	44,840	–	44,840
Value adjustment on portfolio fair value hedges	959	–	959
Positive fair values of derivative hedging instruments	1,992	–	1,992
Holdings in companies accounted for using the equity method	177	–	177
Intangible assets	3,053	–	3,053
Fixed assets	3,487	–	3,487
Investment properties	13	–	13
Non-current assets held for sale and disposal groups	7,955	–	7,955
Current tax assets	439	–	439
Deferred tax assets	3,011	– 191	2,820
Other assets	1,752	– 13	1,739
Total	**463,636**	**– 186**	**463,450**

Liabilities | €m	**Originally reported 31.12.2019**	**Adjustments**	**Restated 31.12.2019**
Financial liabilities – Amortised cost	351,909	–	351,909
Financial liabilities – Fair value option	19,964	–	19,964
Financial liabilities – Held for trading	39,366	–	39,366
Value adjustment on portfolio fair value hedges	1,212	–	1,212
Negative fair values of derivative hedging instruments	4,402	–	4,402
Provisions	2,704	– 32	2,672
Current tax liabilities	439	13	452
Deferred tax liabilities	27	–	27
Liabilities of disposal groups	8,528	–	8,528
Other liabilities	4,418	–	4,418
Equity	30,667	– 167	30,500
Subscribed capital	1,252	–	1,252
Capital reserve	17,192	–	17,192
Retained earnings	10,211	– 167	10,045
Other reserves (with recycling)	– 169	–	– 169
Equity attributable to Commerzbank shareholders	28,487	– 167	28,320
Additional equity components	885		885
Non-controlling interests	1,296	–	1,296
Total	**463,636**	**– 186**	**463,450**

Principles of consolidation

All intragroup receivables and liabilities as well as income and expenses resulting from transactions between entities consolidated in the Group financial statements are eliminated when liabilities and income and expenses are consolidated. Any gains or losses realised in the Group on intragroup transactions are likewise eliminated. The ability of the Commerzbank Group to access or use assets and monitor the liabilities of subsidiaries including structured entities, associated companies and joint ventures can be subject to legal, regulatory and contractual restrictions.

(5) Subsidiaries and business combinations

Subsidiaries are entities which are directly or indirectly controlled by Commerzbank Aktiengesellschaft, because Commerzbank has the power to direct the relevant activities of the entity, has exposure, or rights, to variable returns from its involvement and has the ability to use its power over the entity to affect the amount of its returns. When deciding whether or not to consolidate, we review a range of factors such as voting rights, the object and structure of the company and our ability to exert influence. If voting rights are the sole and immediate dominant factor in directing the relevant activities, control can be established more straightforwardly in these cases. We are nonetheless obliged to investigate whether there are any other factors present, such as legal provisions or contractual agreements, which prevent Commerzbank from exercising control in spite of holding a majority of voting rights. Other factors can also lead to control, for example if Commerzbank and the entity stand in a principal-agent relationship. In this case, another party with decision-making powers acts as agent for Commerzbank, but does not control the entity, because it only exercises powers which have been delegated by Commerzbank (the principal). Consolidation takes place from the time when the Group acquires control of the subsidiary.

As part of the first-time consolidation of capital, we completely remeasure the assets and liabilities of subsidiaries irrespective of the interest held at the time of acquisition. The assets and liabilities then measured at fair value are included in the Group balance sheet net of deferred taxes; identified hidden reserves and liabilities are accounted for in accordance with the applicable standards in subsequent reporting periods. Any difference over net assets on remeasurement is recognised as goodwill. Any negative goodwill is reported in the income statement.

Holdings in subsidiaries not consolidated for reasons of immateriality and holdings in associated companies and joint ventures which, because of their immateriality, are not accounted for using the equity method, are shown at their fair value under financial assets in the mFVPL category. Subsidiaries are deconsolidated as at the date on which the Bank loses its control over them.

(6) Associated companies and joint ventures

Associated companies are entities over which Commerzbank Aktiengesellschaft has a significant direct or indirect influence, but does not control. A significant influence is assumed to exist where the share of voting rights is between 20 and 50%. Further factors indicating significant influence could, for example, be membership of an executive or Supervisory Board or significant transactions with the company.

A joint arrangement is where two or more parties agree contractually to exercise joint control over this arrangement. A joint arrangement can be a joint venture or a joint operation. In the Commerzbank Group there are only joint ventures.

Associated companies and joint ventures are ordinarily accounted for using the equity method and are reported in the balance sheet under holdings in companies accounted for using the equity method.

The acquisition cost of these investments including goodwill is determined at the time of their initial consolidation, applying by analogy the same rules as for subsidiaries. If associated companies and joint ventures are material, appropriate adjustments are made to the carrying value in the accounts, in accordance with developments in the company's equity. Losses attributable to companies accounted for using the equity method are only recognised up to the level of the carrying value (see Note 44). Losses in excess of this amount are not recognised, since there is no obligation to offset excess losses. Future profits are first offset against unrecognised losses.

Equity accounting for holdings in associated companies ends on the date that the Group ceases to exert significant influence over the associated company. Equity accounting for joint ventures ends on the date that joint control of the venture comes to an end.

(7) Structured entities

Structured entities are entities where voting or similar rights are not the dominant factor in determining control, such as when the voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Examples of structured entities are securitisation companies, leasing structured entities and some investment funds.

Commerzbank also acts as sponsor to structured entities in which it does not have an equity holding. A company is considered to be sponsored if it was founded and/or structured by the Commerzbank Group, received or purchased assets from the Commerzbank Group, was granted guarantees by the Commerzbank Group, or has been intensively marketed by the Commerzbank Group. As with subsidiaries, a structured entity must be consolidated if Commerzbank exerts control over it. In the Commerzbank Group the obligation to consolidate structured entities is reviewed by means of a process that includes transactions where Commerzbank launches a structured entity with or without the involvement of third parties, and transactions where Commerzbank enters into a contractual relationship with an already existing structured entity with or without the involvement of third parties. Decisions as to whether or not to consolidate an entity are reviewed as the need arises, but no less than once a year. All consolidated structured entities and structured entities that have not been consolidated for materiality reasons are listed in Note 71.

(8) Consolidated companies

The Group financial statements include all material subsidiaries which are directly or indirectly controlled by Commerzbank Aktiengesellschaft. These also include material structured entities. Significant associated companies and joint ventures are accounted for using the equity method.

Subsidiaries, associated companies and joint ventures of minor significance for the Group’s assets, liabilities financial position and financial performance are not fully consolidated or not accounted for using the equity method; instead, they are measured at fair value and reported under “Financial assets – Mandatorily fair value P&L”.

Please refer to Note 74 for more information on the structure of the Commerzbank Group including a full list of the Group’s ownership interests.

Merger of comdirect bank Aktiengesellschaft

On 5 May 2020, the Annual General Meeting of comdirect bank Aktiengesellschaft approved the squeeze-out under corporate transformation law. The minority shareholders of comdirect were paid an appropriate cash settlement as compensation for their shares. The entry in the Commercial Register was made on 2 November 2020. comdirect was merged into Commerzbank with retroactive effect from 1 January 2020 and was basically transferred to Commerzbank as a separate organisation. The merger had no effects on the Group financial statements.

Sale of ebase GmbH

On 16 July 2019, our erstwhile subsidiary comdirect bank Aktiengesellscahft, Quickborn, – since merged – sold ebase GmbH (European Bank for Financial Services GmbH). The sale of the wholly owned subsidiary of comdirect bank AG was agreed in July 2018. Following approval by the banking supervisory authorities and the competition authorities, the sale to the financial technology provider FNZ Group, London, was completed for a purchase price of €154m. This sale resulted in a positive effect on the income statement in other net income (see Note 17).

Acquisition of LeaseLink Sp. z.o.o.

In the first quarter of 2019, mLeasing, a leasing company from the mBank subgroup, acquired a 100% interest in LeaseLink Sp. z.o.o. LeaseLink is a company from the fintech sector specialised in leasing payment services. The purchase price is equivalent to roughly €7m, resulting in goodwill of €6m. The following table shows the assets and liabilities recognised in the balance sheet that were consolidated at the following values:

€m	8.3.2019
Financial assets – Amortised cost	17
Intangible assets	1
Fixed assets	0
Other assets	1
Total identified assets	**19**
Financial liabilities – Amortised cost	18
Total identified liabilities	**18**
Fair value of net assets	**2**
Purchase price/consideration	**7**
Goodwill	**6**

There were only minor differences between the accounting at the time of acquisition and on conclusion of the purchase price allocation, resulting in a slight change in goodwill.

Other changes

In the fourth quarter of the 2019 financial year, Kenstone GmbH was included in the consolidated group. Atlas Vermögensverwaltungs-gesellschaft mbH, which is included in the scope of consolidation, holds a 100% interest in this company. The goodwill for this company amounts to €11m.

All shares in Commerz Funds Solutions S.A., Luxembourg, which was previously included in the group of consolidated companies, were sold in the second quarter of the 2019 financial year. This transaction is one of the steps in the transfer of the Equity Markets & Commodities (EMC) division to Société Générale Group. Please refer to Note 49 for further details on the transfer of the EMC division.

Apart from this, no material companies were newly included in the scope of consolidated companies. In addition, no material companies were sold or liquidated or are no longer consolidated for other reasons.

Notes to the income statement

(9) Net interest income

All interest income and interest expenses – including interest-related income and expenses – are reported in this item, provided they do not result from the held-for-trading portfolio.

Interest income includes all interest income that is generated from the primary bank business or banking-related transactions. This income results primarily from the provision of capital.

As with interest income, interest expense contains all interest expenses, including reversals of premiums/discounts and other amounts based on the effective interest method, as well as interest-like expenses in connection with the ordinary banking business.

Other interest expenses include the net of interest income and interest expenses of hedge accounting items.

€m	2020	2019[1]	Change in %
Interest income accounted for using the effective interest method	**6,636**	**7,555**	**– 12.2**
Interest income – Amortised cost	6,282	7,102	– 11.5
Interest income from lending and money market transactions	5,519	6,310	– 12.5
Interest income from the securities portfolio	763	792	– 3.6
Interest income – Fair value OCI	227	325	– 30.1
Interest income from lending and money market transactions	14	24	– 42.0
Interest income from the securities portfolio	213	301	– 29.1
Prepayment penalty fees	127	129	– 1.4
Interest income accounted for not using the effective interest method	**949**	**1,216**	**– 22.0**
Interest income – Mandatorily fair value P&L	319	758	– 58.0
Interest income from lending and money market transactions	266	708	– 62.4
Interest income from the securities portfolio	53	51	4.3
Positive interest from financial instruments held as liabilities	630	458	37.4
Interest expenses	**2,610**	**3,702**	**– 29.5**
Interest expenses – Amortised cost	1,914	2,491	– 23.2
Deposits	1,103	1,574	– 30.0
Debt securities issued	811	917	– 11.5
Interest expenses – Fair value option	255	719	– 64.6
Deposits	214	694	– 69.2
Debt securities issued	41	25	64.9
Negative interest from financial instruments held as assets	384	452	– 14.9
Interest expenses on lease liabilities	18	25	– 27.1
Other interest expenses	39	15	.
Total	**4,975**	**5,070**	**– 1.9**

[1] Prior-year figures adjusted due to restatements (see Note 4).

(10) Dividend income

All dividends from shares and similar equity instruments – with the exception of dividends from trading portfolios – are reported in this item.

Here we also report the current net income from non-consolidated subsidiaries, which is realised through profit and loss transfer agreements. The non-consolidated subsidiaries are assigned to the mandatorily fair value P&L category.

€m	2020	2019	Change in %
Dividends from equity instruments – Fair value OCI	0	3	– 89.8
Dividends from equity instruments – Mandatorily fair value P&L	18	13	41.6
Current net income from non-consolidated subsidiaries	19	19	– 1.3
Total	**37**	**35**	**6.1**

In 2019 within the Commerzbank Group, a portfolio of European standard stocks (blue chips) held by our former subsidiary comdirect Bank Aktiengesellschaft was classified to the fair value OCI category. In the 2020 financial year, dividends of €0m (previous year: €3m) were received from these shares and recognised in the income statement in dividend income.

(11) Risk result

The risk result contains changes to provisions recognised in the income statement for on- and off-balance-sheet financial instruments for which the IFRS 9 impairment model is to be applied. This also includes reversals of loss provisions when derecognition occurs because of scheduled redemptions, write-ups and amounts recovered on claims written-down and direct write-downs not resulting from a substantial modification. In addition, changes to provisions recognised in the income statement for certain off-balance-sheet items that are not financial guarantees as defined in IFRS 9 (certain guarantees, letters of credit, see Note 60) are taken into account.

€m	2020	2019	Change in %
Financial assets – Amortised cost	–1,550	–560	.
Financial assets – Fair value OCI	–14	21	.
Financial guarantees	–2	0	.
Lending commitments and indemnity agreements	–182	–81	.
Total	**–1,748**	**–620**	**.**

For information on the organisation of risk management and on the relevant key figures, as well as additional analyses and explanatory material on the expected credit loss, please refer to the Group Management Report contained in this Annual Report (see page 87 ff.).

In the 2020 financial year, charges due to the coronavirus pandemic amounted to €–961m, of which €–505m were top-level-adjustments (see Note 32 and the Risk Report on page 121 ff.).

(12) Net commission income

The Group reports income and expenses generated from the utilisation of services in net commission income. These amounts are realised when clients are provided with operational facilities, special business relationships or creditworthiness without changing the capitalised balance of banking claims. This also applies with respect to commissions from the sale of foreign currencies, bank notes and precious metals, provided the activity relates to a service transaction and not to proprietary trading. The same applies conversely when the Bank utilises third-party services. In the case of one-off fees and commissions, e.g. for payment transactions, brokerage and lending transactions, which are not included in the effective interest rate, commission income is recognised at the settlement date. For services rendered over a certain period of time, such as payment transactions (annual fees in the credit card business and current account business), revenues are recognised on the reporting date according to the degree of fulfilment.

€m	2020	2019	Change in %
Commission income	**3,909**	**3,706**	**5.5**
Securities transactions	1,267	1,056	19.9
Asset management	326	366	– 10.9
Payment transactions and foreign business	1,361	1,417	– 4.0
Guarantees	232	224	3.8
Net income from syndicated business	274	211	29.4
Intermediary business	162	154	5.4
Fiduciary transactions	23	22	3.8
Other income	265	255	3.8
Commission expenses	**592**	**650**	**– 9.0**
Securities transactions	147	192	– 23.0
Asset management	36	34	6.1
Payment transactions and foreign business	149	155	– 3.7
Guarantees	27	23	16.6
Net income from syndicated business	0	0	68.7
Intermediary business	144	178	– 19.2
Fiduciary transactions	14	12	11.4
Other expenses	75	56	32.7
Net commission income	**3,317**	**3,056**	**8.6**
Securities transactions	1,119	865	29.4
Asset management	291	333	– 12.7
Payment transactions and foreign business	1,212	1,262	– 4.0
Guarantees	205	201	2.3
Net income from syndicated business	273	211	29.4
Intermediary business	18	– 25	.
Fiduciary transactions	9	10	– 5.8
Other income	190	199	– 4.4
Total	**3,317**	**3,056**	**8.6**

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The breakdown of commission income into segments by type of services based on IFRS 15 is as follows:

2020 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation[1]	Group
Securities transactions	1,245	43	–	–21	1,267
Asset management	322	4	–	–0	326
Payment transactions and foreign business	627	747	–	–13	1,361
Guarantees	27	207	–	–2	232
Net income from syndicated business	1	273	–	–0	274
Intermediary business	161	70	–	–69	162
Fiduciary transactions	18	5	–	0	23
Other income	225	63	–	–23	265
Total	**2,627**	**1,411**	**–**	**–128**	**3,909**

[1] The items in Others and Consolidation mainly relate to effects from the consolidation of expenses and income.

2019 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation[1]	Group
Securities transactions	1,047	45	0	–36	1,056
Asset management	361	5	–	–	366
Payment transactions and foreign business	650	780	0	–13	1,417
Guarantees	28	201	0	–5	224
Net income from syndicated business	1	210	0	0	211
Intermediary business	151	68	0	–65	154
Fiduciary transactions	16	7	–	–	22
Other income	220	58	0	–23	255
Total	**2,474**	**1,374**	**0**	**–142**	**3,706**

[1] The items in Others and Consolidation mainly relate to effects from the consolidation of expenses and income.

(13) Net income from financial assets and liabilities measured at fair value through profit or loss

This item includes the net income from all financial assets and liabilities measured at fair value through profit or loss. It contains the net gain or loss from financial instruments in the held-for-trading category, the net gain or loss from financial instruments in the mandatorily fair value P&L category, and the net gain or loss from financial instruments in the fair value option category.

The net gain or loss from financial instruments in the held-for-trading category is the Bank's net trading income and is reported as the net balance of expenses and income. This item therefore includes:

- interest income, including dividends received, and interest expenses from financial instruments held for trading;
- realised gains and losses from the sale of securities held for trading purposes, claims, foreign currencies and precious metals;
- net remeasurement gain or loss from remeasurements to fair value;
- net gain or loss from derivative financial instruments;
- net gain or loss from fair value adjustments (credit valuation adjustment/CVA, debit valuation adjustment/DVA, funding valuation adjustment/FVA);
- commission expenses and income incurred in connection with the acquisition or disposal of financial instruments held for trading purposes.

The net gain or loss from financial instruments in the mandatorily fair value P&L category and the net gain or loss from financial instruments in the fair value option category contain only net remeasurement gains or losses and realised profit or loss. Expenses and income are each presented on a net basis.

€m	2020	2019	Change in %
Profit or loss from financial instruments – Held for trading	–183	163	.
Profit or loss from financial instruments – Fair value option	–22	– 89	– 75.6
Profit or loss from financial instruments – Mandatorily fair value P&L	271	171	**59.1**
Total	**66**	**244**	**– 72.8**

(14) Net income from hedge accounting

Net income from hedge accounting includes net remeasurement gains and losses on the valuation of effective hedges in fair value hedge accounting (fair value hedge). Net income from hedge accounting also includes the ineffective portion of effective cash flow hedges and net investment hedges.

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€m	2020	2019	Change in %
Fair value hedges			
Changes in fair value attributable to hedging instruments	– 1,150	– 12	.
Micro fair value hedges	– 824	– 205	.
Portfolio fair value hedges	– 326	192	.
Changes in fair value attributable to hedged items	1,356	117	.
Micro fair value hedges	957	283	.
Portfolio fair value hedges	400	– 166	.
Cash flow-hedges			
Gain or loss from effectively hedged cash flow hedges (ineffective part only)	0	– 0	.
Net investment hedges			
Gain or loss from effectively hedged net investment hedges (ineffective part only)	–		
Total	**207**	**105**	**98.0**
of which: hedge ineffectiveness from micro fair value hedges	133	78	**69.5**
of which: hedge ineffectiveness from portfolio fair value hedges	74	26	**.**

In the reporting period, cash flow hedge accounting was applied for the first time to hedge interest rate risks from mortgage loans with a nominal value of €281m and to hedge foreign currency risks from mortgage bonds with a nominal value of €300m by means of a cross-currency swap. Accordingly, €2m was allocated to the cash flow hedge reserve.

In the 2020 financial year, net investment hedge accounting was applied for the first time to hedge currency risks arising from shipping company investments with a nominal value of USD 90m. Accordingly, €1m was allocated to the currency translation reserve.

(15) Other net income from financial instruments

This item contains the gain or loss on disposal of financial assets in the fair value OCI category as well as the gain or loss from the repurchase of financial liabilities in the amortised cost category.

The result from the disposal of financial assets in the amortised cost category includes effects from sales of financial instruments measured at amortised cost that are not triggered by a change in credit rating. It also contains the results from contractual adjustments agreed when loan arrangements with customers are restructured due to a deterioration in their creditworthiness (substantial modifications).

In the case of financial assets in the fair value OCI category (with recycling), the difference between amortised cost and fair value is recognised in the revaluation reserve until disposal (except for impairments) without effect on income, and therefore not in the income statement. The revaluation reserve resulting from debt securities is reversed through profit or loss when the asset is disposed of.

The disposal of financial liabilities in the amortised cost category results in a net realised profit or loss, which arises directly from the difference between the sale price and amortised cost.

This item also includes results from changes in estimates due to changes in expectations regarding future cash flows, as well as results from non-substantial modifications of financial instruments in the amortised cost category.

€m	2020	2019	Change in %
Other sundry realised profit or loss from financial instruments	2	32	– 93.1
Realised profit or loss from financial assets – Fair value OCI (with recycling)	45	33	37.1
Realised profit or loss from financial liabilities – Amortised cost	3	16	– 78.1
Gain or loss on non-substantial modifications – Amortised cost	– 7	– 2	.
Gain or loss on non-substantial modifications – Fair value OCI (with recycling)	–	–	.
Changes in uncertainties in estimates – Amortised cost	– 40	– 15	.
Changes in uncertainties in estimates – Fair value OCI (with recycling)	–	–	.
Gain or loss on disposal of financial assets (AC portfolios)	– 68	– 5	.
Gains on disposal of financial assets (AC portfolios)	5	42	– 87.3
Losses on disposal of financial assets (AC portfolios)	73	47	56.3
Total	**– 65**	**27**	**.**

The Commerzbank Group has loan portfolios totalling €296bn with financial instruments measured at amortised cost. This classification requires that the financial instruments included therein be allocated to a portfolio with the “hold to collect” business model and that no SPPI-non-compliant side agreements exist. These portfolios can involve not only redemptions but also sales of assets, while still remaining fundamentally in compliance with this business model. This is particularly the case if the debtor’s credit rating has deteriorated significantly or the asset no longer corresponds to the required criteria as set out in the internal guidelines, or if the sale is the result of portfolio reallocations just prior to the maturity of these assets.

The net gain or loss from the sale of financial instruments (AC portfolios) mainly resulted from the sale of debt instruments, promissory note loans and other loans as part of permitted portfolio measures.

Commerzbank modifies some of the contractual terms of loans granted, as part of non-substantial modifications that do not result in the derecognition of the previous financial instrument. The default risk of these assets after the change is measured as at the respective reporting date and compared with the risk under the original conditions. Amortised cost before modification amounted to €224m (previous year: €194m).

In response to legally imposed and private payment moratoriums due to the coronavirus pandemic, the payment flows from loans granted were adjusted as part of non-substantial modifications. The current moratoriums did not have a material effect on the result.

€m	2020	2019	Change in %
Modified assets during the period, which are provisioned at their LECL post modification			
Gross carrying amount pre-modification	224	194	15.5
Corresponding ECL	12	8	50.7
Gross carrying amount post-modification	228	215	5.8
Corresponding ECL	13	8	56.3
Net result from modification	3	21	– 83.5
Modified assets, which (since initial recognition) were measured at their LECL and transferred back to stage 1 (12m ECL) during the period			
Gross carrying amount at the end of financial year	193	132	46.4
Corresponding ECL	18	8	.

(16) Current net income from companies accounted for using the equity method

Current net income from companies accounted for using the equity method was €6m (previous year: €10m).

Including the net gain on disposals and remeasurement of companies accounted for using the equity method, which was reported in other net income and amounted to €– 5m. (previous year: €3m), the total net income from companies accounted for using the equity method was €2m (previous year: €13m).

(17) Other net income

Other net income primarily comprises allocations to and reversals of provisions and income and expenses from operating leases.

This item also includes the realised profit or loss and net remeasurement gain or loss from associated companies and joint ventures.

€m	2020	2019	Change in %
Other material items of income	**601**	**583**	**3.2**
Reversals of provisions	75	155	– 51.5
Operating lease income	149	170	– 12.7
Income from building and architects’ services	0	0	– 4.3
Hire-purchase income and sublease income	15	13	21.0
Income from investment properties	2	1	.
Income from non-current assets held for sale	–	–	.
Income from disposal of fixed assets	3	11	– 68.5
Income from FX rate differences	239	24	.
Other items in other income	118	209	– 43.9
Other material items of expense	**951**	**515**	**84.7**
Allocations to provisions	337	109	.
Operating lease expenses	128	144	– 11.3
Expenses arising from building and architects’ services	–	11	.
Hire-purchase expenses and sublease expenses	8	4	80.0
Expenses from investment properties	0	0	68.2
Expenses from non-current assets held for sale	–	–	.
Expenses from disposal of fixed assets	2	3	– 26.5
Expenses from FX rate differences	268	32	.
Other items in other expenses	208	211	– 1.1
Other tax (netted)	– 3	22	.
Realised profit or loss and net remeasurement gain or loss from associated companies and joint ventures (netted)	– 5	3	
Other net income	**– 357**	**93**	**.**

The other items in other income position in the previous year included realisation gains of €103m from the sale of ebase GmbH (European Bank for Financial Services GmbH).

(18) Operating expenses

Operating expenses in the Group of €6,160m (previous year: €6,313m) comprised personnel expenses, administrative expenses, depreciation and amortisation. The breakdown of operating expenses was as follows:

Personnel expenses | €m	2020	2019	Change in %
Wages and salaries	3,237	3,315	– 2.4
Expenses for pensions and similar employee benefits	263	228	15.2
Total	**3,500**	**3,543**	**– 1.2**

Wages and salaries include €448m (previous year: €452m) for social security contributions. They also include the employer's contributions to the statutory pension scheme in the amount of €221m (previous year: €220m).

Expenses for pensions and similar employee benefits consist of expenses for defined benefit and defined contribution pension plans (see Note 58), age-related short-time working schemes and early retirement, as well as other pension-related expenses.

Administrative expenses | €m	2020	2019	Change in %
Occupancy expenses	251	233	7.8
IT expenses	583	530	9.9
Workplace and information expenses	232	234	– 1.0
Advisory, audit and other expenses required to comply with company law	226	245	– 7.7
Travel, representation and advertising expenses	169	244	– 30.5
Personnel-related administrative expenses	85	121	– 29.8
Other administrative expenses	166	161	2.6
Total	**1,712**	**1,768**	**– 3.2**

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, Germany, was appointed as the group auditors of Commerzbank. The key audit partners responsible for this engagement pursuant to Art. 319a (1) sentence 4 of the German Commercial Code were Claus-Peter Wagner and Marcus Binder. This is the third year that Mr Wagner and Mr Binder were the key audit partners. The German public auditor responsible for the Commerzbank engagement as defined under the Professional Charter is Claus-Peter Wagner.

The fees and expenses for the group auditors amounted to €15,510 thousand excluding VAT for the 2020 financial year.

Auditors' fees | €1,000	2020	2019	Change in %
Audit services	13,542	13,378	1.2
Audit-related services	1,878	1,682	11.7
Tax services	–	–	.
Other services	90	86	4.7
Total	**15,510**	**15,146**	**2.4**

In accordance with IDW AcP HFA 36, the fees for audit services include the audits of the financial statements of Commerzbank Aktiengesellschaft and its subsidiaries, the audits of the Group financial statements and the reviews of the quarterly financial reports. 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 (WpHG), the audit of the non-financial report in accordance with Art. 340a HGB in connection with Art. 298b HGB and comfort letter issuance. The fees for other services are mainly fees for project-related advisory services.

Depreciation and amortisation | €m	2020	2019	Change in %
Office furniture and equipment	106	116	– 8.1
Land and buildings	10	6	58.8
Intangible assets	487	525	– 7.3
Right of use assets	345	354	– 2.7
Total	**948**	**1,002**	**– 5.3**

Besides the scheduled depreciation, the items also include impairments and write-ups of impairments. The amortisation of intangible assets included €9m of impairment charges (previous year:€1m). On land, buildings and other fixed assets there were write-downs of €0m (previous year: write-ups of €5m). Depreciation on rights of use mainly relates to land and buildings.

(19) Compulsory contributions

Compulsory contributions | €m	2020	2019	Change. in %
Deposit Protection Fund	154	142	8.2
Polish bank tax	118	106	11.5
European bank levy	240	205	17.1
Total	**512**	**453**	**13.0**

(20) Impairments on goodwill and other intangible assets

€m	2020	2019	Change in %
Goodwill and Customer base	1,578	28	.
Total	**1,578**	**28**	**.**

A scheduled impairment test was carried out in the financial year. The goodwill was fully impaired by €1,521 (see note 45).

The customer base, which was capitalised in the course of the acquisition of Dresdner Bank, was also fully impaired by €57m (see note 46).

A scheduled impairment test was carried out in the 2019 financial year. The client base of the Corporate Clients segment was impaired by €28m. This impairment was exclusively related to the impairment test.

(21) Restructuring expenses

€m	2020	2019	Change in %
Expenses for restructuring measures in progress	814	101	.
Total	**814**	**101**	**.**

Restructuring expenses of €0.8bn incurred in the 2020 financial year resulted primarily from the recognition of restructuring provisions and, to a lesser extent, from write-downs of leased assets and fixed assets of the approximately 200 sites to be closed.

The Board of Managing Directors decided in the 2020 financial year 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. This 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 region. 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 also concluded a corresponding works agreement with the Group Works Council.

The restructuring expenses in the 2019 reporting year were largely connected with the age-related short-time working schemes that are part of a sprinter programme under the "Commerzbank 5.0" strategy.

(22) Taxes on income

€m	2020	2019[1]	Change in %
Current taxes on income	214	352	– 39.1
Tax expense/income for the current year	153	351	– 56.4
Tax expense/income for previous years	61	1	.
Deferred income taxes	50	69	– 28.0
Tax expense/income due to temporary differences and tax loss carryforwards	15	53	– 71.9
Tax rate differences	– 27	– 50	– 46.0
Tax expense due to impairment of previously recognized deferred taxes	83	120	– 30.9
Tax income from previously unrecognised tax loss carryforwards and temporary differences	– 21	– 54	– 61.1
Total	**264**	**421**	**– 37.3**

[1] Prior-year figures adjusted due to restatements (see Note 4).

The combined income tax rate applicable to Commerzbank Aktiengesellschaft and its German subsidiaries was 31.5 %.

The following reconciliation shows the relationship between net pre-tax profit according to IFRS and taxes on income in the financial year.

The Group income tax rate selected as a basis for the reconciliation is made up of the corporate income tax rate of 15.0 % applied in Germany, plus the solidarity surcharge of 5.5 % and an average rate of 15.7 % for trade tax. This yields a German income tax rate of 31.5 % (previous year: 31.5 %).

Income tax effects result from discrepancies between the tax rates applying to foreign units. Tax rates outside Germany ranged between 0.0 % (Dubai) (previous year: 0.0 %) and 45.0 % (Brazil) (previous year: 40.0 %).

As at 31 December 2020, the Group tax rate was −10.1 % (previous year: 37.5 %).

The negative tax rate results from a negative pre-tax profit and a tax expense mainly due to positive taxable results in foreign units and aperiodic tax expenses.

€m	2020	2019[1]	Change in %
Pre-tax profit or loss under IFRS	**– 2,626**	**1,124**	**.**
Group's income tax rate (%)	31.5	31.5	–
Calculated income tax expense in financial year	**– 827**	**354**	**.**
Effects of differing tax rates and tax rate changes on tax accruals recognised in income	– 18	– 33	– 45.5
Effect from the remeasurement of deferred taxes	83	66	25.5
Effects of non-deductible operating expenses and tax-exempt income	557	15	.
Unrecognised deferred tax assets	422	– 30	.
Utilisation of tax loss carryforwards for which no deferred tax assets had been calculated	– 21	– 3	.
Effects of additions and deductions for trade tax	7	8	– 12.5
Withholding taxes not creditable	11	24	– 54.2
Current taxes relating to other periods	15	– 2	.
Other effects	35	22	59.9
Taxes on income	**264**	**421**	**– 37.4**

[1] Prior-year figures adjusted due to restatements (see Note 4).

The table below shows the amount of current and deferred taxes resulting from items that were recognised directly in equity:

Taxes on income not recognised in the income statement | €m	2020	2019[1]	Change in %
Current taxes on income	–	–	.
Deferred taxes on income	752	778	– 3.3
Measurement differences arising from cash flow hedges	3	– 3	.
Revaluation reserve	13	– 3	.
Loss carryforwards	130	135	– 3.7
Remeasurement of defined benefit plans	582	650	– 10.4
Other	24	– 1	.
Total	**752**	**778**	**– 3.3**

[1] Prior-year figures adjusted due to restatements (see Note 4).

(23) Net income by measurement category

Net income consists of remeasurements to fair value, net interest income, dividend income, foreign exchange translation effects, impairments, impairment reversals, realised profit or loss, recoveries on written-down financial instruments and changes in the revaluation reserve recognised in equity.

€m	2020	2019[1]	Change in %
Net income from continuing operations			
Financial assets and liabilities – Held for trading	24	267	–91.0
Financial assets – Fair value option	–0	–	.
Financial liabilities – Fair value option	–41	–548	–92.6
Financial assets – Mandatorily fair value P&L	401	684	–41.4
Financial assets – Amortised cost	4,610	6,451	–28.5
Financial liabilities – Amortised cost	–1,559	–2,274	–31.4
Financial assets – Fair value OCI	259	382	–32.4
Net income from discontinued operations	**7**	**126**	**–94.1**
Change in value not recognised in income statement			
Financial assets – Fair value OCI – debt securities	139	48	.
Financial assets – Fair value OCI – equity instruments	–3	8	.
Financial liabilities – Fair value option (Own credit spread)	–42	–75	–44.9

[1] Prior-year figures adjusted due to restatements (see Note 4).

(24) Earnings per share

	2020	2019[1]	Change in %
Operating profit (€m)	– 233	1,253	.
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components (€m)	– 2,870	585	.
Dividend on additional equity components (€m)	48	–	.
Consolidated profit or loss attributable to Commerzbank shareholders (€m)	– 2,918	585	.
Average number of ordinary shares issued	1,252,357,634	1,252,357,634	–
Operating profit per share (€)	–0.19	1.00	.
Earnings per share (€)	–2.33	0.47	.

[1] Prior-year figures adjusted due to restatements (see Note 4).

Earnings per share, calculated in accordance with IAS 33, are based on the consolidated profit or loss attributable to Commerzbank shareholders and are calculated by dividing the consolidated profit or loss by the weighted average number of shares outstanding during the financial year. As in the previous year, no conversion or option rights were outstanding in the reporting year. The figure for diluted earnings per share was therefore identical to the undiluted figure. The breakdown of operating profit is set out in the segment report (Note 61).

Notes to the balance sheet

Financial assets and liabilities in accordance with IFRS 9

General classification and measurement

In accordance with IFRS 9, all financial assets and liabilities – which also include derivative financial instruments – must be recognised in the balance sheet. A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. On initial recognition, financial instruments are measured at fair value. For financial instruments that are not measured at fair value through profit and loss, directly attributable transaction costs are included in the fair values as acquisition-related costs, which increase the fair value of financial assets or reduce the fair value of financial liabilities. In accordance with IFRS 13, fair value is defined as the exit price, i.e. the price that the market participant would receive for the sale of an asset or pay to transfer a liability in an orderly transaction. The fair value is a price observed on an active market (mark-to-market) or determined using valuation models (mark-to-model). The relevant inputs for the valuation model are either observed directly on the market or, if not observable on the market, are estimates made by experts.

In subsequent measurement, financial instruments are recognised in the balance sheet either at (amortised) cost or at fair value, depending on the category.

a) Recognition and derecognition of financial instruments

A financial asset or a financial liability is generally recognised in the balance sheet when the Commerzbank Group becomes a party to the contractual provisions of the financial instrument. For regular-way purchases or sales of financial assets in the cash market the trading and settlement dates normally differ. These regular-way cash market purchases and sales may be recognised using either trade date or settlement date accounting. In the Commerzbank Group, regular-way cash market purchases and sales of financial assets are accounted for on their recognition and disposal on the trade date.

The derecognition rules of IFRS 9 are based both on the concept of risks and rewards and on the concept of control. However, when deciding whether an asset qualifies for derecognition, the evaluation of the transfer of the risks and rewards of ownership takes precedence over the evaluation of the transfer of control. If the risks and rewards are transferred only partially and control over the asset is retained, the continuing involvement approach is used. The financial asset continues to be recognised to the extent of the Group's continuing involvement, and special accounting policies apply. The extent of the continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred asset. A financial liability (or part of a financial liability) is derecognised when it is extinguished, i.e. when the obligations arising from the contract are discharged or cancelled or expire. The repurchase of own debt instruments is also a transfer of financial liabilities that qualifies for derecognition. Any differences between the carrying value of the liability (including discounts and premiums) and the purchase price are recognised in profit or loss; if the asset is sold again at a later date a new financial liability is recognised at cost equal to the price at which the asset was sold. Differences between this cost and the repayment amount are allocated over the term of the debt instrument using the effective interest rate method.

Some amendments of contractual terms and conditions between borrowers and the Bank, for example as a consequence of forbearance measures or restructuring, can lead to derecognition. A substantial modification of the contractual terms and conditions of a financial instrument between an existing borrower and the Bank leads to the derecognition of the original financial asset and the recognition of a new financial instrument.

Similarly, a substantial modification of the contractual terms and conditions of an existing debt instrument is to be treated as a repayment of the original financial liability. In quantitative terms, an amendment of the contractual terms and conditions is regarded as substantive if the discounted net present value of the cash flows under the new contractual terms and conditions varies by at least 10% from the discounted net present value of the residual cash flows of the original debt instrument.

b) Classification of financial instruments and their measurement

The Commerzbank Group classifies financial assets and financial liabilities in accordance with the applicable IFRS 9 categories:
Financial assets
- Amortised cost (AC)
- Fair value OCI (FVOCI)
- Fair value option (FVO)
- Mandatorily fair value P&L (mFVPL)
- Held for trading (HFT)

Financial liabilities
- Amortised cost (AC)
- Fair value option (FVO)
- Held for trading (HFT)

The Group subdivides the IFRS 9 categories into the following classes:
Financial assets
- Loans and advances
- Debt securities
- Equity instruments
- Derivatives that do not qualify for hedge accounting (stand-alone derivatives)
- Derivatives that qualify for hedge accounting
- Financial guarantees

Financial liabilities
- Deposits
- Debt securities issued
- Derivatives that do not qualify for hedge accounting (stand-alone derivatives)
- Derivatives that qualify for hedge accounting
- Financial guarantees

and irrevocable lending commitments

c) Net gains or losses

Net gains or losses include fair value measurements recognised in profit or loss, currency translation effects, impairments, impairment reversals, gains realised on disposal, subsequent recoveries on written-down financial instruments and changes recognised in the revaluation reserve classified in the respective IFRS 9 categories. The components are detailed in the condensed statement of comprehensive income and in the notes on net interest income, risk result, gain or loss from financial assets and liabilities measured at fair value through profit and loss and other net gain or loss from financial instruments.

d) Financial guarantees

A financial guarantee is a contract that requires the issuer to make specified payments that reimburse the holder for a loss they incur because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. This may include, for example, bank guarantees. If the Commerzbank Group is the guarantee holder, the financial guarantee is not recorded in the accounts and is only recognised when determining an impairment of a guaranteed asset. As the issuer, the Commerzbank Group recognises the liability arising from a financial guarantee at inception. Initial measurement is at fair value at the time of recognition. In general terms, the fair value of a financial guarantee contract at inception is zero because for fair market contracts the value of the premium agreed normally corresponds to the value of the guarantee obligation (net method). Subsequent measurement is at the higher of amortised cost or the provision that is required to be recognised if payment of the guarantee becomes probable.

e) Embedded derivatives

Embedded derivatives are derivatives that are integrated into primary financial instruments. These include, for example, reverse convertible bonds (bonds that may be repaid in the form of equities) or bonds with index-linked interest payments.

In accordance with IFRS 9, we only separate those derivatives that are embedded in financial liabilities and non-financial host contracts. Financial assets are assessed in their entirety, meaning that the host contract is not accounted for separately from the embedded derivative. Instead, financial assets are classified based on the business model and their contractual terms and conditions.

In the case of financial liabilities, such a separation for accounting purposes is only required if the following three conditions are met:
- The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative under IFRS 9.
- The primary financial liability is not measured at fair value through profit or loss.

In this case, the embedded derivative to be separated is regarded as part of the held-for-trading category and is recognised at fair value. Changes on remeasurement are recognised in the gain or loss from financial assets and liabilities measured at fair value through profit and loss. The host contract is accounted for and measured applying the rules of the category to which the financial instrument is assigned.

If the above three conditions are not cumulatively met, the embedded derivative is not shown separately and the hybrid financial instrument or structured product is measured as a whole in accordance with the general provisions of the category to which the financial liability is assigned.

(25) Financial assets – Amortised cost

If the contractually agreed cash flows of a financial asset comprise only interest and principal payments (i.e. the asset is SPPI-compliant) and this asset was allocated to the "hold to collect" business model, it is measured at amortised cost. The carrying amount of these financial instruments is reduced by any loan loss provision (see Note 32).

Interest payments for these financial instruments are recognised in net interest income using the effective interest method.

€m	31.12.2020	31.12.2019[1]	Change in %
Loans and advances	258,456	260,372	– 0.7
Central banks	1,707	876	95.0
Banks	21,097	24,418	– 13.6
Corporate clients	88,195	97,431	– 9.5
Private customers	117,906	109,706	7.5
Other financial corporations	12,991	13,007	– 0.1
General governments	16,560	14,934	10.9
Debt securities	33,964	33,304	2.0
Banks	2,688	2,432	10.5
Corporate clients	6,511	5,363	21.4
Other financial corporations	5,362	4,706	14.0
General governments	19,403	20,803	– 6.7
Total	**292,420**	**293,676**	**– 0.4**

[1] Prior-year figures adjusted due to restatements (see Note 4).

The business model for a portfolio of promissory note loans issued by British public-sector bodies, which had a carrying amount of €2.8bn, was changed as of 1 January 2019. As part of the planned closure of the Asset & Capital Recovery segment (run-off portfolio), this portfolio was grouped under Treasury and has been administered by the Investment Office since 1 January 2019 (see also Note 61). Distribution and sales activities for the portfolio have been discontinued. As of 1 January 2019, future sales for this portfolio are now only permitted in the event of a significant deterioration in credit quality. Portfolio management and management remuneration are therefore no longer based on fair value. The objective of the portfolio is to generate contractually agreed cash flows. The contractually agreed cash flows are solely payments of interest and principal for the purposes of IFRS 9.

The change of business model resulted in reclassification from the mFVPL measurement category to the AC category.

The effective interest rate calculated at the time of reclassification was 2.8%. In 2020 the interest income for the reclassified portfolio was €87m (previous year: €63m) and the interest expenses €0m (previous year: €0m).

The fair value of the portfolio at 31 December 2020 was €3.3bn (previous year: €3.1bn). If the portfolio had remained in the mFVPL measurement category, the fair value change since the start of the year and the offsetting change in value of the derivatives held to hedge the portfolio would have been recognised in the income statement under net income from financial assets and liabilities measured at fair value through profit or loss. This would have resulted in net income of €–227m (previous year: €–106m), which would have been the consequence primarily of credit spread effects. Since reclassification, the cash flows of the underlying transactions of the portfolio have been assigned to the portfolio fair value hedge accounting of Commerzbank.

(26) Financial liabilities – Amortised cost

As a rule, financial liabilities must be subsequently measured at amortised cost.

Deposits include primarily deposits due on demand, term deposits and savings deposits.

In other debt issues we also report those subordinated securitised and unsecuritised issues which in the event of an insolvency or liquidation can be repaid only after the claims of all non-subordinated creditors have been satisfied.

€m	31.12.2020	31.12.2019	Change in %
Deposits	355,745	309,489	14.9
Central banks	36,232	4,006	.
Banks	38,408	40,434	– 5.0
Corporate clients	95,664	84,602	13.1
Private customers	152,064	139,350	9.1
Other financial corporations	26,170	29,395	– 11.0
General governments	7,206	11,701	– 38.4
Debt securities issued	41,980	42,421	– 1.0
Money market instruments	1,155	1,580	– 26.9
Pfandbriefe	18,599	18,670	– 0.4
Other debt securities issued	22,226	22,171	0.3
Total	**397,725**	**351,909**	**13.0**

In the first half of 2020, Commerzbank participated in the third series of the ECB’s targeted longer-term refinancing operations (TLTRO III) with a maximum amount of €32.3bn. The interest rate depends on the development of the credit volume in a benchmark portfolio, which, if favourable, results in a discount on the rate. The interest rate discount is intended to support lending in the current economic environment. Part of the interest rate discount (–0.5% below the average refinancing rate) was already assumed to be reasonably certain for the first year of the term and recorded as a government grant in accordance with IAS 20; the financial liability item was reduced accordingly in the amount of €161m. The grant is recognised in net interest income on a pro rata basis over the first year of the term. In the financial year, €85m was recognised as negative interest expense Possible interest rate discounts beyond this are not yet considered to be reasonably certain and are therefore not recorded as government grants.

(27) Financial assets – Fair value OCI

Measurement at fair value with recognition of the change in value in other comprehensive income with recycling (FVOCI with recycling) is required if the financial instrument is allocated to a portfolio with the “hold to collect and sell” business model and, in addition, the contractually agreed cash flows are solely interest and principal payments and are thus SPPI-compliant.

The changes in fair value are recognised in the revaluation reserve (OCI) without effect on income, except for impairments, which are recognised in the income statement. The recognition of loan loss provisions is explained in Note 32 “Credit risks and credit losses”. When a financial instrument is derecognised, the accumulated gains and losses recognised to date in OCI are reclassified to the income statement (recycling) and reported in other net income from financial instruments. Interest income from these financial assets is recognised in net interest income using the effective interest method.

In addition, the financial assets – fair value OCI also include equity instruments for which we have chosen the option of fair value measurement without recycling with no effect on income, provided that these meet the definition of equity in accordance with IAS 32 and are not held for trading purposes. Such a classification is set voluntarily and irrevocably per financial instrument. Gains or losses from these equity instruments are never reclassified to the income statement, rather they are reclassified into retained earnings when sold (without recycling). These equity instruments are not subject to impairment testing. Any dividends paid on these instruments are recognised as dividend income in the income statement, provided they do not involve a return of capital.

€m	31.12.2020	31.12.2019	Change in %
Loans and advances (with recycling)	787	779	1.1
Banks	132	151	– 12.8
Corporate clients	366	229	59.6
Other financial corporations	76	86	– 11.6
General governments	214	312	– 31.5
Debt securities (with recycling)	42,074	30,115	39.7
Banks	15,025	12,411	21.1
Corporate clients	1,713	564	.
Other financial corporations	7,259	5,933	22.3
General governments	18,077	11,206	61.3
Equity instruments (without recycling)	–	49	.
Corporate clients	–	47	.
Other financial corporations	–	2	.
Total	**42,862**	**30,942**	**38.5**

A portfolio of European standard stocks (blue chips) held by our former subsidiary comdirect bank Aktiengesellschaft, was classified to the fair value OCI category.

As at 31 December 2020, the fair value of these shares amounted to €0m (previous year: €49m). Dividends of €0m (previous year: €3m) were received from these shares and recognised in the income statement in dividend income. In addition, sales from this portfolio resulted in realised profit and loss totalling €1m (previous year: €0m), which was recognised in retained earnings without effect on income

(28) Financial liabilities – Fair value option

Under IFRS 9 rules, in the case of an accounting mismatch, the management of financial liabilities on a fair value basis and the existence of embedded derivatives requiring separation may also be conditions for applying the fair value option to liabilities.

If the fair value option is used for financial liabilities or for hybrid contracts, the changes in fair value resulting from fluctuations in own credit risk are not recognised in the income statement, but in other comprehensive income (without recycling) with no effect on income.

€m	31.12.2020	31.12.2019	Change in %
Deposits	18,015	19,202	– 6.2
Central banks	769	2,075	– 62.9
Banks	5,150	4,224	21.9
Corporate clients	909	791	14.9
Private customers	127	151	– 15.7
Other financial corporations	10,859	11,730	– 7.4
General governments	202	231	– 12.6
Debt securities issued	2,089	761	.
Other debt securities issued	2,089	761	.
Total	**20,104**	**19,964**	**0.7**

Applying the fair value option in order to avoid accounting mismatches and for financial instruments with embedded derivatives produced the following values in the “Financial liabilities – Fair value option” category:

€m	31.12.2020	31.12.2019	Change in %
Deposits	1,370	1,413	– 3.0
Debt securities issued	2,089	761	.
Total	**3,459**	**2,174**	**59.1**

For liabilities to which the fair value option was applied, the change in fair value in the 2020 financial year for credit risk reasons was €66m (previous year: €74m). The cumulative change was €78m (previous year: €13m). The repayment amount of financial liabilities measured at fair value was €3,325m (previous year: €2,083m).

No reclassifications to retained earnings without effect on income were made either in the year under review or in the previous year. The credit risk-specific changes in the fair value of liabilities were primarily calculated as changes in fair values less value changes resulting from market conditions.

The fair value option was also used for financial instruments if they are managed in line with our risk and liquidity management and their performance is measured on a fair value basis. This applied chiefly to repurchase agreements, money market transactions and cash collateral paid and received.

The following balance sheet items were affected:

€m	31.12.2020	31.12.2019	Change in %
Deposits	16,645	17,789	– 6.4
Debt securities issued	–	–	.
Total	**16,645**	**17,789**	**– 6.4**

(29) Financial assets – Mandatorily fair value P&L

This item includes financial instruments that are allocated to the residual business model and not reported in "Financial assets – held for trading". In addition, transactions allocated to the "hold to collect" and "hold to collect and sell" business model are included here if they are not SPPI-compliant. Examples of such transactions include investment fund units, profit-sharing certificates, silent participations and assets managed on a fair value basis.

Equity instruments are exclusively contracts providing a residual interest in the assets of a company after deducting all associated debts, such as shares or interests in other joint-stock companies.

Equity instruments are not SPPI-compliant because the investor has no claim to interest and principal repayments. As a result, these instruments are usually measured at fair value through profit or loss. An exception to this rule exists for equity instruments for which the Group has chosen the option to measure them at fair value in other comprehensive income without recycling (see Note 27).

€m	31.12.2020	31.12.2019	Change in %
Loans and advances	23,779	26,181	– 9.2
Central banks	3,902	4,152	– 6.0
Banks	5,953	10,254	– 41.9
Corporate clients	927	1,409	– 34.2
Private customers	119	182	– 34.2
Other financial corporations	12,878	10,167	26.7
General governments	1	17	– 96.6
Debt securities	4,192	3,642	15.1
Banks	160	66	.
Corporate clients	124	14	.
Other financial corporations	1,138	1,326	– 14.2
General governments	2,770	2,236	23.9
Equity instruments	705	373	89.0
Banks	9	9	0.0
Corporate clients	542	291	86.7
Other financial corporations	153	73	.
Total	**28,677**	**30,196**	**– 5.0**

Financial assets and liabilities – Held for trading

(30) Financial assets – Held for trading

This category includes interest- and equity-related securities, promissory note loans and other claims as well as other trading portfolios allocated to the residual business model and held for trading. These financial instruments are used to realise profits from short-term fluctuations in prices or traders' margins. Derivative financial instruments that do not qualify for hedge accounting are also reported here.

Irrespective of the type of product, these financial assets are measured at fair value through profit or loss. The fair value changes of the respective transactions are therefore reported through profit or loss in the income statement. If the fair value cannot be established on an active market, items are measured by means of comparable prices, indicative prices of pricing service providers or other banks (lead managers), or internal valuation models (net present value or option pricing models).

Interest income and expenses and gains or losses on measurement and disposal from these financial instruments are recorded in the income statement under net income from financial assets and liabilities measured at fair value through profit or loss.

€m	31.12.2020	31.12.2019	Change in %
Loans and advances	2,263	1,683	34.5
Banks	942	506	86.3
Corporate clients	445	408	8.9
Private clients	–	–	.
Other financial corporations	826	769	7.4
General governments	50	–	.
Debt securities	1,806	1,481	21.9
Banks	184	326	– 43.7
Corporate clients	459	174	.
Other financial corporations	448	409	9.4
General governments	716	572	25.1
Equity instruments	1,059	1,413	– 25.0
Banks	1	3	– 54.4
Corporate clients	1,058	1,409	– 24.9
Other financial corporations	0	1	– 71.3
Positive fair values of derivative financial instruments	45,524	39,328	15.8
Interest-rate-related derivative transactions	33,005	30,124	9.6
Currency-related derivative transactions	9,865	6,975	41.4
Equity derivatives	1,069	879	21.6
Credit derivatives	269	303	– 11.1
Other derivative transactions	1,315	1,047	25.6
Other trading positions	1,524	935	62.9
Total	**52,176**	**44,840**	**16.4**

(31) Financial liabilities – Held for trading

This item comprises derivative financial instruments (derivatives that do not qualify for hedge accounting), own issues in the trading book and delivery commitments arising from short sales of securities.

€m	31.12.2020	31.12.2019	Change in %
Certificates and other issued bonds	3	28	– 88.9
Delivery commitments arising from short sales of securities	412	1,574	– 73.8
Negative fair values of derivative financial instruments	42,429	37,764	12.4
Interest-rate-related derivative transactions	32,650	29,398	11.1
Currency-related derivative transactions	8,340	7,240	15.2
Equity derivatives	414	422	– 1.9
Credit derivatives	430	344	24.9
Other derivative transactions	596	360	65.4
Total	**42,843**	**39,366**	**8.8**

(32) Credit risks and credit losses

Principles and measurements

IFRS 9 stipulates that impairments for credit risks from loans and securities that are not measured at fair value through profit or loss must be recognised using a 3-stage model based on expected credit losses. In the Commerzbank Group, the following financial instruments are included in the scope of this impairment model:

- financial assets in the form of loans and advances as well as debt securities measured at amortised cost;
- financial assets in the form of loans and advances as well as debt securities measured at fair value through other comprehensive income (FVOCI);
- lease receivables;
- irrevocable lending commitments which under IFRS 9 are not measured at fair value through profit or loss;
- financial guarantees within the scope of IFRS 9 that are not measured at fair value through profit or loss.

The Group determines the impairment using a 3-stage model based on the following requirements:

In stage 1, as a rule all financial instruments are recognised if their risk of a loan loss (hereinafter default risk) has not risen significantly since their initial recognition. In addition, stage 1 includes all transactions with limited default risk as at the reporting date for which Commerzbank utilises the option provided for in IFRS 9 to refrain from making an assessment about a significant increase in the default risk. A limited default risk exists for all financial instruments with an investmentgrade internal credit rating on the financial reporting date (corresponds to a Commerzbank rating of 2.8 or better, see Group Management Report, page 121 ff.). An impairment must be recognised for financial instruments in stage 1 in the amount of the expected credit loss over the next 12 months (12-month ECL).

Stage 2 includes those financial instruments with default risk that has risen significantly since their initial recognition and which, as at the financial reporting date, cannot be classified as transactions with limited default risk. Impairments in stage 2 are recognised in the amount of the financial instrument’s lifetime expected credit loss (LECL).

Financial instruments that are classified as impaired as at the reporting date are allocated to stage 3. Commerzbank’s criterion for this classification is the definition of a default in accordance with Art. 178 of the CRR. In addition, the EBA guidelines on the application of the default definition under Art. 178 of Regulation (EU) No. 575/2013 are taken into account (except for mBank). This approach is consistent because the ECL calculation also uses statistical risk parameters derived from the Basel IRB approach, which are modified to meet the requirements of IFRS 9. The following events, among others, can be indicative of a customer default:

- over 90 days past due;
- unlikely to pay;

- Financial rescue/distressed restructuring with concessions;
- The Bank has demanded immediate repayment of its claims;
- The customer is in insolvency proceedings.

The LECL is likewise used as the value of the required impairment for stage-3 financial instruments in default. When determining the LECL, the Group distinguishes in principle between significant and insignificant cases. The amount of the LECL for insignificant transactions (volumes up to €5m) is determined based on statistical risk parameters. The LECL for significant transactions (volumes greater than €5m) is the expected value of the losses derived from individual expert assessments of future cash flows based on several potential scenarios and their probability of occurrence. The scenarios and probabilities are based on assessments by recovery and resolution specialists. For each scenario – without regard to whether it is a continuation or sale scenario – the timing and amount of the expected future cash flows are estimated.

Both the customer-specific and the macroeconomic situation are taken into account (for example currency restrictions, currency value fluctuations, commodity price developments), as well as the sector environment, with a view to the future. The estimate is also based on external information. Sources include indices (e.g. World Corruption Index), forecasts (e.g. by the IMF), information from global associations of financial service providers (e.g. the Institute of International Finance) and publications from rating agencies and auditing firms.

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

Financial instruments which when initially recognised are already considered impaired as per the aforementioned definition (“purchased or originated credit-impaired”, or “POCI”, financial instruments) are handled outside the 3-stage impairment model and are therefore not allocated to any of the three stages. The initial recognition is based on fair value without recording an impairment, using an effective interest rate that is adjusted for creditworthiness. The impairment recognised in subsequent periods equals the cumulative change in the LECL since the initial recognition in the balance sheet. The LECL remains the basis for the measurement, even if the value of the financial instrument has risen.

Receivables are written off in the balance sheet as soon as they become uncollectible. Uncollectibility may arise in the settlement process for various objective reasons, such as the demise of the borrower without realisable assets in the estate or completion of insolvency proceedings without further prospect of payments. Moreover, loans are generally regarded as (partially) uncollectible at the latest by 720 days after their due date and are (partially) written down to the recoverable amount within the framework of existing loan loss provisions. Such a (partial) write-down has no direct impact on ongoing debt collection measures.

Assessment of a significant increase in default risk

Commerzbank’s rating systems combine into the customer-specific probability of default (PD) all available quantitative and qualitative information relevant for forecasting the default risk. This metric is based primarily on a statistical selection and weighting of all available indicators. In addition, the PD adjusted in accordance with IFRS 9 requirements takes into account not only historical information and the current economic environment, but also, in particular, forward-looking information such as the forecast for the development of macroeconomic conditions.

As a consequence, Commerzbank uses the PD only as a frame of reference for assessing whether the default risk of a financial instrument has risen significantly since the date of its initial recognition. By anchoring the review of the relative transfer criterion in the robust processes and procedures of the Bank’s Group-wide credit risk management framework (in particular, early identification of credit risk, controlling of overdrafts and the rerating process), the Bank ensures that a significant increase in the default risk is identified in a reliable and timely manner based on objective criteria.

For cases with an overdraft that exceeds 30 days, it has been demonstrated that this trigger is already covered by the ratings and/or the rating process. The major part of the portfolio with overdrafts extending beyond 30 days is in default or is allocated to stage 2 by a significant increase in the PD. Only an insignificant part is in stage 1. For this part, the Bank has demonstrated by a corresponding rating result that there is no significant increase in the probability of default despite an overdraft of more than 30 days.

For further information on Commerzbank’s processes and procedures as well as governance in credit risk management, please refer to the explanatory information in the Group Management Report (page 121 ff.).

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

Thresholds are set using a statistical procedure in order to determine whether an increase in the PD compared with the initial recognition date is “significant”. These thresholds, which are differentiated by rating models, represent a critical degree of variance compared with the average development of the PD. In order to ensure an economically sound assignment of the stage, transaction-specific factors are taken into account, including the extent of the PD at the initial recognition date, the term to date and the remaining term of the transaction.

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

Calculation of expected credit loss

Commerzbank calculates the ECL as the probability weighted, unbiased and discounted expected value of future loan losses over the total residual maturity of the respective financial instrument, i.e. the maximum contractual term (including any renewal options) during which Commerzbank is exposed to credit risk. The 12-month ECL used for the recognition of impairments in stage 1 is the portion of the LECL that results from default events which are expected to occur within 12 months following the end of the reporting period.
The ECL for stage 1 and stage 2 as well as for insignificant financial instruments in stage 3 is determined on an individual transaction basis taking into account statistical risk parameters. These parameters have been derived from the Basel IRB approach and modified to meet the requirements of IFRS 9. The significant main parameters used in this determination include the:

- customer-specific probability of default (PD);
- loss given default (LGD); and the
- exposure at default (EaD).

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

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

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

All risk parameters used from the Bank’s internal models have been adjusted to meet the specific requirements of IFRS 9, and the forecast horizon has been extended accordingly to cover the entire term of the financial instruments. For example, the forecast for the development of the exposure over the entire term of the financial instrument therefore also includes, in particular, contractual and statutory termination rights.

In the case of loan products that consist of a utilised loan amount and an open credit line and for which in customary commercial practice the credit risk is not limited to the contractual notice period (in Commerzbank this relates primarily to revolving products without a contractually agreed repayment structure, such as overdrafts and credit card facilities), the LECL must be determined using a behavioural maturity, which typically exceeds the maximum contractual period. In order to ensure that the LECL for these products is determined in an empirically sound manner in compliance with IFRS 9 requirements, Commerzbank calculates the LECL directly for these products based on realised historical losses.

As a rule, the Group estimates the risk parameters specific to IFRS 9 based not only on historical default information but also, in particular, on the current economic environment (point-in-time perspective) and forward looking information. This assessment primarily involves reviewing the effects which the Bank’s macroeconomic forecasts will have regarding the amount of the ECL, and including these effects in the determination of the ECL

A baseline scenario is used for this purpose which relies on the respective applicable consensus (forecasts of different banks on significant macroeconomic factors, such as GDP growth and the unemployment rate). This baseline scenario is then supplemented with additional macroeconomic parameters that are relevant for the model. In the current reporting period, the baseline scenario was adjusted taking into account the ECB forecast of 10 December 2020. For mBank, the Poland specific scenario on which the local loan loss provision calculation is based was checked for consistency accordingly. The baseline scenario reflects the expected impact of the coronavirus pandemic as at the reporting date and includes the following material assumptions:

Baseline scenario	2021
GDP growth	
Germany	3.0%
Eurozone	3.9%
Poland	0.2%
Rate of unemployment	
Germany	6.7%
Eurozone	10.1%
Poland	6.6%

The transformation of the macroeconomic baseline scenario into effects on the risk parameters is based on statistically derived models. Giving consideration to the current situation, we have ensured that the relevant experts are sufficiently involved within the framework of the existing policies. Potential effects from non-linear correlations between different macroeconomic scenarios and the ECL are corrected using a separately determined adjustment factor. The factor was reviewed on an event driven basis in the fourth quarter of 2020 and increased slightly.

When calculating the expected credit loss, additional effects may also have to be taken into account resulting from scenarios or events that are not reflected in the IFRS 9 ECL parameter set presented as part of the modelling (these may relate to singular events such as natural disasters, substantial political decisions or military conflicts); for these additional effects, a separately determined adjustment to the result from the IFRS 9 ECL model is made. The examination as to whether such top-level adjustments (TLA) with the involvement of senior management are necessary, as well as their possible implementation, are regulated in a policy.

Such an adjustment to the results of the IFRS 9 ECL model was deemed necessary in the 2020 financial year due to the coronavirus pandemic. The parameters used in the standard model reflected neither the economic effects of the global lockdowns nor the massive support and assistance measures taken by governments and institutions. The adequacy of the TLA was assessed during the year at the reporting dates and in the course of preparing the Group financial statements as at 31 December 2020.

In particular, the TLA was adjusted to take account of the current development of the pandemic and its economic impact. The aspects that had been implemented in the model result in the meantime were taken into account.

As at 31 December 2020, it was particularly relevant in this regard that additional, nationwide lockdowns were necessary in Europe and especially in Germany at the turn of the year due to the high number of infections.

Significant need for adjustment compared to the assumptions as at 30 September 2020 therefore arose primarily in the assumptions for sectors/subportfolios in the corporate customer segment, on which these measures have a direct impact. In Commerzbank's portfolio, tourism/hotels and retail are relevant examples. The add-on to the model based probability of default was increased significantly here, as the latter not comprehensively reflect the latest developments as at the reporting date in particular. For other sectors, such as the automotive industry, the slowdown in the economic recovery caused by the lockdown measures has had a negative impact. As a result, here the Bank likewise increased the assumed severity compared with the previous assessment.

For the Small-Business Customers subportfolio, the effects of the crisis in the course of 2020 were only partially reflected in the change in ratings and were not yet feeding through to a greater extent in defaults/insolvencies. Owing to the liquidity that was still available from assistance measures and the partial suspension of the obligation to file for insolvency, these effects will materialise with a time lag. As at 31 December 2020, the add-on to the model based probability of default for customers in the rating range > 4.0 that had been assumed as at 30 September 2020 was therefore retained for the TLA calculation. An exception was made for subportfolios that can be allocated to a directly affected industry. In keeping with industry assumptions, higher addons were applied here for corporate customers than at 30 September 2020. The expected effects of the crisis were largely taken into account in the country ratings at the reporting date, so no further addons were applied as at 31 December 2020. For banks, with the exception of systemically important banks and depending on their country of domicile, small addons to the probability of default were assumed in some cases, as here the ratings partly lagged behind the latest developments.

For deferred receivables in the loan portfolio in the Private and Small-Business Customers segment, payments were largely resumed as planned towards the end of the year. No TLA was included for this subportfolio as at 31 December 2020.

A key basis for our estimate across all sectors and subportfolios was 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, thereafter no further and longer comprehensive lockdowns will be imposed in the course of the year, so that there would be a lasting economic recovery in the eurozone from the spring.

Following the implementation of the IFRS 9-specific point-in-time factors in the model result, which were adjusted in the third quarter of 2020, there was a further need for an increase as at 31 December 2020, which was taken into account in the TLA. The effects of the adjustments on the stage allocation were taken into account in the calculation of the TLA. This booking was portfolio-based. It is shown in the presentation of the change in loan loss provisions in the line "Changes of parameters and models". No across the board stage transfers of individual transactions were made. For more information on ECL and TLA, see the Risk Report (see page 121 ff.).

Overall, the valuation allowances for risks arising from financial assets and the provisions for off-balance sheet items changed as follows:

€m[1]	As at 1.1.2020	Net-allocations/ Reversals	Reversals	Change in the group of consolidated companies	Exchange rate changes/ Reclassification/ Unwinding	As at 31.12.2020
Valuation allowances for risks of financial assets	2,175	1,565	569	–	–59	3,111
Financial assets – Amortised cost	2,167	1,550	567	–	–58	3,093
Loans and advances	2,111	1,556	567	–	–57	3,043
Debt securities	56	–5	–	–	–1	50
Financial assets – Fair value OCI	8	14	3	–	–0	19
Loans and advances	1	9	–	–	–0	10
Debt securities	6	5	3	–	–0	8
Provisions for financial guarantees	9	2	–	–	–0	11
Provisions for lending commitments	129	178	–	–	–2	305
Provisions for indemnity agreements	182	4	–	–	–3	183
Total	**2,496**	**1,748**	**569**	**–**	**–64**	**3,611**

[1] Prior-year figures adjusted due to restatements (see Note 4).

€m[1]	As at 1.1.2019	Net-allocations /Reversals	Reversals	Change in the group of consolidated companies	Exchange rate changes/ Reclassification/ Unwinding	As at 31.12.2019
Valuation allowances for risks of financial assets	2,188	538	702	–	151	2,175
Financial assets – Amortised cost	2,172	560	714	–	150	2,167
Loans and advances	2,065	586	689	–	149	2,111
Debt securities	107	–27	26	–	1	56
Financial assets – Fair value OCI	16	–21	–12	–	1	8
Loans and advances	7	–6	–	–	0	1
Debt securities	9	–16	–12	–	1	6
Provisions for financial guarantees	9	–0	–	–	0	9
Provisions for lending commitments	104	25	–	–	0	129
Provisions for indemnity agreements	124	56	–	–	1	182
Total	**2,426**	**620**	**702**	**–**	**152**	**2,496**

[1] Prior-year figures adjusted due to restatements (see Note 4).

The net position from allocations and reversals includes write-ups from recoveries on written-down claims.

The changes of value adjustments by stages was as follows:

Value adjustment for risks from loans, advances and provisions €m[1]	Stage 1	Stage 2	Stage 3	POCI	Total
Value adjustments as at 1.1.2020	**239**	**277**	**1,521**	**76**	**2,113**
New business	104	49	86	18	257
Changes in positions from stage transfers					
from stage 1	–101	352	140	–	391
from stage 2	130	–390	285	–	25
from stage 3	7	18	–27	–	–2
Disposals (repayment and decrease in utilisation)	91	102	281	34	507
Changes of parameters and models	–30	490	886	49	1,395
Utilisation	–	–	512	49	561
Exchange rate changes / reclassifications	–7	–7	–59	15	–57
Value adjustments as at 31.12.2020	**253**	**686**	**2,039**	**75**	**3,053**
Provisions for financial guarantees	2	2	4	4	11
Provisions for lending commitments	105	150	22	29	305
Provisions for indemnity agreements	2	80	71	31	183
Provisions as at 31.12.2020	**108**	**232**	**96**	**63**	**499**

[1] Prior-year figures adjusted due to restatements (see Note 4).

Value adjustment for risks from debt securities €m	Stage 1	Stage 2	Stage 3	POCI	Total
Value adjustments as at 1.1.2020	**34**	**28**	**0**	**–**	**62**
New business	5	0	0	–	5
Changes in positions from stage tranfers					
from stage 1	–0	5	–	–	5
from stage 2	0	–9	–0	–	–9
from stage 3	–	0	–	–	0
Disposals (repayment and decrease in utilisation)	2	1	–	–	3
Changes of parameters and models	2	–3	0	0	–1
Utilisation	–	–	–	–	–
Exchange rate changes / reclassifications	–1	–0	–0	–0	–1
Value adjustments as at 31.12.2020	**38**	**21**	**0**	**–**	**58**

Value adjustment for risks from loans, advances and provisions €m[1]	Stage 1	Stage 2	Stage 3	POCI	Total
Value adjustments as at 1.1.2019	**243**	**299**	**1,469**	**61**	**2,072**
New business	112	33	96	27	268
Changes in positions from stage tranfers					
from stage 1	–89	357	99	–	367
from stage 2	112	–376	215	–	–49
from stage 3	12	12	–44	–	–21
Disposals (repayment and decrease in utilisation)	95	73	244	32	443
Changes of parameters and models	–58	21	377	77	417
Utilisation	–	–	465	182	647
Exchange rate changes / reclassifications	3	2	18	125	149
Value adjustments as at 31.12.2019	**239**	**277**	**1,521**	**76**	**2,113**
Provisions for financial guarantees	2	2	3	3	9
Provisions for lending commitments	81	24	14	10	129
Provisions for indemnity agreements	1	77	89	15	182
Provisions as at 31.12.2019	**84**	**103**	**106**	**28**	**321**

[1] Prior-year figures adjusted due to restatements (see Note 4).

Value adjustment for risks from debt securities €m	Stage 1	Stage 2	Stage 3	POCI	Total
Value adjustments as at 1.1.2019	**30**	**83**	**2**	**1**	**116**
New business	9	0	–0	–1	8
Changes in positions from stage tranfers					
from stage 1	–0	4	–	–	4
from stage 2	1	–51	26	–	–24
from stage 3	–	1	–	–	1
Disposals (repayment and decrease in utilisation)	4	2	–	1	7
Changes of parameters and models	–1	–8	–26	–	–35
Utilisation	–	–	2	–	2
Exchange rate changes / reclassifications	0	1	0	1	2
Value adjustments as at 31.12.2019	**34**	**28**	**0**	**0**	**62**

In this depiction, a financial instrument is defined as new business if the relevant date for assessing a significant increase in default risk lies within the reporting period. This population may therefore differ from other new business surveys, for example those for sales management.

The changes in positions resulting from stage transfers show the allocations and reversals resulting from a change in assignment to stages during the reporting period. During the transfer, the position in the previous stage is completely reversed and the whole target position is added in the new stage. Disposals include reversals of loss provisions for transactions that were derecognised from the balance sheet during the reporting period. The line "Changes in parameters and models" contains changes in positions attributable to changes in risk provisioning parameters. This includes changes in utilisation (e.g. as a result of repayments) as well as changes in collateral securities and changes in probability of default that did not lead to a change in stage. What is more, adjustment effects from regular parameter reviews and from changed macroeconomic expectations as well as the TLA booked in the reporting period are shown here. The utilisation reflects the extent to which the risk provision was reduced by write-downs not recognised in the income statement. The line "Exchange rate changes/reclassification" shows the currency effects and, where applicable, transfers from reclassifications.

The presentation is based on postings for individual transactions. At customer level, it may therefore happen that several items in the schedule are addressed. For example, both new business and disposals may be included. No offsetting is carried out.

€107m of the total amount of the provisions is attributable to off-balance-sheet items that are not financial guarantees as defined in IFRS 9 (certain guarantees, letters of credit), but which under the impairment model need to be provisioned for using the lifetime expected credit loss (see Note 60).

Claims totalling €170m were (partially) written down in the reporting period. Collection activities continue to be performed regarding these claims.

In determining risk provisions, it is necessary to make assumptions that are subject to high estimation uncertainty, particularly in a dynamic environment. On the reporting date, the expected credit loss (stages 1/2), calculated on the basis of the baseline scenario giving consideration to the ECB publication, was €1.3bn. In a stress scenario that includes continued lockdown measures, including the ordering of comprehensive production stops and a prolonged global recession, earnings would be more severely impacted. Apart from additional credit defaults, the estimated expected credit loss (stages 1/2) would increase by €0.8bn.

The gross carrying amounts of the financial assets for which value adjustments have been made changed as follows in the period under review:

Loans and advances | €m[1]	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1.1.2020	**250,029**	**9,848**	**2,799**	**585**	**263,262**
Additions (new business and increase of utilisation)	167,148	3,985	956	310	172,399
Changes in positions from stage transfers					
from stage 1	–8,726	7,661	1,065	–	0
from stage 2	3,315	–4,011	696	–	0
from stage 3	21	38	–59	–	0
Disposals (repayment and decrease of utilisation)	–166,508	–4,779	–1,580	–507	–173,375
As at 31.12.2020	**245,278**	**12,742**	**3,878**	**388**	**262,286**

[1] Prior-year figures adjusted due to restatements (see Note 4).

Debt securities | €m[1]	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1.1.2020	**62,537**	**928**	**–**	**10**	**63,475**
Additions (new business and increase of utilisation)	31,307	10	–	–	31,317
Changes in positions from stage transfers					
from stage 1	–93	93	–	–	–
from stage 2	287	–299	11	–	0
from stage 3	–	–	–	–	–
Disposals (repayment and decrease of utilisation)	–18,468	–215	–11	–10	–18,704
As at 31.12.2020	**75,570**	**518**	**–**	**–**	**76,088**

[1] Prior-year figures adjusted due to restatements (see Note 4).

Financial guarantees, lending commitments, indemnity agreements | €m	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1.1.2020	**145,230**	**34,307**	**355**	**126**	**180,018**
Additions (new business and increase of utilisation)	76,789	19,069	125	264	96,246
Changes in positions from stage transfers					
from stage 1	–5,181	5,136	45	–	0
from stage 2	1,029	–1,195	166	–	–0
from stage 3	3	4	–7	–	0
Disposals (repayment and decrease of utilisation)	–68,627	–19,265	–230	–217	–88,340
As at 31.12.2020	**149,243**	**38,055**	**454**	**173**	**187,925**

Loans and advances | €m[1]	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1.1.2019	**237,967**	**9,572**	**2,628**	**625**	**250,793**
Additions (new business and increase of utilisation)	219,094	2,917	656	662	223,329
Changes in positions from stage transfers					
from stage 1	–6,165	5,830	335	–	0
from stage 2	3,996	–4,543	546	–	0
from stage 3	52	54	–106	–	0
Disposals (repayment and decrease of utilisation)	–204,917	–3,981	–1,260	–702.4	–210,860
As at 31.12.2019	**250,029**	**9,848**	**2,799**	**585**	**263,262**

[1] Prior-year figures adjusted due to restatements (see Note 4).

Debt securities | €m[1]	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1.1.2019	**55,974**	**1,158**	**12**	**42**	**57,185**
Additions (new business and increase of utilisation)	31,970	1	–	–	31,971
Changes in positions from stage transfers					
from stage 1	–139	139	–	–	–
from stage 2	240	–240	–	–	–
from stage 3	–	–	–	–	–
Disposals (repayment and decrease of utilisation)	–25,508	–128	–12	–32.0	–25,680
As at 31.12.2019	**62,537**	**928**	**–**	**10**	**63,475**

[1] Prior-year figures adjusted due to restatements (see Note 4).

Financial guarantees, lending commitments, indemnity agreements | €m	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1.1.2019	**140,316**	**34,230**	**200**	**141**	**174,888**
Additions (new business and increase of utilisation)	98,392	18,676	120	72.2	117,261
Changes in positions from stage transfers					
from stage 1	–4,139	4,102	37	–	0
from stage 2	1,234	–1,460	226	–	0
from stage 3	3	6	–9	–	0
Disposals (repayment and decrease of utilisation)	–90,576	–21,248	–220	–87.0	–112,131
As at 31.12.2019	**145,230**	**34,307**	**355**	**126**	**180,018**

The carrying amounts of the financial assets for which value adjustments have been made are allocated to the rating classes as follows:

31.12.2020	**Loans and advances**				**Debt securities**			
Rating grades[1] | €m	**12m ECL**	**Lifetime ECL**	**POCI**	**Total**	**12m ECL**	**Lifetime ECL**	**POCI**	**Total**
1.0 – 1.8	85,070	–	10	85,081	43,536	–	–	43,536
2.0 – 2.8	120,531	–	46	120,577	31,285	–	–	31,285
3.0 – 3.8	32,342	6,861	12	39,215	727	510	–	1,237
4.0 – 4.8	5,826	3,509	13	9,348	–	24	–	24
5.0 – 5.8	1,353	2,597	6	3,956	–	6	–	6
6.1 – 6.5	–	3,672	437	4,109	–	–	–	0
Total	**245,123**	**16,639**	**525**	**262,286**	**75,548**	**540**	**–**	**76,088**

[1] The increased probabilities of default assumed for the TLA were estimated on a portfolio basis and are not reflected in the individual case-based rating distribution.

31.12.2020	**Financial guarantees, lending commitments, indemnity agreements**			
Rating grades | €m	**12m ECL**	**Lifetime ECL**	**POCI**	**Total**
1.0 – 1.8	32,666	4,015	750	37,430
2.0 – 2.8	98,362	21,323	12	119,697
3.0 – 3.8	15,355	6,786	19	22,160
4.0 – 4.8	1,919	2,672	4	4,595
5.0 – 5.8	658	1,461	1	2,120
6.1 – 6.5	–	310	1,612	1,922
Total	**148,961**	**36,567**	**2,397**	**187,925**

31.12.2019	**Loans and advances**				**Debt securities**			
Rating grades | €m	**12m ECL**	**ECL Lifetime**	**POCI**	**Total**	**12m ECL**	**ECL Lifetime**	**POCI**	**Total**
1.0 – 1.8	80,543	–	11	80,554	37,481	–	–	37,481
2.0 – 2.8	124,941	300	52	125,293	24,616	–	9	24,625
3.0 – 3.8	36,649	4,536	29	41,215	385	690	–	1,075
4.0 – 4.8	6,290	2,545	19	8,853	4	218	–	222
5.0 – 5.8	1,606	2,564	126	4,297	50	19	–	70
6.1 – 6.5	–	2,702	348	3,050	–	–	1	1
Total	**250,029**	**12,648**	**585**	**263,262**	**62,537**	**928**	**10**	**63,475**

31.12.2019	**Financial guarantees, lending commitments, indemnity agreements**			
Rating grades | €m	12m ECL	Lifetime ECL	POCI	Total
1.0 – 1.8	33,739	3,901	2	37,642
2.0 – 2.8	92,637	21,607	8	114,252
3.0 – 3.8	15,664	6,806	8	22,478
4.0 – 4.8	1,709	1,791	10	3,510
5.0 – 5.8	789	1,026	1	1,816
6.1 – 6.5	4	224	91	319
Total	**144,543**	**35,355**	**120**	**180,018**

(33) Concentration of credit risk

Concentrations of credit risk may arise through business relations with individual borrowers or groups of borrowers which share a number of features and whose ability to service debt is influenced to the same extent by changes in certain overall economic conditions. Besides obtaining collateral and applying a uniform lending policy, the Bank has entered into a number of master netting agreements to minimise credit risks. These give the Bank the right to net claims on and liabilities against a customer in the event of the default or insolvency of that customer. The gross carrying amounts of credit risks relating to loans and advances, lending commitments, financial guarantees and other indemnity agreements were as follows:

	Loans and advances	
€m	31.12.2020	31.12.2019[1]
Banks and customers in Germany	**175,970**	**169,413**
Banks	6,584	5,136
Corporate clients	52,949	55,571
Manufacturing	17,538	18,995
Construction	861	683
Trade	7,461	9,021
Services and others	27,089	26,872
Private customers	104,177	96,578
Other financial corporations	2,211	2,775
General governments	10,048	9,352
Banks and customers outside Germany	**112,358**	**121,713**
Banks	27,174	35,254
Corporate clients	39,123	45,284
Private customers	14,701	13,985
Other financial corporations	24,581	21,276
General governments	6,780	5,914
Subtotal	**288,328**	**291,125**
Less valuation allowances on loans and advances amortised cost	–3,043	–2,111
Total	**285,285**	**289,014**

[1] Prior-year figures adjusted due to restatements (see Note 4).

	Lending commitments, financial guarantees and other indemnity agreements	
€m	31.12.2020	31.12.2019[1]
Banks and customers in Germany	58,115	51,752
Banks and customers outside Germany	69,527	70,252
Subtotal	**127,642**	**122,004**
Less valuation allowances	–435	–268
Total	**127,207**	**121,735**

[1] Prior-year figures adjusted due to restatements (see Note 4).

The carrying amounts of credit risk concentrations in loans and advances, lending commitments, financial guarantees and other indemnity agreements shown in the tables above are not part of internal credit risk management, as credit risk management also takes account of collateral, probabilities of default and other economic factors. To this extent these amounts are therefore not representative of the Bank's assessment of its actual credit risk.

(34) Maximum credit risk

The maximum credit risk exposure – excluding collateral and other credit enhancements – is equal to the carrying amounts of the relevant assets in each class, or the nominal values of irrevocable lending commitments and financial guarantees.

The table below shows the carrying amounts or nominal values of financial instruments with a potential default risk:

€m	31.12.2020	31.12.2019[1]	Change in %
Financial assets – Amortised cost	292,420	293,676	– 0.4
Loans and advances	258,456	260,372	– 0.7
Debt securities	33,964	33,304	2.0
Financial assets – Fair value OCI	42,862	30,893	38.7
Loans and advances	787	779	1.1
Debt securities	42,074	30,115	39.7
Financial assets – Mandatorily fair value P&L	27,972	29,823	– 6.2
Loans and advances	23,779	26,181	– 9.2
Debt securities	4,192	3,642	15.1
Financial assets – Held for trading	51,116	43,427	17.7
Loans and advances	2,263	1,683	34.5
Debt securities	1,806	1,481	21.9
Derivates	45,524	39,328	15.8
Other trading positions	1,524	935	62.9
Positive fair values of derivative hedging instruments	1,878	1,992	– 5.7
Irrevocable lending commitments	85,717	80,980	5.8
Financial guarantees	2,107	2,163	– 2.6

[1] Prior-year figures adjusted due to restatements (see Note 4).

The maximum credit risk exposures listed above are not part of internal credit risk management, as credit risk management also takes account of collateral, probabilities of default and other economic factors (see the section on default risks in the Group Management Report). These amounts are therefore not representative of the Bank's assessment of its actual credit risk.

(35) Securitisation of loans

The use of credit derivatives (such as credit default swaps, total return swaps and credit-linked notes) can reduce the risk weighting of a loan portfolio. The hedging effect of a credit derivative may relate both to individual loans or securities and to entire portfolios of loans or securities. As a rule, security is furnished by means of a synthetic securitisation by credit default swaps (CDS) and/or by credit-linked notes (CLNs). This enables three important goals to be achieved:

- risk diversification (reduction of credit risks in the portfolio, especially concentration risks);
- easing the burden on equity capital (the transfer of credit risks to investors leads to a reduction in the regulatory capital requirements);
- funding (use of securitisation as an alternative funding instrument to unsecured bearer bonds).

As at the end of the 2020 financial year, Commerzbank Aktiengesellschaft had launched four securitisation programmes as the buyer of protection.

The legal maturity date is 5–10 years. Overall, a total volume of €13.2bn (previous year: €5.5bn) of loans to customers had been hedged by end of December 2020. This reduced the Bank's risk-weighted assets by €3.9bn (previous year: €1.0bn).

Name of transaction	Buyer of protection	Year transacted	Contract period of transactions in years	Type of claim	Total lending	Reduction of risk-weighted assets €m
CoCo Finance II-3	Commerzbank Aktiengesellschaft	2020	10	Corporate Clients	7,055	1,975
CoCo Finance III-2	Commerzbank Aktiengesellschaft	2019	10	Corporate Clients	1,873	614
CoCo Finance III-3	Commerzbank Aktiengesellschaft	2019	5	Corporate Clients	1,888	544
CoSMO Finance III-4	Commerzbank Aktiengesellschaft	2020	10	Corporate Clients	2,378	761
Total					**13,195**	**3,894**

(36) IFRS 13 fair value hierarchies and disclosure requirements

Fair value hierarchy

Under IFRS 13, financial instruments are assigned to the three levels of the fair value hierarchy as follows:

- Level 1: Financial instruments where the fair value is based on quoted prices for identical financial instruments in an active market.
- Level 2: Financial instruments where no quoted prices are available for identical instruments in an active market and the fair value is established using valuation techniques which rely on observable market parameters.
- Level 3: Financial instruments where valuation techniques are used that incorporate at least one material input for which there is insufficient observable market data and where at least this input has a more than insignificant impact on the fair value.

With respect to the methods of model based measurements (level 2 and level 3) relevant for banks, IFRS 13 recognises the market approach and the income approach. The market approach relies on measurement methods that draw on information about identical or comparable assets and liabilities.

The income approach reflects current expectations about future cash flows, expenses and income. The income approach may also include option price models. These valuations are subject to a higher degree to judgements by management. Market data or third-party inputs are relied on to the greatest possible extent, and company specific inputs to a limited degree.

Valuation models must be consistent with accepted economic methodologies for pricing financial instruments and must incorporate all factors that market participants would consider appropriate in setting a price.

The fair values that can be realised at a later date may fundamentally deviate from the estimated fair values.

All fair values are subject to the Commerzbank Group's internal controls and procedures, which set out the standards for independently verifying or validating fair values. These controls and procedures are carried out and coordinated by the Independent Price Verification (IPV) Group within the risk function. The models, inputs and resulting fair values are reviewed regularly by senior management and the risk function.

Disclosure obligations

In the following, a distinction is made between:

a) financial instruments measured at fair value (fair value OCI, fair value option, mandatorily fair value P&L and held for trading);
b) financial instruments measured at amortised cost.

The respective disclosure requirements regarding these financial instruments are set out in IFRS 7 and IFRS 13. For example, they require explanatory statements on the valuation techniques applied and the inputs used for levels 2 and 3, as well as quantitative disclosures on unobservable inputs (level 3). The reporting entity must also provide the date of, reasons for and information about reclassifications between fair value hierarchy levels, reconciliations between the opening and closing balances for level 3 portfolios as at the respective reporting dates, and unrealised gains and losses. In addition, sensitivities for the unobservable inputs (level 3) are to be presented, and information on the day one profit or loss is to be provided.

a) Financial instruments measured at fair value

According to IFRS 13, the fair value of an asset is the amount for which it could be sold between knowledgeable, willing parties in an arm's length transaction. The fair value therefore represents an exit price. The fair value of a liability is defined as the price at which the debt could be transferred to a third party as part of an orderly transaction.

The measurement of liabilities must also take account of the Bank's own credit spread. If third parties provide security for our liabilities (e.g. guarantees), this security is not taken into account in the valuation of the liability, as the Bank's repayment obligation remains the same.

When measuring derivative transactions, the Group uses the possibility of establishing net risk positions for financial assets and liabilities. The measurement takes into account not only counterparty credit risk but also the Bank's own default risk. The Group determines credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) by simulating the future fair values of its portfolios of derivatives with the respective counterparty based on observable market data (e.g. CDS spreads). In the case of funding valuation adjustments (FVA), the funding costs or income of uncollateralised derivatives, as well as collateralised derivatives where there is only partial collateral or the collateral cannot be used for funding purposes, are recognised at fair value. Like CVAs and DVAs, FVAs are also determined from the expected value of the future positive or negative portfolio fair values using observable market data (e.g. CDS spreads). The funding curve used to calculate the FVA is approximated by the Commerzbank funding curve.

IFRS 9 requires that all financial instruments be measured at fair value upon initial recognition. This is usually the transaction price. If a portion relates to something other than the financial instrument being measured, fair value is estimated using a valuation method.

The following tables show the financial instruments reported in the balance sheet at fair value by IFRS 9 fair value category and by class.

Financial assets | €bn	**31.12.2020**				**31.12.2019**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets – Fair value OCI	–	–	–	–	–	–	–	–
Loans and advances	–	0.8	–	0.8	–	0.8	0.0	0.8
Debt securities	30.9	10.8	0.4	42.1	20.4	9.7	0.0	30.1
Equity instruments	–	–	–	–	0.0	–	–	0.0
Financial assets – Mandatorily fair value P&L	–	–	–	–	–	–	–	–
Loans and advances	–	22.6	1.2	23.8	–	23.7	2.4	26.2
Debt securities	1.0	2.3	0.9	4.2	0.9	1.6	1.1	3.6
Equity instruments	0.0	0.0	0.6	0.7	0.0	–	0.4	0.4
Financial assets – Held for trading	–	–	–	–	–	–	–	–
Loans and advances	1.0	0.9	0.4	2.3	0.8	0.8	0.0	1.7
Debt securities	1.1	0.7	–	1.8	0.8	0.6	0.0	1.5
Equity instruments	1.1	–	0.0	1.1	1.4	0.0	0.0	1.4
Derivatives	–	44.4	1.2	45.5	–	37.7	1.6	39.3
Others	1.5	–	–	1.5	0.9	–	–	0.9
Positive fair values of derivative financial instruments	–	–	–	–	–	–	–	–
Hedge accounting	–	1.9	–	1.9	–	2.0	–	2.0
Non-current assets held for sale and disposal groups	–	–	–	–	–	–	–	–
Loans and advances	–	0.0	–	0.0	–	0.1	–	0.1
Debt securities	0.0	0.0	–	0.0	1.1	0.1	0.0	1.2
Equity instruments	0.0	–	0.0	0.0	3.6	0.1	0.0	3.6
Derivatives	–	1.9	0.2	2.1	–	2.6	0.2	2.9
Total	**36.6**	**86.2**	**4.8**	**127.7**	**30.1**	**79.8**	**5.8**	**115.8**

Financial liabilities | €bn	**31.12.2020**				**31.12.2019**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities – Fair value option								
Deposits	–	18.0	0.0	18.0	–	19.2	–	19.2
Bonds and notes issued	2.1	–	–	2.1	0.8	–	–	0.8
Financial liabilities – Held for trading					–	–	–	
Derivatives	–	41.8	0.7	42.4	–	36.7	1.0	37.8
Certificates and other notes issued	0.0	–	0.0	0.0	0.0	–	0.0	0.0
Delivery commitments arising from short sales of securities	0.4	0.0	–	0.4	1.2	0.3	–	1.6
Negative fair values of derivative hedging instruments					–	–	–	
Hedge accounting	–	5.9	–	5.9	–	4.4	–	4.4
Liabilities of disposal groups					–	–	–	
Deposits	–	0.0	–	0.0	–	2.2	–	2.2
Bonds and notes issued	–	–	–	–	–	–	–	–
Derivatives	–	1.9	0.1	2.0	–	2.0	0.3	2.3
Certificates and other notes issued	0.0	–	–	0.0	3.2	–	–	3.2
Delivery commitments arising from short sales of securities	0.0	–	–	0.0	0.4	0.0	–	0.4
Total	**2.5**	**67.6**	**0.8**	**70.9**	**5.7**	**64.9**	**1.4**	**72.0**

A reclassification to a different level occurs where a financial instrument is reclassified from one level of the 3-level valuation hierarchy to another. This may be caused, for example, by market changes that impact the input factors used to value the financial instrument.

Commerzbank reclassifies items as at the end of the reporting period.

In the 2020 financial year, €0.1bn of debt securities in the HFT category and €0.1bn of debt securities in non-current assets held for sale and disposal groups were reclassified from level 2 to level 1, as quoted market prices were available again. In contrast, €0.1bn of debt securities in non-current assets held for sale and disposal groups were reclassified from level 1 to level 2, as no quoted market prices were available. We did not make any other significant reclassifications between level 1 and level 2.

A number of reclassifications from level 1 to level 2 were carried out in the 2019 financial year, as there were no listed market prices available. These related to €0.5bn of debt securities in the FVOCI category, €0.4bn of debt securities in the HFT category, €0.4bn of debt securities in the mFVPL category, €0.2bn of delivery commitments arising from short sales of securities in the HFT category and €0.1bn of delivery commitments arising from short sales of securities relating to liabilities of disposal groups.

Furthermore €2.6bn of debt securities in the FVOCI category, €0.5bn of debt securities in the HFT category, €0.3bn of debt securities in the mFVPL category and €0.6bn of delivery commitments arising from short sales of securities in the HFT category were reclassified, as quoted prices were again available. We did not make any other significant reclassifications between level 1 and level 2.

The changes in financial instruments in the level 3 category were as follows:

Financial assets | €m	Financial assets – Fair value OCI	Financial assets – Mandatorily fair value P&L	Financial assets – Held for trading	Non-current assets held for sale and disposal groups	Total
Fair value as at 1.1.2020	**29**	**3,931**	**1,625**	**237**	**5,822**
Changes in the group of consolidated companies	–	–	–	–	–
Gains or losses recognised in income statement during the period	68	–51	120	–9	128
of which: unrealised gains or losses	68	–51	105	19	141
Gains or losses recognised in revaluation reserve	–	–	–	–	–
Purchases	549	454	240	–	1,243
Sales	–28	–1,184	–205	–	–1,417
Issues	–	–	–	–	–
Redemptions	–	–	–1,417	–43	–1,460
Reclassifications to level 3	4,615	74	1,296	68	6,053
Reclassifications from level 3	–4,847	–478	–140	–96	–5,561
IFRS 9 reclassification	–	0	–	–	–
Reclassifications from/to non-current assets held for sale and disposal groups	–	–	–	–	–
Fair value as at 31.12.2020	**386**	**2,746**	**1,519**	**157**	**4,808**

Financial assets | €m	Financial assets – Fair value OCI	Financial assets – Mandatorily fair value P&L	Financial assets – Held for trading	Non-current assets held for sale and disposal groups	Total
Fair value as at 1.1.2019	**215**	**6,208**	**3,415**	**125**	**9,962**
Changes in the group of consolidated companies	–	–	–	–	–
Gains or losses recognised in income statement during the period	–8	–261	1,007	61	799
of which: unrealised gains or losses	–8	–261	1,007	73	812
Gains or losses recognised in revaluation reserve	–	–	–	–	–
Purchases	25	877	100	44	1,046
Sales	–101	–1,146	–0	–20	–1,268
Issues	–	–	–	–	–
Redemptions	–	–	–2,790	–17	–2,807
Reclassifications to level 3	142	1,089	41	84	1,356
Reclassifications from Level 3	–244	–74	–148	–40	–507
IFRS 9 reclassifications	–	–2,762	–	–	–2,762
Reclassifications from/to non-current assets held for sale and disposal groups	–	–	–	–	–
Fair value as at 31.12.2019	**29**	**3,931**	**1,625**	**237**	**5,822**

Unrealised gains or losses on financial instruments held for trading (securities and derivatives) and on claims and securities measured at fair value through profit or loss are a component of the net income from financial assets and liabilities measured at fair value through profit or loss.

In the first quarter of 2020, €4.8bn of debt securities, AAA-rated collateralised loan obligations, in the FVOCI category were reclassified from level 2 to level 3. Due to the coronavirus pandemic, various market participants withdrew from the secondary market for collateralised loan obligations in March 2020. In addition, almost no primary market issues were made during this period. The Bank classified the transactions which only took place in isolated instances as non-formalised and accordingly no longer used the prices of these transactions as input parameters for determining fair value. The valuation technique was changed to a mark-to-model approach, in which key input parameters were based on estimates. This portfolio was reclassified back to level 2 in the second quarter of 2020 as observable market parameters were available again.

In addition in the 2020 financial year, reclassifications of €0.1bn were made from level 2 to level 3 for derivatives included in non-current assets held for sale and disposal groups, €0.4bn for loans and advances in the HFT category and €0.8bn for derivatives included in assets of the HFT category as no observable market parameters were available. In contrast €0.1bn of derivatives included in non-current assets held for sale and disposal groups and €0.4bn of loans and advances in the mFVPL category were reclassified from level 3 back to level 2 because market parameters were again observable. There were no other significant reclassifications.

As at 1 January 2019, €2.8bn of a loans and advances portfolio in the mFVPL category was reclassified to the IFRS 9 AC category, both in level 3 (see Note 25). €0.2bn of debt securities in the IFRS 9 FVOCI category and €0.1bn of debt securities in the IFRS 9 HFT category were reclassified in 2019 from level 3 back to level 2 because market parameters were again observable. In contrast, €0.4bn of debt securities of the mFVPL category and €0.1bn of debt securitiesincluded in non-current assets held for sale and disposal groups were reclassified from level 1 to level 3 because no market parameters were observable. €0.4bn of loans and advances in the mFVPL category and €0.1bn of debt securities in the IFRS 9 FVOCI category were reclassified from level 2 to level 3 because no market parameters were observable. There were no other significant reclassifications.

The changes in financial liabilities in the level 3 category during the financial year were as follows:

Financial liabilities | €m	Financial liabilities – Fair value option	Financial liabilities – Held for trading	Liabilities of disposal groups	Total
Fair value as at 1.1.2020	**–**	**1,050**	**336**	**1,385**
Changes in the group of consolidated companies	–	–	–	–
Gains or losses recognised in income statement during the period	–6	–94	17	–83
of which: unrealised gains or losses	–6	–89	16	–79
Purchases	6	327	–	333
Sales	–	–190	–61	–251
Issues	–	–	–	–
Redemptions	–	–660	–62	–722
Reclassifications to level 3	–	285	359	644
Reclassifications from level 3	–	–64	–489	–553
Reclassification from/to liabilities of disposal groups	–	–	–	–
Fair value as at 31.12.2020	**–**	**654**	**100**	**753**

Financial liabilities | €m	Financial liabilities – Fair value option	Financial liabilities – Held for trading	Liabilities of disposal groups	Total
Fair value as at 1.1.2019	**–**	**3,330**	**334**	**3,665**
Changes in the group of consolidated companies	–	–	–	–
Gains or losses recognised in income statement during the period	–	442	–41	401
of which: unrealised gains or losses	–	442	101	543
Purchases	–	282	16	298
Sales	–	–101	–	–101
Issues	–	–	–	–
Redemptions	–	–2,873	–18	–2,890
Reclassifications to level 3	–	–16	70	54
Reclassifications from level 3	–	–14	–27	–41
Reclassification from/to liabilities of disposal groups	–	–	–	–
Fair value as at 31.12.2019	**–**	**1,050**	**336**	**1,385**

Unrealised gains or losses on financial liabilities held for trading are a component of the net income from financial assets and liabilities measured at fair value through profit or loss.

In the 2020 financial year, reclassifications of €0.2bn for derivatives included in liabilities of the HFT category, €0.1bn for certificates and other issued bonds included in liabilities of disposal groups and €0.1bn for derivatives included in liabilities of disposal groups were made from level 2 to level 3, as no observable market parameters were available. By contrast, reclassifications of €0.3bn were made from level 3 to level 2 for derivatives in liabilities of disposal groups, as observable market parameters were available again. There were no other significant reclassifications.There were no significant reclassifications of financial liabilities into or out of level 3 in the 2019 financial year.

Sensitivity analysis

Where the value of financial instruments is based on unobservable input parameters (level 3), the precise level of these parameters at the reporting date may be derived from a range of reasonable possible alternatives at the discretion of management. In preparing the Group financial statements, appropriate levels for these unobservable input parameters are chosen which are consistent with existing market evidence and in line with the Group's valuation control approach.

The purpose of this disclosure is to illustrate the potential impact of the relative uncertainty in the fair values of financial instruments with valuations based on unobservable input parameters (level 3). Interdependencies frequently exist between the parameters used to determine level 3 fair values. For example, an anticipated improvement in the overall economic situation may cause share prices to rise, while securities perceived as being lower risk, such as German Government Bonds, may lose value. Such interdependencies are accounted for by means of correlation parameters insofar as they have a significant effect on the fair values in question. If a valuation model uses several parameters, the choice of one parameter may restrict the range of possible values the other parameters may take. So, by definition, this category will contain more illiquid instruments, instruments with longer-term maturities and instruments where sufficient independent observable market data is difficult to obtain. The purpose of this information is to illustrate the main unobservable input parameters for level 3 financial instruments and subsequently present various inputs on which the key input parameters were based.

The main unobservable input parameters for level 3 and the key related factors may be summarised as follows:

- Internal rate of return (IRR):
  The IRR is defined as the discount rate that sets the net present value of all future cash flows from an instrument equal to zero. For bonds, for example, the IRR depends on the current bond price, the nominal value and the duration.
- Credit spread:
  The credit spread is the yield spread (premium or discount) between securities that are identical in all respects except for their respective credit quality. The credit spread represents the excess yield above the benchmark reference instrument that compensates for the difference in creditworthiness between the instrument and the benchmark. Credit spreads are quoted in terms of the number of basis points above (or below) the quoted benchmark. The wider (higher) the credit spread in relation to the benchmark, the lower the instrument's creditworthiness, and vice versa for narrower (lower) credit spreads.
- Interest rate-forex (IR-FX) correlation:
  The IR-FX correlation is relevant for the pricing of exotic interest rate swaps involving the exchange of funding instruments in one currency and an exotic structured leg that is usually based on the development of two government bond yields in different currencies. Consensus market data for longer durations are not observable for certain exotic interest products. For example, CMT yields for US government bonds with a duration of more than ten years are not observable.
- Recovery rates, survival and default probabilities:
  Supply and demand as well as the arbitrage relationship with asset swaps tend to be the dominant factors driving pricing of credit default swaps (CDS). Models for pricing credit default swaps tend to be used more for exotic structures and off-market default swap valuation for which fixed interest payments above or below the market rate are agreed. These models calculate the implied default probability of the reference asset as a means of discounting the cash flows expected in a credit default swap. The model inputs are credit spreads and recovery rates that are used to interpolate ("bootstrap") a time series of survival probabilities of the reference asset. A typical recovery rate assumption in the default swap market for senior unsecured contracts is 40%. Assumptions about recovery rates are a factor determining the shape of the survival probability curve. Different recovery rate assumptions translate into different survival probability rates. For a given credit spread, a high recovery rate assumption implies a higher probability of default (relative to a low recovery rate assumption) and hence a lower survival probability. There is a relationship over time between default rates and recovery rates of corporate bond issuers. The correlation between the two is an inverse one: an increase in the default rate (defined as the percentage of issuers defaulting) is generally associated with a decline in the average recovery rate.

In practice, market participants use market spreads to determine implied default probabilities. Estimates of default probabilities also depend on the joint loss distributions of the parties involved in a credit derivative transaction. The copula function is used to measure the correlation structure between two or more variables. The copula function creates a joint distribution while keeping the characteristics of the two independent marginal distributions.

- Repo curve:
  The repo curve parameter is an input parameter that is relevant for the pricing of repurchase agreements (repos). Generally, these are short dated maturities ranging from O/N up to 12 months. Beyond 12-month maturities the repo curve parameter may become unobservable, particularly for emerging market underlyings, due to the lack of available independent observable market data. In some cases, proxy repo curves may be used to estimate the repo curve input parameter. Where this is deemed insufficient, the input parameter will be classified as unobservable. Furthermore, mutual fund related repos may also contain unobservable repo curve exposures.
- Price:
  Certain interest rate and loan instruments are accounted for on the basis of their price. It follows that the price itself is the unobservable parameter of which the sensitivity is estimated as a deviation in the net present value of the positions.
- Investment fund volatility:
  In general, the market for options on investment funds is less liquid than the market for stock options. As a result, the volatility of the underlying investment funds is determined based on the composition of the fund products. There is an indirect method of determining the corresponding volatility surfaces. This method is assigned to level 3 because the market data it uses are not liquid enough to be classified as level 2.

The following ranges for the material unobservable parameters were used in the valuation of our level 3 financial instruments:

€m		31.12.2020			31.12.2020	
	Valuation techniques	Assets	Liabilities	Significant unobservable input parameters	Range	
Loans and advances		**1,547**	**–**		–	–
Repos	Discounted cash flow model	656	–	Repo-curve (bps)	26	56
Ship financing	Discounted cash flow model	20	–	Credit spread (bps)	550	1,900
Other loans	Discounted cash flow model	871	–	Credit spread (bps)	100	3,300
Debt securities		**1,316**	**–**		–	–
Interest-rate-related transactions	Spread based model	1,316	–	Credit spread (bps)	100	500
of which: ABS	Spread based model	677	–	Credit spread (bps)	100	500
Equity instruments		**633**	**–**		–	–
Equity-related transactions	Discounted cash flow model	633	–	Price (%)	90%	110%
Derivatives		**1,312**	**753**			
Equity-related transactions	Discounted cash flow model	987	339	IRR (%)	5%	20%
		–	–	Investment fund volatility	1%	40%
Credit derivatives (incl. PFI and IRS)	Discounted cash flow model	319	243	Credit spread (bps)	100	2,150
		–	–	Recovery rate (%)	0%	80%
Interest-rate-related transactions	Option pricing model	6	171	IR-FX correlation (%)	–30%	68%
Other transactions		–	–		–	–
Total		**4,808**	**753**			

€m		31.12.2019			31.12.2019	
	Valuation techniques	Assets	Liabilities	Significant unobservable input parameters	Range	
Loans and advances		**2,502**	**–**		–	–
Repos	Discounted cash flow model	1,586	–	Repo-curve (bps)	240	265
Ship financing	Discounted cash flow model	64	–	Credit spread (bps)	150	4,150
Other loans	Discounted cash flow model	852	–	Credit spread (bps)	70	700
Debt securities		**1,148**	**16**		–	–
Interest-rate-related transactions	Spread based model	1,148	16	Credit spread (bps)	100	500
of which: ABS	Spread based model	802	–	Credit spread (bps)	100	500
Equity instruments		**355**	**–**		–	–
Equity-related transactions	Discounted cash flow model	355	–	Price (%)	90%	110%
Derivatives		**1,817**	**1,369**		–	–
Equity-related transactions	Discounted cash flow model	289	368	IRR (%)	5%	20%
	Option pricing model	–	–	Investment fund volatility	1%	4%
Credit derivatives (incl. PFI and IRS)	Discounted cash flow model	1,528	836	Credit spread (bps)	100	550
		–	–	Recovery rate (%)	20%	40%
Interest-rate-related transactions	Option pricing model	–	165	IR-FX correlation (%)	–30%	52%
Other transactions		–	–		–	–
Total		**5,822**	**1,385**			

The table below shows the impact on the income statement of reasonable parameter estimates on the edges of these ranges for instruments in level 3 of the fair value hierarchy. The sensitivity analysis for financial instruments in level 3 of the fair value hierarchy is broken down by type of financial instrument:

€m	31.12.2020		
	Positive effects on income statement	Negative effects on income statement	Changed parameters
Loans and advances	**16**	**–16**	
Repos	7	–7	Repo curve
Ship financing	–	–	Credit spread
Other loans	9	–9	Credit spread
Debt securities	**31**	**–31**	
Interest-rate-related transactions	31	–31	Price
of which: ABS	18	–18	IRR, recovery rate, credit spread
Equity instruments	**7**	**–7**	
Equity-related transactions	7	–7	Price
Derivatives	**15**	**–15**	
Equity-related transactions	12	–11	IRR, price based, investment fund volatility
Credit derivatives (incl. PFI and IRS)	3	–4	Credit spread, recovery rate, price
Interest-rate-related transactions	–	–	Price, IR-FX correlation
Other transactions	–	–	

€m	31.12.2019		
	Positive effects on income statement	Negative effects on income statement	Changed parameters
Loans and advances	**20**	**–20**	
Repos	14	–14	Repo curve
Ship financing	0	–0	Credit spread
Other loans	6	–6	Credit spread
Debt securities	**25**	**–25**	
Interest-rate-related transactions	25	–25	Price
of which: ABS	21	–21	IRR, recovery rate, credit spread
Equity instruments	**4**	**–4**	
Equity-related transactions	4	–4	Price
Derivatives	**18**	**–18**	
Equity-related transactions	12	–13	IRR, price based, investment fund volatility
Credit derivatives (incl. PFI and IRS)	4	–4	Credit spread, recovery rate, price
Interest-rate-related transactions	1	–1	Price, IR-FX correlation
Other transactions	–	–	

The selected parameters lie at the extremes of their range of reasonable possible alternatives. In practice, however, it is unlikely that all unobservable parameters would simultaneously lie at the extremes of their range of reasonable possible alternatives. Consequently, the estimates provided are likely to exceed the actual uncertainty in the fair values of these instruments. The purpose of these figures is not to estimate or predict future changes in fair value. The unobservable parameters were either shifted by between 1% and 10% as deemed appropriate by our independent valuation experts for each type of instrument or a measure of standard deviation was applied.

Day one profit or loss

The Commerzbank Group has entered into transactions where the fair value was calculated using a valuation model, where not all material input parameters were observable in the market. The initial carrying value of such transactions is the fair value. The difference between the transaction price and the fair value under the model is termed the "day one profit or loss". The day one profit or loss is not recognised immediately in the income statement but over the term of the transaction. As soon as there is a quoted market price on an active market for such transactions or all material input parameters become observable, the accrued day one profit or loss is immediately recognised in the income statement in the gain or loss from financial assets and liabilities measured at fair value through profit or loss. A cumulated difference between the transaction price and fair value determined by the model is calculated for the level 3 items in all categories. Material impacts result only from financial instruments held for trading.

The amounts changed as follows:

€m	Day-One Profit or Loss		
€m	Financial assets – Held for trading	Financial liabilities – Held for trading	Total
Balance as at 1.1.2019	**–**	**58**	**58**
Allocations not recognised in income statement	–	–	–
Reversals recognised in income statement	–	–34	–34
Balance as at 31.12.2019	**–**	**24**	**24**
Allocations not recognised in income statement	–	–	–
Reversals recognised in income statement	–	–10	–10
Balance as at 31.12.2020	**–**	**14**	**14**

b) Financial instruments measured at amortised cost

IFRS 7 additionally requires disclosure of the fair values for financial instruments not recognised in the balance sheet at fair value. The measurement methodology to determine fair value in these cases is explained below.

The standard requires that transaction costs also be taken into account when initially measuring assets that will not be measured at fair value in subsequent measurements. These costs include the additional expenses incurred associated with the acquisition, issue or disposal of a financial asset or a financial liability. The transaction costs do not include premiums and discounts, finance costs, internal operating costs or holding costs.

The nominal value of financial instruments that fall due on a daily basis is taken as their fair value. These instruments include cash on hand and cash on demand, as well as overdrafts and demand deposits. We allocate these to level 2. Market prices are not available for loans, as there are no organised markets for trading these financial instruments. In the case of loans, the Bank therefore applies a discounted cash flow model.

The cash flows are discounted using a risk-free interest rate plus premiums for risk costs, refinancing costs, operating expenses and equity costs. The risk-free interest rate is determined based on swap rates (swap curves) that match the corresponding maturities and currencies. These can usually be derived from external data.

In addition, the Bank applies a premium in the form of a calibration constant that includes a profit margin. The profit margin is reflected in the model valuation of loans such that fair value as at the initial recognition date corresponds to the disbursement amount.

Data on the credit risk costs of major banks and corporate customers are available in the form of credit spreads, making it possible to classify them as level 2. If no observable input parameters are available, it may also be appropriate to classify the fair value of loans as level 3.

In the case of securities accounted for in the amortised cost category of IFRS 9, fair value is determined based on available market prices (level 1), assuming an active market exists. If there is no active market, recognised valuation methods are to be used to determine the fair values. In general, an asset swap pricing model is used for the valuation. The parameters applied comprise yield curves and the asset swap spreads of comparable benchmark instruments. Depending on the input parameters used (observable or not observable), classification is made at level 2 or level 3.

For deposits, a discounted cash flow model is generally used for determining fair value, since market data are usually not available. In addition to the yield curve, own credit spread and a premium for operating expenses are also taken into account. Since credit spreads of the respective counterparties are not used in the measurement of liabilities, they are usually classified as level 2. In the case of non-observable input parameters, classification at level 3 may also be appropriate.

The fair value of bonds and notes issued is determined on the basis of available market prices. If no prices are available, the discounted cash flow model is used to determine the fair values. A number of different factors, including current market interest rates, own credit spread and capital costs, are taken into account in determining fair value.

If available market prices are applied, they are to be classified as level 1. Otherwise, classification at level 2 normally applies, since valuation models rely to a high degree on observable input parameters.

31.12.2020 | €bn	**Fair value**	**Carrying amount**	**Difference**	**Level 1**	**Level 2**	**Level 3**
Assets	**371.7**	**369.8**	**1.9**	**11.4**	**113.5**	**246.8**
Cash on hand and cash on demand	75.6	75.6	–	–	75.6	–
Financial assets – Amortised cost	296.1	292.4	3.7	11.4	37.9	246.8
Loans and advances	264.1	258.5	5.6	–	22.3	241.7
Debt securities	32.0	34.0	–1.9	11.4	15.6	5.1
Value adjustment on portfolio fair value hedges	–	1.8	–1.8	–	–	–
Non-current assets held for sale and disposal groups	0.0	0.0	–	–	0.0	–
Loans and advances	0.0	0.0	–	–	0.0	–
Debt securities	–	–	–	–	–	–
Liabilities	**400.3**	**399.2**	**1.1**	**31.1**	**366.5**	**2.6**
Financial liabilities – Amortised cost	400.2	397.7	2.5	31.1	366.5	2.6
Deposits	356.0	355.7	0.2	0.0	354.9	1.1
Debt securities issued	44.2	42.0	2.3	31.1	11.6	1.6
Value adjustment on portfolio fair value hedges	–	1.4	–1.4	–	–	–
Liabilities of disposal groups	0.0	0.0	–	–	0.0	–
Deposits	0.0	0.0	–	–	0.0	–
Debt securities issued	–	–	–	–	–	–

31.12.2019 | €bn	Fair value	Carrying amount	Difference	Level 1	Level 2	Level 3
Assets	**355.5**	**354.2**	**1.3**	**12.2**	**83.1**	**260.2**
Cash on hand and cash on demand	41.2	41.2	–	–	41.2	–
Financial assets – Amortised cost	314.1	311.9	2.3	12.2	41.7	260.2
Loans and advances[1]	283.3	278.5	4.7	–	25.0	258.3
Debt securities	30.8	33.3	–2.5	12.2	16.8	1.9
Value adjustment on portfolio fair value hedges	–	1.0	–1.0	–	–	–
Non-current assets held for sale and disposal groups	0.2	0.2	–	–	0.2	–
Loans and advances	0.2	0.2	–	–	0.2	–
Debt securities	–	–	–	–	–	–
Liabilities	**354.4**	**353.4**	**1.1**	**29.9**	**321.4**	**3.1**
Financial liabilities – Amortised cost	354.2	351.9	2.3	29.9	321.1	3.1
Deposits	309.3	309.5	–0.1	–	309.3	–
Debt securities	44.8	42.4	2.4	29.9	11.8	3.1
Value adjustment on portfolio fair value hedges	–	1.2	–1.2	–	–	–
Liabilities of disposal groups	0.3	0.3	–	–	0.3	–
Deposits	0.3	0.3	–	–	0.3	–
Debt securities issued	–	–	–	–	–	–

[1] Prior-year figures adjusted due to restatements (see Note 4).

(37) Information on netting of financial instruments

Below we present the reconciliation of gross amounts before netting to net amounts after netting, as well as the amounts for existing netting rights that do not meet the accounting criteria for netting – separately for all financial assets and liabilities carried on the balance sheet that

- are already netted in accordance with IAS 32.42 (financial instruments I), and are
- subject to an enforceable, bilateral master netting agreement or a similar agreement but are not netted in the balance sheet (financial instruments II).

For the netting agreements, we conclude master agreements with our counterparties, e.g. 1992 ISDA Master Agreement (Multicurrency – Cross Border) and German Master Agreement for Financial Futures. By means of such netting agreements, the positive and negative fair values of the derivatives contracts included under a master agreement can be offset against one another. This netting process reduces the credit risk to a single net claim on the party to the contract (close-out netting).

We apply netting to receivables and liabilities from genuine repurchase agreements (reverse repos and repos) with central and bilateral counterparties, provided they have the same term. OTC derivatives with customers and cleared own portfolios are likewise netted.

Assets | €m	31.12.2020		31.12.2019	
	Reverse repos	Positive fair values of derivative financial instruments	Reverse repos	Positive fair values of derivative financial instruments
Gross amount of financial instruments	39,826	174,699	49,270	145,892
Book values not eligible for netting	10,335	4,172	14,695	2,918
a) Gross amount of financial instruments I and II	29,491	170,527	34,575	142,973
b) Amount netted in the balance sheet for financial instruments I[1]	16,379	125,221	24,900	101,709
c) Net amount of financial instruments I and II = a) – b)	13,113	45,306	9,675	41,264
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfil or only partially fulfil the criteria under IAS 32.42[2]	1,544	27,131	1,724	25,570
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)[3]				
Non-cash collateral[4]	7,008	–	5,529	45
Cash collateral	2,481	8,241	98	8,653
e) Net amount of financial instruments I and II = c) – d)	2,081	9,934	2,324	6,996
f) Fair value of financial collateral of central counterparties relating to financial instruments I	1,827	88	154	0
g) Net amount of financial instruments I and II = e) – f)	254	9,846	2,169	6,996

[1] Of which for positive fair values €5,931m (previous year: €5,118m) is attributable to margins.
[2] Lesser amount of assets and liabilities.
[3] Excluding rights or obligations to return arising from the transfer of securities.
[4] Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

Liabilities | €m	**31.12.2020**		**31.12.2019**	
	Repos	**Negative fair values of derivative financial instruments**	**Repos**	**Negative fair values of derivative financial instruments**
Gross amount of financial instruments	33,171	173,333	43,512	144,775
Book values not eligible for netting	6,941	1,844	9,948	1,951
a) Gross amount of financial instruments I and II	26,230	171,489	33,564	142,824
b) Amount netted in the balance sheet for financial instruments I[1]	16,379	123,039	24,900	100,260
c) Net amount of financial instruments I and II = a) – b)	9,852	48,450	8,664	42,564
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfil or only partially fulfil the criteria under IAS 32.42[2]	1,544	27,131	1,724	25,570
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)[3]				
Non-cash collateral[4]	1,940	7	–	277
Cash collateral	3,871	10,776	3,712	11,427
e) Net amount of financial instruments I and II = c) – d)	2,497	10,536	3,229	5,291
f) Fair value of financial collateral of central counterparties relating to financial instruments I	2,493	27	3,007	2
g) Net amount of financial instruments I and II = e) – f)	4	10,509	221	5,289

[1] Of which for negative fair values €8,112m (previous year: €6,569m) is attributable to margins.
[2] Lesser amount of assets and liabilities.
[3] Excluding rights or obligations to return arising from the transfer of securities.
[4] Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

(38) Maturities of assets and liabilities (including financial obligations)

The table below lists all assets and liabilities (except for positive and negative fair values of derivative financial instruments) classified by whether they are short-term or long-term. The residual term or the time of anticipated realisation or fulfilment is defined as short-term if the period between the reporting date and the instrument's maturity date is less than one year. Financial instruments without contractual maturities, cash on hand and cash on demand, assets and liabilities held for sale and current taxes on income are classified as short-term items. By contrast, holdings in companies accounted for using the equity method, intangible assets, fixed assets, investment properties and deferred taxes are generally classified as long-term items. When classifying other assets and other liabilities we make an assessment for the main items. For information on how the maturities of the main types of provisions are classified, please refer to Note 58.

€m	31.12.2020		31.12.2019[1]	
	Short-term	Long-term	Short-term	Long-term
Cash on hand and cash on demand	75,603	–	41,164	–
Financial assets – Amortised cost	81,583	210,837	88,336	205,340
Financial assets – Fair value OCI	5,700	37,161	4,058	26,885
Financial assets – Mandatorily fair value P&L	24,857	3,819	26,149	4,047
Financial assets – Held for trading	47,752	4,423	40,725	4,115
Holdings in companies accounted for using the equity method	–	169	–	177
Intangible assets	–	1,420	–	3,053
Fixed assets	–	3,208	–	3,487
Investment properties	–	13	–	13
Non-current assets held for sale and disposal groups	2,040	–	7,955	–
Current tax assets	130	–	439	–
Deferred tax assets	–	2,693	–	2,820
Other assets	3,546	82	2,672	26
Total	**241,212**	**263,826**	**211,496**	**249,963**
Financial liabilities - Amortised cost	291,321	106,404	275,621	76,289
Financial liabilities – Fair value option	16,831	3,273	17,861	2,103
Financial liabilities – Held for trading	42,439	405	38,475	892
Provisions	2,883	513	1,959	713
Current tax liabilities	448	–	452	–
Deferred tax liabilities	–	10	–	27
Liabilities of disposal groups	2,051	–	8,528	–
Other liabilities	5,422	375	5,256	374
Total	**361,395**	**110,980**	**348,151**	**80,397**

[1] Prior-year figures adjusted due to restatements (see Note 4).

In the maturity breakdown, we show the residual terms of non-derivative financial obligations that are subject to contractual maturities. The values are presented based on undiscounted cash flows. As a result, a reconciliation with the values in the balance sheet is not possible. Derivative obligations – held for trading are reported in the shortest maturity range. Negative fair values of derivative hedging instruments are reported on the basis of their fair values in the relevant maturity range. The residual term is defined as the period between the reporting date and the contractual maturity date of the financial instruments. We present information on the management of liquidity risks in the Group Management Report.

31.12.2020	**Residual terms**			
€m	**up to 3 months**	**3 months up to 1 year**	**1 year up to 5 years**	**over 5 years**
Financial liabilities – Amortised cost	280,360	12,561	72,804	34,910
Financial liabilities – Fair value option	16,257	407	64	3,446
Financial liabilities – Held for trading	413	0	2	–
Derivatives – Held for trading	42,429	–	–	–
Negative fair values of derivative hedging instruments	20	11	183	5,679
Financial guarantees	2,107	–	–	–
Irrevocable lending commitments	85,717	–	–	–
Leasing liabilities	88	346	989	780
Total	**427,390**	**13,325**	**74,041**	**44,815**

31.12.2019	**Residual terms**			
€m	**up to 3 months**	**3 months up to 1 year**	**1 year up to 5 years**	**over 5 years**
Financial liabilities – Amortised cost	257,681	19,832	40,259	41,904
Financial liabilities – Fair value option	17,404	491	367	1,617
Financial liabilities – Held for trading	1,588	11	1	2
Derivatives – Held for trading	37,764	–	–	–
Negative fair values of derivative hedging instruments	3	7	97	4,295
Financial guarantees	2,163	–	–	–
Irrevocable lending commitments	80,980	–	–	–
Leasing liabilities	88	349	959	888
Total	**397,672**	**20,691**	**41,683**	**48,706**

(39) Transferred financial assets and collateral pledged for own liabilities

Repo transactions combine the spot purchase or sale of securities with their forward sale or repurchase, the counterparty being identical in both cases. The securities sold under repurchase agreements (spot sale) continue to be recognised and measured in the Group balance sheet as part of the securities portfolio in accordance with the category to which they are assigned. The securities are not derecognised as we retain all risks and opportunities connected with the ownership of the security sold under the repurchase agreement. The same risks and opportunities that apply to non-transferred financial assets thus also apply to financial assets that have been transferred but not derecognised.

We conduct securities lending transactions with other banks and customers in order to meet delivery commitments or to enable us to effect securities repurchase agreements. We report these transactions in a similar manner to securities repurchase transactions. Securities lent remain in our securities portfolio and are measured and categorised according to the rules of IFRS 9. Borrowed securities do not appear in the balance sheet, nor are they valued. In securities lending transactions, the counterparty credit risk can be avoided by obtaining collateral, which may be provided in the form of cash, for example. Collateral furnished for a lending transaction is referred to as “cash collateral out” and collateral received as “cash collateral in”. In addition, cash collateral is deposited or received in connection with derivative transactions.

The following assets were pledged as collateral for liabilities:

€m	31.12.2020	31.12.2019	Change in %
Own assets	62,511	40,223	55.4
Loans and advances	32,226	30,367	6.1
of which: cash securities from OTC transactions	11,531	12,401	– 7.0
Debt securities	30,281	8,279	.
Equity instruments	4	1,577	– 99.7
Other securities	–	–	.
Repledged securities	34,372	47,915	– 28.3
Securities lending transactions	2,144	3,440	– 37.7
Securities repo-business	27,182	41,869	– 35.1
Certificate business	–	95	.
Variation margin	2,391	2,511	– 4.8
Central bank transactions (excluding repo business) - effective utilisation	2,655	–	.
Total	**96,883**	**88,139**	**9.9**

No restrictions apply to the equity instruments totalling €4m or the debt securities in the amount of €5,205m.

The assets pledged by the Commerzbank Group are attributable to the following own liabilities:

€m	31.12.2020	31.12.2019	Change in %
Derivatives/Financial liabilities – Held for trading	14,152	15,269	– 7.3
Deposits	71,373	35,817	99.3
Debt securities issued	–	–	.
Return commitments for securities from lending transactions	3,817	9,087	– 58.0
Total	**89,342**	**60,174**	**48.5**

(40) Collateral received

The fair value of collateral received for which the Bank has a right to sell on or pledge even where the provider does not default, mainly consisting of repo transactions and securities lending transactions, was as follows:

€m	2020	2019	Change in %
Total received securities	52,137	64,303	– 18.9
of which: sold or repledged	35,249	49,637	– 29.0

(41) Financial assets which have been transferred but not derecognised (own holdings)

The financial assets which have been transferred but not derecognised in the Bank's own holdings consist of reverse repo transactions and securities lending transactions and were as follows:

31.12.2020 €m	Held for trading	Mandatorily fair value P&L	Fair value OCI	Amortised cost
Carrying amount of securities transferred	715	–	2,069	1,037
Carrying amount of associated liabilities	712	–	2,060	1,090
Fair value of securities transferred	715	–	2,069	1,304
Fair value of associated liabilities	712	–	2,060	1,090
Net position	**2**	**–**	**9**	**– 53**

31.12.2019 €m	Held for trading	Mandatorily fair value P&L	Fair value OCI	Amortised cost
Carrying amount of securities transferred	842	0	1,238	1,754
Carrying amount of associated liabilities	818	–	1,236	1,479
Fair value of securities transferred	842	0	1,238	1,971
Fair value of associated liabilities	818	–	1,236	1,479
Net position	**24**	**0**	**2**	**276**

Derivatives and hedging relationships

(42) Derivatives

A derivative is a financial instrument with a value determined by an “underlying asset”. The underlying asset may, for example, be an interest rate, commodity price, share price, foreign exchange rate or bond price. The financial instrument does not require any initial net investment or an initial investment that is smaller than would be required for other types of instrument expected to have a similar response to changes in market factors. It is settled at a future date.

Most of the derivatives transactions involve OTC derivatives, with a nominal amount, maturity and price which are agreed individually between the Bank and its counterparties. However, the Bank also concludes derivatives contracts on regulated stock exchanges. These are standardised contracts with standardised nominal amounts and settlement dates.

The nominal amount shows the volume traded by the Bank. The positive and negative fair values, however, are the expenses which would be incurred by the Bank or the counterparties to replace the contracts originally concluded with transactions of an equivalent financial value. From the Bank’s point of view, a positive fair value thus indicates the maximum potential counterparty-specific default risk present from derivative transactions on the reporting date.

In order to minimise both the economic and regulatory credit risk arising from these instruments, we conclude master agreements (bilateral netting agreements) with our counterparties (such as 1992 ISDA Master Agreement Multi-Currency Cross-Border; German Master Agreement for Financial Futures). By means of such bilateral netting agreements, the positive and negative fair values of the derivatives contracts included under a master agreement can be offset against one another, and the future regulatory risk add-ons for these products can be reduced. This netting process reduces the credit risk to a single net claim on the party to the contract (close-out netting).

For both regulatory reports and the internal measurement and monitoring of our credit commitments, we use such risk-mitigating techniques only where we consider them enforceable in the jurisdiction in question if the counterparty should become insolvent. We obtain legal opinions from various international law firms in order to verify enforceability.

Similar to the master agreements are the collateral agreements (e.g. collateralisation annex for financial futures contracts, Credit Support Annex), which we conclude with our business partners to secure the net claim or liability remaining after netting (receiving or furnishing of collateral). As a rule, this collateral management reduces credit risk by means of prompt – usually daily or weekly – measurement and adjustment of the customer exposure.

The total effect of netting amounted to €131,151m as at 31 December 2020 (previous year: €106,828m). On the assets side, €125,220m of this was attributable to positive fair values (previous year: €101,710m), and to claims for variation margins €5,931m (previous year: €5,118m). Netting on the liabilities side involved negative fair values of €123,039m (previous year: €100,259m) and liabilities for variation margins payable of €8,112m (previous year: €6,569m).

As at the reporting date, the outstanding volume of the Commerzbank Group’s transactions as a protection buyer and seller amounted to €14,048m (previous year: €13,266m) and €8,325m (previous year: €8,764m). We employ these products, which are used to transfer credit risk, both for arbitrage purposes in trading and in the banking book for diversifying our loan portfolios.

(43) Hedging relationships

IFRS 9 contains changes for hedge accounting. These new rules aim to improve the harmonisation between the accounting treatment of hedging relationships and (economic) risk management. However, with the issue of IFRS 9 the IASB has not yet completed the revision of this regulatory area. The IASB is developing the accounting model for macro hedges in a separate project. IFRS 9 therefore offers the option to continue to apply the previous provisions of IAS 39 on hedge accounting. Commerzbank is exercising its option to apply the hedge accounting rules of IAS 39 described below.

IAS 39 contains extensive hedge accounting regulations which apply if it can be shown that the hedging instruments – especially derivatives – are employed to hedge risks in the underlying non-trading transactions. Three types of hedge accounting are used:

- Fair value hedge accounting:
  IAS 39 prescribes the use of hedge accounting to avoid a distorted impact on earnings for derivatives which serve to hedge the fair value of assets or liabilities against one or more defined risks. The Group's issuing and lending business and the securities holdings for liquidity management are particularly subject to interest rate risk when fixed-income securities are involved. Interest rate swaps are primarily used to hedge these risks. Use is also made of swaptions, inflation swaps, forwards and, to a limited extent, of other structured derivatives.
  The derivative financial instruments used for hedging purposes are recognised at fair value as fair values of derivative hedging instruments. Any changes in the fair value of the hedged asset or hedged liability resulting from an opposite move in the hedged risk are also recognised in the balance sheet. Offsetting changes on remeasurement associated with the hedging instruments and the hedged underlying transactions are recognised in the income statement as net income from hedge accounting. Any portion of the changes in fair value that are not attributable to the hedged risk is accounted for in accordance with the rules of the valuation category to which the hedged asset or liability belongs.
  For interest rate risks fair value hedge accounting can either be a micro fair value hedge or a portfolio fair value hedge.
  - In micro fair value hedge accounting an underlying transaction is linked with one or more hedging transactions in a hedging relationship. The carrying amounts of the hedged transactions are adjusted through profit or loss in the event of changes in fair value attributable to the hedged risk.
  - In a portfolio fair value hedge, interest rate risks are hedged at the portfolio level. It is not individual transactions or groups of transactions with a similar risk structure that are hedged, but, rather, a quantity of underlying transactions in a portfolio grouped by maturity bands in accordance with the expected repayment and interest adjustment dates. Portfolios may contain only assets, only liabilities, or a mixture of both. In this type of hedge accounting, changes in the fair value of the underlying transactions are reported in the balance sheet as a separate asset or liability item.
- Cash flow hedge accounting:
  The use of cash flow hedge accounting also serves to avoid a distorted impact on profit or loss for derivatives which serve to hedge the risk of a change in future cash flows. Interest rate swaps are primarily used to hedge these cash flows. Derivatives used in cash flow hedge accounting are measured at fair value. The effective portion of gains and losses are recognised net of deferred taxes in the cash flow hedge reserve under equity. The ineffective portion, on the other hand, is reported in the income statement in net income from hedge accounting. The general accounting rules set out above for the underlying transactions of the hedged cash flows remain unchanged by this.
- Net investment hedge accounting:
  By applying net investment hedge accounting, effects on profit or loss from foreign currency hedging transactions are avoided to the extent that they serve to hedge a net investment in a foreign currency. Commerzbank applies net investment hedge accounting to avoid currency effects from shipping company investments. The effective portion of the net remeasurement gain or loss is recognised directly in equity in the currency reserve after taking deferred taxes into account.

The application of hedge accounting rules is tied to a number of conditions. These relate above all to the documentation of the hedging relationship and also to its effectiveness.

The hedge must be documented at inception. Documentation must include in particular the identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged and how effectiveness of the hedge is assessed. Besides the documentation, IAS 39 also requires evidence of an effective hedge for the entire period of the hedging relationship in order to apply hedge accounting rules. Effectiveness in this context means the relationship between the change in fair value or cash flow of the hedged item and the offsetting change in fair value or cash flow of the hedging instrument. If these changes offset each other almost fully, a high degree of effectiveness exists. Proof of effectiveness requires, firstly, that a high degree of effectiveness can be expected from a hedge in the future (prospective effectiveness). Secondly, when a hedge exists, it must be demonstrated that it was highly effective during the period under review (retrospective effectiveness). Both the retrospective and prospective effectiveness must be within a range of 0.8 to 1.25.

Commerzbank uses the statistical method of regression analysis to assess effectiveness in micro fair value hedge accounting. The changes in fair value of the hedged transaction and the hedging instrument are determined by means of historical simulations for the prospective effectiveness test, while the actual changes in fair value are used for the retrospective effectiveness test. Regression analysis is also used for the prospective effectiveness test in portfolio fair value hedge accounting, while the dollar-offset method is used for the retrospective effectiveness test.

Commerzbank's hedge accounting includes hedges against interest rate risk, inflation risk and full fair value risk.

Interest rate risks arise from the fact that asset and liability portfolios consist of variable and fixed cash flows that lead to fluctuating net interest income in the event of interest rate changes. At Commerzbank, this relates to commercial business as well as liquidity, investment and issuing portfolios.

Interest rate risk is managed centrally by the Treasury function of Commerzbank based on an aggregated net interest rate risk position. For this purpose, it is transferred daily to Treasury using an internal interest transfer price. Other components of fair value, such as credit/margin and liquidity components, are not included in the internal interest transfer price. Interest rate risk hedging is carried out using interest rate derivatives, most of which are traded internally, with the aim of keeping the interest rate risk within specified risk limits. Risks arising from internally traded derivatives can be externalised by central swap trading in the Corporate Clients segment, so as to keep their interest rate risk position within the prescribed limits.

For certain holdings in the investment portfolio, inflation risk hedging or full fair value hedging is also carried out.

Commerzbank applies micro fair value hedge accounting (MFVH) when Treasury also hedges the interest rate risk or full fair value risk economically at the micro level. Hedges in the IFRS micro fair value hedging relationships are generally based on economic hedge accounting. Portfolio fair value hedge accounting (PFVH) is used for the remaining interest rate risk position. For this purpose, external derivatives are selected based on their net risk position (NRP), and their changes in fair value are compared with the changes in fair value of the allocated hedged items – likewise based on their NRP.

In hedge accounting for interest rate risk hedges, the benchmark for the risk to be hedged is the respective 3-month reference interest rate for the position currency (3M Euribor curve for EUR transactions). For micro fair value hedge accounting, a fair value based on interest rate risk is determined, and the future interest and nominal payments are discounted using the defined interest rate risk curve. In portfolio fair value hedge accounting, the future cash flows for the commercial transaction are derived from the internal interest transfer price and also discounted using the defined yield curve.

Commerzbank's portfolio fair value hedge accounting is closely aligned to economic interest rate risk management. The underlying transactions to be hedged mainly derive from the Bank's commercial business, and form a dynamic portfolio which changes continuously in the individual maturity bands as a result of new business or the shift of the overall portfolio into shorter maturity bands. The derivative net risk position generates either payer or recipient positions for each maturity band, to which assets or liabilities in the respective maturity bands are allocated. The portfolio hedge relationships are usually designated for a two-week period. They are then closed down and a redesignation is made based on the changed overall portfolio.

Within Commerzbank's micro and portfolio fair value hedge accounting, the causes of ineffective hedging lie primarily in the risk contained in the measurement of the fair value of the hedging instruments – mainly interest rate swaps – which cannot be used in determining the fair value of the hedged item. As a result, the changes in fair value of the respective hedging instrument are not fully offset by the changes in fair value of the hedged item, even though the hedging relationship is fully hedged economically. The most significant risk in this context is the basis risk, in particular the tenor basis risk.

Commerzbank holds a portfolio of inflation-linked bonds issued by utility companies under the UK private finance initiative (PFI), for which risk management focuses on changes in fair value resulting from fluctuations in GBP interest rates and implicit inflation expectations of the UK Retail Price Index (UK RPI). Risk management is based on the use of a portfolio of simple fixed-for-float GBP interest rate swaps and simple zero coupon inflation swaps, settled in each case generally through the London Clearing House. The primary sensitivity of zero coupon inflation swaps relates to fluctuations in UK RPI swap rates, and they are used to hedge changes in the value of the inflation-linked bonds resulting from fluctuations in inflation expectations. Each inflation swap has only one cash flow at maturity. As inflation expectations move up or down, the expected cash flows at maturity will rise or fall to offset changes in the value of the inflation-linked bonds. The interest rate swaps are used to hedge the sensitivity of the inflation-linked bonds to interest rate risk, with payment dates generally matching those of the inflation-linked bonds during the term.

Commerzbank also applies cash flow hedge accounting to the interest rate risk arising from the volatility of cash flows from a group of similar floating-rate mortgage loans and to the interest rate and foreign-exchange risk arising from the volatility of cash flows from mortgage bonds with cross-currency swaps. The prospective and retrospective effectiveness test is based on linear regression. The fair value changes of the hedged transactions are determined using the "hypothetical derivative" method. Ineffectiveness mainly arises from fair value adjustments (credit and debit valuation adjustments) which are taken into account only in the hedging transactio.

Positive and negative fair values of derivative hedging instruments

The fair values of derivatives used to hedge underlying transactions against interest rate risk are shown under this item.

€m	31.12.2020			31.12.2019[1]		
	Positive fair value	Negative fair value	Nominal value	Positive fair value	Negative fair value	Nominal value
Micro fair value hedge accounting	835	5,431	94,907	1,187	4,027	87,051
Interest rate swaps	787	1,604	87,827	1,025	1,528	81,186
Forwards	–	45	1,685	–	–	–
Others	48	3,782	5,395	162	2,498	5,865
Portfolio fair value hedge accounting	889	447	60,284	748	358	71,082
Interest rate swaps	46	301	46,162	76	247	57,254
Others	843	146	14,123	671	111	13,828
Cash flow hedge accounting	151	15	3,207	56	17	3,503
Interest rate swaps	152	0	3,069	56	17	3,503
Others	–	15	138	–	–	–
Net Investment Hedge	3	–	41	–	–	–
Interest rate swaps	–	–	–	–	–	–
Others	3	–	41	–	–	–
Total	**1,878**	**5,893**	**158,440**	**1,992**	**4,402**	**161,637**

[1] Adjusted values.

Nominal values of hedge instruments | €bn	2020	2019[1]	Change in %
Cash flow hedge accounting derivatives	3	4	–8.4
Up to 3 months	0	0	56.8
Interest rate swaps	0	0	31.5
Others	0	–	.
3 months up to 1 year	0	1	–78.9
Interest rate swaps	0	1	–84.0
Others	0	–	.
1 year up to 5 years	3	3	3.7
Interest rate swaps	3	3	0.6
Others	0	–	.
Over 5 years	0	0	.
Interest rate swaps	0	0	.
Others	–	–	.
Micro fair value hedge accounting derivatives	95	87	9.0
Up to 3 months	2	1	90.8
Interest rate swaps	1	1	60.9
Forwards	0	–	.
Others	0	0	–88.6
3 months up to 1 year	2	3	–35.1
Interest rate swaps	2	3	–35.7
Forwards	–	–	.
Others	0	0	–20.9
1 year up to 5 years	39	28	36.6
Interest rate swaps	37	28	32.0
Forwards	1	–	.
Others	0	0	10.8
Over 5 years	52	54	–4.0
Interest rate swaps	47	49	–3.5
Forwards	–	–	.
Others	5	5	–8.8
Portfolio fair value hedge accounting derivatives	60	71	–15.2
Up to 3 months	0	–	.
3 months up to 1 year	8	13	–41.1
1 year up to 5 years	23	26	–13.1
Over 5 years	29	32	–7.8
Net investment hedge	0	–	.
Up to 3 months	–	–	.
3 months up to 1 year	–	–	.
1 year up to 5 years	0	–	.
Over 5 years	–	–	.

[1] Adjusted values.

Disclosures on underlying transactions in hedge accounting to hedge interest rate and foreign-exchange risks

Cumulative carrying amount adjustments hedged items €m	2020			2019		
	Micro fair value hedge	Portfolio fair value hedge	Value changes as basis for recognising hedge ineffectiveness for the period	Micro fair value hedge	Portfolio fair value hedge	Value changes as basis for recognising hedge ineffectiveness for the period
Assets – carrying amount attributable to hedged items	51,370	17,596	2,090	44,455	25,735	2,334
Financial assets – Amortised cost	28,974	17,596	1,798	29,278	25,735	2,186
Loans and advances	5,744	17,596	1,131	6,217	25,735	1,149
Debt securities	23,229	–	667	23,061	–	1,037
Financial assets – Fair value OCI	22,397	–	292	15,177	–	149
Loans and advances	284	–	2	394	–	4
Debt securities	22,113	–	290	14,784	–	144
Liabilities – carrying amount attributable to hedged items at amortised cost	44,636	51,301	1,307	42,821	46,219	2,230
Deposits and other financial liabilities	12,849	51,301	547	14,164	46,219	1,025
Debt securities issued	31,786	–	760	28,657	–	1,206

Cumulative carrying amount adjustments | €m	2020		2019	
	Micro fair value hedge	Portfolio fair value hedge	Micro fair value hedge	Portfolio fair value hedge
Assets - Cumulative carrying amount value adjustments	7,451	1,752	6,318	959
Active hedge accounting	7,184	1,752	6,228	959
Financial assets – Amortised cost	6,793	n/a	6,079	n/a
Loans and advances	1,258	n/a	1,228	n/a
Debt securities	5,535	n/a	4,852	n/a
Financial assets – Fair value OCI	391	n/a	149	n/a
Loans and advances	12	n/a	12	n/a
Debt securities	379	n/a	137	n/a
Inactive hedge accounting	266	n/a	89	n/a
Financial assets – Amortised cost	266	n/a	89	n/a
Loans and advances	24	n/a	37	n/a
Debt securities	242	n/a	52	n/a
Financial assets – Fair value OCI	0	n/a	1	n/a
Loans and advances	0	n/a	–	n/a
Debt securities	0	n/a	1	n/a
Liabilities - Cumulative carrying amount adjustments	–2,759	–1,412	–2,449	–1,212
Active hedge accounting	–2,645	–1,412	–2,309	–1,212
Deposits and other financial liabilities	–1,636	n/a	–1,642	n/a
Debt securities issued	–1,008	n/a	–667	n/a
inactive hedge accounting	–114	n/a	–140	n/a
Deposits and other financial liabilities	–93	n/a	–114	n/a
Debt securities issued	–22	n/a	–26	n/a

The changes in value of underlying transactions hedged against interest rate risks by means of cash flow hedges amounted to €155m (previous year: €16m).

The changes in value of underlying transactions hedged against interest rate or interest rate / foreign-exchange risks by means of cross-currency swaps amounted to €16m for asset-side and €13m for liability-side underlying transactions.

Value adjustment on portfolio fair value hedges

This item contains hedged interest-rate-related positive and negative changes in the fair value of hedged transactions for which portfolio fair value hedge accounting is used. A matching item from hedging transactions is shown on the asset or liabilities side of the balance sheet under the fair values of derivative hedging instruments.

Information on companies accounted for using the equity method

(44) Holdings in companies accounted for using the equity method

	Associated companies		Joint ventures	
€m	2020	2019	2020	2019
Equity carrying amount as at 1.1.	**177**	**173**	**1**	**1**
Acquisition cost as at 1.1.	109	128	17	17
Exchange rate changes	– 4	1	–	–
Additions	–	–	–	–
Disposals	–	–	– 0	–
Reclassifications to non-current assets held for sale and disposal groups	–	–	–	–
Other reclassifications/changes in the group of consolidated companies	–	– 21	–	–
Acquisition cost as at 31.12.	105	109	17	17
Write-ups as at 1.1.	18	23	–	–
Additions	2	3	–	
Disposals	–	– 7	–	
Write-ups as at 31.12.	20	18	–	
Cumulative write-downs as at 1.1.	24	27	–	–
Exchange rate changes	–	–	–	–
Additions	6	–	–	–
Disposals	–	–	–	–
Reclassifications to non-current assets held for sale and disposal groups	–	–	–	–
Other reclassifications/changes in the group of consolidated companies	–	– 3	–	–
Cumulative write-downs as at 31.12.	30	24	–	–
Cumulative changes from remeasurement using the equity method	74	74	– 17	– 17
Equity carrying amount as at 31.12.	**169**	**177**	**1**	**1**
of which: holdings in banks	89	84	–	–

The investments in companies accounted for using the equity method are non-strategic holdings of the Commerzbank Group, which are active mainly in the financial services sector and in leasing and real estate business. The disclosures in this Note are therefore made on an aggregated basis, for the associated companies and for the joint ventures. A list of all companies accounted for using the equity method is given in Note 74.

In the 2020 financial year €8m (previous year: €9m) in dividends from associated companies accounted for using the equity method was paid. As in the previous year, no dividends were paid directly or indirectly to Commerzbank Aktiengesellschaft from joint ventures accounted for using the equity method.

Where obligations arise from contingent liabilities of companies accounted for using the equity method or discontinued operations at companies accounted for using the equity method, the Commerzbank Group is liable to the extent of its respective ownership interest.

The Commerzbank Group does not have any associated companies or joint ventures that are material for the Group.

Intangible assets

(45) Goodwill

a) Impairment test methodology for goodwill and other intangible assets

All goodwill is allocated to the cash generating units (CGUs) at the time of acquisition. Commerzbank has defined the segments as CGUs in accordance with IFRS 8. Further details on the segments are provided in Note 61. In accordance with IAS 36, these assets are tested for impairment at the level of the CGUs at least at every reporting date and if a trigger event occurs. In testing for impairment, the carrying amount of the capital employed in a segment as a cash-generating unit (including the attributed goodwill) is compared with the recoverable amount of these assets. The carrying amount of the capital employed is determined by allocating the Group's capital to the CGUs.

First, all directly allocable components are allocated to the segments and then the remaining capital is allocated to the segments in proportion to the total risk-weighted assets. Solely for the purposes of the goodwill impairment test, the Group equity allocated to Others and Consolidation is allocated completely to the other segments based on the ratio of risk-weighted assets to total risk-weighted assets. The recoverable amount is the higher of value in use and fair value less costs of disposal. The value in use is based on the expected results of the unit and the effects on capital according to the multi-year plans of the individual segments approved by the Board of Managing Directors. Also, solely for the purposes of the impairment test, the main expenses in Others and Consolidation are distributed to the segments based on a precise key. Due to the planned sale of mBank S.A., the resulting effects were taken into account in the form of the expected net realisable value (fair value less costs of disposal).

Any non-controlling interests are included in the calculation of the carrying amount and the recoverable amount of the CGU and thus in the excess cover presented below.

b) Assumptions of the impairment test for goodwill and other intangible assets

Commerzbank uses the Capital Asset Pricing Model (CAPM), with inputs mainly from parameters observable on the market, to determine the recoverable amount. The risk-adjusted interest rates deriving from the model are used to discount the expected cash flows of the cash-generating units (CGUs). This gives the recoverable amount, which can be higher or lower than the carrying amount. If the recoverable amount is lower than the carrying amount, Commerzbank initially recognises an impairment on the goodwill of the CGU, which is reported under impairments of goodwill and other intangible assets in the income statement. If there is a further shortfall beyond the full impairment of goodwill, other assets of the CGU are tested for additional impairment. If this does not result in any additional impairment requirement for these assets on the basis of the accounting and measurement processes applicable within the Commerzbank Group, the additionally identified shortfall does not result in any impairment loss in the income statement. The expected results of the Private and Small-Business Customers CGU are based on the segments' multi-year planning. In 2020, the delayed strategy process resulted in the usual planning cycle being shifted up to spring 2021. However, the multi-year planning used as the basis for the goodwill impairment test already includes measures from the "Commerzbank 2024" strategy announced in February 2021. The multi-year planning covers four detailed planning years, with projection to a further planning year. For the purpose of measuring goodwill, the multi-year planning does not include any effects from planned restructuring measures for which no provision was yet recognised in the past financial year. Financial years beyond this are adjusted to a sustainable level of results, and a constant growth rate based on forecasts for GDP growth and inflation is applied for the calculation of the perpetuity. This factor is 1.6% in the Private and Small-Business Customers segment. Since the Bank had already prepared an additional planning year beyond the four-year planning period as part of the planning process, this was included in the perpetuity as the starting point for the growth factor. In addition to profitability projections, the multi-year planning also relies on forecasts for risk-weighted assets and capital employed, subject to the regulatory minimum capital ratios. The main value drivers are receivables volumes, net interest income after loan loss provisions and net commission income. Risk-weighted assets are a further sensitive planning parameter. The planning is based on forecasts by Economic Research with regard to key assumptions, taking into account the current coronavirus pandemic. Planning relies both on management's past experience and an assessment of risks and opportunities in line with the forecasts, particularly with regard to interest income. In addition, effects of the revised framework of the

Basel Committee concerning the existing Basel III regulations – often referred to as “Basel IV” due to the far-reaching changes – were examined in the multi-year planning from 2022 onwards. The reform package for the standardised calculation of risk-weighted assets and capital floors is to enter into force uniformly on 1 January 2022. Regarding the “output floor”, however, a transitional period with gradual phasing in through to 2027 is planned. At Group level, no significant effect is expected from the introduction of Basel IV, and thus no separate consideration was required in determining the value of use of the private and small business customers segment.

The main management assumptions on which the cash flow forecasts for each CGU were based and the management approach chosen were as follows for the Business Segment Private and Small-Business Customers:

Segment	Main assumptions	Management approach
Private and Small-Business Customers	Throgh the new Commerzbank 2024 strategy, the Bank is building on “Commerzbank 5.0” and pushing forward with its digital and personal business model. The integration of comdirect bank Aktiengesellschaft will be used to further develop the business model. • Establishment of the most efficient digital bank in the German market with a leading and fully comprehensive mobile offering as a basis for all customers. Scaling up of the digital (product) processes of comdirect bank Aktiengesellschaft to cover the entire customer base. • Positioning of Commerzbank as the preferred no. 1 partner for premium customers by means of greater penetration of the Private Banking, Wealth Management and premium Small-Business Customer segments. Creation of special customer relationship management models for premium customers for focused use of advisory resources. • Analysis of data and use of customer intelligence as an enabler to address customers across all channels in a more targeted and successful way. • Advisory centre as an efficient and effective remote sales channel providing direct customer care and supporting customers with self-service. • Streamlining of the branch network to a target size of around 450 branches, of which around 220 will be premium branches with comprehensive advisory services for premium customers. Increased sales efficiency in conjunction with a new nuanced customer relationship management model and the interplay of all four channels. • End-to-end efficiency and reduction of complexity in processes. Lean and efficient process landscape for key products and service provision. • Expansion and strengthening of Commerz Real’s market position, primarily through its lead role as a sustainable digital asset manager and integrated investment service provider. • Continuation of organic growth at mBank based on the further acquisition of young customers and dynamic corporates from forward-looking industries • Cost savings that are dependent on the planned restructuring provisions were not taken into account in the impairment test. This applies in particular to the above-mentioned streamlining of the branch network and the associated staff reductions.	• Central assumptions based on internal analyses and external studies of economic development and the market • Institutionalised customer surveys and measurement of customer satisfaction • Initiatives that are part of the strategy to be based on business plans developed by management • Inclusion of independent benchmark analyses

Due to the assumptions underlying the cash flow forecasts and the uncertainties that are inevitably involved, the following circumstances may have an adverse impact on the cash flow forecasts of the CGUs (the list is not exhaustive):

- Macroeconomic environment worse than expected especially with regard to economic developments under the influence of the coronavirus pandemic
- Interest rate outturn differs from economic forecast or the Bank's expectations
- Uncertainties about the regulatory environment, particularly the implementation of new rules at the European level
- Greater intensity of competition than assumed
- Worse than expected results from planned strategic measures from Commerzbank 2024.

Risk-adjusted interest rates were calculated on the basis of the risk-free interest rate, the market risk premium and the systematic risk (beta factor). We drew on data from external providers for the risk-free interest rate and the market risk premium. The beta factor was calculated on the basis of segment-specific comparator groups reflecting the specific investment risk of the segments.

c) Change in goodwill

The comparison of the recoverable amount (value in use) and the carrying amount as at 31 December 2020 resulted in a shortfall, which, with a recoverable amount of €8,759m, resulted in a full impairment of the goodwill allocated to the CGU of €1,521m. This was mainly due to a deterioration in market parameters, among other things because of the interest rate level in the eurozone and in Poland. A shortfall exceeding the goodwill led to an additional review of further assets of the CGU and ultimately also of the Group assets shared by the CGU ("corporate items"). All assets included in this impairment test proved to be recoverable.

	Private and Small Business Customers		Corporate clients		Asset & Capital Recovery[1]		Group	
€m	2020	2019	2020	2019	2020	2019	2020	2019
Carrying amount as at 1.1.	**1,522**	**1,507**	**–**	**–**	**–**	**–**	**1,522**	**1,507**
Cost of acquisition/production as at 1.1.	1,558	1,543	–	592	–	725	1,558	2,860
Exchange rate changes	–	–	–	–	–	–	–	–
Additions	–	15	–	–	–	–	–	15
Disposals	1,558	–	–	–	–	–	1,558	–
Other reclassifications/changes in the group of consolidated companies	–	–	–	–	–	–	–	–
Cost of acquisition/production as at 31.12.	–	1,558	–	592	–	725	–	2,875
Cumulative write-downs as at 1.1.	36	36	–	592	–	725	36	1,353
Exchange rate changes	–	–	–	–	–	–	–	–
Additions	–	–	–	–	–	–	–	–
of which: unscheduled	–	–	–	–	–	–	–	–
Disposals	36	–	–	–	–	–	36	–
Other reclassifications/changes in the group of consolidated companies	–	–	–	–	–	–	–	–
Cumulative write-downs as at 31.12.	**–**	**36**	**–**	**592**	**–**	**725**	**–**	**1,353**
Carrying amount as at 31.12.	**–**	**1,522**	**–**	**–**	**–**	**–**	**–**	**1,522**

[1] The Asset & Capital Recovery segment was discontinued as of 1 July 2019.

Sensitivities

The comparison of the recoverable amount and the carrying amount still showed excess cover in the 2019 financial year, so a sensitivity analysis was also performed at the time to further validate the recoverability of the goodwill. Varying the risk-adjusted interest rate (after tax) by −25 and +25 basis points (bps) for the detailed planning phase produced the following ratios of excess cover to carrying amount for the Private and Small-Business Customers CGU at that time. Any non-controlling interests were taken into account when determining the sensitivity. Varying the risk-adjusted interest rate (after tax) by – 25 and + 25 basis points (bps) for the detailed planning phase produced the following ratios of excess cover to carrying amount for the Private and Small-Business Customers CGU; cover was not deficient at any point in the reporting year.

This sensitivity analysis is not applicable for the 2020 financial year because of the shortfall determined for the Private and Small-Business Customers CGU.

		Private and Small Business Customers	
		2020	**2019**
Baseline scenario[1]		n/a	36.1%
Sensitivity analysis[1]	Risk-adjusted interest rate −25 bps (advantageous)	n/a	40.4%
	Risk-adjusted interest rate +25 bps (disadvantageous)	n/a	32.0%
Sensitivity analysis[1]	Growth rate +25 bps (advantageous)	n/a	38.3%
	Growth rate -25 bps (disadvantageous)	n/a	33.9%

[1] Positive per cent values indicate excess cover; negative per cent values indicate deficient cover.

In estimating the recoverable amount of the Private and Small-Business Customers CGU, a risk-adjusted interest rate of 9.9% after tax was applied in 2020 (previous year: 8.6%).

	Private and Small Business Customers	
	2020	**2019**
Risk-adjusted interest rate (after taxes) from/to	n/a	8,6% / 11,6%
Growth rate from/to[1]	n/a	1,5% / negativ
Risk result/risk-weighted assets based on the end of the planning phase from/to	n/a	58 BP /184 BP

[1] Impossible to quantify, as the recoverable amount is above the carrying amount even with a long-term growth rate of 0%.

(46) Other intangible assets

Other intangible assets primarily comprise purchased and self-programmed software and customer relationships. When assessing whether to recognise the development costs of in-house developed software as an intangible asset, the main criteria applied are the ability to reliably determine the manufacturing costs and the probability of the future flow of benefits. Research costs are not recognised as an asset. Intangible assets are reported at amortised cost. Due to their finite useful economic lives, software and customer relationships are amortised over their prospective useful lives.

	Expected useful life years
Software	up to 10
Customer relationships	up to 15

	Customer relationships		In-house developed software		Purchased software and other intangible assets	
€m	2020	2019	2020	2019	2020	2019
Carrying amount as at 1.1.	**91**	**159**	**1,047**	**1,163**	**393**	**417**
Cost of acquisition/production as at 1.1.	983	983	2,685	2,472	1,791	1,714
Exchange rate changes	–0	0	–0	0	–34	8
Additions	0	–	247	223	217	136
Disposals	2	–	75	10	218	74
Reclassifications to non-current assets held for sale and disposal groups	–	–	4	–0	30	–8
Other reclassifications/changes in the group of consolidated companies	–	–	6	1	7	16
Cost of acquisition/production cost as at 31.12.	981	983	2,868	2,685	1,794	1,791
Write-ups	–	–	–	–	–	–
Cumulative write-downs as at 1.1.	892	824	1,638	1,309	1,398	1,297
Exchange rate changes	–0	0	–0	0	–20	6
Additions	78	69	345	338	122	151
of which: unscheduled	57	28	9	1	1	5
Disposals	2	–	73	10	195	58
Reclassifications to non-current assets held for sale and disposal groups	–	–	2	–0	26	–7
Other reclassifications/changes in the group of consolidated companies	–	–	4	0	7	8
Cumulative write-downs as at 31.12.	968	892	1,916	1,638	1,339	1,398
Carrying amount as at 31.12.	**13**	**91**	**952**	**1,047**	**455**	**393**

In the 2020 financial year, the customer base capitalised as a result of the acquisition of Dresdner Bank was written down in full in an impairment test. The expenses of €57m are reported under impairments of goodwill and other intangible assets in the income statement.

In the annual impairment test of the segments (CGUs) as at 31 December 2019, we fully wrote down the customer base of the Corporate Clients segment, which resulted from the merger of Commerzbank with Dresdner Bank, in excess of the scheduled amortisation, as we no longer expected it to be recoverable as a result of the economic developments.

Tangible assets

(47) Fixed assets

The land and buildings, office furniture and equipment, and right of use assets are recognised at cost less scheduled depreciation and any unscheduled write-downs. Impairments are made in an amount by which the carrying value exceeds the higher of fair value less costs to sell and the value in use of the asset. Where the reason for recognising an impairment in previous financial years ceases to apply, the impairment is reversed to no more than depreciated cost.

In determining the useful life, the likely physical wear and tear, technical obsolescence and legal and contractual restrictions are taken into consideration. All fixed assets are depreciated or written off largely over the following periods, using the straight-line method:

	Expected useful life years
Buildings	25 – 50
Office furniture and equipment	3 – 25
Leased equipment – at cost	1 – 25
Right of use assets	1 – 15

In line with the materiality principle, purchases of low-value fixed assets are recognised immediately as operating expenses. Profits realised on the disposal of fixed assets appear under other income, with losses being shown under other expenses.

	Land and buildings		Office furniture and equipment		Leased equipment		Right of use assets	
€m	2020	2019	2020	2019	2020	2019	2020	2019
Carrying amount as at 1.1.	**326**	**322**	**425**	**458**	**701**	**766**	**2,034**	**2,289**
Cost of acquisition/production as at 1.1.	687	677	1,928	2,021	1,263	1,249	2,391	2,213
Exchange rate changes	–6	0	–36	14	–78	24	–21	9
Additions	0	12	112	102	38	50	319	196
Disposals	2	5	130	212	85	61	77	19
Reclassifications to non-current assets held for sale and disposal groups	–	2	–	–	–	–	–	–
Other reclassifications/changes in the group of consolidated companies	–4	–0	2	3	–	–	3	–8
Cost of acquisition/production as at 31.12.	674	687	1,876	1,928	1,138	1,263	2,614	2,391
Write-ups	–	6	–	–	–	–	–	–
Cumulative write-downs as at 1.1.	361	355	1,503	1,562	562	483	357	–
Exchange rate changes	–3	0	–28	12	–45	8	–5	1
Additions	10	13	107	117	85	103	345	354
of which: unscheduled	0	1	0	1	0	14	–	–
Disposals	1	1	114	190	40	32	8	–0
Reclassifications to non-current assets held for sale and disposal groups	–	–	–1	–2	–	–		–
Other reclassifications/changes in the group of consolidated companies	4	0	3	2	–	–	2	2
Cumulative write-downs as at 31.12.	371	367	1,470	1,503	562	562	691	357
Carrying amount as at 31.12.	**304**	**326**	**406**	**425**	**575**	**701**	**1,923**	**2,034**

The total value of fixed assets in the Commerzbank Group was €3,208m (previous year: €3,487m). of which, as in the previous year, none was pledged as collateral.

Beyond this there were no restrictions with regard to rights of disposal.

(48) Investment properties

Investment properties are defined as land and buildings held for the purpose of earning rental income or because they are expected to increase in value. Commerzbank Group also reports properties acquired as a result of the realisation of collateral (rescue purchases) and properties owned by the Commerzbank Group that are let under operating leases in this category. These are primarily commercial properties.

Investment properties are measured at cost including directly attributable transaction costs on initial recognition in accordance with IAS 40. In subsequent measurements, investment properties are measured at fair value. Fair value is generally determined on the basis of valuations conducted by external and internal experts and on prices currently obtainable in the market. Properties used for commercial purposes are usually valued based on capitalised income; individual residential buildings are generally valued using the cost or sales comparison approach. The valuation of the properties using the capitalised income approach is based on standard rental values for the locality, with discounts for management, acquisition costs and vacancy rates, and on remaining useful lives and land values. In some cases, contractually agreed rents are also used. The property yield, which is a further input in the valuation process, takes account of the market interest rate level and the specific property and location risk attaching to the property. The main parameters observable on the market are local rent levels and property yields.

Current income and expenses are recognised in other net income. Remeasurement changes arising from changes in fair value are also shown under other net income in the income statement for the period.

The properties held as investments in the amount of €13m (previous year: €13m) were classified at fair value hierarchy level 3 and developed as follows:

€m	2020	2019
Carrying amount as at 1.1.	**13**	**13**
Cost of acquisition/production as at 1.1.	194	194
Exchange rate changes	–	–
Additions	–	–
Disposals	172	–
Changes in the group of consolidated companies	–	–
Reclassifications	–	–
Reclassifications to non-current assets held for sale and disposal groups	–	–
Cost of acquisition/production as at 31.12.	23	194
Cumulative changes from remeasurement at fair value	– 10	– 182
Carrying amount as at 31.12.	**13**	**13**

In the year under review, as in the previous year, no investment properties were acquired in rescue purchases. The additions contain no subsequent acquisition costs.

There are no restrictions on resale, nor are there any obligations to purchase properties that need to be reported here.

We use the country-specific rental indices for commercial and office properties published by the Association of German Pfandbrief Banks (vdp) over a period of at least 18 years for the sensitivity analysis of investment properties. We use the medium fluctuation range calculated on this basis to determine the potential changes in value of our properties.

Non-current assets and liabilities held for sale

(49) Discontinued business division

At the end of 2018, Commerzbank Aktiengesellschaft, Frankfurt and Société Générale Group, Paris, France concluded a purchase agreement for the Equity Markets & Commodities (EMC) division of the Business Segment Corporate Clients. This transaction is a milestone in the implementation of the "Commerzbank 4.0" strategy launched in 2016.

The transaction was executed in several stages. Major parts of the discontinued business division were transferred by 31 December 2019. Due to the scope of the transactions and the employees to be transferred as well as the complexity of the individual transfer processes, however, it was not possible to complete all the transfers in 2019. The transfer process was started according to plan in the first quarter of 2019 and continued in the second quarter of 2019 with the complete transfer of the asset management business. Major parts of the development and issuing of structured financial products business were also already transferred in the second, in the third and in the fourth quarter of 2019, with the opportunities and risks arising from the associated assets and liabilities initially being transferred "synthetically" to Société Générale Group through the conclusion of corresponding derivative transactions. The legal transfer of the relevant assets and liabilities, which also requires their derecognition from the balance sheet, will only take place at later stages in the transaction and is expected to be completed in 2021.

As at 31 December 2020, the initial remaining assets were €2.0 bn (previous year: €8.0 bn) and the liabilities of the discontinued business division were €2.1 bn (previous year: €8.5 bn). The assets and liabilities are mostly measured at fair value.

The earnings of the discontinued business division are presented separately in the income statement. In order to achieve an economically appropriate presentation of the discontinued business division, intragroup services between continuing operations and the discontinued business division are eliminated under continuing operations.

Detailed information on the discontinued business division is provided below.

€m	1.1.–31.12.2020	1.1.–31.12.2019	Change in %
Income	106	187	– 43.5
Expenses	76	203	–62.7
Current pre-tax profit or loss	30	– 17	.
Taxes on income on current profit or loss	– 0	2	.
Consolidated profit or loss from discontinued operations	**30**	**– 18**	**.**
Consolidated profit or loss on discontinued operations attributable to Commerzbank shareholders	30	– 18	.

The profit attributable to Commerzbank shareholders from continuing operations amounted to €–2,900m (previous year: €603m).

€	1.1.–31.12.2020	1.1.–31.12.2019	Change in %
Earnings per share for discontinued operations	0.02	– 0.01	.

€m	2020	2019[1]	Change in %
Cashflow from from operating activities	30	–18	.
Cashflow from investing activities	–	–	.
Cashflow from financing activities	–	–	.

[1] Prior-year figures adjusted .

(50) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups that can be sold in their present condition and whose sale is highly probable are classified as “held for sale”. These assets must be measured at fair value less costs to sell, insofar as this is lower than carrying amount. However, for interest-bearing and non-interest-bearing financial instruments and investment properties the only accounting change is the reclassification to the relevant balance sheet items in accordance with IFRS 5. They continue to be measured in accordance with IFRS 9 or IAS 40.

If impairments are established as a result of measurement in accordance with IFRS 5, these are recognised in the corresponding position in the income statement, depending on the underlying transaction. Any subsequent write-up is limited to the total of impairments previously recognised.

The current net income from non-current assets held for sale and disposal groups is normally recognised under the same item in the income statement as for other assets without the classification of being held for sale. Gains and losses on the disposal of disposal groups are divided up and recognised in the relevant line of the income statement.

Income and expenses from discontinued operations are reported in a separate item in the income statement (see Note 49).

€m	31.12.2020	31.12.2019	Change in %
Financial assets – Amortised cost	21	187	– 88.8
Loans and advances	21	187	– 88.8
Debt securities	–	–	.
Financial assets – Mandatorily fair value P&L	7	76	– 91.0
Loans and advances	7	76	– 91.2
Debt securities	–	–	.
Equity instruments	0	0	–
Financial assets – Held for trading	2,088	7,742	– 73.0
Loans and advances	–	–	.
Debt securities	11	1,248	– 99.2
Equity instruments	1	3,631	– 100.0
Derivates	2,076	2,863	– 27.5
Intangible assets	–	6	.
Fixed assets	–	–	.
Other assets	–76	–57	34.5
Total	**2,040**	**7,955**	**– 74.4**

Assets of disposal groups mainly relate to the discontinuation of the EMC business division (see Note 49) and the sale of ebase GmbH. The sale of ebase GmbH was completed the previous year (see Note 8).

(51) Liabilities from disposal groups

€m	31.12.2020	31.12.2019	Change in %
Financial liabilities – Amortised cost	20	258	– 92.2
Deposits	20	258	– 92.2
Debt securities issued	–	–	.
Financial liabilities – Fair value option	50	2,205	– 97.7
Deposits	50	2,205	– 97.7
Debt securities issued	–	–	.
Financial liabilities – Held for trading	1,981	6,027	– 67.1
Certificates and other issued bonds	8	3,249	– 99.7
Delivery commitments arising from short sales of securities	–0	435	.
Derivatives	1,972	2,344	– 15.9
Other liability items	1	38	– 98.6
Total	**2,051**	**8,528**	**– 76.0**

Liabilities of disposal groups relate to the discontinuation of the EMC business division (see Note 49) and the sale of ebase GmbH. The sale of ebase GmbH was completed in the previous year (see Note 8).

Tax assets and tax liabilities

Current tax assets and liabilities are calculated on the basis of the expected payment to or rebate from each fiscal authority given the current tax rates and tax regulations applicable in the relevant country.

Deferred tax assets and liabilities are formed to reflect differences between the IFRS carrying amounts of assets or liabilities and the taxable value, provided that these temporary differences are likely to increase or reduce future taxes on income and there is no rule against recognising them. In addition, deferred taxes are recognised for both tax loss carryforwards as well as for as yet unused tax credits. The valuation of deferred taxes is based on income tax rates already approved as at 31 December 2020 and applicable upon realisation of the temporary differences.

Deferred tax assets on tax-relieving temporary differences, on as yet unused tax losses and on unused tax credits are only recognised to the extent that it is probable that taxable profits will be generated by the same taxable entity and in relation to the same tax authority in the foreseeable future. To assess impairment, detailed 5-year tax profit projections are made on the basis of the multi-year planning approved by the Board of Managing Directors. Furthermore, recognition is justified if it is likely that a sufficient taxable profit will be available even beyond the 5-year time frame.

Deferred tax assets and liabilities are recognised and carried forward either in the income statement under taxes on income, or in equity, depending on the treatment of the underlying transaction.

Income tax expenses or income are reported under taxes on income in the Group income statement.

Deferred tax assets and liabilities are netted if there is a right to net current taxes on income and the deferred tax assets and liabilities relate to taxes on income levied by the same fiscal authority on the same taxable entity.

Taxable temporary differences relating to shares in Commerzbank Group companies for which no significant deferred income tax liabilities were recognised amounted to €506m (previous year:€268m).

The current and deferred tax assets as well as the current and deferred tax liabilities are set out in the balance sheet and detailed in the notes.

(52) Tax assets

€m	31.12.2020	31.12.2019[1]	Change in %
Current tax assets	**130**	**439**	**– 70.4**
In Germany	68	350	– 80.6
Outside Germany	62	89	– 30.3
Deferred tax assets	**2,693**	**2,820**	**– 4.5**
Tax assets recognised in income statement	2,523	2,525	– 0.1
Tax assets not recognised in income statement	170	295	– 42.4
Total	**2,823**	**3,259**	**– 13.4**

[1] Prior-year figures adjusted due to restatements (see Note 4).

Deferred tax assets represent the potential income tax relief arising from temporary differences between the values assigned to assets and liabilities in the Group balance sheet in accordance with IFRS and their values for tax accounting purposes as reported by the Group companies in accordance with the local tax regulations, as well as future income tax relief arising from tax loss carryforwards and as yet unused tax credits.

For the following tax loss carryforwards no deferred tax assets nor any impairments of existing deferred tax assets were recognised as at 31 December 2020 due to the limited planning horizon and the resulting insufficient probability of their being utilised.

The accounting for the current tax assets took into account the uncertainty arising from potential tax disputes.

Tax loss carryforwards | €m	31.12.2020	31.12.2019[1]	Change in %
Corporation tax/federal tax	**9,789**	**8,604**	**13.8**
Can be carried forward for an unlimited period	6,970	5,415	28.7
Can be carried forward for a limited period[1]	2,819	3,189	– 11.6
of which: expires in the subsequent reporting period	10	7	42.9
Trade tax/local tax	**6,243**	**4,661**	**34.0**
Can be carried forward for an unlimited period	3,102	1,213	.
Can be carried forward for a limited period[1]	3,141	3,447	– 8.9
of which: expires in the subsequent reporting period	10	7	42.9

[1] Expires 20 years after the date on which the tax liability arose.

In addition, no deferred tax assets were recognised for deductible temporary differences that can be carried forward indefinitely in the amount of €189m (previous year: €107m).

Deferred tax assets are recognised mainly for domestic Group companies, the London branch and United Kingdom subsidiaries. They were recognised in connection with the following items:

€m	31.12.2020	31.12.2019[1]	Change in %
Fair values of derivative hedging instruments	727	675	7.7
Financial assets and liabilities – Held for trading	3,396	1,880	80.6
Other financial assets	2,643	456	.
Provisions (excluding pension obligations)	42	52	– 19.2
Other financial liabilities	177	101	75.1
Pension obligation	1,282	1,185	8.1
Other balance sheet items	3,742	2,680	39.6
Tax loss carryforwards	1,293	1,354	– 4.5
Deferred tax assets gross	**13,302**	**8,384**	**58.7**
Offsetting with deferred tax liabilities	– 10,609	– 5,564	90.7
Total	**2,693**	**2,820**	**– 4.5**

[1] Prior-year figures adjusted due to restatements (see Note 4).

(53) Tax liabilities

€m	31.12.2020	31.12.2019[1]	Change in %
Current tax liabilities	**448**	**452**	**– 0.8**
Tax liabilities to tax authorities from income tax	52	39	31.7
Provisions for income tax	396	412	– 3.9
Deferred tax liabilities	**10**	**27**	**– 63.0**
Tax liabilities recognised in income statement	10	27	– 63.0
Tax liabilities not recognised in income statement	–	–	.
Total	**458**	**479**	**– 4.3**

[1] Prior-year figures adjusted due to restatements (see Note 4).

Provisions for taxes on income are potential tax liabilities which have not yet been formally assessed and potential liabilities for risks associated with tax audits. The liabilities to tax authorities represent payment obligations in respect of current taxes towards German and foreign tax authorities.

Deferred tax liabilities represent the potential income tax charge arising from temporary differences between the values assigned to assets and liabilities in the Group balance sheet in accordance with IFRS and their values for tax accounting purposes as reported by the Group companies in accordance with the local tax regulations. They were recognised in connection with the following items:

€m	31.12.2020	31.12.2019	Change in %
Financial assets and liabilities – Held for trading	4,540	2,241	.
Fair values of derivative hedging instruments	578	576	0.3
Other financial assets	451	550	– 18.0
Other financial liabilities	1,935	17	.
Other balance sheet items	3,115	2,207	41.1
Deferred tax assets gross	**10,619**	**5,591**	**89.9**
Offsetting with deferred tax liabilities	– 10,609	– 5,564	90.7
Total	**10**	**27**	**– 63.0**

Other assets and other liabilities

This line item presents any assets and liabilities which individually are immaterial and which cannot be assigned to other line items.

(54) Other assets

€m	31.12.2020	31.12.2019[1]	Change in %
Precious metals	82	26	.
Accrued and deferred items	275	229	20.3
Defined benefit assets recognised	95	96	– 1.7
Other assets	1,424	1,387	2.7
Total	**1,877**	**1,739**	**8.0**

[1]Prior-year figures adjusted due to restatements (see Note 4).

(55) Other liabilities

€m	31.12.2020	31.12.2019	Change in %
Liabilities attributable to film funds	320	316	1.0
Liabilities attributable to non-controlling interests	56	57	– 3.3
Accrued and deferred items	273	292	– 6.4
Leasing liabilities	2,054	2,094	– 1.9
Other liabilities	1,732	1,658	4.5
Total	**4,434**	**4,418**	**0.4**

(56) Other commitments

Payment commitments to Group-external entities and non-consolidated entities on shares not fully paid up were, as in the previous year, immaterial in the current financial year.

In accordance with Art. 5 (10) of the statutes of the German banks' Deposit Insurance Fund, we have undertaken to indemnify the Association of German Banks, Berlin, for any losses incurred as a result of support provided for banks in which Commerzbank holds a majority interest.

Securities with a carrying amount of €12,441m were furnished as collateral for obligations to futures exchanges and clearing houses (previous year: €9,902m).

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.

Leasing

(57) Leasing

With the application of IFRS 16, the Commerzbank Group recognised lease liabilities as of 1 January 2019 for leases previously classified as operating leases under IAS 17. These liabilities were measured at the net present value of the outstanding lease payments discounted at the incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate was 1.22% per annum.

For the first-time application, we made use of the simplification rule to include any provisions for onerous contracts in the right of use. For leases previously classified as operating leases, the status as at the changeover date was used as the basis. There was no retrospective calculation and consideration of initial direct costs. The exercise of extension or termination options continued to be assessed on the basis of the current facts and not based on the retrospective probability of exercise at the start of the contract. We also chose to use the optional simplification rule to exclude leases for low-value leased assets from recognition in the balance sheet. At the time of initial application, we did not assess whether a contract existing prior to 1 January 2019 should be classified in whole or in part as a lease in accordance with IFRS 16. The estimates made in accordance with the previous regulations IAS 17 and IFRIC 4 were adopted. The right of use per lease was recognised according to the lease liability adjusted for prepaid or accrued payments.

The Group as lessee – rights of use

With the application of IFRS 16, a right-of-use asset and a corresponding lease liability are now recognised for leases. We recognise the right of use under fixed assets (see Note 47) and depreciate it on a straight-line basis over the term of the lease. The depreciation of the right of use is shown in the operating expenses (see Note 18). Extension, termination and purchase options are recognised as soon as their exercise is deemed sufficiently certain. Around half of the leases include such options, mainly extension options. This relates primarily to extension options. The Commerzbank Group does not expect any significant cash outflows in the future which have not been taken into account in measuring the lease liability.

The lease liability is recognised at the net present value of the future lease payments to be made under other liabilities (see Note 55). Interest expense includes the unwinding of the discount of the lease liabilities. Subsequent measurement is performed using the effective interest method. We make use of the option to exclude low-value leases from accounting and recognise them directly as expenses.

In 2020, expenses for short-term leases were €0m (previous year: €0m). Expenses for low-value leases were €2m (previous year: €2m). Variable lease payments of €0m (previous year: €0m) were not included in lease liabilities, and income of €15m (previous year: €13m) from sub-lease agreements was recorded in the period under review. Total lease payments amounted to €312m (previous year: €350m).

The Group as lessor

We classify a lease as an operating lease if it does not substantially transfer to the lessee all the risks and rewards incidental to ownership. By contrast, we classify leases where the lessee bears all the substantial risks and rewards as finance leases. Risks and rewards are allocated on the basis of the present value of the cash flow associated with the leases.

If the present value equals at least the amount invested into the leased asset, the lease is classified as a finance lease.

Effects of the coronavirus pandemic on leases are included in the risk result (see Notes 11 and 32).

Operating leases

Commerzbank acts as a lessor in operating lease arrangements. The assets where the Group acts as lessor include, in particular, technical equipment and machines, real estate and office furniture and equipment (e.g. vehicles, machinery and equipment). No contingent rents have been agreed in the leases.

The following minimum lease payments stemming from non-cancellable leases will accrue to the Commerzbank Group over the next few years from operating leases granted:

Maturity | €m	31.12.2020	31.12.2019
up to 1 year	114	131
in 1 year up to 5 years	331	366
in more than 5 years	102	63
Total	**547**	**560**

Lessor disclosures – finance leases

Commerzbank acts as a lessor for finance leases. As at the reporting date, these leases primarily comprised technical equipment and machines, office furniture and equipment (e.g. vehicles and office equipment) and to a lesser extent leased real estate. The relationship between gross investments and net present value of the minimum lease payments was as follows:

€m	31.12.2020	31.12.2019
Outstanding lease payments	6,401	7,290
+ guaranteed residual values	106	113
= minimum lease payments	6,507	7,403
+ non-guaranteed residual values	–	–
= gross investments	6,507	7,403
of which: from sale and leaseback transactions	–	–
– unrealised financial income	223	360
=net investments	6,284	7,043
– net present value of non-guaranteed residual values	–	–
= net present value of minimum lease payments	6,284	7,043
of which: from sale and leaseback transactions	–	–

The minimum lease payments include the total lease instalments to be paid by the lessee under the lease plus the guaranteed residual value. The non-guaranteed residual value is estimated at the beginning of the lease and reviewed at the reporting date on a regular basis. Unrealised financial income is equivalent to the interest implicit in the lease between the reporting date and the end of the contract.

The term of the gross investment and net present values of the minimum lease payments from non-cancellable finance leases broke down as follows:

Residual terms as at 31.12.	Gross investments	
€m	2020	2019
up to 1 year	2,209	2,302
1 year up to 5 years	3,958	4,665
more than 5 years	340	436
Total	**6,507**	**7,403**

Financial income on the net investment in the lease of €171m has been recognised in interest income. No income from variable lease payments was recognised in the reporting period. Receivables from leasing contracts are included in risk management within the Group-wide risk management system.

Residual terms as at 31.12.	Net present value of minimum lease payments	
€m	2020	2019
up to 1 year	2,116	2,166
1 year up to 5 years	3,838	4,477
more than 5 years	330	400
Total	**6,284**	**7,043**

Provisions and employee benefits

A provision must be shown if on the reporting date, as the result of an event in the past, a current legal or constructive obligation has arisen, an outflow of resources to meet this obligation is likely and it is possible to make a reliable estimate of the amount of this obligation. Accordingly, we make provisions for liabilities of an uncertain amount to third parties and anticipated losses arising from pending transactions in the amount of the claims expected. The amount recognised as a provision represents the best estimate of the expense required to meet the current obligation as at the reporting date. Risks and uncertainties (including with regard to the actual level of the costs at the date of any utilisation of the provision and potential increases in costs for long-term provisions) are taken into account in the estimate. Provisions are recognised at their net present value if they are long-term.

Allocations to the different types of provisions are made via various items in the income statement. Provisions for lending business are charged to expenses for loan loss provisions and provisions for restructuring are charged to restructuring expenses. Other provisions are generally charged to operating expenses and released through other net income.

Companies within the Commerzbank Group are involved both in Germany and other countries in court and arbitration cases (legal proceedings) and in out-of-court and supervisory proceedings (recourse claims) as defendants and claimants or in other ways. Moreover, legal cases in which Commerzbank and its subsidiaries are not directly involved could have an impact on the Group because of their fundamental importance for the banking sector. The Group recognises appropriate provisions for legal proceedings and recourse claims, with the charge shown in other net income, if a loss is likely and can be determined sufficiently accurately. Provisions of recourse claims relate, for example, to reimbursements of processing fees for consumer loans which have been ruled as invalid and possible claims from customer misselling. In the case of provisions for legal proceedings, the procedure differs depending on whether a company within the Group is the claimant (active proceedings) or defendant (passive proceedings). In active proceedings, provisions are recognised for the legal and court fees and ancillary costs, which may vary based on the specific practices in each country. In passive proceedings provisions are also recognised for the value in dispute on each reporting date based on an estimate of the probability of loss. However, the Group's final liability may differ from the provisions that have been recognised, as a high degree of judgement is involved in assessing the probability of uncertain liabilities in such legal proceedings and quantifying them. These estimates may turn out to be inaccurate at a later stage of the proceedings. Legal risks for which no provisions have been recognised are reported as contingent liabilities (see Note 60).

Restructuring provisions are recognised if the Commerzbank Group has a detailed formal restructuring plan and has already begun implementing this plan or has announced the main details of the restructuring. The detailed plan must contain information on the departments and main locations involved, the approximate number of staff whose jobs are affected by the restructuring, the costs involved and the period during which the restructuring will be carried out. The detailed plan must be communicated in such a way that those affected can expect it to be realised. The restructuring expenses item in the income statement can contain further direct restructuring expenses which are not included in the restructuring provision.

Provisions for pensions and similar commitments are recognised for occupational pension schemes. These comprise pension commitments under both defined benefit and defined contribution pension plans. Defined benefit plans exist for obligations from pension entitlements and current benefits based on a direct pension commitment on the part of Commerzbank, where the level of the pension payment is mainly pre-defined and dependent on factors such as age, salary level and length of service. Provisions are established for these plans. The contributions paid for defined contribution pension plans are recognised directly under personnel expenses.

(58) Provisions

€m	2020	2019[1]	Change in %
Provisions for pensions and similar commitments	513	713	– 28.1
Other provisions	2,883	1,959	47.2
Total	**3,396**	**2,672**	**27.1**

[1] Prior-year figures adjusted due to restatements (see Note 4).

Provisions for pensions and similar commitments

The provisions for pensions and similar commitments comprise provisions for pension entitlements of active and former employees and pension entitlements of pensioners in the amount of € 373m (previous year: € 621m), provisions for part-time-scheme for older staff of € 83m (previous year: €22m) and as well as provisions for early retirement of €58m (previous year: €70m).

The interest and operating expenses for pensions and other employee benefits consist of the following components:

€m	2020	2019	Change in %
Expenses for defined benefit plans	89	78	14.7
Expenses for defined contribution plans	84	87	– 3.8
Other pension benefits (early retirement and part-time scheme for older staff)	39	39	– 1.7
Other pension-related expenses	54	28	92.3
Expenses for pensions and similar employee benefits	**266**	**232**	**14.5**

In the first quarter of 2019, binding agreements were concluded with an insurance company for a UK pension plan to cover a major portion of the claims from defined benefit pension obligations by concluding insurance contracts, whereby the legal obligation remains with Commerzbank ("buy-in"). This transaction involved assets equivalent to €1,123m being transferred to the insurance company. The transaction resulted in an overall reduction equivalent to €260m in the existing pension plan surplus cover recognised in the previous year's statement of comprehensive income under other net income.

a) Defined benefit plans

Pension obligations, pension-related obligations (age-related short-time working schemes, early retirement), obligations for long-service awards and pension expense for defined benefit plans are calculated annually by independent actuaries using the projected unit credit method. The underlying actuarial parameters are based on the norms in the country in which the pension plan was established. Apart from biometric assumptions (the Heubeck mortality tables 2018 G in Germany and country-specific biometric tables in other countries), the actuaries rely in particular on a current discount rate based on the yield on high-quality, long-term corporate bonds, as well as expected future rates of pension increases.

The future change in salaries does not have a material influence on the amount of the pension obligation due to the structure of the respective pension plans both in Germany and abroad. As a result, in line with the materiality principle, the parameter and its sensitivities are not disclosed.

For German pension obligations, the discount factor is determined using a proprietary Commerzbank model derived from eurozone swap rates with the same maturity and adjusted by a spread premium for high-quality corporate bonds.

The parameters outside Germany are determined on the basis of weighted averages taking account of the respective relevant pension plans.

%	31.12.2020	31.12.2019
Parameters for pension plans in Germany		
for determining the pension obligation at year-end		
Discount rate	0.5	1.1
Expected adjustment to pensions	1.4	1.4
for determining the pension expenses in the financial year		
Discount rate	1.1	1.9
Expected adjustment to pensions	1.4	1.6
(Weighted) parameters for pension plans outside Germany		
for determining the pension obligation at year-end		
Discount rate	1.3	2.1
Expected adjustment to pensions	2.8	2.7
for determining the pension expenses in the financial year		
Discount rate	2.1	2.8
Expected adjustment to pensions	2.7	2.9

For employees entitled to pension benefits who joined Commerzbank Aktiengesellschaft or certain other consolidated companies before 31 December 2004, the pension entitlements are mainly based on the regulations of the Commerzbank modular plan for company pension benefits, known as the CBA. The amount of the benefits under CBA consists of an initial module for the period up to 31 December 2004, plus a benefit module – possibly augmented by a dynamic module – for each contributory year from 2005 onwards; the benefits are structured as a lifelong pension with the option to take a lump sum. In view of the increasing use of the lump-sum option in recent years, a corresponding assumption was factored into the actuarial valuation for the first time in 2020.

Staff joining the Bank after 1 January 2005 have pension rights under the Commerzbank capital plan for company pension benefits, known as the CKA. The CKA guarantees a minimum benefit on the modular basis, but also offers additional opportunities for higher pension benefits through investing assets in investment funds.

Since 1 January 2010 the direct pension arrangements for staff formerly employed by Dresdner Bank Aktiengesellschaft have also been based on the company pension modules (CBA).

Furthermore, some foreign subsidiaries and branches, primarily in the United Kingdom and the USA, also have defined benefit plans.

In addition to the occupational pension plans, there is an internally-financed healthcare plan in the United Kingdom which entitles members in retirement to reimbursement of medical costs. The resulting obligations are accounted for according to the rules for defined benefit pension plans as specified by IAS 19.

In order to meet the direct pension liabilities in Germany, cover assets were transferred to a legally independent trustee, Commerzbank Pension Trust e. V. (CPT), under a Contractual Trust Arrangement (CTA). The assets held by CPT and the cover assets for pension obligations in our foreign units qualify as plan assets within the definition of IAS 19.8. The trust agreements signed by Commerzbank Aktiengesellschaft and other Group companies in Germany with the CPT also provide insolvency insurance for the direct occupational pension commitments funded by plan assets. The insolvency insurance covers all vested benefits of active and former employees and all current benefits being paid to pensioners. It covers the portion of vested or current benefits that are not covered by Pensions-Sicherungs-Verein (PSV), the German pensions insurance fund. The trust agreements do not require the trustor companies to pay in contributions. However, the plan assets must cover the liabilities not covered by PSV at all times. The companies that are party to the agreements may only request rebates from the plan assets for pension benefits that have been paid up to this limit.

The investment guidelines for the German plan assets are laid down jointly by the Board of Managing Directors of Commerzbank Aktiengesellschaft and the CPT. There are no legal requirements for the investment guidelines. The investment management is carried out by the Executive Pension Committee (EPC), which follows a liability-driven investment (LDI) approach as part of its Asset Liability Management. It also sets the framework for determining the actuarial assumptions. The main aim of the investment strategy is to replicate the future cash flows for the pension liabilities using derivatives for interest rates, inflation and credit spreads, with the aim of reducing the risks directly attributable to the future development of the pension liabilities. Apart from the usual pension risks such as inflation and biometric risks there are no other unusual risks at Commerzbank. The portfolio of the plan assets is well-diversified and mainly comprises fixed-income securities, equities and alternative investments.

The pension plans outside Germany have their own trust structures independent from the CPT. Overall, they currently represent around 12 % of the Group’s total pension liabilities. The EPC also acts as the steering committee for the plan assets of the foreign pension plans. Different national regulations also apply in each of the foreign countries. However, these plans also generally use an LDI approach. The biggest plan sponsors outside Germany are the Group units in London (around 86 %), New York and Amsterdam, which altogether account for around 95 % of the non-German pension liabilities. Most of the foreign pension schemes are funded defined benefit plans. In some cases, there are also pension liabilities on a small scale outside Germany that are not covered by plan assets.

The net liability or net asset resulting from the present value of the defined benefit obligations less the fair value of the plan assets, subject, if applicable, to the asset ceiling, is recognised in the balance sheet.

The pension expenses for defined benefit plans, which is reported under personnel expenses and in net interest income, consists of the service cost and the net interest cost or income. Service cost comprises current service cost, which represents the entitlements earned by members during the financial year as well as the past service cost or income. Net interest expense/income (net interest cost) is calculated as the difference in interest rate between the present value of the obligation and the fair value of the plan assets. When calculating the pension obligation with respect to the net liability and plan assets under defined benefit plans, the discount rate is applied.

The difference between the remeasurement of the pension obligation on the reporting date as compared with the value projected at the beginning of the year is the actuarial gain or loss. Actuarial gains and losses are, like the return on plan assets (with the exception of amounts contained in net interest expense/income), recognised directly in retained earnings within equity and are reported in the statement of comprehensive income.

The net defined benefit liability changed as follows:

	Pension obligation		Plan assets		Net liability	
€m	2020	2019	2020	2019	2020	2019
As at 1.1. current year	**10,259**	**9,227**	**– 9,734**	**– 8,604**	**525**	**623**
Service cost	84	74	–	2	84	76
Past service cost	2	–	–	–	2	–
Curtailments/settlements	– 0	–	–	–	– 0	–
Interest expense/income	123	185	– 118	– 179	5	6
Remeasurement	1,047	1,089	– 1,090	– 957	– 43	132
Gain or loss on plan assets excluding amounts already recognised in net interest expense/income	–	–	– 1,090	– 957	– 1,090	– 957
Experience adjustments	– 14	– 6	–	–	– 14	– 6
Adjustments in financial assumptions	1,170	1,149	–	–	1,170	1,149
Adjustments in demographic assumptions	– 109	– 54	–	–	– 109	– 54
Pension payments	– 327	– 376	50	103	– 277	– 272
Settlement payments	– 0	– 6	–	–	– 0	– 6
Change in the group of consolidated companies	–	2	–	– 2	–	0
Exchange rate changes	– 65	54	69	– 73	4	– 18
Employer contributions	–	–	– 27	– 23	– 27	– 23
Employee contributions	2	1	– 2	– 1	0	0
Reclassifications/other changes	4	8	0	0	4	8
As at 31.12. current year	**11,129**	**10,259**	**– 10,851**	**– 9,734**	**278**	**525**
of which: provision for pension					373	621
of which: recognition of defined benefit assets					– 95	– 96

Employer contributions of €20m to plan assets and pension payments of €279m are expected for defined benefit pension plans in the 2021 financial year. The asset ceiling had no effects within Commerzbank, and the net liability may therefore be equated with the funded status.

The geographical breakdown of the pension obligations was as follows:

€m	31.12.2020	31.12.2019
Germany	9,808	9,030
United Kingdom	1,136	1,057
Americas	85	91
Others	99	95
Total	**11,129**	**10,273**

The sensitivity analysis shown here reflects the changes in the assumption; the other assumptions remain unchanged from the original calculation, i.e. potential correlation effects between the individual assumptions are not accounted for. The effects of the assumption changes on the present value of the pension liabilities were determined using the same methods – in particular, the projected unit credit method – as used for the measurement of pension obligations as at the year-end. A change in the corresponding assumptions as at 31 December 2020 would have the following effects on the obligation:

€m	31.12.2020	31.12.2019
Interest rate sensitivity		
Discount rate +50bps	– 952	– 859
Discount rate –50bps	1,097	988
Pension adjustment sensitivity		
Adjustment to pensions +50bps	644	569
Adjustment to pensions –50bps	– 580	– 517
Mortality rate (life expectancy) change sensitivity		
Reduction in mortality by 10 %[1]	447	393

[1] The reduction in mortality by 10% for all ages results in an average increase in life expectancy of around one year at age 65.

The breakdown of the plan assets was as follows:

%	2020		2019	
	Active market	Inactive market	Active market	Inactive market
Fixed-income securities/bond funds	36.8	19.3	32.9	25.1
Shares/equity funds	6.5	1.3	7.5	2.4
Other investment fund units	0.3	0.1	0.3	0.3
Liquid assets	2.7	–	2.5	0.0
Asset-backed securities	2.6	1.7	4.0	1.0
Derivatives	17.3	1.5	12.4	1.0
Others	0.3	9.8	0.2	10.1

As at 31 December 2020, the plan assets did not include material amounts of securities issued by the Group or other claims upon it. Nor did they include any mortgage securities used by the Group.

The weighted average duration of the pension obligations was 18.4 years (previous year: 18.1 years). The anticipated maturities of undiscounted pension obligations are as follows:

€m	2021	2022	2023	2024	2025	2026–2030
Expected pension payments	289	290	293	307	307	1,580

b) Defined contribution plans

Together with other financial institutions in Germany, Commerzbank is a member of BVV Versicherungsverein des Bankgewerbes a.G. (BVV), the occupational pension fund which provides retirement benefits to eligible employees in Germany. The contributions to the BVV are paid regularly by both the employer and the employee. The contributions paid by Commerzbank are recognised in personnel expenses. The BVV tariffs provide for fixed pension payments with profit participation. However, these plans are accounted for as defined contribution plans, as we do not have enough information on our share of the overall defined benefit obligation of each BVV plan and on the share of the relevant plan assets attributable to us. In the BVV scheme the employer bears subsidiary liability for the company pension scheme towards its own employees. There is also an obligation to make adjustments to compensate for inflation in favour of the beneficiaries, which could result in an increase in pension benefits. In addition, the BVV is entitled to demand further contributions from the member companies in case the economic situation of the BVV makes this necessary.

However, no provisions for the BVV pension commitment were recognised either in the current or previous financial years, as recourse to this statutory liability is regarded as unlikely.

Furthermore, some foreign subsidiaries and branches, primarily in the United Kingdom and the USA, also have defined contribution plans. The expenses for defined contribution plans included €72m (previous year: €75m) in payments to the BVV. Contributions in 2021 are expected to be around the same amount.

Other provisions

a) Provisions for off-balance-sheet lending exposures and financial guarantees

For information on the principles we observe when establishing provisions for off-balance-sheet lending exposures and financial guarantees, please refer to the explanations in Notes 32 to 35 on credit risks and credit losses.

b) Other provisions

Other provisions changed as follows in the financial year:

€m	As at 1.1.2020[1]	Allocations	Utilisation	Reversals	Unwinding of discount	Reclassifications/ change in the group of consolidated companies/ other	As at 31.12.2020
Personnel provisions	548	248	277	24	0	– 7	488
Restructuring measures	401	788	184	1	1	17	1,021
Legal proceedings and recourse claims	261	279	18	40	0	– 9	473
Others	427	160	145	34	– 0	– 7	402
Total	**1,638**	**1,475**	**624**	**100**	**1**	**– 6**	**2,384**

[1] Adjusted figures.

The personnel provisions are predominantly short-term in nature, but also include provisions for long service awards, which are by their nature long-term and are utilised successively in following reporting periods. They also contain provisions for the long-term cash component of the Commerzbank Incentive Plan (CIP) which are utilised after the expiry of the three-year deferral period. The provisions listed under Other mostly have a residual term of under one year.

The restructuring provisions relate primarily to personnel and, to a lesser extent, to real estate. The 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 AG 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 region (human resources and real estate). This resulted in the recognition of a provision in the third quarter. In the fourth quarter, 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 recognised further restructuring provisions.

Legal disputes

In case of legal proceedings for which provisions need to be recognised, and which are contained in "Other provisions" under legal proceedings and recourse claims, neither the duration of the proceedings nor the level of utilisation of the provision can be predicted with certainty at the date the provision is recognised. The provisions cover the costs expected according to our judgement as at the reporting date. We have not set out the provision amounts and sensitivities individually to avoid influencing the outcome of the various proceedings.

- Commerzbank and its subsidiaries operate in a large number of jurisdictions subject to different legal and regulatory requirements. In isolated cases in the past, infringements of legal and regulatory provisions have come to light and have been prosecuted by government agencies and institutions. Some companies within the Group are currently still involved in a number of such cases.
- Commerzbank and its subsidiaries are especially active in the area of investment advisory within the Private and Small-Business Customers segment. The legal requirements for investor- and investment-oriented advisory services have been made more rigorous, especially in recent years. Commerzbank and its subsidiaries have consequently been involved in a number of legal disputes, some of which are still pending, with investors who claim to have received poor or inadequate investment advice and who demand compensation for damages or the reversal of investment transactions where information regarding commission fees was lacking (e.g. for closed-end funds).
- Following a ruling by the German Federal Court of Justice in October 2014 declaring that non-term-related processing fees in preformulated contractual terms and conditions for consumer loans were invalid, a large number of customers have lodged claims with Commerzbank for repayment of the processing fees. The majority of these claims have now been settled. In its ruling given at the beginning of July 2017, the German Federal Court of Justice extended the principles on the invalidity of non-term-related processing fees in preformulated contractual terms and conditions to loan agreements concluded between banks and entrepreneurs. To date, only a few corporate customers have submitted claims for the recovery of fees paid in the past. Commerzbank does not currently anticipate any further significant recovery claims in the future.
- Commerzbank is exposed to claims from customers owing to "cancellation joker" ("Widerrufsjoker") issues. Following a change in the law, according to which any right to cancel loan agreements concluded between 2002 and 2010 could lapse no later than on 21 June 2016, many borrowers cancelled their agreements and asserted that the information given to them about cancellation when they concluded the agreement had been deficient. Some of them took legal action against the Bank when it refused to accept their cancellation, intending to immediately pay back the loan prior to the expiry of the fixed interest term without having to compensate the Bank for the loss incurred as a consequence of the early repayment. For agreements concluded after 2010, an attempt is also being made to use the cancellation joker to withdraw from the agreements prematurely. The Bank contested these actions.
  In its judgement of 26 March 2020, the European Court of Justice decided that a reference to other legal provisions contained in the (statutory) boilerplate information on cancellation for customer loan agreements was unclear to the consumer and regarded this as a breach of the requirements of the European Consumer Credit Directive. In its consumer loan agreements the Bank has used the legal model which the German Federal Court of Justice has already deemed to be in order in several decisions. The Federal Court of Justice has convincingly justified this by arguing that the German courts cannot disregard a national standard which is clear in its wording and meaning. The Federal Court of Justice most recently confirmed its stance in a decision on 31 March 2020. For this reason the Bank does not consider itself to be exposed to any increased risks as a result of the ECJ ruling for the current portfolio of consumer loans.
- A subsidiary of Commerzbank was involved in a South American bank which in the meantime has gone into liquidation. A number of investors and creditors of this bank have launched various legal actions in Uruguay and Argentina against the subsidiary, and, in some cases, Commerzbank as well, alleging liability as shareholders of the bankrupt companies as well as breaches of duty by the persons nominated by the subsidiary for the banks' supervisory boards. In addition, the subsidiary was involved in two funds which raised money from investors and were managed by third parties. The liquidators of these funds have launched court proceedings in the USA demanding the repayment of amounts received by the subsidiary from the funds.
- A subsidiary of Commerzbank was sued by a customer in May 2014 for compensation due to alleged fraudulent misselling of derivative transactions. The subsidiary has defended itself against the claim.
- In May 2017, a Polish court admitted a class action lawsuit against a subsidiary of Commerzbank alleging the ineffectiveness of index clauses in loan agreements denominated in Swiss francs (CHF). A total of 1,731 plaintiffs have joined the class action. 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 highly discretionary. 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, discretionary and in some cases associated with considerable uncertainty. Key parameters are the estimated total number of plaintiffs, the probability of losing a lawsuit in the last instance, the amount of the loss and the development of the exchange rate. Fluctuations in the parameters and the interdependencies between them may mean that the amount of the provision has to be adjusted significantly in the future.

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.

- A Commerzbank subsidiary together with another bank was sued for damages in May 2018 due to alleged unfair price collusion in connection with the levying of settlement fees. The subsidiary is defending itself against the action.
- A subsidiary of Commerzbank was sued by a customer for compensation due to alleged unlawful selling of collateral. The subsidiary has defended itself against the claim.
- In July 2020, Commerzbank was found guilty by a court in India in connection with payments under reimbursement authorisations related to letter of credit transactions. Following the appeal lodged by Commerzbank, the case was referred back to the court of first instance for a new hearing.

- In proceedings relating to a specific retail mortgage loan agreement, a court overturned the finding of the lower court and ruled that the contractual clause concerning the calculation of prepayment penalty fees was insufficient and the prepaymentpenalty fee received by the Bank has to be refunded. The Bank has appealed the verdict.

(59) Share-based remuneration plans

Significant share-based remuneration plans

a) Commerzbank Incentive Plan (CIP)

The Commerzbank Incentive Plan (CIP), which was first launched in 2011, sets out the detailed rules for variable remuneration and applies to the entire Commerzbank Group. The CIP is an equity-settled plan with a settlement option in cash for the employer, which falls within the scope of IFRS 2. In some locations different or supplementary CIP rules apply reflecting local legal or employment law requirements.

Under the CIP, employees designated as risk takers can receive parts of their individual variable remuneration as a cash component and a stock component, linked to the performance of the Commerzbank share. The variable remuneration consists of a short-term incentive (STI) and, in the case of risk takers whose variable remuneration exceeds the risk taker limit, a long-term incentive (LTI).

A risk taker is an employee whose role has a material impact on Commerzbank's overall risk profile. The criteria on the basis of which the risk takers are identified are divided into the categories of management responsibility, risk responsibility and remuneration level. Depending on the employee's hierarchical level and the risk relevance of their role, the Bank designates what kind of risk taker the employee is: "risk taker I" or "risk taker II". Risk taker I status applies to employees whose role entails a higher risk relevance.

The risk taker limit is the amount up to which the payment of a risk taker's entire variable remuneration for a financial year takes the form of a cash STI payment. For risk takers whose variable remuneration does not exceed the risk taker limit, and for employees without risk taker status (non-risk takers), variable remuneration is paid entirely as a cash STI. Only if the risk taker limit is exceeded is the variable remuneration divided up into STI and LTI components subject to the CIP rules applying to these components.

The following rules apply once the risk taker limit has been exceeded:

- For the risk taker I category, the STI component is 40% and the LTI component is 60% of the potential variable remuneration. 50% of both the STI and LTI are paid in shares.
- For the risk taker II category, the STI component is generally 60% and the LTI component 40% of the potential variable remuneration. Once an internally defined threshold for variable remuneration has been reached, the division into STI and LTI is in line with the system for the risk taker I category. Half of both STI and LTI is share-based remuneration.

An individual's variable remuneration is determined on the basis of the results of their annual target attainment meeting (performance appraisal I), which is held in the first three months of the following financial year. The number of Commerzbank shares granted is set at the same time as the variable remuneration for both the STI and the LTI. If risk takers receive share-based remuneration components, the number of Commerzbank shares is calculated by dividing 50% of the euro amounts in the STI and the LTI by the subscription price. If there are any fractional amounts, the number of shares is rounded up. The subscription price for the variable remuneration set until the financial year 2018 is the simple arithmetic average of the Xetra closing prices of the Commerzbank share on all trading days during the reference period (December of the previous year and January and February of the next year). For the variable remuneration that has been set from the 2019 financial year onwards, the reference period for the subscription price is the month of January of the year following the financial year.

Under the rules of the share-based remuneration components Commerzbank has the right to make a payment in cash rather than in shares. Use is made of this option as a rule. In the STI, the shares, or the optional cash settlement, were subject to a six-month lockup ("retention period") for the variable remuneration set until the financial year 2018. From the financial year 2019, the retention period will be at least 12 months. This means that the STI share component of the financial year (n) will in future generally be paid out in April of the financial year after next (n+2).

In the LTI, variable remuneration set for the financial years up to and including 2018 may be acquired at the earliest after the expiry of a three-year deferral period, provided there are no other grounds under performance appraisal II to block the allocation. Starting from the 2019 financial year, risk takers I can acquire it at the earliest after five years and risk takers II at the earliest after three years, whereby this period will be extended to four years for future financial years following the entry into force of the latest amendment to the German Remuneration Regulation for Institutions (InstitutsVergV), which transposes the European requirements into German law. Performance appraisal II is held after the end of the deferral period and consists of a review of the underlying performance appraisal I and fulfilment of individual and Group-specific qualitative targets during the deferral period. In the LTI, if a claim arises, the shares or the optional cash settlement are also subject to a retention period, as in the STI. Until now the LTI has been paid out in October of the fourth year after the underlying financial year. The payment of variable remuneration which was set from the 2019 financial year onwards will be made after completion of the performance appraisal II for risk takers I, for LTI Cash in November of the sixth year (n+6), and for LTI Equity in October of the seventh year (n+7). For risk takers II, LTI cash will be paid in November of the fourth year (n+4) and LTI equity in October of the fifth year (n+5).

In the event of a cash settlement of the share component the cash amount is calculated on the basis of the simple arithmetic average of Xetra closing prices of the Commerzbank share on all trading days during the reference period. The reference period for entitlement to variable remuneration set until the 2018 financial year is the month of September preceding the due date of the respective share-based remuneration components. The reference period for entitlement from the 2019 financial year onwards is the last full calendar month preceding the end of the retention period of the respective share-based remuneration components.

If Commerzbank has paid dividends or carried out capital actions during the term of the CIP, then, for equity components with variable remuneration set until the 2018 financial year, an additional cash amount equal to the dividend per share, or a cash settlement for the capital action, will be paid out when the STI and LTI components mature. From the 2019 financial year onwards, no entitlement to compensation for dividends or subscription rights paid or granted to shareholders arises in the deferral period, unlike the retention period.

The various remuneration components are estimated in the underlying financial year on the basis of budget forecasts, and provisions are recognised proportionally over the lifetime of the plans. Moreover, regular reviews, revaluations based on movements in the share price and/or adjustments of the amounts are carried out throughout the lifetime of the CIP.

b) Share-based payment plans of mBank S.A.

In 2012 a share-based programme was launched in which members of the Management Board could participate up until 2017. Until 2013 this programme comprised both a short-term component (cash payment) and a long-term component which entitled the participants to make regular subscriptions to mBank shares over a period of three years. The programme was modified in 2014 and now consists of cash payments and the subscription of mBank shares in both components over three years. A given quantity of these shares were issued each year and made available to those entitled for purchase at a pre-determined price. In addition, a significant number of risk takers were added to this programme in 2015. In all of these programmes, participation is linked to a minimum return on equity by the mBank sub-group. The long-term component of the programme from 2012 (modified in 2014) is also linked to the participants' performance assessment.

In 2018, the programme was technically adapted and the long-term component for board members was extended from three to five years (pro rata).

Both plans, which entitle the participants to subscribe to mBank shares (2012, modified in 2014 and with the technical adjustment made in 2018), are classified as share-based payments settled in the form of equity instruments.

c) Remuneration of the Board of Managing Directors

Please refer to the separate Remuneration Report in the Group Management Report for a detailed account of the remuneration of members of the Board of Managing Directors.

Accounting and valuation of share-based payment and bonus plans

The staff compensation plans are accounted for under the rules of IFRS 2 – Share-based Payment and IAS 19 – Employee Benefits. A distinction is made between share-based remuneration payments settled in the form of equity instruments and those settled in cash. For both types of remuneration, however, the granting of share-based remuneration has to be recognised at fair value in the Group financial statements.

Accounting

- Equity-settled share-based remuneration transactions: The fair value of share-based remuneration payments settled in the form of equity instruments is recognised as personnel expenses and reflected within equity in retained earnings. The fair value is determined on the date on which the rights are granted. If rights cannot be exercised because the conditions for exercise are not met due to market conditions, no change is made to the amounts already recognised in equity. However, if rights cannot be exercised because other conditions for exercise are not met (service and non-market conditions), the amounts already recognised in equity are adjusted through profit or loss.

- Cash-settled share-based remuneration transactions: The portion of the fair value of share-based remuneration payments settled in cash that relates to services performed up to the date of measurement is recognised as personnel expenses while at the same time being recorded as a provision. The fair value is recalculated on each reporting date up to and including the settlement date. Any change in the fair value of the obligation must be recognised through profit or loss. On the date of settlement, therefore, the provision must correspond as closely as possible to the amount payable to the eligible employees. The provisions fluctuate on each subsequent reporting date in parallel with the performance of the Commerzbank Aktiengesellschaft share price. This affects the portion of the share-based variable remuneration that was determined using an average price for the Commerzbank share. The price itself is determined as the average Xetra closing price of the months of January and February plus December of the previous year.

Measurement

The provision for the Commerzbank Incentive Plan is determined by multiplying the number of shares earned by participants by the closing price of the Commerzbank share on 31 December of the reporting year. The expense for the allocations to the provisions can also be recognised over the vesting period of four or six years, depending on the remuneration plan.

Due to services already rendered by employees (including the Board of Managing Directors), expenses for non-share-based remuneration of €102m were incurred in the 2020 financial year (previous year: €181m), as well as expenses relating to share-based payments. Expense for share-based payments was as follows:

€m	2020	2019
Cash-settled plans (Commerzbank Incentive Plan)	5	11
Equity-settled plans	2	2
Total	**7**	**14**

The provisions for share-based payment plans and the reserves in equity for share-based payment settled with equity instruments were as follows:

€m	2020	2019
Provisions Commerzbank Incentive Plan	53	54
Equity reserves	6	6

Commerzbank Incentive Plan.

The number of shares changed as follows in the current financial year:

Number of awards Units	**Commerzbank Incentive Plan**
Balance as at 1.1.2019	**3 230 722**
Granted during the year	642 495
Forfeited during the year	–
Exercised during the year	1 888 439
Expired during the year	–
Balance as at 31.12.2019	**1 984 778**
Granted during the year[1]	1 064 923
Forfeited during the year	–
Exercised during the year	902 033
Expired during the year	–
Balance as at 31.12.2020	**2 147 668**

[1] The allocation rate for the financial year is €5.44.

(60) Contingent liabilities and lending commitments

This item mainly shows contingent liabilities arising from guarantees and indemnity agreements as well as irrevocable lending commitments at their nominal value.

Situations where the reporting company acts as guarantor to the creditor of a third party for the fulfilment of a liability of that third party must be shown as guarantees. Indemnity agreements include contractual obligations that involve taking responsibility for a particular outcome or performance. These are normally guarantees issued at a customer's request, which give us a right of recourse to the customer in the event that the guarantee is called upon. All obligations that could incur a credit risk must be shown here as irrevocable lending commitments. These include obligations to grant loans (e.g. credit lines that have been granted to customers), to buy securities or provide guarantees or acceptances. In contrast, loan commitments allocated to the trading portfolio are recognised under Financial assets – Held for trading or Financial liabilities – Held for trading.

Provisions for risks in respect of contingent liabilities and lending commitments are included in provisions for off-balance-sheet lending.

Income from guarantees is reported in net commission income; the level of this income is determined by the application of agreed rates to the nominal amount of the guarantees.

Legal risks where the occurrence of a loss cannot be ruled out but for which no provisions have been recognised because a claim is highly improbable, are also reported under contingent liabilities. We take a wide variety of factors into account in determining the probability of a loss, including the type of claims and judgements on similar issues.

The Commerzbank Group extends credit facilities to its customers, granting them rapid access to funds to meet their short-term and long-term financing needs. The credit facilities can be provided in different forms, as shown in the following examples:

- guarantees, where the Group guarantees the repayment of a loan borrowed by a customer from another party;
- standby letters of credit, which enhance a customer's credit standing and enable the customer to obtain trade finance at a lower cost;
- documentary credits for trade finance payments, which are made on behalf of a customer and where the Group is reimbursed at a later date;
- standby facilities for short-term debt instruments and debt paper issued on a revolving basis, which enable customers to issue money market paper or medium-term debt instruments when needed without having to go through the normal issue procedure every time.

Existing collateral may serve to cover the total liabilities of customers from loans and guarantees. Also, third parties may have sub-participations in irrevocable lending commitments and acceptances.

The contingent liabilities also include the irrevocable payment obligation provided by the Single Resolution Board (SRB) after approval of the Bank's request for security for payment of part of the banking levy.

The figures listed in the table below do not take account of any collateral and would only have to be written off if all customers utilised their credit facilities completely and then defaulted (and there was no collateral). In practice, the majority of these facilities expire without ever being utilised. Consequently, these amounts are unrepresentative in terms of assessing risk, the actual future loan exposure or resulting liquidity requirements. The Group Management Report contains further information on credit risk and liquidity risk and how they are monitored and managed. Loan loss provisions for off balance-sheet commitments have been deducted from the respective items in these tables.

€m	31.12.2020	31.12.2019[1]	Change in %
Contingent liabilities	**41,731**	**40,832**	**2.2**
Banks	6,425	6,101	5.3
Corporate clients	32,081	31,503	1.8
Private customers	185	197	– 5.8
Other financial corporations	2,968	2,954	0.5
General governments	71	78	– 8.3
Lending commitments	**85,476**	**80,903**	**5.7**
Banks	1,339	1,563	– 14.3
Corporate clients	65,853	62,218	5.8
Private customers	12,291	10,170	20.9
Other financial corporations	5,367	6,425	– 16.5
General governments	625	527	18.6
Total	**127,207**	**121,735**	**4.5**

[1] Prior-year figures adjusted due to restatements (see Note 4).

In addition to the credit facilities listed above, the Commerzbank Group may also sustain losses from legal and tax risks the occurrence of which is not very probable and for which reason no provisions have been recognised. However, since there is some probability of their occurrence, they are presented under contingent liabilities. It is impossible to reliably estimate the date on which such risk may materialise or any potential reimbursements. Depending on the outcome of the legal and fiscal proceedings, the estimate of our risk of loss may prove to be either too low or too high. However, in a large majority of cases the contingent liabilities for legal risks do not ever materialise and, therefore, the amounts are not representative of the actual future losses. As at 31 December 2020, contingent liabilities for legal risks amounted to €398m (previous year: € 511m) and related to the following material issues:

- Several actions have been taken against a subsidiary of Commerzbank by customers of a former, now bankrupt, corporate customer which held its bank accounts with the subsidiary. The aim of the action is to obtain claims for damages from the subsidiary for allegedly assisting the management of the bankrupt corporate customer in its fraudulent dealings in relation to the management of its accounts. The claims of various customers were subsequently acquired by a company, which is now asserting a collective claim. These claims for damages were dismissed in January 2021, the plaintiff still has an opportunity to appeal.
- The former Dresdner Bank had an equity holding in a US company that was sold by way of a leveraged buyout. During the insolvency proceedings of this company a number of lawsuits were brought in the USA against several banks, including Commerzbank as the legal successor of Dresdner Bank, for repayment of the proceeds it received from the sale of its stake. The action brought by the insolvency administrator was dismissed in the first instance; an application to review the decision is currently pending at the relevant court of appeal. The actions brought by the Company's pensioners and bondholders have been dismissed by the court of appeal in favour of, among others. The bank has appealed the verdict.
- Commerzbank was sued for damages by a former borrower in Hungary in April 2016. After the borrower failed to remedy multiple breaches of the loan contract, Commerzbank terminated the contract and ceased any further loan disbursements. The plaintiff was liquidated in January 2019. As a result, in February 2019 the court dismissed the claims for intangible damages and suspended the rest of the proceedings. In February 2019, a group company of the Hungarian borrower filed a petition for the continuation of the proceedings on the basis of an (allegedly) assigned right of 75% of the claim. The petition was dismissed in September 2019. The appeal was rejected in February 2020.
- A customer sued Commerzbank for recovery of monies in April 2016. The claimant is demanding the repayment of interest which in its view was wrongly paid to Commerzbank and is also demanding the release of collateral which is being held as security for a claim by Commerzbank against the claimant. Commerzbank and the claimant are in dispute about the legal validity of Commerzbank's secured claim. Commerzbank is defending itself against the action.
- In a lawsuit filed in May 2019, a Commerzbank customer sought a ruling that the Bank must compensate the claimant for material damages caused by alleged false advice in connection with derivatives in the form of swap contracts. Commerzbank considers the lawsuit to be unfounded and has defended itself against the claim.

- A Commerzbank subsidiary together with another bank was sued for damages in February 2020 due to alleged unfair price collusion in connection with the levying of settlement fees. The subsidiary is defending itself against the action.

The contingent liabilities for tax risks relate to the following material issues:
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. 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.

(61) Segment reporting

Segment reporting reflects the results of the operating segments within the Commerzbank Group. The following segment information is based on IFRS 8 Operating Segments, which applies the management approach. The segment information is prepared on the basis of internal management reporting, which the chief operating decision maker draws on in assessing the performance of the operating segments and determining the allocation of resources to the operating segments. Within the Commerzbank Group, the function of chief operating decision maker is exercised by the Board of Managing Directors.

Our segment reporting addresses the segment structure, comprising Private and Small-Business Customers, Corporate Clients and the Others and Consolidation segment. The Asset & Capital Recovery segment, which was discontinued on 1 July 2019, is shown separately with its previous-year result. This reflects the Commerzbank Group's organisational structure and forms the basis for internal management reporting. The business segments are defined by differences in their products, services and/or customer target groups. The income and expenses of the Corporate Clients segment and of the Group are presented without the discontinued business division (see Note 49).

In the first quarter of 2019, as part of the wind-down strategy of the Asset & Capital Recovery segment, transfers of these receivables from local authorities and public-sector or quasi-public-sector institutions in North America and the UK were made to the Others and Consolidation segment. The remaining assets of the Asset & Capital Recovery segment, which was discontinued as at 1 July 2019, were transferred to the Private and Small-Business Customers segment, and in particular to the Others and Consolidation segment. As part of its digitisation strategy, Commerzbank has reorganised product development and operations in the supply organisation as of 1 July 2019 by linking the business and IT sides in agile teams. This does not result in any changes to the previous segment reporting. The segmentation of Commerzbank's moveable asset leasing business was refined in the third quarter of 2020, resulting in shifts between the Private and Small-Business Customers and Corporate Clients segments. The prior-year figures have been restated accordingly.

Further information on the segments is provided in the Group Management Report section of this Annual Report. The operating segments' capital requirement for risk-weighted assets is 12%. A capital requirement of 15% of risk-weighted assets was applied to the Asset & Capital Recovery segment until its discontinuation.

The performance of each segment is measured in terms of operating profit or loss and pre-tax profit or loss, as well as operating return on equity and the cost/income ratio. Operating profit or loss is defined as the sum of net interest income, dividend income, risk result, net commission income, net income from financial assets and liabilities measured at fair value through profit or loss, net income from hedge accounting, other net income from financial instruments, current net income from companies accounted for using the equity method and other net income less operating expenses and compulsory contributions. The operating profit does not include any impairments on goodwill or other intangible assets or restructuring expenses. As we report pre-tax profits, non-controlling interests are included in the figures for both profit and loss and average capital employed. All the revenue for which a segment is responsible is thus reflected in the pre-tax profit. When showing the elimination of intragroup profits from intragroup transactions in segment reporting, the transferring segment is treated as if the transaction had taken place outside the Group. Intragroup profits and losses are therefore eliminated in Others and Consolidation.

The operating return on equity is calculated as the ratio of operating profit to average capital employed. It shows the return on the capital employed in a given segment. The cost/income ratio in operating business reflects the cost efficiency of the various segments. It is calculated from the ratio of the sum of operating expenses and compulsory contributions to income before the risk result. We also report a cost/income ratio in operating business that excludes compulsory contributions, to take account of the fact that this item cannot be influenced in terms of either amount or periodicity.

Income and expenses are reported within the segments by originating unit and at market prices, with the market interest rate method being used for interest operations. The actual funding costs for the business-specific equity holdings of the segments are shown in net interest income. The Group's return on capital employed is allocated to the net interest income of the various segments in proportion to the average capital employed in the segment. The interest rate used is the long-term risk-free rate on the capital market. Net interest income also contains liquidity costs. These costs include both externally paid funding costs as well as the complete allocation of liquidity costs to the businesses and segments based on our transfer price system for liquidity costs. This system is used to allocate the interest expenses resulting from the

Bank's external funding to the individual transactions and portfolios of the segments. This allocation is based on a central liquidity price curve in accordance with cost causation. The average capital employed in the segments is calculated based on the average segmented risk-weighted assets. For the Corporate Clients segment, the average capital employed in the segment is calculated without the discontinued business division. At Group level, Common Equity Tier 1 (CET1) capital is shown, which is used to calculate the operating return on equity. The reconciliation of average capital employed in the segments to the Group's CET1 capital is carried out in Others and Consolidation. We also report the assets and liabilities for the individual segments and the carrying amounts of companies accounted for using the equity method. Due to our business model, the segment balance sheet only balances out at Group level.

The operating expenses reported under operating profit or loss contain personnel expenses, administrative expenses (excluding compulsory contributions) as well as amortisation, depreciation and write-downs on fixed assets and other intangible assets. Restructuring expenses and impairments of both goodwill and other intangible assets are reported below the operating profit line in pre-tax profit or loss. Operating expenses and compulsory contributions are attributed to the individual segments on the basis of cost causation. The indirect expenses arising in connection with internal services are charged to the user of the service and credited to the segment performing the service. The provision of intragroup services is charged at full cost or at market prices.

2020 €m	**Private and Small Business Customers**	**Corporate Clients**	**Asset & Recovery**	**Others and Consolidation**	**Group**
Net interest income	2,576	1,799	–	600	4,975
Dividend income	26	5	–	7	37
Risk result	– 562	– 1,081	–	– 106	– 1,748
Net commission income	2,151	1,205	–	– 39	3,317
Net income from financial assets and liabilities measured at fair value through profit or loss	232	146	–	– 311	66
Net income from hedge accounting	0	12	–	195	207
Other net income from financial instruments	30	– 39	–	– 56	– 65
Current net income from companies accounted for using the equity method	– 1	8	–	– 0	6
Other net income	– 237	– 14	–	– 106	– 357
Income before risk result	*4,776*	*3,120*	–	*290*	*8,186*
Income after risk result	*4,215*	*2,040*	–	*184*	*6,438*
Operating expenses	3,515	2,380	–	264	6,160
Compulsory contributions	331	117	–	63	512
Operating profit or loss	**368**	**– 458**	**–**	**– 143**	**– 233**
Impairments on goodwill and other intangible assets	1,578	–	–	–	1,578
Restructuring expenses	–	–	–	814	814
Pre-tax profit or loss from continuing operations	**– 1,210**	**– 458**	**–**	**– 958**	**– 2,626**
Assets	**153,825**	**166,777**	**–**	**186,314**	**506,916**
of which: discontinued assets	–	2,040	–	–	2,040
Liabilities	**200,687**	**174,722**	**–**	**131,508**	**506,916**
of which: discontinued liabilities	–	2,051	–	–	2,051
Carrying amount of companies accounted for using the equity method	**28**	**140**	**–**	**1**	**169**
Average capital employed[1]	**5,680**	**11,544**	**–**	**7,275**	**24,499**
Operating return on equity (%)	**6.5**	**–4.0**	**n/a**	**–**	**–1.0**
Cost/income ratio in operating business (excl. compulsory contributions) (%)	**73.6**	**76.3**	**n/a**	**–**	**75.2**
Cost/income ratio in operating business (incl. compulsory contributions) (%)	**80.5**	**80.1**	**n/a**	**–**	**81.5**

[1] Average CET1 capital. Reconciliation carried out in Others and Consolidation.

2019[1] €m	**Private and Small Business Customers**	**Corporate Clients**	**Asset & Recovery**	**Others and Consolidation**	**Group**
Net interest income	2,683	1,895	– 23	514	5,070
Dividend income	10	11	–	15	35
Risk result	– 254	– 342	– 24	– 0	– 620
Net commission income	1,914	1,176	0	– 35	3,056
Net income from financial assets and liabilities measured at fair value through profit or loss	217	183	111	– 267	244
Net income from hedge accounting	3	16	10	76	105
Other net income from financial instruments	24	– 2	– 19	23	27
Current net income from companies accounted for using the equity method	3	8	– 0	– 0	10
Other net income	23	– 14	– 0	84	93
Income before risk result	*4,876*	*3,274*	*79*	*410*	*8,639*
Income after risk result	*4,622*	*2,932*	*55*	*410*	*8,019*
Operating expenses	3,506	2,478	15	314	6,313
Compulsory contributions	285	118	9	41	453
Operating profit or loss	**831**	**336**	**31**	**55**	**1,253**
Impairments on goodwill and other intangible assets	–	28	–	–	28
Restructuring expenses	–	–	–	101	101
Pre-tax profit or loss from continuing operations	**831**	**309**	**31**	**– 46**	**1,124**
Assets	**150,323**	**178,842**	**–**	**134,285**	**463,450**
of which: discontinued assets	–	7,955	–	–	7,955
Liabilities	**186,441**	**172,512**	**–**	**104,497**	**463,450**
of which: discontinued liabilities	–	8,528	–	–	8,528
Carrying amount of companies accounted for using the equity method	**28**	**149**	**1**	**–**	**177**
Average capital employed[2]	**5,329**	**11,927**	**1,620**	**5,064**	**23,940**
Operating return on equity (%)	**15.6**	**2.8**	**1.9**	**–**	**5.2**
Cost/income ratio in operating business (excl. compulsory contributions) (%)	**71.9**	**75.7**	**19.3**	**–**	**73.1**
Cost/income ratio in operating business (incl. compulsory contributions) (%)	**77.7**	**79.3**	**30.7**	**–**	**78.3**

[1] Prior-year figures adjusted due to restatements. Prior-year adjustmetns due to IFRS 8.29.
[2] Average CET1 capital. Reconciliation carried out in Others and Consolidation

€m	2020		
	Others	**Consolidation**	**Others and Consolidation**
Net interest income	604	– 5	600
Dividend income	7	0	7
Risk result	– 106	–	– 106
Net commission income	– 31	– 8	– 39
Net income from financial assets and liabilities measured at fair value through profit or loss	– 324	13	– 311
Net income from hedge accounting	195	–	195
Other net income from financial instruments	– 43	– 14	– 56
Current net income from companies accounted for using the equity method	0	– 0	– 0
Other net income	– 100	– 6	– 106
Income beforer risk result	309	– 19	290
Income after risk result	202	– 19	184
Operating expenses	277	– 13	264
Compulsory contributions	63	0	63
Operating profit or loss	**– 137**	**– 6**	**– 143**
Impairments on goodwill and other intangible assets	–	–	–
Restructuring expenses	814	–	814
Pre-tax profit or loss from continuing operations	**– 952**	**– 6**	**– 958**
Assets	**186,167**	**147**	**186,314**
Liabilities	**131,307**	**201**	**131,508**

€m	2019[1]		
	Others	Consolidation	Others and Consolidation
Net interest income	496	18	514
Dividend income	13	2	15
Risk result	– 0	–	– 0
Net commission income	– 31	– 4	– 35
Net income from financial assets and liabilities measured at fair value through profit or loss	– 306	39	– 267
Net income from hedge accounting	76	–	76
Other net income from financial instruments	27	– 4	23
Current net income from companies accounted for using the equity method	–	– 0	– 0
Other net income	96	– 12	84
Income before risk result	372	38	410
Income after risk result	371	38	410
Operating expenses	329	– 15	314
Compulsory contributions	41	0	41
Operating profit or loss	**1**	**53**	**55**
Impairments on goodwill and other intangible assets	–	–	–
Restructuring expenses	101	–	101
Pre-tax profit or loss from continuing operations	**– 100**	**53**	**– 46**
Assets	**134,108**	**178**	**134,285**
Liabilities	**104,274**	**223**	**104,497**

[1] Prior-year figures adjusted due to restatements (see Note 4).

Under “Consolidation” we report consolidation and reconciliation items from the results of the segments and “Others” affecting the Group financial statements. This relates primarily to the following items:

- Elimination of the net measurement gains or losses on own bonds incurred in the segments;
- Effects from the consolidation of intragroup-transactions between segments;
- Effects from the consolidation of expenses and income;
- Income and operating expenses of staff and management functions, which are charged to the segments and Others.

The breakdown within segment reporting by geographical region, which is essentially based on the location of the branch or group entity, was as follows:

2020 €m	Germany	Europe without Germany	America	Asia	Others	Total
Income before risk result	6,016	1,862	108	201	0	8,186
Credit-risk-weighted assets (with transitional provisions)	90,352	48,062	5,250	4,296	–	147,960

2019[1] €m	Germany	Europe without Germany	America	Asia	Others	Total
Income before risk result	6,254	2,008	142	235	0	8,639
Credit-risk-weighted assets (with transitional provisions)	94,928	47,172	5,674	4,129	–	151,903

[1] Prior-year figures adjusted due to restatements (see Note 4).

Of the income before loan loss provisions in Europe (not including Germany), around 18 % was from our units in the United Kingdom (previous year: 18 %), 58 % from our units in Poland (previous year: 59 % and 11 % from our units in Luxembourg (previous year: 10 %). Credit-risk-weighted assets (phase-in) are shown for the geographical segments rather than non-current assets.

In accordance with IFRS 8.32 Commerzbank has decided not to provide a breakdown of the Commerzbank Group's total profits by products and services. We decided not to collect this data for efficiency reasons, as it is used neither for internal management activities nor for management reporting.

Other notes

Reported equity and regulatory capital

(62) Equity structure in accordance with IFRS

Subscribed capital

The subscribed capital (share capital) of Commerzbank Aktiengesellschaft consists of no-par-value shares, each with an accounting par value of €1.00. The shares are issued in bearer form. Purchases and disposals of treasury shares are added to or deducted from subscribed capital at an accounting par value of €1.00. The subscribed capital stood at €1,252m as at 31 December 2020, as no treasury shares were held. There are no preferential rights or restrictions on the payment of dividends at Commerzbank Aktiengesellschaft. All shares in issue are fully paid up.

Conditional capital

Conditional capital is intended to be used for the issue of convertible bonds or bonds with warrants and profit-sharing certificates with conversion or option rights. Conditional capital developed as follows:

						thereof:	
€m	Conditional capital 1.1.2020	Additions	Expirations/ utilisations	Authorisation expired	Conditional capital 31.12.2020	Used conditional capital	Conditional capital still available
Convertible bonds/bonds with warrants/profit-sharing certificates	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–

The authorisation of the Board of Managing Directors adopted by resolution of the Annual General Meeting on 30 April 2015 to issue convertible bonds or bonds with warrants, profit-sharing certificates and other hybrid debt instruments (the profit-sharing certificates and hybrid debt instruments with or without conversion or option rights or obligations) was revoked by resolution of the Annual General Meeting on 22 May 2019.

Authorised capital

Date of AGM resolution	Original amount €m	Used in previous years for capital increases €m	Used in 2019 for capital increases €m	Authorisation expired €m	Residual amount €m	Date of expiry
22.5.2019	626	–	–	–	626	21.5.2024
Total	**626**	**–**	**–**	**–**	**626**	

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 a manner that the new shares are underwritten by one or more banks or enterprises equivalent to a bank pursuant to Art. 186 (5) sentence 1 of the German Stock Corporation Act under an obligation to offer them for subscription to shareholders of Commerzbank Aktiengesellschaft. However, the Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in the following cases:

- to exclude fractional amounts from subscription rights;
- in order to issue shares to employees of Commerzbank Aktiengesellschaft or of companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in Art. 18 (1) of the Stock Corporation Act) up to a proportional amount of the share capital of €15,000,000.00.

If shares are issued against cash to employees of the Company or of its Group companies within the meaning of Art. 18 (1) of the Stock Corporation Act with the exclusion of shareholders' subscription rights, the proportional amount of the share capital attributable to them may not exceed a total of 3% of the share capital of the Company existing at the time of the resolution of the Annual General Meeting. This 3% limit shall take into account the proportional share capital issued against cash or contributions in kind or sold during the term of this authorisation under another authorisation with the exclusion of shareholders' subscription rights to members of the Board of Managing Directors, members of the management or employees of the Company or of its Group companies within the meaning of Art. 18 (1) of the German Stock Corporation Act. The Board of Managing Directors is authorised to determine the further details of the capital increase and its implementation.

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to increase the Company's share capital until 21 May 2024 through the issuance of new shares with no par value in exchange for cash or contributions in kind, in either one or several tranches, but not exceeding a maximum amount of €125,235,763.00 (Authorised Capital 2019/II). In principle, shareholders shall be offered subscription rights; the statutory subscription right may also be granted in such manner that the new shares are underwritten by one or more banks or enterprises equivalent to a bank pursuant to Art. 186 (5) sentence 1 of the German Stock Corporation Act under an obligation to offer them for subscription to shareholders of Commerzbank Aktiengesellschaft. However, the Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in the following cases:

- to exclude fractional amounts from subscription rights;
- to the extent necessary, to grant the holders of conversion or option rights, either already issued or still to be issued by Commerzbank Aktiengesellschaft or by companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in Art. 18 (1) of the Stock Corporation Act), subscription rights in the amount to which they would be entitled after exercising their conversion or option rights or fulfilling their corresponding conversion or option obligation;
- in order to increase the share capital in exchange for contributions in kind;
- in the event of capital increases for cash, if the issue price of the new shares is not significantly lower than the market price for identical shares of the Company at the time the issue price is determined. The shares issued subject to the exclusion of subscription rights pursuant to Art. 203 (1) and Art. 186 (3) sentence 4 of the German Stock Corporation Act on the basis of this authorisation may not exceed a total of 10% of the share capital of the Company, either at the time the authorisation becomes effective or at the time the authorisation is exercised, whichever amount is lower. The upper limit of 10% of the share capital is reduced by the proportional amount of share capital corresponding to those of the Company's own shares that are sold during the period of validity of Authorised Capital 2019/II, while excluding shareholders' subscription rights in accordance with Art. 71 (1) no. 8 sentence 5 and Art. 186 (3) sentence 4 of

the German Stock Corporation Act. The upper limit is further reduced by the proportional amount of share capital corresponding to those shares that must be issued to service options and convertible bonds with option or conversion rights or with option or conversion obligations, provided such bonds are issued during the period of validity of Authorised Capital 2019/II, while excluding subscription rights subject to appropriate application of Art. 186 (3) sentence 4 of the German Stock Corporation Act.

The proportional amount of the share capital attributable to those shares issued in exchange for cash or contributions in kind with exclusion of the shareholders' subscription right must not, in aggregate, exceed 10% of the share capital of the Company existing at the time when the General Meeting adopts the resolution. Regarding the above limit, those shares shall be taken into account – subject to any renewed authorisation to exclude subscription rights that may be adopted as a resolution by a subsequent Annual General Meeting – which are issued subject to exclusion of the subscription right during the term of this authorisation under another authorisation, or on which financial instruments with conversion or option rights or obligations are based which are issued subject to exclusion of the subscription right of the shareholders during the term of the authorisation under another authorisation. If shares are issued to members of the Board of Managing Directors, members of the management or employees of Commerzbank Aktiengesellschaft and its Group companies within the meaning of Art. 18 (1) of the Stock Corporation Act with the exclusion of shareholders' subscription rights against contributions in kind by contributing claims for variable remuneration components, bonuses or similar claims against the Company or its Group companies, the Board of Managing Directors may only make use of the authorisation up to a maximum total amount of 3% of the share capital existing at the time of the resolution by the Annual General Meeting. This 3% limit shall take into account the proportional share capital issued against cash or contributions in kind or sold during the term of this authorisation under another authorisation with the exclusion of shareholders' subscription rights to members of the Board of Managing Directors, members of the management or employees of the Company or of its Group companies within the meaning of Art. 18 (1) of the German Stock Corporation Act. The Board of Managing Directors is authorised to determine the further details of the capital increase and its implementation.

The resolution of the Annual General Meeting of 30 April 2015 (Conditional Capital 2015) has been revoked.

The Supervisory Board is authorised to amend the wording of Art. 4 of the Articles of Association in accordance with the utilisation of Authorised Capital 2019 or to amend it after the expiry of the authorisation period.

(63) Regulatory capital requirements

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

To avoid having all these requirements take effect on a single date, certain parts of the new rules which took effect in 2014 are subject to defined phase-in rules (with transitional provisions). The phasing in of the rules for capital deductions ended at the beginning of the 2018 financial year. The CRR Regulation published in 2013 now only contains transitional provisions for the Additional Tier 1 capital and Tier 2 capital, which will gradually reduce the recognition of non-CRR-compliant capital issues until 2022.

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

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

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

The financial crisis made the importance of adequate CET1 capital levels for banks become an issue of increasing public concern. At Commerzbank, Tier 1 capital has always been a key management target. The Bank’s specifications for the capital ratios far exceed the minimum statutory requirements. The Bank’s risk-bearing capacity and market expectations play an important role in determining the internal capital ratio targets. For this reason, Commerzbank has stipulated minimum ratios for regulatory capital.

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

Measures relating to the Bank’s capital are approved by the full Board of Managing Directors, subject to the authorisation granted by the AGM. During the past year, Commerzbank met the minimum statutory capital requirements as well as the requirements of the ECB and EBA at all times. In the pro forma calculation of the fully loaded implementation of the CRR requirements, the above mentioned transitional regulations are completely disregarded.

The overview below of the composition of the Commerzbank Group’s capital shows the figures on both a “with transitional provisions” (currently used) and a “fully loaded”, which only differ in the Additional Tier 1 capital and in Tier 2 capital.

Position | €m	31.12.2020 with transitional provisions	31.12.2019 with transitional provisions	31.12.2020 fully loaded[4]	31.12.2019 fully loaded[4]
Equity as shown in balance sheet	**28,600**	**30,667**	**28,600**	**30,667**
of which additional equity components[1]	2,619	885	2,619	885
Equity as shown in balance sheet without additional equity components	25,981	29,782	25,981	29,782
Fair value gains and losses arising from the insitution's own credit risk related to derivative liabilities	– 57	– 79	– 57	– 79
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	56	13	56	13
Correction to non-controlling interests (minorities)	– 468	– 557	– 468	– 557
Goodwill	–	– 1,522	–	– 1,522
Intangible assets	– 457	– 1,174	– 457	– 1,174
Surplus in plan assets	– 68	– 73	– 68	– 73
Deferred tax assets from loss carryforwards	– 288	– 533	– 288	– 533
Shortfall due to expected loss	– 148	– 270	– 148	– 270
Prudential valuation	– 189	– 185	– 189	– 185
First loss positions from securitisations	– 178	– 171	– 178	– 171
Deferred tax assets from temporary differences which exceed the 10 % threshold	– 344	– 382	– 344	– 382
Unrecognised gains	– 92	– 218	– 92	– 218
Others and rounding	– 136	– 265	– 136	– 265
Common Equity Tier 1[2]	**23,611**	**24,366**	**23,611**	**24,366**
Additional Equity Tier 1[3]	**3,179**	**1,649**	**2,727**	**977**
Tier 1 capital	**26,790**	**26,015**	**26,338**	**25,343**
Tier 2 capital	**4,813**	**4,583**	**4,661**	**4,491**
Equity	**31,603**	**30,598**	**30,999**	**29,834**
Risk-weighted assets	178,581	181,765	178,581	181,765
of which credit risk	147,960	151,903	147,960	151,903
of which market risk[3]	12,333	11,134	12,333	11,134
of which operational risk	18,287	18,728	18,287	18,728
Common Equity Tier 1 ratio (%)	13.2%	13.4%	13.2%	13.4%
Equity Tier 1 ratio (%)	15.0%	14.3%	14.7%	13.9%
Total capital ratio (%)	17.7%	16.8%	17.4%	16.4%

[1] AT1 issue which is equity as shown in the balance sheet and which is taken into account as Additional Equity Tier 1 according to CRR.
[2] This information includes the consolidated profit attributable to Commerzbank shareholders for regulatory purposes.
[3] Includes credit valuation adjustment risk.
[4] According to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013.

The table reconciles reported equity to Common Equity Tier 1 (CET1) and the other components of core capital and regulatory capital. As at the reporting date, Common Equity Tier 1 capital was €23.6bn, compared with €24.4bn as at 31 December 2019. This decrease of €0.8bn was mainly the result of the loss for the financial year and the reduced currency translation reserve, and was partly offset by lower regulatory deduction items and the fact that, in line with the ECB's recommendation, no dividend payment was included for the 2019 and 2020 financial years. The decrease in regulatory capital deduction items was mainly attributable to the goodwill write-down and the change in the calculation method for software amortisation. The Common Equity Tier 1 ratio was therefore 13.2%. The higher Tier 1 capital compared with the end of the year was due to the rise in Additional Tier 1 capital resulting from the issue of AT1 capital instruments (nominal volume of €1,250m and €500m) in June and September 2020. Total capital was higher due to the above-mentioned increase in Tier 1 capital and to the issue of a Tier 2 capital instrument (nominal volume of €750m) in May 2020. The total capital ratio was 17.7% as at the reporting date. The changes in regulatory capital ratios were supported by the decline in risk-weighted assets.

Risk-weighted assets were €3.2bn below the previous year's level. 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 at banks, exacerbated by currency effects. 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. The increase in risk-weighted assets from market price risks only partially offset these declines.

64) Leverage ratio

The CRD IV/CRR has introduced the leverage ratio as a new tool and indicator for quantifying the risk of excessive leverage. The leverage ratio shows the ratio of Tier 1 capital to leverage exposure, consisting of the non-risk-weighted assets plus off-balance-sheet positions. The way in which exposure to derivatives, securities financing transactions and off-balance-sheet positions is calculated is laid down by regulators. As a non-risk-sensitive figure the leverage ratio is intended to supplement risk-based measures of capital adequacy.

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

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

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

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

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

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

Summary reconciliation of accounting assets and leverage ratio exposures	**Applicable amounts**
€m	**31.12.2020**
Total assets as per published Group financial statements	506,916
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	– 92
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No. 575/2013)	–
Adjustments for derivative financial instruments	– 40,137
Adjustment for securities financing transactions (SFTs)	4,038
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	55,711
(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (7) of Regulation (EU) No. 575/2013)	–
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No. 575/2013)	–
Other adjustments	
with transitional provisions	14,975
fully loaded	14,975
Leverage ratio total exposure measure	
with transitional provisions	**541,412**
fully loaded	**541,412**

Leverage ratio common disclosure	**CRR leverage ratio exposures**
€m	**31.12.2020**
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	448,914
(Asset amounts deducted in determining Tier 1 capital)	
with transitional provisions	– 1,528
fully loaded	– 1,528
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	
with transitional provisions	447,386
fully loaded	447,386
Derivative exposures	
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	5,685
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	23,143
Exposure determined under Original Exposure Method	–
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	– 17,675
(Exempted CCP leg of client-cleared trade exposures)	– 3,182
Adjusted effective notional amount of written credit derivatives	8,625
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	– 7,254
Total derivative exposures	**9,342**

Leverage ratio common disclosure (continuation)	**CRR leverage ratio exposures**
€m	**31.12.2020**
Securities financing transaction (SFTs) exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	41,314
(Netted amounts of cash payables and cash receivables of gross SFT assets)	– 16,379
Counterparty credit risk exposure for SFT assets	4,038
Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b (4) and 222 of Regulation (EU) No. 575/2013	–
Agent transaction exposures	–
(Exempted CCP leg of client-cleared SFT exposure)	–
Total securities financing transaction exposures (SFTs)	28,973
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	184,249
(Adjustments for conversion to credit equivalent amounts)	– 128,538
Total other off-balance sheet exposures	55,711
(Exempted exposures in accordance with Article 429 (7) and (14) of Regulation (EU) No. 575/2013 (on- and off-balance sheet))	
(Intragroup exposures (solo basis) exempted in accordance with Article 429 (7) of Regulation (EU) No. 575/2013 (on- and off-balance sheet))	–
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No. 575/2013 (on- and off-balance sheet))	–
Capital and total exposure measure	
Tier 1 capital	
with transitional provisions	26,790
fully loaded	26,338
Leverage ratio total exposure measure	
with transitional provisions	541,412
fully loaded	541,412
Leverage ratio	
with transitional provisions (%)	**4.9**
fully loaded (%)	**4.9**
Choice on transitional (phase-in) arrangements and amount of derecognised fiduciary items	
Choice on transitional (phase-in) arrangements for the definition of the capital measure	
with transitional provisions	–
fully loaded	–
Amount of derecognised fiduciary items in accordance with Article 429 (13) of Regulation (EU) No 575/2013	–

Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	CRR leverage ratio exposures
€m	31.12.2020
Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	448,914
Trading book exposures	18,308
Banking book exposures, of which:	430,605
Covered bonds	7,552
Exposures treated as sovereigns	120,291
Exposures to regional governments, MDBs, international organisations and PSE not treated as sovereigns	9,426
Institutions	16,781
Secured by mortgages of immovable properties	75,458
Retail exposures	56,953
Corporate	76,256
Exposures in default	2,025
Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	65,862

The leverage ratio based on the CRR transitional provisions was 4.9% as at 31 December 2020 (as at 30 September 2020: 4.9%). The leverage ratio fully loaded stood at 4.9%, compared with 4.8% as at 30 September 2020.

The leverage ratio fully loaded rose slightly; the leverage ratio with transitional provisions was unchanged as the effect of the reduced leverage ratio exposure slightly overcompensated for the reduced regulatory Tier 1 capital under fully loaded rules and balanced it out under transitional rules. As at the reporting date, the leverage ratio exposure was €541.4bn; as at 30 September 2020 it was €572.7bn.

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

(65) Liquidity coverage ratio

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

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

The Bank has established internal early warning indicators for the purpose of managing liquidity risk. These ensure that appropriate steps can be taken in good time to secure long-term financial solidity. Risk concentrations can lead to increased outflows of liquidity, particularly in a stress situation. They can, for example, occur with regard to maturities, large individual creditors or currencies. By means of ongoing monitoring and reporting, emerging risk concentrations in funding can be recognised in a timely manner and mitigated through suitable measures. This also applies to payment obligations in foreign currencies. The Bank also mitigates concentrations through the continuous use of the broadly diversified sources of funding available to it, particularly in the form of diverse customer deposits and capital market instruments.

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

Further information about liquidity risk management and the corresponding internal models, including those relating to the coronavirus crisis, can be found in the Management Report and in the liquidity risk section of the Risk Report in this document.

The calculation of the LCR for the four quarters is shown below. The averages of the 12 previous month-end values are calculated for each quarter. The resulting values are shown in the table below. The values are rounded to a full-million amount in euros and are presented on a consolidated basis for the Commerzbank Group.

		Total unweighted value (average)			
€m[1]		31.3.2020	30.06.2020	30.9.2020	31.12.2020
	Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**
High-quality liquid assets					
1	Total high-quality liquid assets (HQLA)				
Cash outflows					
2	Retail deposits and deposits from small business customers, of which:	131.572	137.112	142.966	148,775
3	Stable deposits	90.429	94.182	98.301	100,639
4	Less stable deposits	41.143	41.084	40.954	42,508
5	Unsecured wholesale funding	109.098	111.440	113.647	115,875
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	36.808	37.432	38.381	39,180
7	Non-operational deposits (all counterparties)	71.423	73.346	74.737	76,174
8	Unsecured debt	867	662	529	521
9	Secured wholesale funding				
10	Additional requirements	85.161	85.108	86.309	88,230
11	Outflows related to derivative exposures and other collateral requirements	7.273	7.434	7.604	7,735
12	Outflows related to loss of funding on debt products	394	261	218	213
13	Credit and liquidity facilities	77.495	77.412	78.487	80,282
14	Other contractual funding obligations	3.827	3.662	3.368	3,021
15	Other contingent funding obligations	104.396	103.423	102.646	101,953
16	**Total cash outflows**				
Cash-inflows					
17	Secured lending (eg reverse repos)	64.569	61.484	55.212	48,875
18	Inflows from fully performing exposures	25.201	25.091	24.245	23,517
19	Other cash inflows	7.027	7.248	7.170	6,896
EU– 19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies.)				
EU– 19b	(Excess inflows from a related specialised credit institution)				
20	**Total cash inflows**	**96.797**	**93.823**	**86.627**	**79,288**
EU– 20a	**Fully exempt inflows**	**0**	**0**	**0**	**0**
EU– 20b	**Inflows subject to 90 % cap**	**0**	**0**	**0**	**0**
EU– 20c	**Inflows subject to 75 % cap**	**90.095**	**87.846**	**81.888**	**75,747**
21	**Liquidity buffer**				
22	**Total net cash outflows**				
23	**Liquidity coverage ratio (%)**				

[1] Based on a necessary correction as at 30 June 2020 the figures slightly changed.

		Total weighted value (average)			
€m[1]		31.3.2020	30.06.2020	30.9.2020	31.12.2020
	Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**
High-quality liquid assets					
1	Total high-quality liquid assets (HQLA)	84.993	86.482	90.217	95,389
Cash outflows					
2	Retail deposits and deposits from small business customers, of which:	8.974	9.145	9.317	9,578
3	Stable deposits	4.521	4.709	4.915	5,032
4	Less stable deposits	4.452	4.436	4.402	4,546
5	Unsecured wholesale funding	53.612	54.904	55.705	56,272
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	9.162	9.322	9.563	9,769
7	Non-operational deposits (all counterparties)	43.583	44.920	45.614	45,982
8	Unsecured debt	867	662	529	521
9	Secured wholesale funding	6.162	6.777	6.725	6,221
10	Additional requirements	21.134	20.707	20.518	20,344
11	Outflows related to derivative exposures and other collateral requirements	6.713	6.964	7.233	7,444
12	Outflows related to loss of funding on debt products	394	261	218	213
13	Credit and liquidity facilities	14.026	13.482	13.067	12,687
14	Other contractual funding obligations	2.856	2.740	2.479	2,242
15	Other contingent funding obligations	4.254	4,694	4.250	3,824
16	**Total cash outflows**	**96.990**	**98.967**	**98.993**	**98,481**
Cash-inflows					
17	Secured lending (eg reverse repos)	6.710	6.145	5.452	4,757
18	Inflows from fully performing exposures	17.952	17.793	17.142	16,610
19	Other cash inflows	6.768	6.989	6.952	6,716
EU– 19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies.)	0	0	0	0
EU– 19b	(Excess inflows from a related specialised credit institution)	0	0	0	0
20	**Total cash inflows**	**31.430**	**30.928**	**29.545**	**28,083**
EU– 20a	**Fully exempt inflows**	**0**	**0**	**0**	**0**
EU– 20b	**Inflows subject to 90 % cap**	**0**	**0**	**0**	**0**
EU– 20c	**Inflows subject to 75 % cap**	**31.430**	**30.928**	**29.545**	**28,083**
21	**Liquidity buffer**	**84.993**	**86.482**	**90.217**	**95,389**
22	**Total net cash outflows**	**65.560**	**68.039**	**69.448**	**70,398**
23	**Liquidity coverage ratio (%)**	**129.94%**	**127.28%**	**129.82%**	**135.67%**

[1] Based on a necessary correction as at 30 June 2020 the figures slightly changed.

The average quarterly LCR values have been consistently high. As at each of the reporting dates, Commerzbank considerably surpassed the required minimum ratio of 100%. The composition of the highly liquid assets available to cover the liquidity outflows in the reporting period is set out below:

Highly liquid assets in accordance with EU/2015/61 (average of the last 12 month-end values) €m	Q1/2020	Q2/2020	Q3/2020	Q4/2020
Total:	84,993	86,482	90,217	95,389
thereof: Level 1	73,594	72,979	74,492	79,429
thereof: Level 2A	10,113	12,597	15,043	15,397
thereof: Level 2B	1,286	906	682	563

In December 2020, Commerzbank also reports the LCR in US dollars and Polish zloty (PLN), as these are deemed to be significant foreign currencies under the CRR. In addition, the Bank ensures that foreign-exchange risk is monitored as well as limited and managed using an internal model.

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

(66) Average number of staff employed by the Bank during the financial year

These figures include both full-time and part-time personnel. Not included in the figures is the average number of employees undergoing training within the Group.

	2020			2019		
	Total	male	female	Total	male	female
Group	**46,724**	**21,861**	**24,863**	**47,568**	**22,244**	**25,324**
In Germany	32,756	15,567	17,189	34,173	16,185	17,988
Outside Germany	13,968	6,294	7,674	13,395	6,059	7,336

(67) Related party transactions

As part of its normal business, Commerzbank Aktiengesellschaft and/or its consolidated companies engage in transactions with related entities and persons. These include subsidiaries that are controlled but not consolidated for reasons of materiality, joint ventures, associated companies, equity holdings, external providers of occupational pensions for employees of Commerzbank Aktiengesellschaft, key management personnel and members of their families as well as companies controlled by these persons.

Key management personnel refers exclusively to members of Commerzbank Aktiengesellschaft's Board of Managing Directors and Supervisory Board who were active during the financial year.

Besides the stake held by the German federal government, other factors (including membership of the supervisory board) that could potentially allow a significant influence to be exerted on Commerzbank Aktiengesellschaft also need to be taken into account. Accordingly, the German federal government and entities controlled by it are classified as related entities and persons in accordance with IAS 24.

Transactions with non-consolidated subsidiaries

The assets relating to non-consolidated subsidiaries in the amount of €274m (previous year: €410m) as at 31 December 2020 included primarily loans and advances. Liabilities in the amount of €202m (previous year: €195m) comprised mostly deposits. The income of €31m (previous year: €27m) comprised primarily interest income as well as the net gain or loss from trading and remeasurement. The expenses in the amount of €74m (previous year: €71m) were mostly operating expenses. In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €79m (previous year: €85m) and received guarantees and collateral totalling €0m (previous year: €0m).

Transactions with joint ventures

No transactions took place with joint ventures during the reporting year. In the previous year we reported €0m in income with joint ventures.

Transactions with associated companies

The assets relating to associated companies in the amount of €15m (previous year: €16m) as at 31 December 2020 included primarily loans and advances as well as financial assets from equity instruments in the mFVPL category. Liabilities in the amount of €29m (previous year: €34m) comprised mostly deposits. The income of €10m (previous year: €15m) resulted primarily from commission income and interest income. The expenses amounted to €5m in the year under review (previous year: €0m). In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €12m (previous year: €39m).

Transactions with other related entities/persons

The assets pertaining to other related entities/persons as at 31 December 2020 in the amount of €0m (previous year: €27m) included primarily securities in the HFT category. Liabilities in the amount of €208m (previous year: €209m) comprised mostly deposits. The deposits were mostly attributable to external providers of occupational pensions. The income of €0m (previous year: €1m) resulted primarily from interest income. The expenses of €9m (previous year: €9m) resulted primarily from interest expenses. As in the previous year, no guarantees and collateral were granted in the ordinary banking activities.

Transactions with entities controlled by the German federal government

Commerzbank has transactions with private-law subsidiaries of the Federal Government as well as Deutsche Bundesbank.The assets relating to entities controlled by the German federal government as at 31 December 2020 in the amount of €56,576m (previous year: €20,534m) comprised primarily deposits with Deutsche Bundesbank totalling €53,546m (previous year: €17,770m). Of the liabilities relating to entities controlled by the German federal government in the amount of €13,755m (previous year: €12,260m), €13,748m were deposits (previous year: €12,247m). As at 31 December 2020, the Bank had granted guarantees and collateral totalling €255m (previous year: €260m) to entities controlled by the German federal government. In the year under review, there were no significant income (previous year: €0m) or expenses (previous year:€0m).

Transactions with key management personnel

The assets relating to key management personnel in the amount of €4m (previous year: €7m) as at 31 December 2020 comprised loans and advances. These were mainly mortgage loans. The liabilities of €6m (previous year: €5m) included deposits from key management personnel. The expenses represent personnel expenses in the amount of €24m (previous year: €21m) and include remuneration for key management personnel, salaries of the employee representatives on the Supervisory Board who are employed by the Commerzbank Group and value added tax reimbursed to members of the Supervisory Board.

Claims on key management personnel were as follows:

	Board of Managing Directors		Supervisory Board	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Claims (€ 1,000)[1]	2,116	5,549	1,719	1,468
Last due date[2]	2048	2,043	2,042	2,042
Range of interest rates used (%)[3]	0,68 – 2,8	0,68 – 2,8	1,04 – 2,28	1,04 – 2,28

[1] Members of the Board of Managing Directors repaid €24 thousand (previous year: €424 thousand) and members of the Supervisory Board repaid €37 thousand (previous year: €113 thousand).
[2] Besides loans with fixed repayment dates, loans without a specified maturity were granted.
[3] In individual cases, up to 9.4 % (previous year: 9.5 %) was charged for overdrafts of the Board of Managing Directors and up to 12.4 % (previous year: 9.4 %) for overdrafts of the Supervisory Board.
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Where necessary, loans to members of the Board of Managing Directors and the Supervisory Board were secured by land charges or liens.

With the exception of rental guarantees, the companies of the Commerzbank Group did not have any contingent liabilities relating to members of the Board of Managing Directors or the Supervisory Board in the year under review. A detailed description of the remuneration system as well as individual remuneration details for the members of the Board of Managing Directors and the Supervisory Board in accordance with German Accounting Standard (GAS) 17, including pension entitlements and service costs, are provided in the Remuneration report included in the Group Management Report (Report (see page86 ff.).

Board of Managing Directors

The table below shows a breakdown of the total remuneration of the Board of Managing Directors in accordance with both the IAS 24.17 and GAS 17 classifications (see the Remuneration Report). The expense under the IAS 24 classification is based on the regulations of the underlying standards (IAS 19 and IFRS 2). The short-term employee benefits include, for example, standard non-monetary benefits.

€ 1,000	**2020**	**2019**
Short-term employee benefits	8,984	9,242
Post-employment benefits (service costs)	3,341	3,808
Other long term benefits	–	1,090
Termination benefits[1]	7,616	–
Share-based remuneration[2]	– 688	1,595
Total remuneration in accordance with IAS 24.17	**19,253**	**15,735**
Less or plus		
Post-employment benefits	– 3,341	– 3,808
Termination benefits	– 7,616	–
Other differences between IFRS and Art. 314 (1) no. 6 letter a sentence 1 HGB[3]	762	– 1,894
Total remuneration in accordance with Art.§ 314 Abs. 1 Nr. 6 a) S. 1 HGB	**9,058**	**10,033**

[1] The termination benefits in the 2020 financial year concern Martin Zielke, Roland Boekhout and Michael Mandel. Please see the section entitled "Termination agreement with members of the Board of Managing Directors" in the Remuneration Report.
[2] The remuneration system also gives rise to pro-rata recognition of share-based remuneration in respect of future financial years, as set out in the Remuneration Report. Accordingly, adjustments must also be made for expenses recognised in previous years
[3] Under the current remuneration system, grant does not take place until the entitlements have arisen, which in 2019 led to a significant reduction in total remuneration under Art. 314 (1) no. 6 (a) sentence 1 of the German Commercial Code, as the latter does not contain the long-term remuneration components.

The net present value of the pension entitlements of the members of the Board of Managing Directors who were active in the financial year was €21,099 thousand as at 31 December 2020 (previous year: €32,917 thousand). After deduction of plan assets transferred, provisions for pension obligations in respect of members of the Board of Managing Directors active in the financial year were €1,784 thousand as at 31 December 2020 (previous year: €3,711 thousand). Provisions of €6,600 thousand were recognised for variable components of remuneration of active members of the Board of Managing Directors as at 31 December 2020 (previous year: €14,200 thousand).

The assets backing the Bank's retirement benefit plan for present and former members of the Board of Managing Directors or their surviving dependants have been transferred to Commerzbank Pensions-Trust e.V. as part of a contractual trust arrangement. Payments to former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft and their surviving dependants in the financial year came to €8,223 thousand (previous year: €7,390 thousand). The pension obligations for these persons amounted to €129,802 thousand (previous year: €111,680 thousand).

Supervisory Board

Remuneration for the members of the Supervisory Board is regulated in Art. 15 of the Articles of Association of Commerzbank Aktiengesellschaft. Members of the Supervisory Board received total net remuneration of €3,465 thousand for the 2020 financial year (previous year: €3,322 thousand), categorised as short-term employee benefits in accordance with IAS 24.17.

Other details

(68) Date of release for publication

The Board of Managing Directors approved these Group financial statements on 2march 2021 for submission to the Supervisory Board. The Supervisory Board is responsible for reviewing and formally approving the Group financial statements. Preliminary figures for the 2020 results were released by the Board of Managing Directors on 8 February 2021 for publication.

(69) Corporate Governance Code

We have issued our annual declaration of compliance with the German Corporate Governance Code pursuant to Art. 161 of the German Stock Corporation Act and made it permanently available to shareholders on the internet (www.commerzbank.com).

(70) Country-specific reporting

The following information pursuant to Art. 26a of the German Banking Act relates to the companies of Commerzbank Group consolidated under IFRS. Return on capital for the Group was –0.56% as at 31 December 2020. For the statement of business purpose please refer to our ownership interests (Note 74) in the online version of the Annual Report "Commerzbank > Investor Relations" (www.commerzbank.com). Turnover is reported on the basis of the company's separate financial statements in accordance with International Financial Reporting Standards (IFRS) and include income before risk result. The pre-tax profit or loss and taxes on income are also taken from each company's separate financial statements under IFRS. The average number of employees includes both full-time personnel and part-time personnel converted into full-time equivalents.

31.12.2020	Turnover €m	Pre-tax profit or loss €m	Taxes on income[1] €m	Employees number
Germany	4,382	– 2,942	110	29,424
China including Hong Kong and Shanghai	54	– 43	–5	269
France	52	22	4	86
United Kingdom	325	38	–5	851
Luxembourg	197	11	11	183
Netherlands	20	– 5	16	35
Poland	1,087	152	114	7,892
Russia	26	10	2	141
Singapore	69	11	1	410
USA	158	36	7	340
Others	240	43	28	1,034

[1] The difference between the tax ratios and nominal tax rates in the different countries largely derives from effects relating to the retrospective recognition or impairment of deferred taxes and from taxes for prior years (e.g. recognition and release of tax provisions).

31.12.2019	Turnover €m	Pre-tax profit or loss €m	Taxes on income[1] €m	Employees number
Germany	6,967	1,136	304	30,586
China including Hong Kong and Shanghai	72	– 6	– 1	291
France	43	17	2	90
United Kingdom	488	105	9	934
Luxembourg	188	128	– 28	196
Netherlands	21	– 63	– 15	36
Poland	1,259	441	127	7,454
Russia	31	13	3	144
Singapore	76	– 26	– 2	404
USA	149	44	– 15	348
Others	177	5	6	1,004

[1] The difference between the tax ratios and nominal tax rates in the different countries largely derives from effects relating to the retrospective recognition or impairment of deferred taxes and from taxes for prior years (e.g. recognition and release of tax provisions).

(71) Information on unconsolidated structured entities

The unconsolidated structured entities of the Commerzbank Group comprise the transaction types (clusters) set out below.

- Asset-backed securities (ABSs)
  Asset-backed securities are collateralised securities designed to convert particular assets, usually loans, into interest-bearing tradeable securities through securitisation. The underlying assets may include, for example, consumer loans (auto loans, credit card assets), mortgage loans and high-grade corporate loans. The companies are financed through the issue of various tranches of asset-backed securities. Investors in these securities are subject to the default risk of the underlying asset. Commerzbank only invests in investment grade ABS tranches.
- CFS fund business
  This included all the mutual funds launched by Commerz Funds Solutions S.A. and not consolidated, and ComStage ETFs. The business of Commerz Funds Solutions S.A. comprised various types of passive investment funds. The company offered ETFs as well as mutual funds covering different strategies for, as an example, European markets, industries or particular asset classes. ComStage, which was a Commerzbank brand, was registered as an open-ended investment entity in the form of a SICAV. It served as the umbrella fund for ComStage ETFs. ComStage ETFs were sub-funds under Luxembourg law and subject to the provisions of European fund regulation. ETFs are exchange-traded investment funds that aim to track an index as closely as possible without active portfolio management. Until May 2020 Commerzbank held fund units of individual mutual funds and ETFs to ensure a liquid market. The fund business of Commerz Funds Solutions S.A. was merged with that of Lyxor International Asset Management in November 2019 on the basis of the purchase agreement concluded in November 2018 between Société Générale and Commerzbank. On the reporting date, Commerzbank no longer held fund units of individual mutual funds and ETFs.
- Own securitisations and securitisation platform
  Commerzbank's own securitisations are true-sale and synthetic securitisations used for the purpose of steering the liquidity, capital and risk-weighted assets of the Bank. The companies that acquire the assets are financed through the issue of various tranches of securities that are placed on the capital market. Furthermore, Commerzbank also sponsors a securitisation platform (Silver Tower). With this conduit programme, Commerzbank structures, arranges and securitises the receivables of third parties who are customers of the Corporate Clients segment. The securitisation companies refinance themselves through credit lines or registered bonds issued by Luxembourg-based Silver Tower S.A. In addition to existing overcollateralisation, the risk of bad debts is covered by external credit insurance.
- Hedge funds
  These are investments in hedge fund units made in the interest of the customer. The performance and risk of the units are passed on to the customer by means of total return swaps or certificates. Commerzbank thus secures itself financially and does not invest for its own account.
- Leasing property companies
  These companies design need-based leasing and financing concepts for large plant such as real estate, aircraft, ships and regenerative energy systems. Normally, for every transaction, an autonomous special-purpose company is established in which the Commerz Real Group is a majority or minority stakeholder. As a financial services company, the CommerzReal Group does not provide loans to these companies. Loans are instead provided by lending institutions within and outside the Group.

The core business of the Commerz Real Group does, however, include administration related to the structured entities.

- Private Finance Initiative & Structured Credit Legacy (PFI and SCL)
  This cluster comprises positions from the former segment Asset & Capital Recovery (ACR), which was responsible for managing down assets related to the proprietary trading and investment activities that were discontinued in 2009. The positions managed by this segment initially included asset-backed securities (ABSs) without a state guarantee, other structured credit products, proprietary trading positions in corporate and bank bonds and exotic credit derivatives. The companies are largely financed through the issue of various types of asset-backed securities and bonds. The investors in these securities are therefore subject to the default risk of the underlying or the issuer.
- Other
  These are structured entities that are not included in the above categories. This category mainly includes capital market transactions by Asset Finance (AF) and structured transactions in connection with credit derivatives transactions. AF carries out transactions for customers with limited access to the capital markets and brings them together with alternative providers of capital. The focus in Structured Asset Finance is on structuring and distributing financing and investment solutions for corporate customers and financial institutions. Structured Asset Finance concentrates on the financing of tangible assets and other assets using leasing or structured financing. This also includes the involvement of alternative providers of capital from outside the banking sector. These activities are supplemented with the structuring of investment solutions, and the underwriting and placement of suitable financings for that purpose.

The carrying amounts of the assets and liabilities and income and expenses of the Commerzbank Group relating to unconsolidated structured entities are set out in the tables below: The size of the unconsolidated structured entities and the Commerzbank Group's maximum exposure to loss are also shown.

The maximum exposure to loss for the Commerzbank Group with regard to unconsolidated structured entities results from recognised assets and from lending commitments and guarantees provided to unconsolidated structured entities that had not yet been utilised as at the reporting dates. The maximum risk of loss on assets with regard to unconsolidated structured entities is equivalent to the current carrying values of these items after the risk result. For loan commitments and guarantees we treat the nominal value of the commitment as the maximum risk of loss.

The maximum risk of loss is shown gross, i.e. without regard to collateral or hedging activities serving the purpose of risk mitigation.

€m	ABS	Own securitisa-tions and securitisa-tion platform	CFS fund business	Hedge funds	Leasing structured entities	PFI and SCL	Others
Assets as at 31.12.2020	**14,223**	**2,765**	**–**	**8**	**337**	**867**	**391**
Financial assets – Amortised cost	8,182	2,764	–	0	334	–	333
Financial assets – Fair value OCI	5,937	–	–	–	–	0	40
Financial assets – Mandatorily fair value P&L	–	–	–	–	3	762	–
Financial assets – Held for trading	104	0	–	8	–	105	17
Other assets	–	–	–	–	–	–	–
Liabilities as at 31.12.2020	**–**	**1,316**	**–**	**0**	**37**	**–**	**27**
Financial liabilities – Amortised cost	–	1,316	–	0	37	–	4
Financial liabilities – Fair value option	–	–	–	–	–	–	0
Other liaiblities	–	0	–	–	–	–	23
Income and expenses from 1.1.–31.12.2020							
Net interest income after risk result	114	– 53	–	–	16	13	9
Net commission income	– 0	0	–	–	3	0	0
Net income from financial assets and liabilities at fair value through profit or loss and other profit or loss from financial instruments	– 2	– 0	–	0	– 0	19	– 10
Other net income	– 0	–	–	–	– 1	2	–
Maximum exposure to loss as at 31.12.2020							
Assets	14,223	2,765	–	8	337	867	391
Lending commitments	–	522	–	–	–	–	129
Guarantees	–	–	–	–	–	–	–
Extent[1]	**60,821**	**4,567**	**–**	**8**	**2,496**	**867**	**183,051**

[1] The size of the structured entities generally reflects the total assets of the companies. The issuance volume is shown for the ABS cluster and the stakes held by Commerzbank are shown for the hedge funds, PFI and SCL clusters.

€m	ABS	Own securitisa-tions and securitisa-tion platform	CFS fund business	Hedge funds	Leasing structured entities	PFI and SCL	Others
Assets as at 31.12.2019	**13,017**	**1,745**	**78**	**12**	**359**	**1,094**	**462**
Financial assets – Amortised cost	7,988	1,745	–	12	358	3	400
Financial assets – Fair value OCI	4,868	–	–	–	–	22	49
Financial assets – Mandatorily fair value P&L	104	–	–	–	0	829	0
Financial assets – Held for trading	57	–	78	–	–	240	12
Other assets	–	–	–	–	–	–	–
Liabilities as at 31.12.2019	**–**	**1,034**	**14**	**0**	**28**	**0**	**26**
Financial liabilities – Amortised cost	–	1,034	–	0	28	–	1
Financial liabilities – Fair value option	–	–	–	–	–	–	–
Other liaiblities	–	–	14	–	–	0	25
Income and expenses from 1.1.–31.12.2019							
Net interest income after risk result	223	– 53	– 5	–	18	36	9
Net commission income	–	4	0	–	3	0	0
Net income from financial assets and liabilities at fair value through profit or loss and other net income from financial instruments	– 2	9	– 3	2	– 0	55	– 3
Other net income	0	–	–	–	– 2	12	–
Maximum exposure to loss as at 31.12.2019							
Assets	13,017	1,745	78	12	359	1,094	462
Lending commitments	–	558	–	–	–	–	130
Guarantees	–	16	–	–	0	–	–
	–	–	–	–	–	–	–
Extent[1]	**63,894**	**4,679**	**11,737**	**12**	**2,754**	**1,094**	**195,696**

[1] The size of the structured entities generally reflects the total assets of the companies. The issuance volume is shown for the ABS cluster and the stakes held by Commerzbank are shown for the hedge funds, PFI and SCL clusters.

Commerzbank also acts as sponsor of structured entities in which it does not have an equity holding. An entity is regarded as sponsored if:

- it was launched and/or structured by Commerzbank;
- it has received or bought assets from the Commerzbank Group;
- it is guaranteed by the Commerzbank Group or was marketed intensively by the Commerzbank Group.

As at 31 December 2020, the gross income of the Commerzbank Group from sponsored unconsolidated structured entities was €–47m (previous year: €– 34m). The carrying amounts of the assets of the Commerzbank Group relating to sponsored unconsolidated structured entities totalled €2,897m (previous year: €1,214m).

(72) Information on significant non-controlling interests

Significant non-controlling interests in the Private and Small-Business Customers segment were as shown below. They include the subsidiary mBank S.A. and the comdirect bank subgroup.

	mBank S.A., Warsaw, Poland		comdirect bank subgroup, Quickborn,Germany	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Attributable to non-controlling interests:				
Capital (%)	31	31	n/a	18
Voting rights (%)	31	31	n/a	18
Consolidated profit or loss (€m)	4	59	n/a	29
Equity (€m)	1,013	1,041	n/a	137
Dividend paid on shares (in €m)	–	–		6
Assets (€m)[1]	11,604	10,756	n/a	5,390
Liabilities (€m)[1]	10,505	9,623	n/a	5,138
Profit or Loss (€m)[1]	5	82	n/a	32
Other comprehensive income (€m)[1]	–50	9	n/a	1
Total comprehensive income (€m)[1]	–45	91	n/a	32
Cash flows (€m)[1]	–305	–90	n/a	409

[1] Before elimination of intragroup-transactions.

(73) Letters of comfort

In respect of the subsidiaries listed below and included in the Group financial statements, we undertake to ensure that, except in the case of political risks, they are able to meet their contractual liabilities.

Name	Registered office
Commerzbank (Eurasija) AO	Moscow
Commerzbank Brasil S.A. – Banco Múltiplo	São Paulo
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main
Commerzbank Finance & Covered Bond S.A.	Luxembourg
CommerzTrust GmbH	Frankfurt/Main
Commerz Markets LLC	New York
LSF Loan Solutions Frankfurt GmbH	Eschborn

(74) Holdings in affiliated and other companies

We provide the following information pursuant to Art. 313 (2) of the German Commercial Code (HGB) and IFRS 12.10 and IFRS 12.21 on the Group financial statements. The data on the equity and net profit or loss of the companies is taken from their financial statements under national accounting regulations.

Footnotes, information on business purpose and further comments on the tables below appear at the end of this note.

1. Affiliated companies

a) Affiliated companies included to the Group financial statements

Name	Registered office	Business purpose	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000.	Net profit or loss* 1,000.	
ALWIGA Netzbeteiligungen GmbH	Düsseldorf, Germany	SOFDL	100.0	–	EUR	25.0	–	a)
Asekum Sp. z o.o.	Warsaw, Poland	SOUNT	100.0	–	PLN	10,592.0	4,896.0	
Atlas Vermögensverwaltungs-gesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0	–	EUR	122,470.0	–	a) b)
Bridge Re Limited	Hamilton, Bermuda	SOFDL	100.0	–	USD	620.0	238.0	
CBG Commerz Beteiligungsgesellschaft Holding mbH	Frankfurt/Main, Germany	SOFDL	100.0	–	EUR	2,137.0	–	a) b)
CBG Commerz Beteiligungs-gesellschaft mbH & Co. KG	Frankfurt/Main, Germany	SOFDL	100.0	–	EUR	65,419.0	4,987.0	
CBG Commerz Beteiligungskapital GmbH & Co. KG	Frankfurt/Main, Germany	SOFDL	100.0	–	EUR	16,735.0	4,126.0	
CERI International Sp. z o.o.	Lódz, Poland	SOUNT	100.0	–	PLN	68,628.0	20,369.0	
Coba Vermögensverwaltungs-gesellschaft mbH	Düsseldorf, Germany	SOUNT	100.0	–	EUR	26.0	–	a)
comdirect Versicherungsmakler AG	Quickborn, Germany	SOUNT	100.0	–	EUR	33,094.0	–1,269.0	
Commerz (East Asia) Limited	Hong Kong, Hong Kong	SOFDL	100.0	–	EUR	4,271.0	–11.0	
Commerz Business Consulting GmbH	Frankfurt/Main, Germany	SOUNT	100.0	–	EUR	157.0	–	a) b)
Commerz Direktservice GmbH	Duisburg, Germany	SOUNT	100.0	–	EUR	1,534.0	–	a)
Commerz Grundbesitz Beteiligungsgesellschaft mbH & Co. KG	Frankfurt/Main, Germany	SOFDL	90.0	–	EUR	15,815.0	752.0	
Commerz Markets LLC	Wilmington, Delaware, USA	SOFDL	100.0	–	USD	186,251.0	20,739.0	
Commerz Real AG	Wiesbaden, Germany	SOFDL	100.0	–	EUR	408,394.0	–	a)
Commerz Real Fonds Beteiligungsgesellschaft mbH	Düsseldorf, Germany	SOUNT	100.0	–	EUR	151.0	–	a)
Commerz Real Investmentgesellschaft mbH	Wiesbaden, Germany	BETGE	100.0	–	EUR	21,968.0	–	a)
Commerz Real Kapitalverwaltungsgesellschaft mbH	Düsseldorf, Germany	BETGE	100.0	–	EUR	5,000.0	–	a)
Commerz Real Mobilien-leasing GmbH	Düsseldorf, Germany	SOFDL	100.0	–	EUR	35,000.0	–	a)
Commerz Real Verwaltung und Treuhand GmbH	Düsseldorf, Germany	SOFDL	100.0	–	EUR	26.0	–	a)

Name	Registered office	Business purpose	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000.	Net profit or loss* 1,000.	
Commerz Service-Center Intensive GmbH	Düsseldorf, Germany	SOUNT	100.0	–	EUR	1,138.0	–	a) b)
Commerz Services Holding GmbH	Frankfurt/Main, Germany	SOFDL	100.0	–	EUR	15,979.0	–	a) b)
Commerzbank (Eurasija) AO	Moscow, Russia	KREDI	100.0	–	RUB	10,263,695.0	1,124,503.0	
Commerzbank Brasil S.A. - Banco Múltiplo	São Paulo , Brazil	KREDI	100.0	–	BRL	213,445.0	–44,291.0	
Commerzbank Finance & Covered Bond S.A.	Luxembourg, Luxembourg	KREDI	100.0	–	EUR	1,193,212.0	–16,308.0	
Commerzbank Finance 3 S.à r.l.	Luxembourg, Luxembourg	SOUNT	100.0	–	EUR	709.0	–22.0	
Commerzbank Finance BV	Amsterdam-Zuidoost, Netherlands	SOFDL	100.0	–	EUR	1,013.0	10.0	
Commerzbank Finance Limited	London, United Kingdom	SOFDL	100.0	–	GBP	111,910.0	43,261.0	
Commerzbank Holdings (UK) Limited	London, United Kingdom	SOFDL	100.0	–	GBP	14,680.0	1,242.0	
Commerzbank Holdings France	Paris, France	SOFDL	100.0	–	EUR	38,925.0	–1,757.0	
Commerzbank Immobilien- und Vermögensverwaltungs-gesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0	–	EUR	462,597.0	–	a) b)
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main, Germany	SOFDL	100.0	–	EUR	1,494,051.0	–	a) b)
Commerzbank Leasing 6 S.à r.l.	Luxembourg, Luxembourg	SOFDL	100.0	–	GBP	98.0	–1.0	
Commerzbank Leasing December (3) Limited	London, United Kingdom	SOFDL	100.0	–	GBP	31.0	125.0	
Commerzbank Leasing Holdings Limited	London, United Kingdom	SOFDL	100.0	–	GBP	1,251.0	–61.0	
Commerzbank Leasing Limited	London, United Kingdom	SOFDL	100.0	–	GBP	61.0	–	
Commerzbank Leasing September (5) Limited	London, United Kingdom	SOFDL	100.0	–	GBP	–12.0	30.0	
Commerzbank U.S. Finance, Inc.	Wilmington, Delaware, USA	SOFDL	100.0	–	USD	357.0	2.0	
Commerzbank Zrt.	Budapest, Hungary	KREDI	100.0	–	HUF	29,325,279.0	1,201,919.0	
CommerzFactoring GmbH	Mainz, Germany	SOFDL	50.1	–	EUR	1,099.0	–	a) b)
CommerzVentures Beteiligungs GmbH & Co. KG	Frankfurt/Main, Germany	SOFDL	99.4	–	EUR	25,473.0	19,548.0	b)
CommerzVentures GmbH	Frankfurt/Main, Germany	SOFDL	100.0	–	EUR	56,494.0	22,697.0	b)
CommerzVentures II Beteiligungs GmbH & Co. KG	Frankfurt/Main, Germany	SOFDL	33.3	99,2	EUR	894.0	–751.0	b)
ComTS Finance GmbH	Halle (Saale), Germany	SOUNT	100.0	–	EUR	1,550.0	–	a) b)
ComTS Logistics GmbH	Magdeburg, Germany	SOUNT	100.0	–	EUR	1,550.0	–	a) b)
ComTS Mitte GmbH	Erfurt, Germany	SOUNT	100.0	–	EUR	2,714.0	–	a) b)
ComTS Nord GmbH	Magdeburg, Germany	SOUNT	100.0	–	EUR	1,492.0	–	a) b)
ComTS Ost GmbH	Halle (Saale), Germany	SOUNT	100.0	–	EUR	1,550.0	–	a) b)
ComTS Rhein-Ruhr GmbH	Duisburg, Germany	SOUNT	100.0	–	EUR	1,050.0	–	a) b)
ComTS West GmbH	Hamm, Germany	SOUNT	100.0	–	EUR	1,256.0	–	a) b)

Name	Registered office	Business purpose	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000.	Net profit or loss* 1,000.	
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Objekt Erfurt KG	Düsseldorf, Germany	SOUNT	0.1	0,3	EUR	–1,194.0	1,167.0	c)
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Objekt Halle Am Markt KG	Düsseldorf, Germany	SOUNT	6.0	7,0	EUR	–757.0	153.0	c)
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schwabing KG	Düsseldorf, Germany	SOUNT	100.0	–	EUR	–3,094.0	1,306.0	c)
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Wuppertal KG	Düsseldorf, Germany	SOUNT	100.0	— –	EUR	–883.0	381.0	
Dresdner Capital LLC I	Wilmington, Delaware, USA	SOFDL	100.0	–	USD	1,909.0	42.0	
Dresdner Capital LLC IV	Wilmington, Delaware, USA	SOFDL	100.0	–	JPY	15,162.0	2,719.0	
Dresdner Kleinwort Luminary Inc.	Wilmington, Delaware, USA	SOFDL	100.0	–	USD	21,590.0	3,751.0	
Dresdner Lateinamerika Aktiengesellschaft	Hamburg, Germany	SOFDL	100.0	–	EUR	39,567.0	–	a) b)
DSB Vermögensverwaltungs-gesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0	–	EUR	25.0	–	a) b)
FABA Vermietungsgesellschaft mbH	Frankfurt/Main, Germany	SOUNT	100.0	–	EUR	26.0	–	a) b)
Frega Vermögensverwaltungs-gesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0	–	EUR	438.0	–71.0	
Future Tech Fundusz Inwestycyjny Zamkniety	Warsaw, Poland	SOFDL	99.0	–	PLN	213,482.0	–21,216.0	
Garbary Sp. z o.o.	Warsaw, Poland	SOUNT	100.0	–	PLN	6,625.0	69.0	
Greene Elm Trading VII LLC	Wilmington, Delaware, USA	SOFDL	100.0	–	USD	1,046,964.0	38,410.0	
KENSTONE GmbH	Eschborn, Germany	SOUNT	100.0	–	EUR	889.0	–	a) b)
Kira Vermögensverwaltungs-gesellschaft mbH	Munich, Germany	SOFDL	100.0	–	EUR	74,830.0	–	a)
Kommanditgesellschaft MS "CPO ALICANTE" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	90.0	–	EUR	26,394.0	5,222.0	b)
Kommanditgesellschaft MS "CPO ANCONA" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	77.2	–	EUR	40,644.0	7,455.0	b)
Kommanditgesellschaft MS "CPO BILBAO" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	90.0	–	EUR	24,819.0	5,139.0	b)
Kommanditgesellschaft MS "CPO MARSEILLE" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	77.2	77,3	EUR	33,583.0	6,241.0	b)
Kommanditgesellschaft MS "CPO PALERMO" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	73.9	–	EUR	50,928.0	6,792.0	b)
Kommanditgesellschaft MS "CPO TOULON" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	90.0	–	EUR	35,981.0	3,938.0	b)
Kommanditgesellschaft MS "CPO VALENCIA" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	90.0	–	EUR	25,824.0	4,883.0	b)
LeaseLink Sp. z o.o.	Warsaw, Poland	SOFDL	100.0	–	PLN	2,789.0	2,872.0	
LSF Loan Solutions Frankfurt GmbH	Eschborn, Germany	SOUNT	100.0	–	EUR	107,374.0	–	a) b)
Main Incubator GmbH	Frankfurt/Main, Germany	SOFDL	100.0	–	EUR	16,536.0	129.0	a) b)
mBank Hipoteczny S.A.	Warsaw, Poland	KREDI	100.0	–	PLN	1,230,436.0	37,084.0	

Name	Registered office	Business purpose	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000.	Net profit or loss* 1,000.	
mBank S.A.	Warsaw, Poland	KREDI	69.3	–	PLN	15,140,170.0	974,837.0	
mElements S.A.	Warsaw, Poland	SOFDL	100.0	–	PLN	14,114.0	323.0	
mFaktoring S.A.	Warsaw, Poland	SOFDL	100.0	–	PLN	101,084.0	4,480.0	
mFinanse S.A.	Lódz, Poland	SOUNT	100.0	–	PLN	154,710.0	26,345.0	
mLeasing Sp. z o.o.	Warsaw, Poland	SOFDL	100.0	–	PLN	416,327.0	64,242.0	
MOLARIS Verwaltungs- und Vermietungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	75.0	–	EUR	7,392.0	1,369.0	c)
NAVIPOS Schiffsbeteiligungs-gesellschaft mbH	Hamburg, Germany	SOFDL	100.0	–	EUR	105,147.0	–6,980.0	b)
NOVELLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0	–	EUR	11,176.0	–	a)
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Kaiser-Karree KG	Grünwald, Germany	SOUNT	100.0	–	EUR	15,442.0	–1,070.0	c)
onvista media GmbH	Cologne, Germany	SOUNT	100.0	–	EUR	1,707.0	748.0	
REFUGIUM Beteiligungs-gesellschaft mbH	Grünwald, Germany	SOFDL	100.0	–	EUR	915.0	–595.0	
SECUNDO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	SOUNT	100.0	–	EUR	5,811.0	–	a)
Tele-Tech Investment Sp. z o.o.	Warsaw, Poland	SOFDL	100.0	–	PLN	–69,669.0	–4,932.0	
TOMO Vermögensverwaltungs-gesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0	–	EUR	22,778.0	–	a) b)
Zelos Luxembourg S.C.S.	Luxembourg, Luxembourg	SOFDL	100.0	–	EUR	–36,733.0	4,166.0	

b) Affiliated companies not included in the Group financial statement due to their minor significance

Name	Registered office	Share of capital held %	Voting rights (where different) %
1. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	—
10. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	—
11. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	—
12. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
13. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
14. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
14. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Berlin Lindencorso KG i.L.	Düsseldorf, Germany	81.4	–
2. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
2. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Balingen KG	Düsseldorf, Germany	75.8	75.9
2. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Heilbronn KG	Düsseldorf, Germany	78.1	78.3
3. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
4. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
5. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
6. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
7. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
8. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–

Name	Registered office	Share of capital held %	Voting rights (where different) %
9. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ABALINGA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	–
ABANTITIM Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ABANTUM Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ABELASSA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ABODA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ABORONUM Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ABORONUM Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin KG	Düsseldorf, Germany	–	85.0
ACARINA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ACCESSA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–
ACCOMO Hotel HafenCity GmbH & Co. KG	Düsseldorf, Germany	100.0	–
ACCOMO Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ACILIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	– [c]
ACINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ACONITA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	– [c]
ACRONA Photovoltaik-Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
Actium Leasobjekt Gesellschaft mbH	Wiesbaden, Germany	100.0	– [a]
ACTOSA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ADAMANTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ADAMANTA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Elbphilharmonie KG	Düsseldorf, Germany	100.0	–
ADELIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ADENARA Flugzeug-Leasinggesellschaft mbH	Düsseldorf, Germany	100.0	–
ADMEO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ADMERA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ADRUGA Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ADURAMA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	–
AFORTUNA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
AGARBA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
AGASILA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
AGUSTO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
AHOIH Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
AHOTELLO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
AJOLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
AKERA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	–
ALACRITAS Verwaltungs- und Treuhand GmbH	Düsseldorf, Germany	100.0	–
ALBELLA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	–
ALBOLA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	–
ALDINGA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	–
ALDULA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	–
ALEMONA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	–
ALFUTURA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ALICANTE NOVA Shipping Limited	Monrovia, Liberia	100.0	–
ALISETTA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	–
ALIVERA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ALLATA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	94.0	–
ALLORUM Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–

Name	Registered office	Share of capital held %	Voting rights (where different) %
ALMURUS Grundstücks-Vermietungsgesellschaft mbH i.L.	Düsseldorf, Germany	100.0	–
ALSENNA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ALUBRA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	–
ALVARA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ALVENTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
AMALIA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	–
AMATA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
AMENA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
AMERA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	–
AMOJA Netzbesitz GmbH	Düsseldorf, Germany	100.0	–
AMONEUS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ANBANA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ANCAVA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ANCONA NOVA Shipping Limited	Monrovia, Liberia	100.0	–
ANDINO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	– [a)]
ANDINO Dritte Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	– [a)]
ANDINO Fünfte Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ANDINO Vierte Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ANDINO Zweite Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	– [a)]
ANET Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
Antellux S.à r.l.	Luxembourg, Luxembourg	100.0	–
APTEMUS Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ARAFINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ARAUNA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	–
ARBITRIA Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
AREBA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	–
ARIBELLA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ARINGO Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ARKAMA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ARMILLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
Arvilla Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
Arvillux S.à r.l.	Luxembourg, Luxembourg	100.0	–
ARVINA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	–
ASCETO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ASERTUNA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ASKIBA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ASSANDRA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ASSENTO Photovoltaik-Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ASSERTA Flugzeug-Leasinggesellschaft mbH	Düsseldorf, Germany	100.0	–
ASTRADA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	– [c)]
ASTUTIA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	– [a)]
ATUNO Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	–
AURESTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
AVANCIA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
Avantlux S.à r.l.	Luxembourg, Luxembourg	100.0	–
AVENTIMOLA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–

Name	Registered office	Share of capital held %	Voting rights (where different) %	
Avestlux S.à r.l.	Luxembourg, Luxembourg	100.0	–	
AVIO Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	–	
AVOLO Flugzeugleasinggesellschaft mbH	Karlsruhe, Germany	100.0	–	
AWINTO Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
BENE Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	–	c)
BERGA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG i.L.	Grünwald, Germany	100.0	19.0	
BILBAO NOVA Shipping Limited	Monrovia, Liberia	100.0	–	
Blue Amber Fund Management S.A.	Luxembourg, Luxembourg	100.0	–	
BONITAS Mobilien-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
BONITAS Mobilien-Vermietungsgesellschaft mbH & Co. Objekt Friedrichshafen KG	Düsseldorf, Germany	100.0	–	c)
Bot4Business Sp. z o.o.	Warsaw, Poland	–	–	c)
BRE Property Partner Sp. z o.o.	Warsaw, Poland	100.0	–	
CBG Commerz Beteiligungskapital Verwaltungs GmbH	Frankfurt/Main, Germany	100.0	–	
CFB-Fonds Transfair GmbH	Düsseldorf, Germany	100.0	–	a)
CG Japan GmbH	Wiesbaden, Germany	100.0	–	
CGI Stadtgalerie Schweinfurt Verwaltungs- GmbH	Wiesbaden, Germany	100.0	–	
CGI Victoria Square Limited	London, United Kingdom	100.0	–	
CGI Victoria Square Nominees Limited	London, United Kingdom	100.0	–	
CIMONUSA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
COLLEGIUM GLASHÜTTEN Zentrum für Kommunikation GmbH	Glashütten, Germany	100.0	–	a)
Commerz Asset Management Asia Pacific Pte Ltd	Singapore, Singapore	100.0	–	
Commerz Building and Management GmbH	Essen, Germany	100.0	–	a)
Commerz Equipment Leasing Limited	London, United Kingdom	100.0	–	
Commerz GOA Realty Associates LLC	New York, USA	100.0	–	c)
Commerz Keyes Avenue Properties (Proprietary) Ltd.	Johannesburg, South Africa	100.0	–	
Commerz Nederland N.V.	Amsterdam, Netherlands	100.0	–	
Commerz Nominees Limited	London, United Kingdom	100.0	–	
Commerz Real Asia Pacific Limited	Hong Kong, Hong Kong	100.0	–	
Commerz Real Asset Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0	–	a)
Commerz Real Baumanagement GmbH	Düsseldorf, Germany	100.0	–	a)
Commerz Real Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
Commerz Real Digitale Vertriebs- und Service GmbH	Wiesbaden, Germany	100.0	–	a)
Commerz Real Finanzierungsleasing GmbH i.L.	Düsseldorf, Germany	100.0	–	a)
Commerz Real France & South EURL	Paris, France	100.0	–	
Commerz Real Fund Management S.à r.l.	Luxembourg, Luxembourg	100.0	–	
Commerz Real Institutional European Hotel Fund SCA SICAV-RAIF	Luxembourg, Luxembourg	100.0	–	
Commerz Real Institutional Infrastructure Multi-Asset Fund II SCA SICAV-RAIF	Luxembourg, Luxembourg	84.4	87.7	
Commerz Real Institutional Renewable Energies Fund II SCA SICAV-RAIF	Luxembourg, Luxembourg	100.0	–	
Commerz Real Institutional Warsaw Invest S.à r.l.	Luxembourg, Luxembourg	100.0	–	
Commerz Real North Ltd.	London, United Kingdom	100.0	–	
Commerz Real Southern Europe GmbH i.L.	Wiesbaden, Germany	100.0	–	
Commerz Real West BV	Amsterdam, Netherlands	100.0	–	
Commerz Realty Associates GP V, LLC	Wilmington, Delaware, USA	100.0	–	
Commerz Securities Hong Kong Limited	Hong Kong, Hong Kong	100.0	–	
Commerz Trade Services Sdn. Bhd.	Kuala Lumpur, Malaysia	100.0	–	
Commerzbank Asset Management Asia Ltd.	Singapore, Singapore	100.0	–	

Name	Registered office	Share of capital held %	Voting rights (where different) %	
Commerzbank Auslandsbanken Holding GmbH	Frankfurt/Main, Germany	100.0	–	a)
Commerzbank Capital Investment Company Limited	London, United Kingdom	100.0	–	
Commerzbank Investments (UK) Limited	London, United Kingdom	100.0	–	
Commerzbank Leasing December (1) Limited	London, United Kingdom	100.0	–	
Commerzbank Leasing December (12) Limited	London, United Kingdom	100.0	–	
Commerzbank Leasing December (13) Limited	London, United Kingdom	100.0	–	
Commerzbank Leasing December (26) Limited	London, United Kingdom	100.0	–	
Commerzbank Leasing December (6) Limited	London, United Kingdom	100.0	–	
Commerzbank Leasing March (3) Limited	London, United Kingdom	100.0	–	
Commerzbank Pension Trustees Limited	London, United Kingdom	100.0	–	
Commerzbank Representative Office Nigeria Limited	Lagos, Nigeria	100.0	–	
Commerzbank Representative Office Panama, S.A.	City of Panama, Panama	100.0	–	
Commerzbank Securities Ltd	London, United Kingdom	100.0	–	
Commerzbank Securities Nominees Limited	London, United Kingdom	100.0	–	
CommerzKommunalbau GmbH i.L.	Düsseldorf, Germany	100.0	–	
CommerzLeasing Anlagen-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
CommerzLeasing GmbH	Düsseldorf, Germany	100.0	–	
CommerzStiftungsTreuhand GmbH	Frankfurt/Main, Germany	100.0	–	
CommerzTrust GmbH	Frankfurt/Main, Germany	100.0	–	
CommerzVentures Beteiligungsverwaltungs GmbH	Frankfurt/Main, Germany	100.0	–	
COMUNITHY Immobilien GmbH i.L.	Düsseldorf, Germany	51.0	–	
Copernicus Germany GmbH	Frankfurt/Main, Germany	100.0	–	a)
CR Infrastructure Asset S.à r.l.	Luxembourg, Luxembourg	100.0	–	1)
CRI Erste Beteiligungsgesellschaft mbH	Wiesbaden, Germany	100.0	–	
CRI Wohnen GmbH	Wiesbaden, Germany	100.0	–	
CSK Sp. z o.o. in liquidation	Lódz, Poland	100.0	–	
CyberRescue Sp. z o.o.	Warsaw, Poland	–	–	c)
DAUNUS Vermietungsgesellschaft mbH	Grünwald, Germany	–	–	a) c)
Delphi I Eurohypo LLC	Wilmington, Delaware, USA	100.0	–	
Digital Fingerprints S.A.	Warsaw, Poland	–	–	c) 2)
Digital Teammates S.A.	Warsaw, Poland	–	–	c)
Dr. Gubelt Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
Dr. Gubelt Immobilien Vermietungs-Gesellschaft mbH	Düsseldorf, Germany	100.0	–	
DRABELA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
DREBOSTA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
DREBOSTA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schwerin KG	Grünwald, Germany	100.0	92.0	c)
DREDOLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
DRELARA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
DRELOSINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
DRENITA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
DRESANA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
Dresdner Kleinwort Derivative Investments Limited	London, United Kingdom	100.0	–	
Dresdner Kleinwort do Brasil Limitada	Rio de Janeiro, Brazil	100.0	–	
Dresdner Kleinwort Services (Guernsey) Limited	St. Peter Port, Guernsey	100.0	–	
DRETERUM Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
EHY Real Estate Fund I, LLC	Wilmington, Delaware, USA	100.0	–	
Elfte Umbra Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	–	a)
EuREAM GmbH	Wiesbaden, Germany	100.0	–	
EVIDENTIA Immobilien-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
Fernwärmenetz Leipzig GmbH	Leipzig, Germany	100.0	–	
FLOR Vermietungsgesellschaft mbH	Grünwald, Germany	–	–	a) c)
FORNAX Kraftwerk-Beteiligungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
FRAST Beteiligungsgesellschaft mbH	Grünwald, Germany	100.0	–	
FRAST Beteiligungsgesellschaft mbH & Co. Objekt Kokerei KG	Grünwald, Germany	100.0	75.0	c)
Galbraith Investments Limited	London, United Kingdom	100.0	–	
General Leasing (No.16) Limited	London, United Kingdom	100.0	–	
Gesellschaft für Kreditsicherung mbH	Berlin, Germany	63.3	–	
GIE Dresdner Kleinwort France	Paris, France	100.0	–	
GRABINO Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	
GRADARA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
GRADARA Vermietungsgesellschaft mbH & Co. Objekt Neu-Ulm KG	Grünwald, Germany	100.0	–	
GRAFINO Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	
GRAFINO Vermietungsgesellschaft mbH & Co. Objekt Sendlinger Alm KG	Grünwald, Germany	100.0	–	c)
GRALANA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
GRALIDA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Kaiser-Karree KG	Grünwald, Germany	100.0	–	
GRALIDA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	
GRAMINA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
GRAMOLDISCUS Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
GRAMOLINDA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
GRAMOLINDA Vermietungsgesellschaft mbH & Co. Objekt Frankfurt KG i.L.	Grünwald, Germany	100.0	–	c)
GRASSANO Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
GRATNOMA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
GRECORA Aviation GmbH	Grünwald, Germany	100.0	–	c)
GRECORA Aviation GmbH & Co. geschlossene Investment KG	Grünwald, Germany	100.0	–	
Greene Elm Trading IX LLC	Wilmington, Delaware, USA	100.0	–	
Greene Elm Trading VIII LLC	Wilmington, Delaware, USA	100.0	–	
Greene Elm Trading X LLC	Wilmington, Delaware, USA	100.0	–	
GRENADO Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
GRENDA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
GRESELA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
Gresham Leasing March (1) Limited	London, United Kingdom	100.0	–	
Gresham Leasing March (2) Limited	London, United Kingdom	100.0	–	
Gresham Leasing March (3) Limited	London, United Kingdom	100.0	–	
GRETANA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
GRILISA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
GRINA Beteiligungsgesellschaft mbH	Grünwald, Germany	100.0	–	
GRONDOLA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
GROSINA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Berlin Marzahn KG	Grünwald, Germany	100.0	–	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Berlin Weißensee KG	Grünwald, Germany	100.0	–	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Chemnitz KG	Grünwald, Germany	100.0	–	c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Darmstadt KG	Grünwald, Germany	100.0	–	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Dreieich KG	Grünwald, Germany	100.0	–	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Dresden KG	Grünwald, Germany	100.0	–	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Essen KG	Grünwald, Germany	100.0	–	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Hannover EXPOPark KG	Grünwald, Germany	100.0	–	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Hannover Hauptbetrieb KG	Grünwald, Germany	100.0	–	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Leipzig KG	Grünwald, Germany	100.0	–	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Saarbrücken KG	Grünwald, Germany	100.0	–	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Saarlouis KG	Grünwald, Germany	100.0	–	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Stuttgart KG	Grünwald, Germany	100.0	–	c)
GROTEGA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
GRUMENTO Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
GRUMOSA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
GRUNATA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
HAJOBANTA GmbH	Düsseldorf, Germany	100.0	–	
HAJOBURGA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
HAJOGA-US Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
HAJOLENA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
HAJOLINDA Beteiligungsgesellschaft GmbH	Düsseldorf, Germany	100.0	–	
HAJOLUCA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
HAJOMA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
HAJOMINA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
HAJORALDIA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
HAJOSINTA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
HAJOSOLA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
HAJOTARA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
Haus am Kai 2 O.O.O.	Moscow, Russia	100.0	–	
HDW Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
Herradura Ltd	London, United Kingdom	100.0	–	
HIMUS Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	–	–	a) c)
Immobiliengesellschaft Ost Hägle, spol. s.r.o	Prague, Czech Republic	100.0	–	
IMMOFIDUCIA Sp. z o.o.	Warsaw, Poland	100.0	–	
IWP International West Pictures GmbH & Co. Erste Produktions KG i.L.	Cologne, Germany	95.1	–	
IWP International West Pictures Verwaltungs GmbH	Cologne, Germany	100.0	–	
LIVIDA MOLARIS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
Lixa Office Building Kasprzaka 2 Warsaw Spólka z ograniczona odpowiedzialnoscia	Warsaw, Poland	100.0	–	
LUGO Photovoltaik Beteiligungsgesellschaft mbH i.L.	Düsseldorf, Germany	100.0	–	
LUTEA MOLARIS Grundstücks-Vermietungsgesellschaft mbH	Berlin, Germany	100.0	–	c)
MARBARDA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MARBINO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MARBREVA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MARBREVA Vermietungsgesellschaft mbH & Co. Objekt AOK Bayern KG	Düsseldorf, Germany	100.0	–	c)
MARBREVA Vermietungsgesellschaft mbH & Co. Objekt AOK Rheinland-Pfalz KG	Düsseldorf, Germany	100.0	–	c)
MARIUS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
MARLINTA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MAROLA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
Marseille Shipping Limited	Monrovia, Liberia	100.0	–	
Marylebone Commercial Finance (2)	London, United Kingdom	100.0	–	
mBOX Sp. z o.o.	Warsaw, Poland	100.0	–	
Mercury Financial S.A.	Warsaw, Poland	–	–	c)
mFinance France S.A.	Paris, France	100.0	–	
mInvestment Banking S.A.	Warsaw, Poland	100.0	–	
MOLANA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLANCONA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLANDA Vermietungsgesellschaft mbH	Munich, Germany	100.0	–	c)
MOLANGA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
MOLANKA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLANZIO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLARELLA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLAREZZO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLARGA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLARINA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLARIS Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLARIS Geschäftsführungs GmbH	Düsseldorf, Germany	100.0	–	c)
MOLARIS Grundstücksverwaltung GmbH	Düsseldorf, Germany	100.0	–	c)
MOLARIS Immobilienverwaltung GmbH	Düsseldorf, Germany	100.0	–	c)
MOLARIS Managementgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLARIS Objektverwaltung GmbH	Düsseldorf, Germany	100.0	–	c)
MOLARISA Vermögensverwaltung mbH	Düsseldorf, Germany	100.0	–	c)
MOLARISSA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLARISSA Vermietungsgesellschaft mbH & Co. Objekt Detmold KG	Düsseldorf, Germany	1.0	87.0	c)
MOLARONA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLAROSA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLASSA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLATHINA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLBAKKA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLBAMBA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLBARVA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLBERA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLBERNO Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
MOLBOLLA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLBONA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLBRIENZA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLBURGA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLCAMPO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLCENTO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLCOCO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLCORA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLDARA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLDEO Mobilien-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)

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MOLDEO Mobilien-Vermietungsgesellschaft mbH & Co. Objekt Lünen KG	Düsseldorf, Germany	100.0	–	c)
MOLDICMA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLDOMA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLDORA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLEMPA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLENDRA Vermietungsgesellschaft mbH i.L.	Düsseldorf, Germany	100.0	–	c)
MOLETUM Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLFENNA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLFOKKA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLFRIEDA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLGABA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLGEDI Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLGEKA Vermietungsgesellschaft mbH	Meerbusch, Germany	100.0	–	c)
MOLGERBA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLGERO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLHABIS Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLIGELA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLIGO Vermietungsgesellschaft mbH	Rostock, Germany	100.0	–	c)
MOLISTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLITA Vermietungsgesellschaft mbH	Hannover, Germany	100.0	–	c)
MOLKANDIS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLKANDIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Kaltenkichen KG	Düsseldorf, Germany	100.0	–	c)
MOLKIRA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLKRIMA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLMARTA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLMELFI Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLMIRA Vermietungsgesellschft mbH	Düsseldorf, Germany	100.0	–	c)
MOLNERA Vermietungsgesellschaft mbH	Berlin, Germany	100.0	–	c)
MOLOTA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLPANA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLPERA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLPETTO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLPIKA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLPIREAS Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLPURA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
MOLRANO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLRATUS Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
MOLRAWIA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLRESTIA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLRISTA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
MOLRITA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLROLA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLRONDA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLROSSI Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLSANTA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLSCHORA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
MOLSIWA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLSOLA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–	c)
MOLSTEFFA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLSTINA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLSURA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLTANDO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLTARA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLTERAMO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLTIVOLA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLTUNA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLTUNIS Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLUGA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLVANI Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLVERA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLVINA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLVINCA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLVORRA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLWALLA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLWALLA Vermietungsgesellschaft mbH & Co. Objekt Schweinfurt KG	Düsseldorf, Germany	1.0	87.0	c)
MOLWANKUM Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLWORUM Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MOLWORUM Vermietungsgesellschaft mbH & Co. Objekt Ottensen KG	Düsseldorf, Germany	1.0	87.0	c)
MONEA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	
MORANO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)
MS "PUCCINI" Verwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	–	
mServices Sp. z o.o.	Lódz, Poland	100.0	–	
NACOLO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NACONA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NACONGA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NAFARI Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NAFIRINA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NASIRO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NASTO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NAUCULA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NAULUMO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NAURANTO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NAURATA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NAUSOLA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NAUTARO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NAUTESSA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NAUTIS Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NAUTLUS Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NAUTO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NAUTORIA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NAUTUGO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	
NAVALIS Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–	

Name	Registered office	Share of capital held %	Voting rights (where different) %
NAVALIS Schiffsbetriebsgesellschaft mbH & Co. MS "NEDLLOYD JULIANA" KG i.L.	Hamburg, Germany	93.6	93.7
NAVIBOLA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–
NAVIBOTO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–
NAVIFIORI Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–
NAVIGA Schiffsbeteiligung GmbH	Hamburg, Germany	100.0	–
NAVIGATO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–
NAVIGOLO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–
NAVILO Vermietungsgesellschaft mbH	Hamburg, Germany	100.0	–
NAVINA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–
NAVIRENA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–
NAVIROSSA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–
NAVITA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–
NAVITARIA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–
NAVITONI Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–
NAVITOSA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–
NAVITURA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–
NAVO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin KG	Düsseldorf, Germany	100.0	– c)
NEPTANA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–
NEPTILA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–
NEPTORA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–
NEPTUGA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–
NEPTUNO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0	–
NERVUS Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
NESTOR Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
NEUGELB STUDIOS GmbH	Berlin, Germany	100.0	– a)
NOLICA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
NORA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Ettlingen KG	Düsseldorf, Germany	–	85.0 c)
NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte Plön und Preetz KG	Düsseldorf, Germany	100.0	–
NOTITIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
NOVITAS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
Number X Real Estate GmbH i.L.	Eschborn, Germany	100.0	–
NURUS Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	– a)
Octopus Investment Sp. z o.o.	Warsaw, Poland	100.0	–
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	100.0	–
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Haar KG	Düsseldorf, Germany	100.0	– c)
OPTIONA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	– c)
OSKAR Medienbeteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
PALERMO Shipping Limited	Monrovia, Liberia	100.0	–
PAREO Kraftwerk-Beteiligungsgesellschaft mbH	Leipzig, Germany	100.0	–
PATELLA Vermietungsgesellschaft mbH	Berlin, Germany	100.0	– c)
PATULA Beteiligungsgesellschaft mbH	Stuttgart, Germany	100.0	–
Pisces Nominees Limited	London, United Kingdom	100.0	–
Property Partner Sp. z o.o.	Warsaw, Poland	100.0	–
PRUNA Betreiber GmbH	Grünwald, Germany	51.0	–

Name	Registered office	Share of capital held %	Voting rights (where different) %
quatron Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	– [c]
RALTO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
RAMONIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
RANA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
RAPIDA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
RAVENNA Kraków Sp. z o.o.	Warsaw, Poland	100.0	–
RAYMO Vierte Portfolio GmbH	Frankfurt/Main, Germany	100.0	–
RECURSA Grundstücks-Vermietungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	–
RESIDO Flugzeug-Leasinggesellschaft mbH	Düsseldorf, Germany	100.0	–
RIPA Medien-Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
Rood Nominees Limited	London, United Kingdom	100.0	–
ROSARIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ROSATA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ROSEA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte TANK & RAST KG	Düsseldorf, Germany	–	85.0 [c]
ROSINTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
ROSOLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
SENATORSKA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
SILVA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	– [c]
Smart Living Immobiliengesellschaft mbH	Düsseldorf, Germany	100.0	–
Smart Living Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	– [3]
SOLTRX Transaction Services GmbH	Düsseldorf, Germany	100.0	– [a]
TALORA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
TIGNARIS Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	– [c]
TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Burscheid KG	Düsseldorf, Germany	100.0	– [c]
TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Kleve KG	Düsseldorf, Germany	100.0	– [c]
TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Ostfildern KG	Düsseldorf, Germany	100.0	–
TIGNARIS Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–
TOULON NOVA Shipping Limited	Monrovia, Liberia	100.0	–
T-Rex Verwaltungs GmbH	Wiesbaden, Germany	100.0	–
Unitop Sp. z o.o.	Lódz, Poland	100.0	–
Urban Invest Holding GmbH i.L.	Eschborn, Germany	100.0	–
VALENCIA NOVA Shipping Limited	Monrovia, Liberia	100.0	–
Watling Leasing March (1)	London, United Kingdom	100.0	–
WebTek Software Private Limited	Bangalore, India	100.0	–
Windpark Duben Süd Verwaltungs GmbH	Grünwald, Germany	100.0	–
Windpark Fläming 1 Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0	–
Windpark Karche 2 Verwaltungs GmbH	Grünwald, Germany	100.0	–
Windpark Klosterkumbd Verwaltungs GmbH	Düsseldorf, Germany	100.0	–
Windpark Ottweiler-Bexbach Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0	–
Windpark Parchim Fünf Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0	–
Windpark Rayerschied Verwaltungs GmbH	Düsseldorf, Germany	100.0	–
Windpark Schenkendöbern Eins Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0	–
Windpark Schöneseiffen Verwaltungs GmbH	Düsseldorf, Germany	100.0	–
Windpark Sien Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0	–
Windpark Spechenwald Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0	–

Name	Registered office	Share of capital held %	Voting rights (where different) %	
Windpark Wustermark Eins Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0	–	
Windsor Asset Management GP Ltd.	Toronto, Ontario, Canada	100.0	–	
Windsor Canada Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	–	c)

2. Associated companies

a) Associated companies in the Group financial statements accounted for using the equity method

Name	Registered office	Share of caital held	Voting rights (where different)	Currency	Equity*	Net profit or loss*	
		%	%		1,000	1,000	
AKA Ausfuhrkredit-Gesellschaft mbH	Frankfurt/Main, Germany	31.6	–	EUR	242,572	10,621	
Coubag Unternehmens-beteiligungsgesellschaft mbH	Frankfurt/Main, Germany	40.0	–	EUR	87,169	–60	4)
CR Hotel Target Pty Ltd	Sydney NSW, Australia	50.0	–	AUD	20,327	–7,569	
DTE Energy Center, LLC	Wilmington, Delaware, USA	50.0	–	USD	58,768	8,831	
ILV Immobilien-Leasing Verwaltungsgesellschaft Düsseldorf mbH	Düsseldorf, Germany	50.0	–	EUR	36,956	9,342	c)

b) Associated companies in the Group financial statements accounted for using the equity method due to their minor significance

Name	Registered office	Share of caital held	Voting rights (where different)
		%	%
AGASILA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Düsseldorf KG	Düsseldorf, Germany	24.3	29.8
ALIVERA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Düsseldorf-Lichtenbroich KG	Düsseldorf, Germany	5.2	25.0
ANET GmbH & Co. GESCHLOSSENE INVESTMENT KG	Düsseldorf, Germany	30.7	30.9
ASTIRA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0	–
ATISHA Verwaltungsgesellschaft mbH & Co. Objekt Paris KG	Düsseldorf, Germany	50.0	–
EVA Société par Actions Simplifiée	Paris, France	50.0	–
Film & Entertainment VIP MEDIENFONDS 3 GmbH & Co. KG i.L.	Grünwald, Germany	45.2	–
GOPA - Gesellschaft für Organisation, Planung und Ausbildung mbH	Bad Homburg v. d. Höhe, Germany	28.8	–
HAJOBANTA GmbH & Co. Asia Opportunity I KG	Düsseldorf, Germany	20.8	20.9
Immobilien-Vermietungsgesellschaft Dr. Rühl GmbH & Co. Objekt Stutensee KG	Düsseldorf, Germany	3.5	25.0
Immobilien-Vermietungsgesellschaft Reeder & Co. Objekt Plauen-Park KG	Düsseldorf, Germany	21.4	–
MIDAS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Langenhagen KG i.L.	Düsseldorf, Germany	5.0	50.0
MS "Meta" Stefan Patjens GmbH & Co. KG i. L.	Drochtersen, Germany	30.6	–
NESTOR Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Villingen-Schwenningen i.L.	Düsseldorf, Germany	–	50.0
Pinova GmbH & Co. Erste Beteiligungs KG	Munich, Germany	40.0	–
Projekt CH Lodz Sp. z o.o.	Warsaw, Poland	97.0	–
ROSCAs UG (haftungsbeschränkt)	Frankfurt/Main, Germany	25.0	–
ShareYourSpace GmbH	Munich, Germany	20.9	–

3. Joint Ventures

a) Joint Ventures in the Group financial stetements accounted for using the equity method

Name	Registered office	Share of caital held	Voting rights (where different)	Currency	Equity*	Net profit or loss*
		%	%		1,000	1,000
FV Holding S.A.	Brussels, Belgium	60.0	–	EUR	1,153	–24

b) Joint Ventures in the Group financial stetements accounted for using the equity method due to their minor significance

Name	Registered office	Share of caital held	Voting rights (where different)
		%	%
Bonitos Verwaltungs GmbH i.L.	Frankfurt/Main, Germany	50.0	–
NULUX NUKEM LUXEMBURG GmbH	Luxembourg, Luxembourg	49.5	–

4. Structured entities

a) Structured entities included in the Group financial stetemets pursuant to IFRS 10/IFRS 11 due to their minor significance

Name	Registered office	Segment	Share of caital held	Voting rights (where different)	Currency	Equity*
			%	%		1,000.
Bosphorus Capital DAC	Dublin, Ireland	FK	–	–	EUR	75.0
Bosphorus Investments DAC	Dublin, Ireland	FK	–	–	EUR	13.0
Plymouth Capital Limited	St. Helier, Jersey	FK	–	–	GBP	–

b) Structured entities not included in the Group financial stetemets pursuant to IFRS 10/IFRS 11 due to their minor significance

Name	Registered office	Segment
Caduceus Compartment 5	Luxembourg, Luxembourg	FK
CB MezzCAP Limited Partnership	St. Helier, Jersey	PUK
Coco Finance II-3 DAC	Dublin, Ireland	FK
MERKUR Grundstücks-Gesellschaft Objekt Berlin Lange Straße mbH & Co. KG i.L.	Grünwald, Germany	SuK

5. Investment funds

a) Investment funds included in the Group financial stetemets pursuant to IFRS 10/IFRS 11 due to their minor significance

Name	Registered office	Segment	Share of investor to fund %	Currancy	Fondvolume 1,000.
Olympic Investment Fund II	Grevenmacher, Luxembourg	FK	–	EUR	2,446,547
Premium Management Immobilien-Anlagen	Frankfurt/Main, Germany	PUK	–	EUR	30,162
VFM Mutual Fund AG & Co. KG	Gamprin-Bendern, Liechtenstein	FK	–	CHF	220,906

6. Investments in large corporation where the investment exceeds 5% of the voting rights

Name	Registered office	Share of capital held %	Voting Rights %
Deutsche Börse Commodities GmbH	Frankfurt/Main, Germany	16.2	14.5
EURO Kartensysteme GmbH	Frankfurt/Main, Germany	15.4	–
SCHUFA Holding AG	Wiesbaden, Germany	18.6	–

Footnotes	
1)	Renamed: from CR Infrastructure Asset S.a.rl. i.Gr. to CR Infrastructure Asset S.à r.l.
2)	Renamed: from Centrum Bezpieczenstwa Cyfrowego S.A. to Digital Fingerprints S.A.
3)	Renamed: from Smart Living Verwaltungsgesellschaft mbH i.Gr. to Smart Living Verwaltungsgesellschaft mbH
4)	Renamed: from Commerz Unternehmensbeteiligungs-Aktiengesellschaft to Coubag Unternehmensbeteiligungsgesellschaft mbH

Comments and Explanations	
a)	Control or profit transfer agreement
b)	No disclousures persuant to Art. 264 (3) and Art. 264 of the German Commercial Code (HGB)
c)	Agent-relationships
*	Financial figures as of last year´s annual report

Abbreviation	Explanation
BETGE	Investment Companies
KREDI	Banks
SOFDL	Other Financial Institutions
SOUNT	Other Companies
FK	Corporate Clients
PUK	Private and Small Business Customers
SuK	Others and Consolidation

Foreign exchange rates for €1 as at 31 December 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

Report on events after the reporting period

There have been no other material events since the end of the reporting period.

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
Mittelstandsbank 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)
General 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 Deputy Chairman of the
Management Board of Otto Group

Christian Höhn[1]
Banking professional
Commerzbank Aktiengesellschaft

Kerstin Jerchel[1]
Divisional Head Co-determination
ver.di Trade Union National
Administration

Dr. Markus Kerber
(until 13.5.2020)
State Secretary in the Federal Ministry of
the Interior, Building and Community

Alexandra Krieger[1]
Head Business Administration/
Corporate Strategy
Industrial Union Mining, Chemical
and Energy

Anja Mikus
(until 13.5.2020)
CEO/CIO of the "Fund for the Financing of
Nuclear Waste Disposal",
public endowment

Dr. Victoria Ossadnik
Chief Executive Officer
E.ON Energie Germany GmbH
E.ON Energie Holding GmbH

Andreas Schmitz
(since 1.1.2021)
Former Chairman of the Board
HSBC Trinkaus & Burkhardt AG
Düsseldorf

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 Trade Union National
Administration

Klaus-Peter Müller
Honorary Chairman

[1] Elected by the Bank's employees.

Board of Managing Directors

Dr. Manfred Knof
Chairman
(since 1.1.2021)

Martin Zielke
Chairman
(until 31.12.2020)

Roland Boekhout
(from 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 30.09.2020)

Dr. Bettina Orlopp

Sabine Schmittroth
(since 1.1.2020)

Responsibility statement by the Board of Managing Directors

To the best of our knowledge, and in accordance with the applicable reporting principles, the Group financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the management report of the Group provides a true and fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, 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 consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, and its subsidiaries (the Group), which comprise the statement of comprehensive income for the financial year from 1 January to 31 December 2020, and the balance sheet as at 31 December 2020, statement of changes in equity and cash flow statement for the financial year from 1 January to 31 December 2020, and notes to the financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of COMMERZBANK Aktiengesellschaft for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the combined separate non-financial report included in the "Details pursuant to Art. 340i (5) in conjunction with Art. 315b (3) of the German Commercial Code (HGB)" section of the group management report or the corporate governance report included in the "Details pursuant to Art. 315d of the German Commercial Code (HGB)" section or the declaration on corporate governance pursuant to Sec. 315d HGB ["Handelsgesetzbuch": German Commercial Code] in conjunction with Sec. 289f HGB.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the combined separate non-financial report included in the "Details pursuant to Art. 340i (5) in conjunction with Art. 315b (3) of the German Commercial Code (HGB)" section of the group management report or the corporate governance report included in the "Details pursuant to Art. 315d of the German Commercial Code (HGB)" section or the declaration on corporate governance pursuant to Sec. 315d HGB in conjunction with 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 consolidated financial statements and of the group management report

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1

January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.
Below, we describe what we consider to be the key audit matters:

1. Measurement of deferred tax assets

Reasons why the matter was determined to be a key audit matter

The measurement of deferred tax assets is subject to judgement and requires estimates regarding the future tax income situation and the usability of tax losses

The measurement of deferred tax assets is based on the tax forecast for a period of five years which is derived from the Group's multi-year plan. Estimates and assumptions regarding the future business development of the Group including the planned strategic activities from the new "Strategy 2024" are factored into this plan. The parameters used in the multi-year plan are subject to judgement and have a significant influence on the measurement of deferred tax assets. In this context, the measurement of deferred tax assets was a key audit matter.

Auditor's response

During our audit procedures, we walked through the process for preparing the multi-year plan in the Group and assessed its compliance with internal requirements. Furthermore, we analysed the significant assumptions and value drivers with a special focus on the planned strategic activities and with regard to significant changes in the planning assumptions compared with the previous year. We assessed the consistency of the significant assumptions used in the multi-year plan and compared them with external market expectations. In this context, we examined whether the assumptions on the economic development over the planning period were within a range of externally available forecasts.

Based on the Group's multi-year plan, we identified the tax groups that have significant levels of deferred tax assets before impairment losses and netting with deferred tax liabilities. For these tax groups, we compared the significant assumptions of the business plan with the previous financial year's plan and with the actual results achieved in the financial year and analysed the causes of deviations.

We consulted internal specialists who have particular expertise in the area of business valuation for this purpose.

We assessed the reconciliation of the IFRS forecasts to the tax forecasts in terms of the compatibility of the method used to determine deferred taxes with IAS 12 and the arithmetical accuracy of the calculation of deferred tax assets. We consulted internal specialists who have particular expertise in the area of tax for this purpose. Our procedures did not lead to any reservations relating to the measurement of deferred tax assets.

Reference to related disclosures

Information on the measurement of deferred tax assets is provided in Notes 22 and 52 of the notes to the consolidated financial statements.

2. Recognition and measurement of the restructuring provisions set up in financial year 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 recognised 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 restructuring provisions in accordance with IAS 37 were met.

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 IAS 37. For this purpose, we analysed the assumptions used in the measurement such as the planned utilisation and expected costs for each headcount reduction model and compared them with the Bank's experience from previous restructuring programmes. We also reperformed the calculations for determining the restructuring provisions set up in financial year 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 58 of the notes to the consolidated financial statements.

3. Calculation of expected credit losses (ECL) for performing loan exposures

Reasons why the matter was determined to be a key audit matter

The estimate of the credit risk parameters underlying the calculation of ECL for performing loan exposures under the Bank's IFRS 9 ECL model is based on historical information, obligor characteristics, current economic developments and forward-looking macroeconomic assumptions. Some of these parameters can only be observed with a time lag and are subject to estimation uncertainty.

In light of the economic upheavals 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 ECL in stage I and stage II. 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 ECL for performing loan exposures to be a key audit matter.

Auditor's response

We assessed the design and operating effectiveness of the internal control system with regard to the calculation of ECL for performing loan exposures.

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 ECL for performing loan exposures.

Reference to related disclosures

Disclosures concerning the calculation of ECL for financial instruments are provided in Note 32 of the notes to the consolidated financial statements and in the group risk report.

Other information

The Supervisory Board is responsible for its annual report. In all other respects, the executive directors are responsible for the other information. The other information comprises the combined separate non-financial report included in the "Details pursuant to Art. 340i (5) in conjunction with Art. 315b (3) of the German Commercial Code (HGB)" section of the group management report, the corporate governance report included in the "Details pursuant to Art. 315d of the German Commercial Code (HGB)" section and the declaration on corporate governance pursuant to Sec. 315d HGB in conjunction with Sec. 289f HGB. In addition, the other information comprises other parts of the annual report of which we received a version before issuing this auditor's report, in particular the "U2-U4" section consisting of "Key figures", "Significant subsidiaries and Commerzbank worldwide" and "Financial calendar, contact addresses" as well as the "To our Shareholders" section consisting of "Letter from the Chairman of the Board of Managing Directors", "The Board of Managing Directors", "Committees and the Supervisory Board" and "Our share". It also comprises the "Further Information" section consisting of "Seats on other boards", "Information on the encumbrance of assets", "Quarterly results by segment" and "Five-year overview" as well as the "Responsibility statement by the Board of Managing Directors" section.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the consolidated financial statements and the group 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 consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file "Commerzbank_AG_KA+KLB_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 consolidated financial statements and the group 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 consolidated financial statements and the group 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 consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2020 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above.

Basis for the opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the group 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). Our responsibilities under that standard are further described in the "Group 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 consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Institution are responsible for such internal control as they have 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 consolidated financial statements and the audited group 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.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material 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 consolidated financial statements and to the audited group management report.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group 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

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Further Information

› We inform you here about the seats on mandatory supervisory boards and similar bodies held by members of the Board of Managing Directors, members of the Supervisory Board and employees of Commerzbank. We also inform you here about the result of the review of the combined separate non-financial report as well as about the information on the encumbrance of assets and the quarterly results by segment.

Mandates on supervisory boards and other regulatory bodies

Members of the Board of Managing Directors of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285 no. 10 of the German Commercial Code (HGB)

a) Seats on other mandatory supervisory boards (in Germany)
b) Seats in similar national and international bodies

Dr Manfred Knof
(since 1 January 2021)
– –

Martin Zielke
(until 31 December 2020)
– –

Roland Boekhout
(from 1 January 2020 until 31 December 2020)

b) CommerzVentures GmbH[1]
(from 1 January 2020 until 31 December 2020)

Verlagsbeteiligungs- und Verwaltungsgesellschaft mit beschränkter Haftung
(from 12 February 2020 until 31 December 2020)

Dr Marcus Chromik

a) Commerz Real AG[1]
Deputy Chairman
(since 1 January 2021)

b) Commerz Real Investmentgesellschaft mbH[1]
Deputy Chairman
(since 1 January 2021)

mBank S.A.[1]

Verlagsbeteiligungs- und Verwaltungsgesellschaft mit beschränkter Haftung
(since 21 January 2021)

Stephan Engels
(until 31 March 2020)
– –

Jörg Hessenmüller

b) Commerz Services Holding GmbH[1]
Chairman

CommerzVentures GmbH[1]
Chairman

EPI Interim Company
(since 7 October 2020)

EUREX Deutschland AöR
(since 23 January 2020)

Frankfurter Wertpapierbörse AöR
(since 23 January 2020)

Main Incubator GmbH[1]
Chairman

mBank S.A.[1]
Deputy Chairman

Michael Kotzbauer
(since 14 January 2021)

b) Collegium Glashütten Zentrum für Kommunikation GmbH[1]

CommerzVentures GmbH[1]
(since 1 January 2021)

Michael Mandel
(until 30 September 2020)

a) comdirect bank Aktiengesellschaft[1]
(until 2 November 2020)

Commerz Real AG[1]
Chairman
(until 31 December 2020)

b) Commerz Real Investmentgesellschaft mbH[1]
Chairman
(until 31 December 2020)

(continued in next column)

Michael Mandel (continued)

b) CommerzVentures GmbH[1]
(until 30 September 2020)

mBank S.A.[1]
(until 22 October 2020)

Dr Bettina Orlopp

a) Commerz Real AG[1]
(until 29 February 2020)

b) CommerzVentures GmbH[1]
Deputy Chairman
(since 1 January 2020)

EIS Einlagensicherungsbank GmbH
Chairman
(since 1 January 2020)

mBank S.A.[1]
(since 27 March 2020)

Sabine Schmittroth
(since 1 January 2020)

a) comdirect bank Aktiengesellschaft[1]
(until 2 November 2020)

Commerz Direktservice GmbH[1]
(until 25 March 2020)

Commerz Real AG[1]
Chairman

b) Commerz Real Investmentgesellschaft mbH[1]
Chairman

mBank S.A.[1]
(since 23 October 2020)

[1] Group mandate.

Members of the Supervisory Board of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285 no. 10 of the German Commercial Code (HGB)

a) Seats on other mandatory supervisory boards (in Germany)
b) Seats in similar national and international bodies

Hans-Jörg Vetter
(from 4 August 2020 until 16 March 2021)

a) Herrenknecht AG, Schwanau
Chairman

Dr. Stefan Schmittmann
(until 3 August 2020)

a) Commerz Real AG, Wiesbaden[1]
Chairman (until 29 February 2020)

b) Commerz Real Investmentgesellschaft mbH, Wiesbaden[1]
Chairman (until 29 February 2020)

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 May 2020)

– –

Sabine U. Dietrich

a) H&R GmbH und Co. KGaA, Salzbergen

MVV Energie AG, Mannheim
(since 1 October 2020)

Dr. Jutta A. Dönges
(since 13 May 2020)

a) Deutsche Pfandbriefbank AG, Garching

b) FMS Wertmanagement AöR, Munich
Deputy Chairman of the Board of Directors

Monika Fink

– –

Dr Tobias Guldimann

b) Edmond de Rothschild Holding S.A., Chambésy (Switzerland) (until 1 May 2020)

Edmond de Rothschild (Suisse) S.A., Geneva (Switzerland)

Edmond de Rothschild (Monaco) S.A., Monaco (Principality of Monaco) (until 1 May 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 May 2020)

– –

Alexandra Krieger

a) AbbVie Komplementär GmbH, Wiesbaden

Evonik Resource Efficiency GmbH, Essen
Deputy Chairman (until 30 June 2020)

Evonik Operations GmbH
(from 28 August 2020)

Anja Mikus
(until 13 May 2020)

– –

Dr. Victoria Ossadnik

a) Innogy SE, Essen (until 2 June 2020)

b) Linde plc, Guildford (UK)

Andreas Schmitz
(since 1 January 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 May 2020)

Nicholas Teller
(until 31 December 2020)

b) Dunfermline Athletic Football Club Ltd, Dunfermline (UK)
(since 1 September 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

Information pursuant to Art. 340a (4) no. 1 of the German Commercial Code (HGB)
as at reporting date: 31 December 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 Munich

Matthias Hach
Commerz Direktservice GmbH[1]
Chairman

Stefan Nodewald
SCHWÄLBCHEN MOLKEREI Jakob Berz
Aktiengesellschaft
Chairman

Marco 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.

Translation from the German language of Independent Auditor's Limited Assurance Report

To Commerzbank AG, Frankfurt/Main

We have performed a limited assurance engagement on the non-financial report of Commerzbank AG according to Art. 340a (1a) of the German Commercial Code (HGB) in conjunction with Art. 289b (3) HGB, which is combined with the non-financial report of the group according to Art. 340i (5) in conjunction with Art. 315b (3) HGB, consisting of the Combined Separate Non-financial Report as well as the sections "Structure and Organisation" in the Management Report and in the Group Management Report being incorporated by reference, for the reporting period from 1 January 2020 to 31 December 2020 (hereafter non-financial report).

Management's responsibility

The legal representatives of the Company are responsible for the preparation of the non-financial report in accordance with Art. 340a (1a) in conjunction with Art. 289c to 289e HGB and Art. 340i (5) in conjunction with Art. 315c HGB.

This responsibility includes the selection and application of appropriate methods to prepare the non-financial report as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a non-financial report that is free from material misstatement, whether due to fraud or error.

Auditor's declaration relating to independence and quality control

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the non-financial report based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the non-financial report of the Company has been prepared, in all material respects, in accordance with Art. 340a (1a) in conjunction with Art. 289c to 289e HGB and Art. 340i (5) in conjunction with Art. 315c HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted mainly between December 2020 and March 2021, we performed amongst others the following assurance and other procedures:

- Inquiries of employees and inspection of relevant documentation regarding the selection of topics for the non-financial report, the risk assessment and the concepts of Commerzbank AG and of Commerzbank Group for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial report, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the

extent relevant for the assurance of disclosures in the non-financial report,
- Identification of likely risks of material misstatement in the non-financial report,
- Inspection of relevant documentation of the systems and processes for compiling, aggregating and validating of data in the relevant areas in the reporting period,
- Analytical evaluation of disclosures in the non-financial report regarding Commerzbank AG and Commerzbank Group,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data and
- Evaluation of the presentation of disclosures in the non-financial report.

Assurance conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the non-financial report of Commerzbank AG for the period from 1 January 2020 to 31 December 2020 has not been prepared, in all material respects, in accordance with Art. 340a (1a) in conjunction with Art. 289c to 289e HGB and Art. 340i (5) in conjunction with Art. 315c HGB.

Intended use of the assurance report

We issue this report on the basis of the engagement agreed with Commerzbank AG. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

Engagement terms and liability

The “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]” dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Eschborn, Frankfurt/Main, 3 March 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Claus-Peter Wagner Wirtschaftsprüfer (German Public Auditor)	Nicole Richter Wirtschaftsprüferin (German Public Auditor)

Information on the encumbrance of assets

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

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

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

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

OTC derivatives transactions are concluded based on internationally standardised master agreements such as the ISDA Master Agreement or the German Master Agreement for Financial Futures. The collateralisation under these agreements, in some cases stipulated by EU regulations and in others determined in accordance with the wishes of the parties, is fundamentally based on customary and bilaterally negotiated collateralisation arrangements. These arrangements in the derivatives business usually involve the collateralisation of the respective obligation from the totality of all transactions between the parties under a master agreement through the transfer of title over the collateral to the buyer of protection.

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

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

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

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

For the calculation of the figures published here, the median of the past four quarters in 2020 was used.

	Encumbered assets				Unencumbered assets			
31.12.2020	Equity book value		Fair value		Equity book value		Fair value	
€m		of which: notionally elligible EHQLA and HQLA		of which: notionally elligible EHQLA and HQLA		of which: EHQLA and HQLA		of which: EHQLA and HQLA
Assets	**101,839**	**25,842**			**438,790**	**110,511**		
Equity instruments	79	0			1,387	55		
Debt securities	35,390	25,842	35,536	25,191	48,465	33,219	45,862	32,246
of which: covered bonds	7,584	7,308	7,584	7,305	2,184	2,104	2,184	2,103
of which: asset-backed securities	1,479	3	1,435	3	8,969	20	8,761	19
of which: issued by general governments	19,155	17,762	19,340	17,117	24,185	22,054	21,941	21,050
of which: issued by financial corporations	14,912	7,717	14,873	7,718	18,758	9,713	18,530	9,714
of which: issued by non-financial corporations	1,289	335	1,289	329	5,956	1,557	5,499	1,528
Other assets	66,405	0			385,149	78,433		
of which: loans and advances other than loans on demand	66,260	0			245,175	0		

More than 50 % of the unencumbered other assets may also be used to provide security or collateral. Assets that may not be encumbered include, in particular, loans secured by deposited securities, derivatives without collaterals and non-financial assets.

The breakdown of collateral received and own debt securities issued was as follows at the reporting date:

	Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
31.12.2020 €m		of which: notionally elligible EHQLA and HQLA		of which: EHQLA and HQLA
Collateral received	**57,761**	**49,103**	**9,233**	**6,866**
Loans on demand	0	0	133	0
Equity instruments	4	0	438	29
Debt securities	57,706	49,062	8,783	6,687
of which: covered bonds	358	347	293	283
of which: asset-backed securities	1,364	3	26	0
of which: issued by general governments	50,726	45,775	5,799	5,254
of which: issued by financial corporations	5,738	2,909	2,140	1,119
of which: issued by non-financial corporations	1,159	310	275	81
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**	**827**	**0**
Retained covered bonds issued			**249**	**0**
Total assets, collateral received and own debt securities issued	**150,727**	**68,747**		

The liabilities associated or secured with encumbered assets were as follows at the reporting date:

31.12.2020 €m	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than encumbered Pfandbriefe and ABSs
Carrying amount of selected financial liabilities	**120,243**	**143,025**

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

Based on median values, an increase in the balance sheet did result in an increase in the encumbered assets compared to the previous year.

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

Quarterly results by segment

1st quarter 2020 €m	Private and Small Business Customers	Corporate clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	680	454	–	186	1,320
Dividend income	1	– 0	–	0	2
Risk result	– 161	– 165	–	0	– 326
Net commission income	586	299	–	– 9	877
Net income from financial assets and liabilities measured at fair value through profit or loss	32	– 42	–	– 294	– 304
Net income from hedge accounting	1	6	–	– 77	– 70
Other net income from financial instruments	6	– 3	–	10	13
Current net income from companies acounted for using the equity method	0	2	–	0	2
Other net income	2	39	–	– 29	12
Income before risk result	***1,308***	***755***	**–**	***– 212***	***1,851***
Income after risk result	***1,147***	***590***	**–**	***– 212***	***1,525***
Operating expenses	864	598	–	41	1,503
Compulsory contributions	137	103	–	60	301
Operating profit or loss	**146**	**– 112**	**–**	**– 313**	**– 278**
Impairments on goodwill and other intangible assets	–	–	–	–	–
Restructuring expenses	–	–	–	–	–
Pre-tax profit or loss from continuing operations	**146**	**– 112**	**–**	**– 313**	**– 278**

2nd quarter 2020 €m	Private and Small Business Customers	Corporate clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	630	461	–	186	1,277
Dividend income	11	3	–	– 2	12
Risk result	– 152	– 290	–	– 27	– 469
Net commission income	502	300	–	– 11	791
Net income from financial assets and liabilities measured at fair value through profit or loss	66	73	–	23	163
Net income from hedge accounting	0	4	–	131	135
Other net income from financial instruments	5	0	–	– 4	2
Current net income from companies acounted for using the equity method	0	2	–	– 0	3
Other net income	– 32	– 41	–	– 36	– 109
Income before risk result	***1,183***	***802***	**–**	***288***	***2,273***
Income after risk result	***1,030***	***512***	**–**	***261***	***1,804***
Operating expenses	859	588	–	80	1,526
Compulsory contributions	64	7	–	2	73
Operating profit or loss	**108**	**– 83**	**–**	**180**	**205**
Impairments on goodwill and other intangible assets	–	–	–	–	–
Restructuring expenses	–	–	–	–	–
Pre-tax profit or loss from continuing operations	**108**	**– 83**	**–**	**180**	**205**

3rd quarter 2020 €m	**Private and Small Business Customers**	**Corporate clients**	**Asset & Capital Recovery**	**Others and Consolidation**	**Group**
Net interest income	637	444	–	145	1,226
Dividend income	12	0	–	2	14
Risk result	– 130	– 120	–	– 22	– 272
Net commission income	515	308	–	– 10	812
Net income from financial assets and liabilities measured at fair value through profit or loss	58	65	–	– 98	25
Net income from hedge accounting	1	1	–	85	88
Other net income from financial instruments	– 0	– 23	–	– 15	– 39
Current net income from companies acounted for using the equity method	– 1	1	–	– 0	– 0
Other net income	– 69	– 8	–	– 16	– 94
Income before risk result	***1,153***	***788***	**–**	***92***	***2,033***
Income after risk result	***1,022***	***668***	**–**	***70***	***1,761***
Operating expenses	872	590	–	59	1,521
Compulsory contributions	67	4	–	0	72
Operating profit or loss	**83**	**74**	**–**	**11**	**168**
Impairments on goodwill and other intangible assets	–	–	–	–	–
Restructuring expenses	–	–	–	201	201
Pre-tax profit or loss from continuing operations	**83**	**74**	**–**	**– 189**	**– 32**

4th quarter 2020 €m	**Private and Small Business Customers**	**Corporate clients**	**Asset & Capital Recovery**	**Others and Consolidation**	**Group**
Net interest income	630	439	–	82	1,151
Dividend income	2	2	–	6	10
Risk result	– 118	– 505	–	– 57	– 681
Net commission income	548	298	–	– 9	837
Net income from financial assets and liabilities measured at fair value through profit or loss	75	49	–	57	182
Net income from hedge accounting	– 2	1	–	56	55
Other net income from financial instruments	19	– 13	–	– 48	– 41
Current net income from companies acounted for using the equity method	– 1	2	–	– 0	2
Other net income	– 138	– 5	–	– 24	– 167
Income before risk result	***1,133***	***775***	**–**	***121***	***2,029***
Income after risk result	***1,015***	***269***	**–**	***64***	***1,347***
Operating expenses	920	604	–	85	1,609
Compulsory contributions	63	2	–	1	67
Operating profit or loss	**31**	**– 338**	**–**	**– 22**	**– 328**
Impairments on goodwill and other intangible assets	1,578	–	–	–	1,578
Restructuring expenses	–	–	–	614	614
Pre-tax profit or loss from continuing operations	**– 1,547**	**– 338**	**–**	**– 636**	**– 2,520**

Five-year overview

Income statement I €m	2020	2019[1]	2018	2017	2016
Net interest income	4,975	5,070	4,748	4,295	4,165
Dividend income	37	35	36	106	164
Risk result	-1,748	-620	-446	n/a	n/a
Loan loss provisions	n/a	n/a	n/a	-781	-900
Other realised profit or loss and net remeasurement gain or loss	n/a	n/a	n/a	-76	40
Net comission income	3,317	3,056	3,089	3,192	3,212
Net income from financial assets and liabilities at fair value through profit or loss	66	244	366	598	1,019
Net income from hedge accounting	207	105	48	-85	-37
Other realised profit or loss from financial instruments	-65	27	26	244	393
Current net income from companies accounted for using the equity method	6	10	12	23	150
Other net income	-357	93	245	466	293
Operating expenses	6,160	6,313	6,459	6,834	7,100
Compulsory contributions	512	453	423		
Operating profit	-233	1,253	1,242	1,149	1,399
Impairment of goodwill and other intangible assets	1,578	28	–	–	627
Restructuring expenses	814	101	0	808	128
Pre-tax profit or loss from continuing operations	-2,626	1,124	1,242	341	643
Taxes on income	264	421	268	215	261
Consolidated profit or loss from continuing operations	-2,890	703	975	126	382
Consolidated profit or loss from discontinued operations	30	-18	-10	96	n/a
Consolidated profit or loss	-2,861	685	964	222	382
Consolidated profit or loss attributable to non-controlling interests	9	100	102	94	103
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components	**-2,870**	**585**	**862**	**128**	**279**

Balance sheet I €bn	2020	2019	2018	2017	2016
Total assets	506.9	463.5	462.4	452.5	480.4
Equity as shown in balance sheet	28.6	30.5	29.4	30.0	29.6

Capital rations I %	2020	2019	2018	2017	2016
Tier 1 capital ratio	15.0	14.3	13.4	15.2	13.9
Total capital ratio	17.7	16.8	16.3	18.3	16.9

Ratings[2]	2020	2019	2018	2017	2016
Moody's Investors Service, New York	A1/ A1/ P-1	A1/ A1/ P-1	A1/ A1/ P-1	A2/Baa1/P-1	A2/ Baa1/P-1
S&P Global, New York	A-/ BBB+/ A-2	A/ A-/ A-2	A/ A-/ A-2	A-/ A-/ A-2	BBB+/BBB+/ A2
Fitch Ratings, New York/London	BBB+/ BBB/ F2	A-/ BBB+/ F1	A-/ BBB+/ F2	A-/BBB+/F2	A-/BBB+/ F2
Scope Ratings, Berlin	-	–/ A/ S-1	–/ A/ S-1	-/ A/ S-1	-

[1] Prior-year figures restated.
[2] Deposit rating/issuer credit rating/short-term liabilities (further information can be found online at www.commerzbank.com).

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This Annual Report is also available in German.
Both versions are available online.

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Alexandra Lechner (p. 6)

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Disclaimer

Reservation regarding forward-looking statements

This Annual Report contains forward-looking statements on Commerzbank's business and earnings performance, which are based upon our current plans, estimates, forecasts and expectations. The statements entail risks and uncertainties, as there are a variety of factors that influence our business and to a great extent lie beyond our sphere of influence. Above all, these include the economic situation, the state of the financial markets worldwide and possible loan losses. Actual results and developments may, therefore, diverge considerably from our current assumptions, which, for this reason, are valid only at the time of publication. We undertake no obligation to revise our forward-looking statements in the light of either new information or unexpected events.

The German version of this Annual Report is the authoritative version and only the German version of the Group Management Report and the Group financial statements were audited by the auditors.

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

Publication of the Annual Report:
24 March 2021

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

Commerzbank worldwide

Operative foreign branches	20
Representative offices	30
Significant Group companies abroad	6
Domestic branches in private customer business	~800
Foreign branches	437
Worldwide staff	47,718
International staff	14,167
Domestic staff	33,551

2021 Financial calendar

5 May 2021	Annual General Meeting
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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